



UNDERSTANDING ORGANIZATIONAL RESILIENCE

September 2022
Insights Forum:
Executive Summary

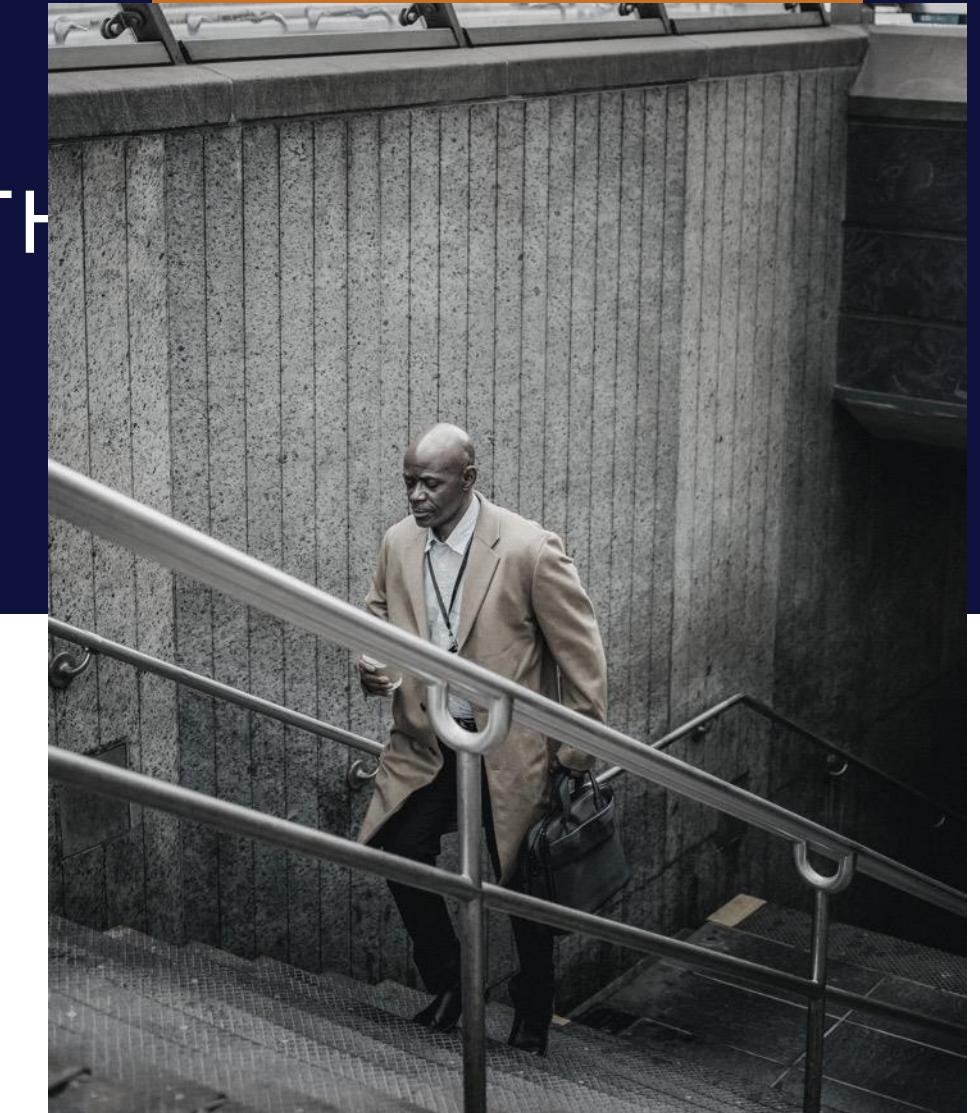


DURING THE COVID-19 CRISIS, SOME ORGANIZATIONS MANAGED TO DEMONSTRATE THE IMPORTANCE OF RESILIENCE, GROWING WHEN OTHER COMPANIES FALTERED.

The difference resilience makes: Data presented by SHRM researcher Dr. Katrina Merlini finds “**resilience**” was one of the key attributes of organizations that managed to **survive** – and even **thrive** – during the last two years of the pandemic. The research conducted by SHRM Research, in cooperation with Gap International, examines key differentiators of resilience and lessons learned from COVID-19.



“Resilience is a **strategic imperative** that’s been really important for effectively coping in times of adversity,” Merlini told the Forum members. “We know from previous research that resilience has counted for around **30%** of organizations’ relative total shareholder return over a 25-year period. And there are a lot of short-term benefits too, as you probably notice through COVID.”



