

Building long-term business resilience.

Vision 2050 issue brief

Context | 3

Introduction | 4

① Understanding resilience | 5

1.1 Defining business resilience | 6

1.2 Key attributes of business resilience | 7

② What do disruptions such as COVID-19 reveal about business resilience? | 8

2.1 Insights emerging from business's response to COVID-19 | 9

2.2 Insights from the GlobeScan / SustainAbility Leaders Survey | 14

③ Why risk management, human & social capital, and ESG integration are essential to long-term resilience | 16

3.1 Improved risk management | 19

3.2 Investment in human & social capital | 22

3.3 Better ESG integration | 26

④ Summary recommendations | 29

⑤ Conclusion | 31

Context

In 2010, the World Business Council for Sustainable Development (WBCSD) released Vision 2050, which laid out a pathway to a world in which nine billion people are able to live well, within planetary boundaries, by mid-century.

In 2019, WBCSD revisited the initiative to bring the Vision and its pathway in line with the UN's Sustainable Development Goals (SDGs) and reprioritize the critical roles for business during what the UN has proclaimed the "decade of action" through 2030.

Forty member companies signed up to support this effort, led by WBCSD's Executive Committee. Work streams were established to investigate how systems

transform, how best to update the pathway to Vision 2050, the 2020–2030 operating environment, the enablers of transformation business needs to leverage, and how sustainability approaches and priorities vary in different parts of the world.

At the beginning of 2020, circumstances were upended. COVID-19, which had emerged in China in December 2019, was declared a "public health emergency of international concern" in January. In just two months it spread widely in Asia, then rampantly in Italy, leading to the effective closure of Europe in early March. Most of the rest of the world would shutter their economies soon after. The situation remains delicate, as governments wrestle the economic and social implications of lock downs and the pace of re-opening versus the risk of further spread of the virus.

A pandemic of this nature was not just predictable – it was predicted. In September 2019 the [Global Preparedness Monitoring Board report](#) included a chapter entitled 'Preparing for the worst: a rapidly spreading, lethal respiratory pathogen pandemic.' Despite this warning and others, governments and societies did not prepare adequately and have struggled in response.

This Vision 2050 issue brief explores how companies can build better long-term resilience into their strategies and the systems that they operate within. It has been developed as part of WBCSD's COVID-19 Response project, looking into the long-term impacts of COVID-19, in partnership with the ERM SustainAbility Institute. It draws on publicly available research, insights gathered from WBCSD members, and the 2020 GlobeScan / SustainAbility Leaders Survey.



Introduction

PREPARING FOR FUTURE SHOCKS

COVID-19 is the most significant public health crisis in a century and the cause of the deepest economic downturn of the modern era. The pandemic is revealing vulnerabilities in public health systems and social safety nets worldwide, bringing inequalities to the surface and demonstrating how major disruptions can snowball through interconnected systems, forcing recognition that our society and economy are not nearly as resilient as we had believed.

One reason it has been so difficult to react to COVID-19 is that “slack” has been vigorously removed from our systems. Businesses have become disciples of efficiency and just-in-time thinking. Fiscally stretched governments struggle to provide even basic services. Add in that we have pushed natural systems we rely on to their limits, and we find we have nowhere to take cover when the weather turns. Now that a storm has arrived, we see that the slack perceived as excess was necessary insurance and how difficult it is for the public or private sector to react appropriately without it.

More crises await, from domino effects stemming from COVID-19, to the full impacts of climate change and other natural systems disruptions. Some crises will inevitably arrive as ‘Black Swans’,¹ without warning, but many others will be what Michele Wucker calls ‘Gray Rhinos’: highly probable, high impact threats that we know about but tend to ignore. We have

identified some of the trends and disruptions that business should factor into its decision-making in our [‘Macrotrends & Disruptions shaping 2020-2030’](#) issue brief. We cannot hide from Gray Rhinos or Black Swans, but we need to do a better job preparing for both known and unknown threats, in part by returning slack to our systems.

To better prepare for future shocks, businesses must change and extend their view of long-term resilience. Critically, they must accept that a company’s resilience is not limited to what’s inside its four walls, but also encompasses ecosystems, communities, economies, the rule of law, effective governance and governments, and more. This recognition is necessary if business leaders are to be able to support the scale of the systems transformations that Vision 2050 clearly requires.

