



# Corporate Resilience for the Nation

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- RUSI Resilience Conference History
- The implicit assumptions in the Civil Contingencies Act
- Challenging those assumptions
- What can be done differently?



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## Civil Contingencies Act

*The Government's aim is to reduce the risk from emergencies so that people can go about their business freely and with confidence.*

### UK Resilience

- Framework
- Provision of “Public Good” services
- Surge capacity when the citizen is overwhelmed



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## Implicit assumptions of the CCA

Making sure that each element of the complex system of systems that supplies the assets and services to ensure the economic, political and social wellbeing of the nation can “weather the storm”:

- Can be largely viewed in isolation of all the other things a state does to ensure the long-term viability and prosperity of the nation, such as economic policy, foreign policy, military action, community cohesion etc....
- Is sufficient to “provide a framework for building organisational resilience.....that safeguards the interests of its key stakeholders, reputation, brand and value-creating activities” (BS25999)



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## *Challenging the assumption: Corporate Resilience Case study*



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## Workshop issues

1. Disproportionate emphasis on one element of Corporate Resilience can create imbalance and have a negative effect on resilience as a whole.
2. Corporate Resilience principals are applicable at the national level.



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## *The effect of disproportionate emphasis*



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## The concept of risk (1)

A concept that denotes a potential negative impact to an asset or some characteristic of value that may arise from some present process or future event

- **Engineering:** (Probability of an accident) x (loss per accident)
- **Military:** (Capability of enemy) x (Enemy intent)
- **Finance:** Unexpected variability or volatility of returns (positive or negative)
- **Statistics:** Probability of some event which is seen as undesirable



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## The concept of risk (2)

**Information Security:** A function of 3 variables:

- the probability that there's a **threat**
- the probability that there are any **vulnerabilities**
- the potential **impact/consequence**

If any of these variables approaches zero, the overall risk approaches zero



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## Complex changing environment

- Technological Discontinuities
- Regulatory Upheavals
- Geopolitical Shocks
- Abrupt shifts in consumer tastes
- Non-traditional competitors
- .....



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## Drivers for Corporate Resilience

*Source: Hamel & Valikangas Harvard Business Review 2003*

- **Big Companies are failing more frequently:**
  - of the 20 largest US bankruptcies over the period 1983-2003 10 occurred between 2001 and 2003
- **Earnings are more volatile:**
  - Over the past 40 years year to year volatility in earnings growth rate of S&P 500 companies has increased by nearly 50%
- **Performance Slumps are proliferating:**
  - Over the past 20 years the fortune 500 companies entering a decline in net income has more than doubled.



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***“Insanity: Doing the same thing over and over again and expecting different results”***

Albert Einstein



## Corporate Resilience Best Practice

- Constantly monitor environment looking for event pre-cursors
- Cross-functional decision making
  - Max Weber's assertion that those with the most relevant expertise should take the decision making lead has been outdated by modern information systems and the understanding of decision making
  - Multiple information sources gives richer information
  - Avoids the risk of being advised by those that have a vested interest in the status quo
  - Avoids "*Locally Rational*" decisions
- Portfolio of Strategic Options
- Tighter corporate governance
  - To "*focus the mind*"



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## Workshop conclusions (1)

*Professionalism of BCM has isolated it from the executive and may introduce inertia into corporations who need to rapidly evolve in a fast moving environment – thus potentially weakening overall resilience.*



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## *CR principals applicable at the national level*



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## *Risk = f (threat, vulnerability, consequence)*



### **Social Contract between State and Citizen**

Thomas Hobbes: State is justified by its ability to provide physical protection for its citizens.