WHAT EXACTLY IS RESILIENCE?

The term has gotten thrown around a lot in the last several years, referring to personal attributes such as grit, determination, and rebounding from obstacles. In the organizational setting, resilience refers to the ability to encounter adversity but still manage to perform at the same or even higher level than before while preserving the well-being of the workforce. This may involve “bouncing back” after some decreases in performance and well-being. Ultimately, resilient organizations are not worse off once adversity subsides.

RESILIENT:

Same or better performance and well-being compared to pre-pandemic.

NON-RESILIENT:

Worse performance and well-being compared to pre-pandemic.

And why is resilience important? In terms of organizational competence, the competitive advantages that resilience provides can be boiled down to two basics: better performance compared with competitors and less turnover.

COMPETITIVE ADVANTAGES OF RESILIENT ORGANIZATIONS



Turnover at resilient firms: **38%**



Turnover at non-resilient firms: **76%**



Better performance than competition at resilient firms: **81%**



Better performance than competition at non-resilient firms: **46%**

WHAT DIFFERENTIATED RESILIENT FROM NON-RESILIENT ORGANIZATIONS?

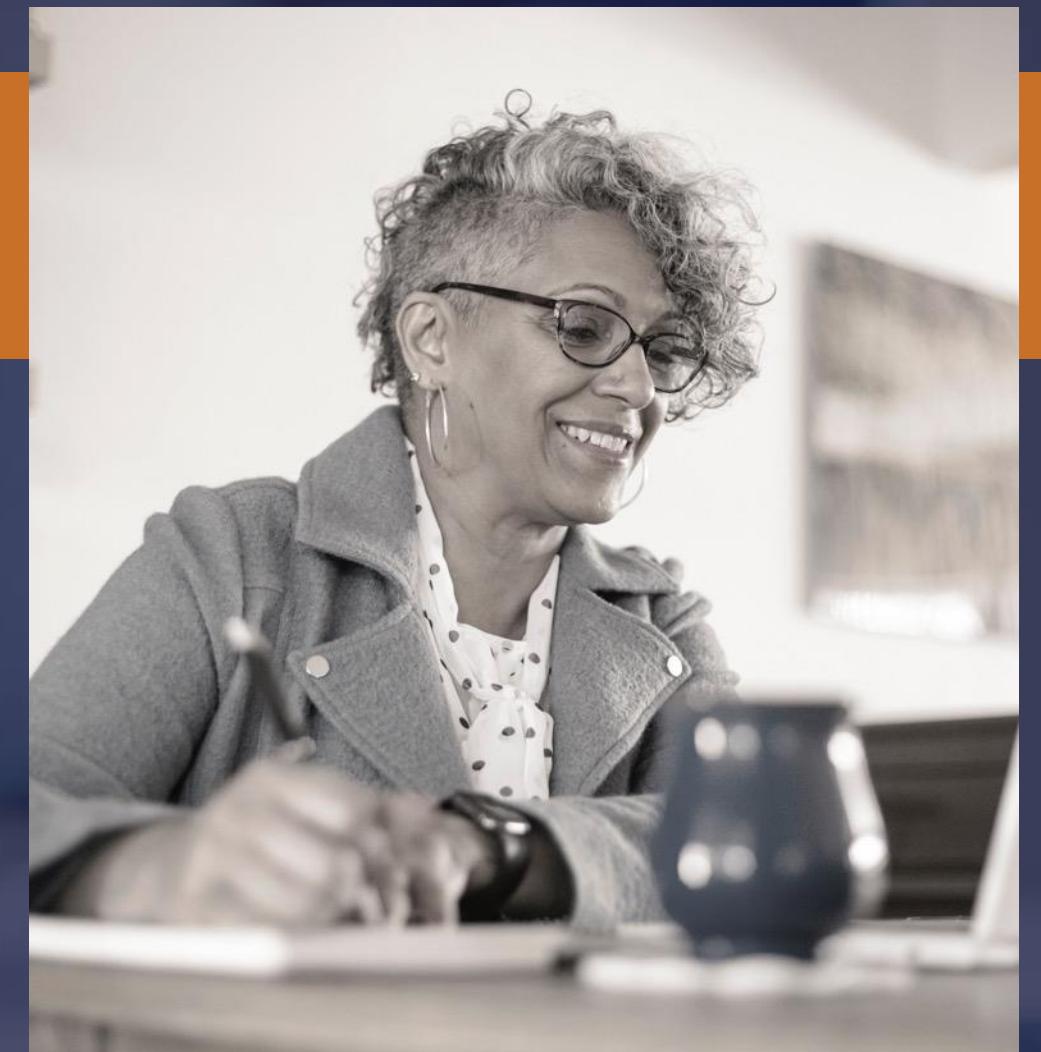
The differences between **resilient** and **non-resilient** organizations come down to the processes that they enacted when responding to the pandemic, their existing capabilities, and how those capabilities played out during the pandemic crisis.