IMPROVING LONG-TERM BUSINESS RESILIENCE

As one of our interviewees said, every CEO should anticipate at least one major shock in their tenure and prepare and lead accordingly. While there is a growing body of analysis emerging on COVID-19 impacts, most of the work is still focused on the immediate response. This issue brief aims to take a longer-term view, exploring how companies can improve their long-term thinking and planning and better prepare for similar future events by:

- Exploring the key attributes of resilient organizations and systems

- Distilling emerging lessons from private sector responses to the COVID-19 pandemic and other disruptions
- Providing recommendations on how companies can increase long-term resilience based on their experience of the COVID-19 pandemic and other systemic shocks.

Our analysis and recommendations are based on insights gathered via WBCSD member discussions and a series of interviews with companies headquartered in Asia, Europe and the Americas. We also incorporate insights on the impact of COVID-19 from the 2020 GlobeScan / SustainAbility Leaders Survey and from a literature review on business responses to COVID-19 and long-term resilience broadly.

Our research and conversations with business leaders highlighted several emerging themes. Following WBCSD member guidance, this issue brief focuses on the relationship between the management of Corporate Risk, Human & Social Capital, ESG and resilience. The topic of Supply Chains is being addressed by WBCSD’s COVID-19 Response project on [Vital Supply Chains](#). Following a brief overview of resilience theory, we provide an overview of these three topics, explore how corporate approaches to them impact long-term business resilience, then suggest actions companies can take to increase their chances of thriving long term.

¹ A Black Swan is a highly improbable outlier event that has a disproportionate impact.

① Understanding resilience



1 Understanding resilience

One of the companies interviewed told us: “The pandemic has given everyone a taste of what a truly global crisis is like, showing how small a world we share and how that makes all of us vulnerable. There has been a permanent change in our understanding of systems, and companies have no choice but to adapt.”

Part of this adaptation will be re-thinking resilience and what is required to ensure it. While the pandemic is ongoing, and response to date has not been perfect, important lessons are emerging. This brief explores these emerging insights to understand the steps that business can take to make itself and society more robust and resilient to future shocks. We are focusing on the private sector – on multinational corporations in particular – and so begin with an overview of what resilience means in a business context.

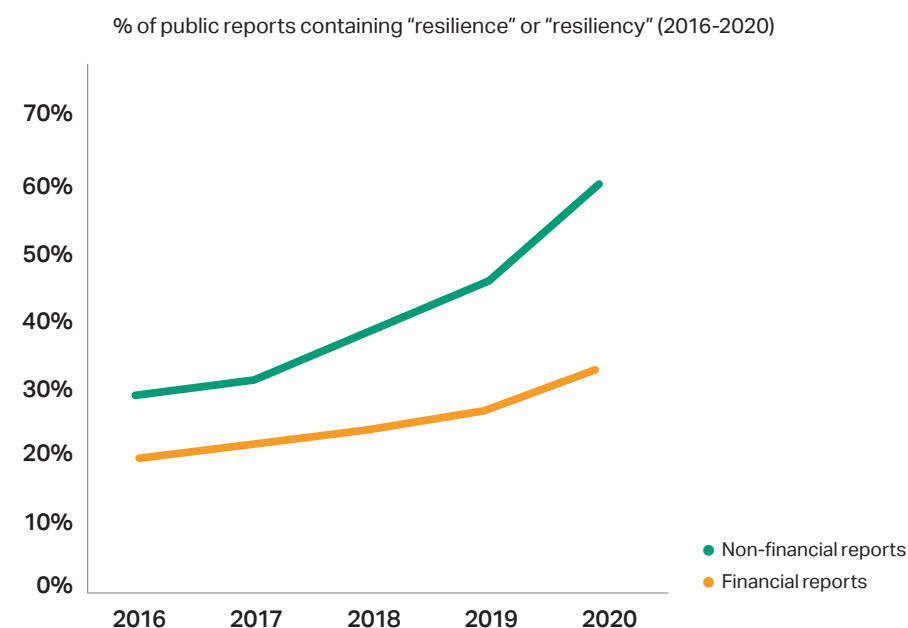
1.1 DEFINING BUSINESS RESILIENCE

Based on our literature review and conversations with business leaders, we have defined resilience as **a business’s ability to anticipate and prepare for change, then adapt to circumstances in the manner that provides the greatest chance of thriving over the long-term**. This understanding guides our findings and recommendations, which will help private sector leaders ensure sustainability is at the heart of COVID-19 response and recovery as well as help them better prepare for future crises.