Secures life and liberty by reducing the threat through

- foreign policy tools
- domestic policies and legislation in extreme circumstances
- acts of aggression such as war or military action

*“we cannot promise 100% success: that would be an insult to your intelligence and to my integrity to indicate that we [the government] can ever guarantee that when fighting terrorism.”*

Former Home Secretary John Reid, May 2007

*“while an unstable climate has obvious hard security implications, the traditional tools of hard security – in simple terms bombs and bullets – are not going to be able to solve that problem.”*

Former Foreign Secretary Margaret Becket, May 2007



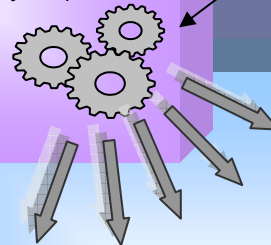
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**Government**

- Central, Regional and Local
- Public sector Category 1 Responders. E.g. Local Authorities, Emergency Services, Health Trusts, Environment Agency
- Public sector Category 2 Responders. E.g., Airport Authorities, Harbour Authorities, Health and Safety Executive

Driven largely by CONTEST, Lead Government System and Key Capabilities Programme

Regulatory &  
Legislative  
Gearing

**Private Sector**

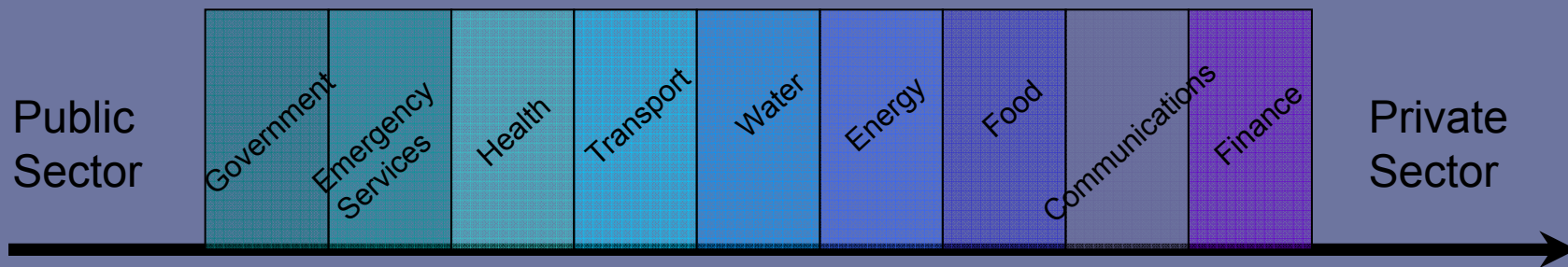
- Private Sector Category 1 Responders
- Private Sector Category 2 Responders. E.g. Nationalised critical utilities and transport providers
- General National Infrastructure
- General Private Sector

Many diverse drivers including the Civil Contingencies Act, Business need to be secure to prosper economically, Health & Safety at Work Act and Corporate Social Responsibility



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## Critical Assets, Services and Systems



### Hierarchical monopolies

Max Weber: Stable administrative but with decisions made by those with the most relevant experience.

Ministerial accountability reinforces the tendency not to integrate service provisioning across departments.