RESILIENCE IS A PROCESS

- **Planning actions**, which includes developing and practicing crisis response plans with involvement from all levels of staff and leadership.
- **Responding actions**, which involved flattening the organizational hierarchy, keeping managers and associates up to date as conditions evolve, and empowering workers to adapt and take action.

FACILITATED BY CAPABILITIES

- **Norms of inclusion**, which involve making sure that members of all backgrounds feel like they belong and are valued for their uniqueness.
- **Norms of adaptation** that allow people to adjust to changing environments.



PROVEN STRATEGIES

Planning: Resilient organizations were significantly **more likely** to have plans in place for the unexpected and to have practiced or tested those plans.

Organizations were able to adapt response plans developed after earlier emergencies or from existing business continuity plans.

“Even if plans weren’t specific to COVID, they likely helped form these collective ways of thinking and behaving that would be helpful when faced with an adversity of any nature,” Merlini said. “Another key differentiator in planning was forming leadership teams at the early onset, when the threat was known. What we’re seeing here is that top leaders didn’t go it alone. They leveraged their key staff to help them with their planning and response.”

Responding: In responding to the pandemic, keeping everyone in the organization current on the latest information was a vital element of how resilient organizations responded. That included both external information about the world around the organization but also internal information about the organization’s changes and response measures.

“Another finding we saw is that employees at resilient organizations were more likely to quickly accept leadership decisions when they were transparent and honest, according to Kim Heinz from Clear Channel Outdoors,” Merlini said. Heinz noted that when the company decided to bring workers back to the office and started collecting vaccination status, open communication was crucial. “She said, ‘I think people don’t necessarily like it, but they have to respect it,’” Merlini said.

FLATTENING THE HIERARCHY:

Resilient organizations were **more likely** to have empowered their people to use their knowledge in new ways to **overcome challenges**. One notable example happened with Equifax employees in Mumbai, who worked not with laptops but desktops and relied on public transportation. To facilitate working from home, the managers hired 500 Ubers to get these employees home safely with their office equipment.



INCLUSION AND RESILIENCE:

At first glance, this might not seem like an important factor, but inclusive organizations did see more success during the pandemic.

Inclusion might act like both the **glue** and the **grease** that helps with resilience,” Merlini said. “In terms of having everybody feel like they belong, that might help everyone stick together and cope with adversity and support one another. And when you **feel valued for your uniqueness**, you’re more likely to share your perspectives and different ideas for doing things, which might have been helpful by **leveraging diverse perspectives** to solve problems and create solutions.”

WHAT DIDN'T MATTER:

One finding that highlights just how important resilience has been in successfully navigating the pandemic crisis is that there was **no advantage** for organizations in terms of other characteristics, including those that had remote work options before COVID hit.

NO ADVANTAGE

- Industry
- Size
- Region
- Remoteness prior to the pandemic or now
- Changing products/services

“Taken together, we see evidence that resilience is really **within reach**,” Merlini said. “It doesn’t belong to any one type of organization or location, but it takes effective actions at both the **planning and response stages** to adversity and the necessary **capabilities**.”



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Merlini added: “Now that we have evidence of the actions and capabilities that made a difference, we can set our organizations up to **successfully manage** and **adapt** to the **next challenge**.”

JOHNSON FINANCIAL GROUP CHRO DENISE DAMIAN: OUR BEST YEAR EVER



If you're not convinced that resiliency is important to your organization, consider what Denise Damian shared with Forum members about Johnson Financial Group: *During COVID, the company had its best year ever.*

With more than 20 years of experience leading human resources functions, Damian has extensive experience working in dynamic, complex organizations. Before joining Johnson Financial six months before the pandemic, Damian served as CHRO at Shopko Stores and worked 20 years in human resource functions at the Bon-Ton Stores.

The following sections are selected excerpts from Domian's remarks.