While the notion of resilience has become noticeably more prominent (see Figure 1), to date it has been used mainly in the context of natural systems. It is still relatively new or even unfamiliar to business, which often blends understanding of resilience with business continuity and/or sustainability.

Many studies on resilience (especially those that target business) advocate shifting from a view of resilience as robustness or the ability to maintain or return to an existing state, to redefining resilience as something more complex, dynamic and consciously transformational. While both are valid points of view, our definition aligns with the latter, perceiving the ability to react and transform as better suited to the interconnected and rapidly evolving environment in which business operates.

Figure 1: Mentions of “resilience” in financial and non-financial reporting



Source: [Datamaran](#). The charts represent data from global (mostly North American and European) publicly traded companies.

1.2 THE KEY ATTRIBUTES OF BUSINESS RESILIENCE

Our research identified four resilience characteristics essential to the private sector: **Diversity**, **Modularity**, **Cohesion** and **Adaptability**. We will explore the role of the four attributes in achieving long-term resilience in subsequent sections and have indicated interconnections between identified themes/recommendations and the attributes with color-coded boxes.

DIVERSITY

Diversity relates to variety among elements in a system. The concept includes redundancy – having slack in a system and not always cutting in the name of efficiency. It encompasses diversity in a people sense too, for example in skills, opinions and backgrounds. Diversity is also demonstrated through having multiple delivery pathways or options for achieving certain goals.

MODULARITY

Modularity is the degree to which a system's components may be separated and recombined. A major benefit of modularity is that it enables flexibility and a variety of operation and response modes. Both the connectivity and openness of a system are key to achieving modularity. A practical example of modularity is the seamless connectivity and just in time qualities that make a supply chain efficient, coupled with enough supply chain diversity or redundancy to ensure that a single interruption or issue does not halt supply altogether.

COHESION

Cohesion expresses the way in which a resilient society, system or organization is likely to be founded on social cohesion and trust, to be inclusive, have strong leadership, and own a shared vision that seeks to ensure value for full range of stakeholders, including the most vulnerable.

ADAPTABILITY

Together, Diversity, Modularity and Cohesion make a business adaptable and enduring. When a business gets the first three attributes right, Adaptability is achieved, and resilience is the prize. Resilient systems adapt and change in response to system conditions, learning from past experiences and even transforming when required. A resilient organization plans for multiple inherently uncertain scenarios. Its systems contain feedback loops triggered when thresholds are breached. Its approaches are agile, driven by individuals who recognize the value of innovation and who embrace learning from past challenges to change approaches going forward.

Key sources reviewed included:

(1) [Walker, B. 2020. Resilience: what it is and is not. Ecology and Society 25\(2\):11](#); (2) [Carpenter, S. et al, 2012. General resilience to cope with extreme events. Sustainability 4\(12\):3248-3259](#); (3) [Denyer, D. 2017. Organizational Resilience: A summary of academic evidence, business insights and new thinking. BSI and Cranfield School of Management](#); (4) [Kupers, R. and Song, H. 2016. A resilience framework for smart cities](#)

② What do disruptions such as COVID-19 reveal about business resilience?



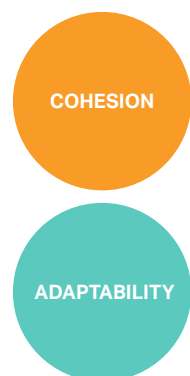
② What do disruptions such as COVID-19 reveal about business resilience?

As institutions move past the initial shock of COVID-19, there is interest in learning what it takes for multinational companies to successfully respond to such disruptions as well as what recovery involves.

