

# Roads to Resilience

## The Power of Positive Thinking



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# Roads to Resilience – The Power of Positive Thinking

## Our Approach

Summer 2011 saw Airmic publish the ground breaking report Roads to Ruin, co-sponsored by Crawford & Company. The report was very well received and identified seven key indicators that often emerge when there are crises that lead to major corporate failures.

Inspired by the Roads to Ruin template, however, Airmic commissioned Cranfield School of Management – again sponsored by Crawford & Company and others - to build on the research and identify not so much how to manage crises once they have occurred, but to understand how resilient corporates best avoid them or mitigate their commercial impact.

The result - Roads to Resilience - examined eight leading organisations that have had to deal with significant uncertainty. Its findings are positive, inspiring and can point the way to risk management fulfilment.

What was learned was that the most resilient corporates are those which put risk management at the centre of their culture, who take advantage from proactively identifying their risk landscape and which set out strategies which mitigate impact. Aligned is a collective endeavour to have open and transparent communication about risk management that precludes the “glass ceiling” limitation so often seen in the Roads to Ruin case studies.

John Hurrell, Chief Executive Officer of Airmic commented:

“Airmic was grateful for all the support received from Crawford throughout this project. We truly believe this piece of research gives valuable guidance to enable risk managers and their boards to embed risk management into corporate strategy for the benefit of the enterprise, their customers and all critical stakeholders.”

## Common Principles

The Roads to Resilience researchers interviewed senior employees with risk management responsibilities, including CEOs at AIG; Drax Power; InterContinental Hotels Group; Jaguar Land Rover; Olympic Delivery Authority; The Technology Partnership; Virgin Atlantic; and Zurich Insurance.

They found that although these companies operate in very different environments, **five common principles** underpinned the foundations for them to achieve resilience.

The report refers to these principles as the **five Rs - Risk Radar, Resources and Assets, Relationships and Networks, Rapid Response, and Review and Adapt** - and advises that it is not sufficient to have just one or even most of them but that an organisation must seek to have all five to achieve resilience.

# Resilience Principles

We outline a brief overview of the **five principles of resilience** below along with snippets of the case studies that show us how disaster can and has been averted and, where it cannot, how strategies can be implemented which limit the impact on brands.

**1 Risk radar**  
- the ability to anticipate problems before they develop

**Case Study:**  
**IHG Hotels – Threat and Vulnerability Assessment**

IHG has developed an approach in high risk places - where security is more challenging - called a Threat and Vulnerability Assessment. In one high threat location, two IHG security experts observed how one of its hotels functioned on a typical day with an eye for what terrorists would be looking for. Quickly it emerged that regular deliveries meant that delivery vans were parking close to one of the hotel towers. Immediately this threat was mitigated by having the deliveries re-scheduled and re-routed to reduce the risk that delivery van could be hi-jacked and used in an attack.

**2 Resources and assets**  
- that are well diversified

**Case Study:**  
**Drax Power – Protect the main asset**

Managers show a strong association with the asset. "I say we very much protect the plant and the performance of the plant is very important to us." "All the senior management team work in a small open plan office – you can over hear conversations...and it really helps collaboration." Across the group people are encouraged to break down barriers, rather than form barriers.

Right from the top of the Drax Group there is a fundamental focus on risk management and "often our president will sit in our meetings, we meet as a group formally to review risk management in a deep dive way at least once a quarter".

**3 Relationships and networks**  
- that enable risk information to flow freely

**Case Study:**  
**The Technology Partnership – challenging questions**

Working together and face-to-face informal communication is strongly encouraged at TTP. "Often, you get a new joiner who says 'Why don't we have a database where I can look up, you know, an electro engineer with Digital Signal Processing experience'. And the answer is because if you do that you miss out on an awful lot. Just go and ask somebody."



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**4**

**Rapid response**  
- to ensure that an incident does not escalate into a crisis or disaster

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**Case Study:**

**Virgin Atlantic**

**- rapid response teams**

A feature of Virgin Atlantic's flat structure is that within this structure, emergency response or duty commanders are not executives or even necessarily operational people: "The Head of Legal has been a duty commander for a good number of years. We look for the kind of person who has a passion and would like to get involved...generally if you want to do something, you will do a good job."