### Flexible network of suppliers

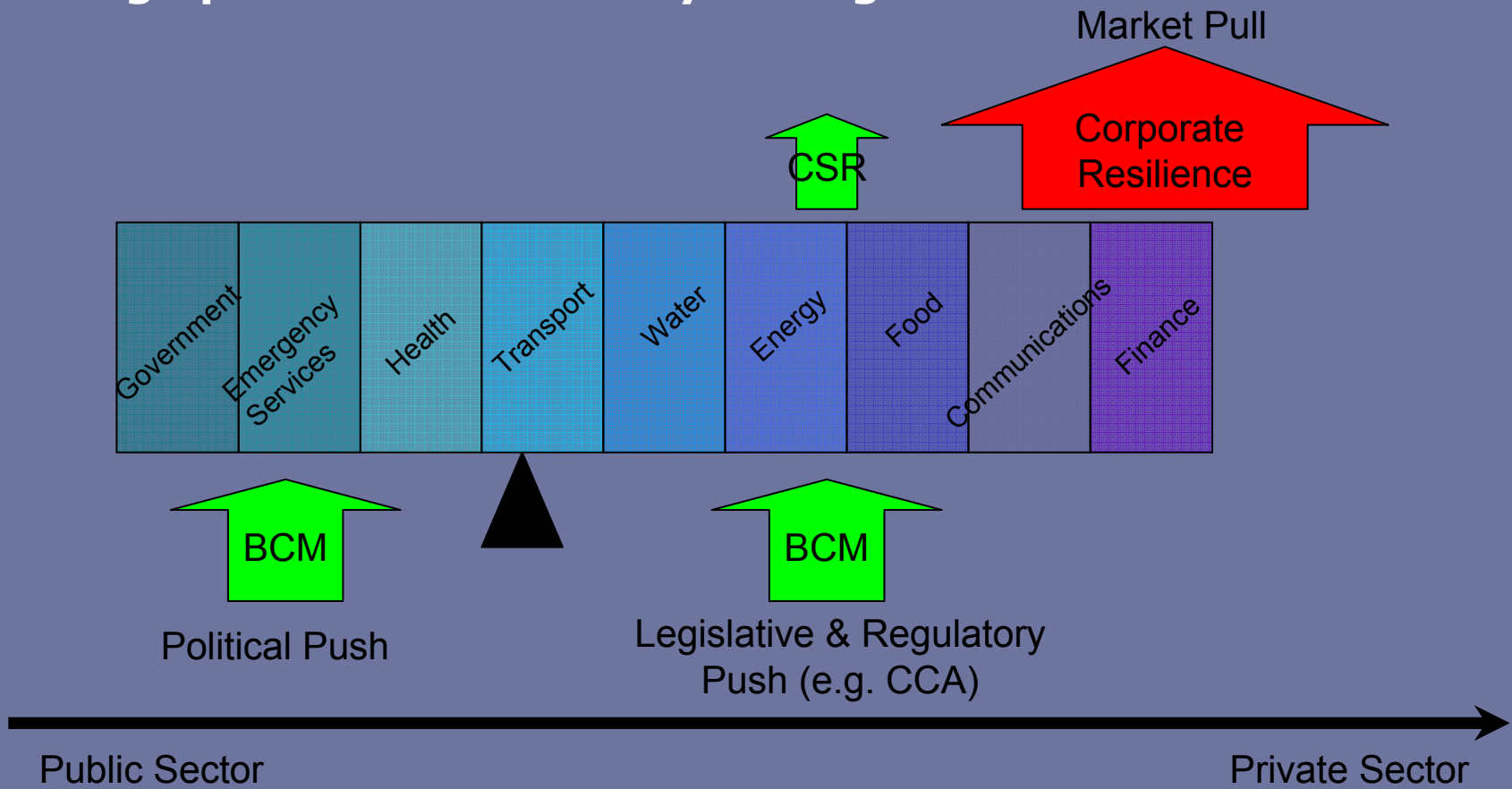
Network Resilience: The wider variety of actions offered results in an increased ability to accommodate a larger variety of perturbations

Market forces are creating the redundancy and duplication



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## Providing operational continuity through the CCA





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## Workshop conclusions (2)

*Imbalance due to overemphasis on BCM in the private sector may weaken the market forces in the private sector and undermine the government's ability to deliver operational continuity.*



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*But what can be done differently?*



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## A few quotes

*The obligation of the subjects of the Sovereign is understood to last as long, and no longer, than the power lasteth, by which he is able to protect them.* Thomas Hobbes

*It is not wisdom but Authority that makes a law.* Thomas Hobbes

*Our owne actions are our security, not others judgements.*  
George Herbert

*A good paymaster does not hesitate to give good security.*  
Italian Proverb



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## *Summary*



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## Summary

- Overemphasis on operational continuity may erode resilience at the corporate level.
- Erosion of resilience at the corporate level may weaken the market forces that are relied upon by the state to deliver operational continuity of critical assets services and systems.