COVID-19's impacts have varied across industries and geographies. For some companies, their supply chains have suffered the greatest impacts; for others, it has been a total collapse in demand. While the impact of COVID-19 has been overwhelmingly negative and destructive, there appear to be some silver linings. The crisis has spurred innovation and fast-forwarded much-needed transitions to more sustainable business behaviors and actions that had seemed impossible to achieve in such a short period of time (e.g., transition to remote working, reduction in business travel, etc.). While it is too soon to draw definitive conclusions, emerging evidence is revealing what drives successful crisis response and hints at measures that companies might take to increase long-term resilience.

2.1 INSIGHTS EMERGING FROM BUSINESS'S RESPONSE TO COVID-19

Based on our corporate interviews and our review of COVID-19 responses in the media, we identified six issues contributing to companies' ability to weather the impacts of COVID-19. At this stage, these six are most visible in crisis response, but we perceive they will play key roles in improving future long-term resilience once business moves on to recovery and rebuilding.



VALUES-BASED LEADERSHIP AND CLEAR COMMUNICATION: Having a company's values and purpose deeply embedded and widely understood at all levels allows companies to be more agile and decisive during crises. As one interviewee noted, "Purpose is critical for making good decisions in stressful periods and deciding what is most important; in a time of crisis, there is no time to think, and you need to act according to the right values." Cultural alignment on purpose and vision helps to build trust and openness, which are essential for effective and authentic internal and external communication. All this is critical for enabling agile, adaptable and effective crisis response. [Toyota's President's honest and open address at the company's shareholder meeting in June 2020](#) embodied the kind of authenticity needed to articulate a company's response to crisis. Effective communication is also essential for enabling collaboration – another component of effective crisis management – among different functions and departments as well as between leadership and employees. As one company reflected, "Collaboration and alignment between different parts of the business and good communication are very important during any emergency or crisis."

COHESION

ADAPTABILITY

DIVERSITY

PUTTING PEOPLE FIRST: COVID-19 has re-emphasized how dependent companies are on their people and the diverse skills and perspectives they bring, underscoring the need for business to value and protect employees as critical assets and redefining which work is judged essential. On the one hand, COVID-19 forced companies to accelerate an unprecedented shift to remote working for many white-collar workers. On the other, businesses performing essential work had to reinvent health and safety procedures for employees in real time while continuing to serve customers. While such rapid shifts in working patterns are stressful, they show what is possible, underscoring the importance of being adaptable and innovative and challenging long-held concepts about the workplace. New issues have arisen as a result of the changes, e.g. increased focus on employees' mental as well as physical health, partly because of the blurring of home and work. (See Text Box – WBCSD explores this and other issues in its COVID-19 response project "Return to New Normal.") Greater focus on people is not limited to a business's direct employees anymore either. Not all companies have traditionally treated employee rights and well-being in their supply chains with the same urgency as the core workforce. Now the pandemic is forcing businesses to recognize that managing interdependencies is key to resilience and leading them to re-examine their responsibilities for supporting workers across value chains. Finally, governments and companies are being forced to look differently at the gig economy, partly as a result of the increased profile of workers performing tasks such as grocery shopping and delivery, but also because gig workers are less likely to have health insurance in regions where it is attached to formal employment, and can also have more difficulty accessing unemployment benefits.

WBCSD's COVID-19 Response Program – Tools, checklists and scenarios for a Return to New Normal

WBCSD's [Return to New Normal project](#) provides members with tools, checklists and scenarios that will support the reopening of businesses using sustainability to inform and guide the decisions and actions that companies are having to take. Some key findings of this project include:

- Businesses have a unique opportunity **to act with authenticity, purpose and ambition** in their pursuit of positive outcomes from the current disruption and tragedy.



- In the short term, businesses need to future proof **enterprise risk management** systems, focusing them on business vulnerability and driving for better continuity planning. WBCSD already identified some solutions in its report [COSO/WBCSD Guidance on Applying Enterprise Risk Management to ESG-related risks](#).
- **Employment, privacy and company laws** and requirements must be protected even in the rush to develop solutions during a crisis. WBCSD offers practical guidance via [webinars and online content](#).
- **Boards need to demand better scenario and risk management.** [A dedicated resource is available](#), supporting board members through practical guidance and shared experiences from peers.
- **Keeping stakeholders involved and informed** is vital but it is very important to know who key stakeholders are and how to communicate with them.
- **Collaboration** is crucial; to achieve long term resilience, collaboration with peers, partners, governments, regulators is vital, enabling broken systems to be fixed through partnerships.