NOT THEIR FIRST CRISIS

“We are a financial services organization, and we had a pretty considerable **resiliency effort** after the financial crisis like many, of course, but ours was pretty big. I do think that some of the things that we learned from that experience really helped the organization and myself as well.



I have worked for an organization that went through a liquidation, and while this is not a liquidation, in some ways, it was **more difficult** because there wasn't a playbook. We had to **figure out** how to respond, like many organizations.

We had not been a remote organization in the past, but we did have a **business continuity plan** in place that was established several years before when we had a pretty significant storm, and we were unable to quickly react. So we were able to rely on a system that had already been put into place and had been **practiced** in the organization. I really think that helped us to quickly move to more of a remote and flexible work situation.”

CULTURE AND COMMUNICATION CONTRIBUTE TO RESILIENCY

“Our organization has had a **strong culture of family** because we are a family-owned company and because Helen Johnson, who sits on our board, is very focused on the associate and the client experience. When you have that present, and you have high-engagement things like **proper listening** just are present, and you don’t have to create them.

One of the things that we did quickly was to have our leaders **met every day** as a team, sometimes for 15 minutes, sometimes for an hour, to talk about where we were and what we needed to do. I think that the leaders meeting regularly, to discuss what our approach was going to be, was very helpful. We quickly established a site on our internet to **communicate** to associates about how we were responding and what we were planning to do.

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In some cases, we communicated that **we don't know the answer**, but we are looking at it, we know that this is a concern for you, and we will figure out how to address it. We were **really honest** about the things that we didn't know and trying to make sure that we weren't communicating something that we really couldn't commit to.”

BALANCING THE IMMEDIATE CHALLENGE AND THE FUTURE

“We were on the path of a divestiture at the time. I was in the airport with Jim Popp, our CEO, two days before everything pretty much shut down, looking at this divestiture. We had to determine whether we were going to continue with that. We also had a digital transformation and process that we’d started eight months prior and had to determine whether we needed to put all of that on hold.

We definitely slowed it, but we didn’t stop it. We knew that we needed to come out of this on the other side. We had opportunities that we needed to focus on to make sure that we continue to be relevant as we move forward, regardless of the situation that we’re in. So we really continued with a path for change.”