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**5**

**Review and adapt**  
- the ability to learn from experience and make the necessary changes

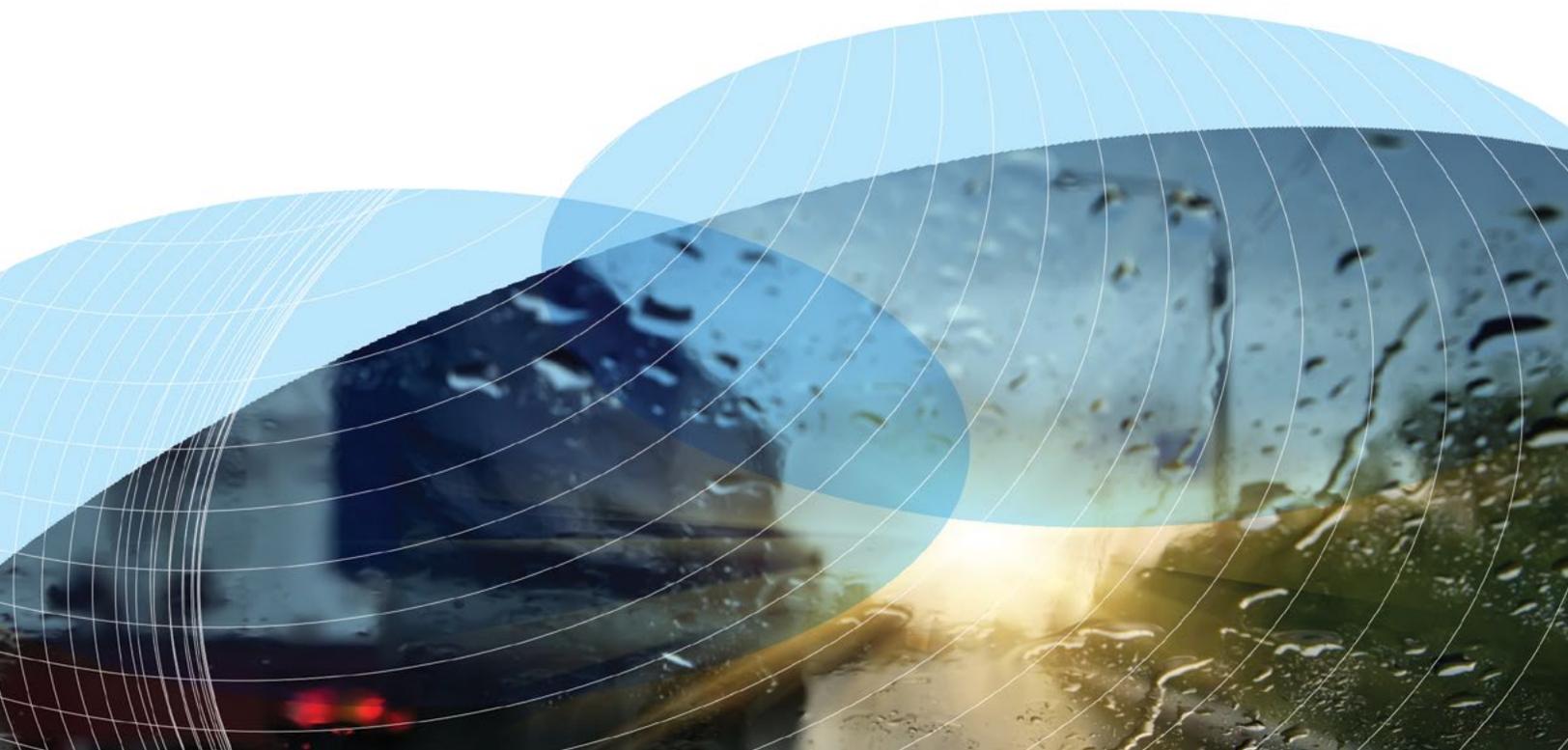
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**Case Study:**

**Zurich**

**- make better risk decisions**

The emphasis is on people taking responsibility and being accountable, but not being punished for making mistakes, provided they are open and honest and learn from them. The push for openness is so strong that "good news travels fast and bad news travels faster, but whereas some companies have a culture of punishing bad news, we almost encourage it."



## Taking Ownership

The case studies highlight the need for boards to take ownership of their risk agenda in order to develop a culture of resilience throughout their organisation going way beyond risk compliance.

The research shows that companies that are more adept at recognising and dealing with risks also have the ability to take advantage of opportunities - the positive side of risk.

There are some prerequisites, what the report calls enablers: leadership and governance; people and culture; structure; and strategy, tactics and operations.

Resilient organisations are forward thinking and able to foresee relevant scenarios that are likely to occur which may have damaging effects on performance.

How much real scenario testing is undertaken? The most resilient organisations think through their risk landscape and plan in depth for when those events happen – there is no question of paying lip service.

According to the report, resilient organisations believe that with purpose, whatever uncertainty hits them, and regardless of the damage caused, they can recover and bounce back from trauma, quickly restoring business capabilities.

## Way More Than Just ‘Ticking Boxes’

Corporate clients rightly expect their risk management and claims professionals to have key controls in place when dealing with events, producing numerous major and complex losses, across different countries and legal jurisdictions.

The modern adjuster’s role may even extend to supporting large companies around their external communications and crisis management strategies, to include brand management.

Brand may be more important for some organisations than others. However, every organisation faces the challenge that its brand can be seriously damaged if a crisis arises and is not dealt with quickly and appropriately.

In the era of social media, news travels almost instantaneously and it cannot be contained. Too many organisations have yet to adapt their risk management approach to this new and changing environment. The world is an increasingly inter-connected place and disruption to supply chain in one part of the world one day can rapidly lead to loss of brand value and impact to the bottom line tomorrow.

## The Right Path to Resilience

What is heart-warming about the findings and case studies contained in Roads to Resilience is that some organisations are clearly on the right path to building real resilience in their business. Their example is to be admired and should be shared as widely as possible.

Airmic technical Director Paul Hopkin has even asked whether it is time to rebrand what Airmic members do. Should we ‘think resilience’ rather than risk management, and should the most senior practitioners consider themselves as ‘heads of resilience’, he asks?

He believes that risk managers should focus on the benefits of resilience, getting away from “constant emphasis on the negative impact of risk”. Hopkin believes the different focus and perspective will result in a less theoretical, more results-oriented outlook.

Adjusters and claims professionals, meanwhile, will continue to define themselves in terms of the pre and post-event service they provide, how this can reduce the cost of risk and minimise the disruption caused by all the risks their organisations confront.

Benedict Burke, SVP Global Markets at Crawford was a member of Airmic’s steering group for the Roads to Resilience project.

**To read the full Roads to Resilience report then visit [www.airmic.com](http://www.airmic.com) to download a copy.**

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