To support the project's recommendation that companies should manage social and environmental impacts with the same priority as cash flow, a [Recovery Scenarios and Checklist Tool](#) was developed to help multi-functional teams that deal with the crisis focus on what is important. Bespoke guidance on the use of the Recovery Scenarios and Checklist Tool is available for the [fast-moving consumer goods \(FMCG\)](#) and [automotive sectors](#).



COHESION

MODULARITY

ENGAGING STAKEHOLDERS: Crises reveal who you can count on, underscoring the importance of cultivating strong mutual relationships. Always material, good stakeholder relations are essential under pressure and key to building a harmonious, cohesive operating environment. Open and regular communication with governments, investors, suppliers, customers and other stakeholders enables businesses to make better-informed decisions. Strong stakeholder engagement also means that companies and stakeholders have the depth of relationships required to be able to rely on one another when they need each other most. During the pandemic, the role of governments has been especially important in decisions about what constitutes essential and non-essential goods and services and regulating cross-border movement. As COVID-19 spread through societies and economies, many businesses found their communication with governments was too limited. This must change if we are to transition to a more resilient economic system. One company remarked: “Governments and business need to keep an open, two-way dialogue, both around the needs of business and the needs of society.” Governments – along with investors – also have an important role to play in enforcing better preparation for systemic disruptions and insisting on buffers and redundancy that would make it easier to absorb shocks. While the crisis may have spurred a greater degree of collaboration in some areas (e.g., vaccine development, provision of essential goods, production of essential equipment, etc.) much more is needed to improve dialogue, openness and joint working, and the onus is on business to make this change with other stakeholders.



ADAPTABILITY

DIVERSITY

MODULARITY

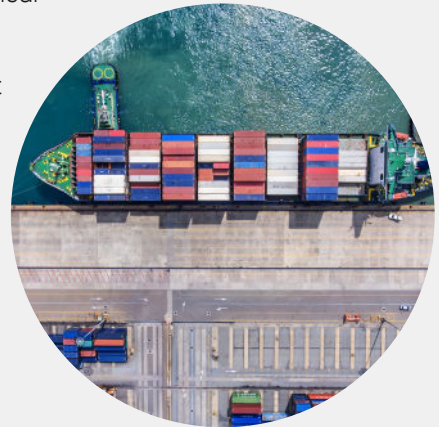
RE-EXAMINING SUPPLY CHAIN RESILIENCE: Globalization and the expansion of free trade over the last few decades enabled the emergence of truly global companies with operations on every continent. This has made supply chains longer, more complex and more interdependent. Moreover, due to the relentless drive for efficiency, many multinationals have structured operations in such a way that they became wholly dependent on one or just a few suppliers in a single region for mission-critical materials or components, reducing the response options available to them during disruptions. Due in part to this, supply chains have struggled to ensure uninterrupted operations during the pandemic, forcing companies to recognize that they often lack adequate visibility and knowledge of their supply chains. [While some politicians and commentators have advocated reshoring](#) to increase supply chain resilience and create local jobs, the calculus is more nuanced for companies. Businesses must achieve the right degree of connectedness and robustness in their supply chains, securing diversified sources of supply and navigating inherent tensions between localizing and globalizing operations. Ensuring smooth cross-border movement during the rest of the pandemic and future crises will be key to increasing resilience. As one interviewee remarked, “Supply chains were set up for efficiency and operate as if borders do not exist. We have now found that border controls have come back quickly.” WBCSD is further exploring how companies can increase long-term resilience of their supply chains in its COVID-19 Response project on [Vital Supply Chains](#) (see text box on page 12).

WBCSD's COVID-19 Response Program – Vital Supply Chains

The [Vital Supply Chains project](#) explores the challenges arising out of COVID-19 for the food supply chain and analyzes how business can support the creation of a more resilient food system. Interviews with WBCSD members working with our Food & Nature program, together with key thought leaders, paint an aligned view that the pandemic has exposed the weaknesses of our food systems, many of which existed before COVID-19. There is a unique opportunity to address these challenges through collective action to build back a more resilient and sustainable food system.