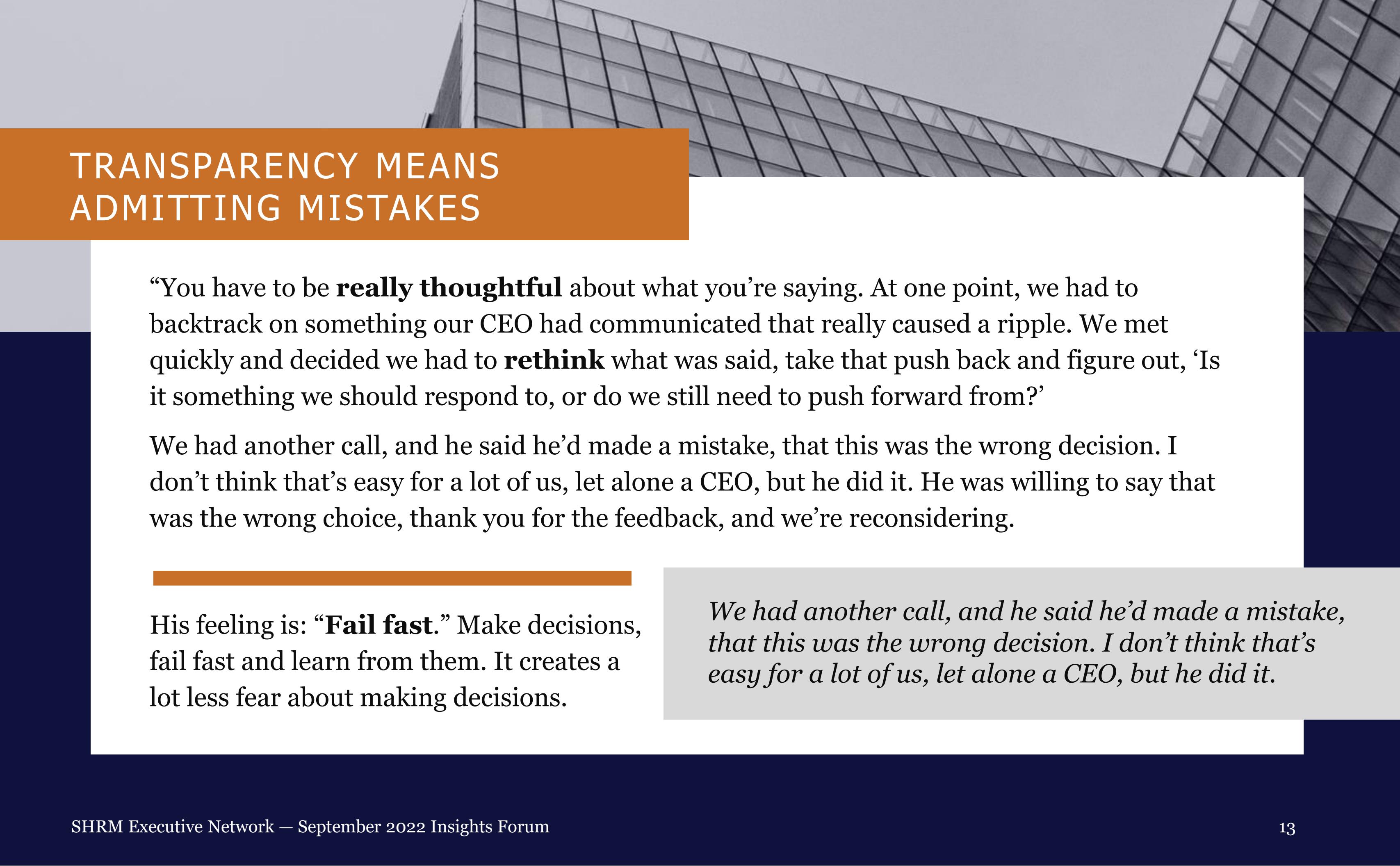




CREATIVELY TAPPING ALL THE AVAILABLE RESOURCES

“The one thing about being a bank is you’re always **focused on risk**. And so we have a team that’s very good at this, and we relied on them very heavily. In addition, we have SC Johnson and Johnson Outdoors that are part of the Johnson family, and we exchanged information regularly. So I had two other companies that I could speak to pretty **confidentially** about what we were doing, and they were doing, without having to worry about any kind of issues with competition.

The other piece was utilizing the **expertise** in our risk management group, which includes an infectious disease expert. How great is that? Together with him, we formed a **cross-functional COVID response team** from all the different lines of business in the organization. We looked at the **concerns** people were hearing and what things we needed to think about in order to make sure that we were **responding appropriately**. That allowed us to surface those concerns, approach the leaders, and quickly make decisions.”



TRANSPARENCY MEANS ADMITTING MISTAKES

“You have to be **really thoughtful** about what you’re saying. At one point, we had to backtrack on something our CEO had communicated that really caused a ripple. We met quickly and decided we had to **rethink** what was said, take that push back and figure out, ‘Is it something we should respond to, or do we still need to push forward from?’

We had another call, and he said he’d made a mistake, that this was the wrong decision. I don’t think that’s easy for a lot of us, let alone a CEO, but he did it. He was willing to say that was the wrong choice, thank you for the feedback, and we’re reconsidering.

His feeling is: “**Fail fast.**” Make decisions, fail fast and learn from them. It creates a lot less fear about making decisions.

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SELECTIONS FROM THE AUDIENCE Q&A SESSION

How have you reset as an organization? Have you celebrated?

We were in the middle of our 50th anniversary during COVID, and we did take a moment **to celebrate** the fact that we had been around for 50 years. Not in person, like we wanted to, but we didn't put it on hold.

We are still trying to figure out this whole **hybrid work situation**. We are allowing people to choose two days to work from home, where it's possible, but if people are client-facing and they're in a bank branch, they can't do that.

We almost have **more angst** because of that **change in flexibility** that we're going through. We've started to feel like we're **losing the connection** with people. We're evaluating whether we want to go to more consistent days where people work remotely so that we can be together more frequently. That's the one change we're making right now that I think will help to have better teamwork.

Another thing is that we had almost **no turnover** during the pandemic. It seemed like people were taking a wait-and-see approach. The challenge with that is that now you see that people put those decisions on hold, and they're rethinking things. As we move forward, our **turnover has definitely increased**, and it's higher now than it was prior to the pandemic. The great resignation is real for everyone.

“...now you see that people put those decisions on hold, and they’re rethinking things.