We are seeing the right signals for change. Consumers have increased their expectations. They trust that food and beverage companies will drive change focused on societal, environmental and nutritional benefit. Accessible and “trustable” digital technology will play a critical role in new finance and market access channels, knowledge exchange and distributed asset models. Rural connectivity will be a key enabler to these solutions. Inclusivity is key, ensuring that equity issues are addressed along the supply chains especially with the economic consequences arising out of COVID-19.

WBCSD's Vital Supply Chains project serves business by providing insights on areas of improvement, supporting the enabling environment for Food System Transformation and connections to initiatives.



ADAPTABILITY

DIVERSITY

PLANNING FOR THE LONG-TERM AND REDESIGNING RISK PROCESSES:

Short-termism amplified the difficulties that followed the financial crisis, and there is every indication it will amplify the difficulties we will face in recovering from COVID-19. Unrelenting focus on efficiency and cost savings leaves companies and investors with little room for error and limited ability to adapt when things go wrong. As one interviewee summed it up, “Most businesses currently plan and execute their strategy in 5-year cycles, and operational plans often don’t extend beyond 1-2 years.” We now know such planning is inadequate and that other approaches are needed. While some management teams and boards engage in horizon-scanning and trends analysis exercises, these rarely extend beyond a decade. Similarly, short time frames shape risk analysis and preparation efforts, which are core to resilience efforts. Emerging frameworks such as the Paris Agreement and UN Sustainable Development Goals have helped companies embrace longer-term planning and explore a greater diversity of long-term future scenarios, but more effort will be needed before longer-term thinking is embedded (let alone required) widely in business strategy, operations and investor communication. Infusing long-term thinking into strategy will depend not only on the actions of business leaders, but will also require a major shift in investor mindsets – changes that will be essential for building the private sector’s ability to be more adaptable and flexible during future disruptions, and in turn, more resilient.

ADAPTABILITY

COHESION

MODULARITY

ACCELERATING TRANSITION TO SUSTAINABLE SYSTEMS AND BUSINESS

MODELS: If there has been one major learning from COVID-19, it is greater understanding of the interconnectedness of natural, social and economic systems. Even the best-run organizations will not be able to successfully tackle and survive disruptions while operating in a flawed and fundamentally unsustainable system. While proximity to zoonotic disease was the tipping point for the coronavirus (animal to human transmission in a wet market), [biodiversity loss, urbanization and ecosystems degradation are known to be major drivers of infectious disease and pandemics](#), the impacts of which are exacerbated by inequality and political polarization. While all stakeholder groups – governments, civic organizations, consumers and others – have important roles to play, companies will be critical in transitioning to more sustainable economic models that respect environmental, social and other planetary boundaries. As the authors of [All In: The Future of Business Leadership](#) note, “Only companies that plan for the long-term will thrive, maintain a social license to operate, and support the conditions required for stability and prosperity (including social harmony, access to natural resources, and access to the middle-class) in the coming decades.” The pandemic reinforces the importance of delivering on all of the environmental, social and economic aspects of the sustainable development agenda, and the imperative for companies to pursue models that make business more circular or otherwise more sustainable as part of the process of creating more resilient systems.



2.2 INSIGHTS FROM THE GLOBESCAN / SUSTAINABILITY LEADERS SURVEY

SustainAbility, an ERM Group company, and GlobeScan conduct an annual survey assessing leadership on sustainable development. [This year's GlobeScan / SustainAbility Leaders Survey](#) also asked sustainability leaders what actions companies should take to improve their long-term resilience to events like COVID-19.