SELECTIONS FROM THE AUDIENCE Q&A SESSION

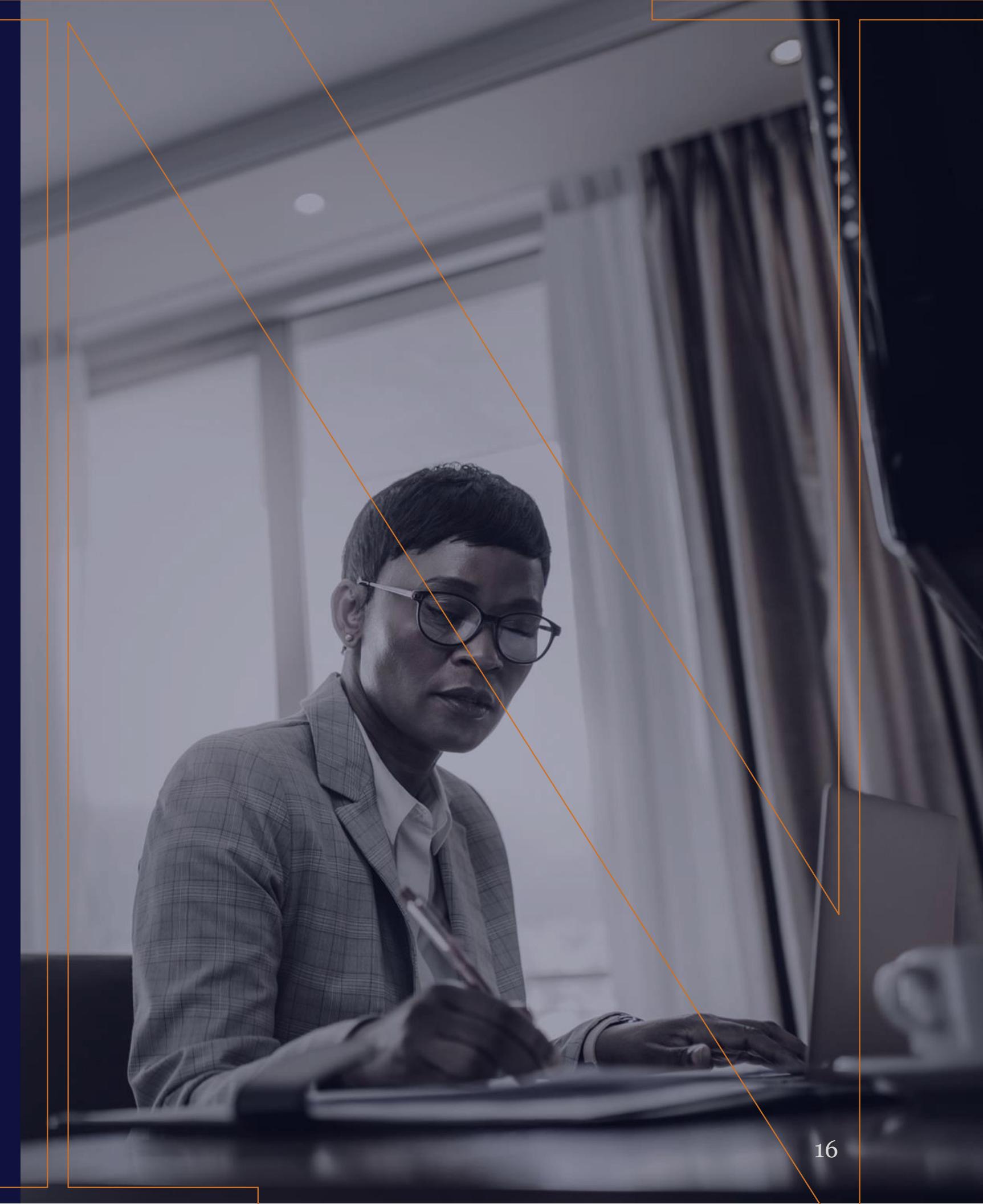
How was the overall performance of your company?

We had our most profitable year during COVID, and I think it's because of how we handled the **payroll protection plan**, which was pretty ill-defined. We rely on a large vendor to help us with some operational aspects of the bank, and they weren't prepared for it. So we **forged ahead** on our own and figured out what we needed to do in order to just make it happen.

It ended up being kind of manual and not a very automated process. But we had business managers call and say, "Hey, I hear that you're reacting more quickly than my current bank. Can I move over to you?"

We realized that we needed to figure out how to **move forward** and **be responsive** to our clients and customers. Really thinking about not relying so much on your vendors but deciding what's right for you and what you need to do to make sure that you're reacting in a **timely way** and **supporting your clients**.





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