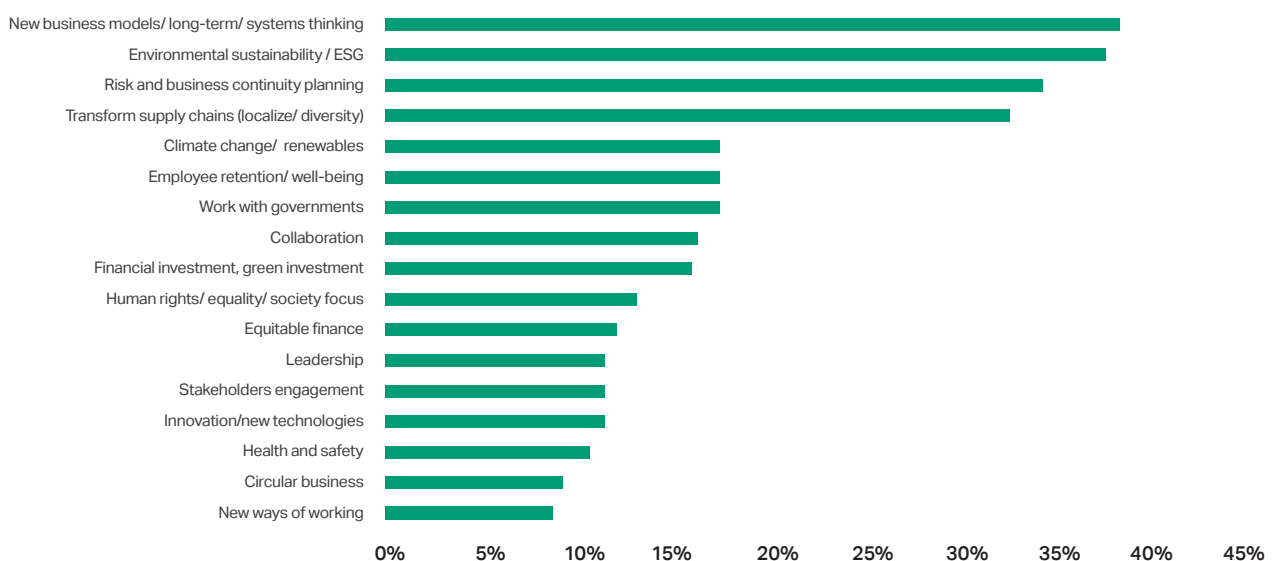
Four priorities for increasing long-term resilience stood out, each mentioned by at least a third of sustainability leaders responding to the survey.

- The top recommendation is that companies transition to business models aligned with long-term value creation and informed by systems thinking (mentioned by 38% of experts).
- This is aligned with and reinforced by the need to implement better approaches to environmental sustainability and improve ESG strategy and disclosure (also mentioned by 38%).
- The third and fourth priorities were redesigning and strengthening risk and business continuity planning to account for long-term systemic risks (34%) and transforming supply chains to make them more resilient to global disruptions (33%).

In the next tier of recommended actions, 17% of respondents advocated more emphasis on climate change and renewables, while the same number suggested more focus on employee retention and well-being. With other responses referencing human rights, stakeholder engagement and health and safety, sustainability leaders appear to be strongly reinforcing the importance of human and social capital to business crisis response and recovery.

Respondents were asked the following question: What are the most urgent actions the private sector should take to increase resilience and ability to withstand future systemic shocks? Please enter up to three actions in the spaces provided. More than 700 experienced sustainability professionals across a range of sectors (corporate, government, NGOs, academia, etc.) from 71 countries responded to the survey between May and June 2020.

Figure 2: Sustainability experts recommend four key priorities for business to increase long-term resilience



Twenty-seven percent of 2020 Leaders Survey respondents are sustainability professionals working within companies. While they list the same top four issues, corporate respondents rank business continuity planning highest, while the top overall recommendation from the full survey, environmental sustainability / ESG drops to the fourth position.

Combining business response to COVID-19 with sustainability leaders' views on future priorities

Acknowledging that the impacts of COVID-19 are still revealing themselves, there are parallels evident between the themes that emerged in our research and what Leaders Survey respondents suggested as priority actions for business to take to improve long-term resilience.

These include consensus that the way we build back must put sustainability and systems thinking at the center. There is a similar concentration of opinion that companies with strong leadership and well-defined values are best positioned to transition to the new and more sustainable business models required. We found broad agreement also that greater future resilience will depend on strengthening risk and business continuity approaches, and near-universal recognition that supply chains need re-design. Finally, corporate interviewees, media and Leaders Survey respondents all predict improving future resilience will depend on better integration of ESG thinking and practices, new approaches to employee well-being, and greater investment in human and social capital generally.

While these overlaps do not present a single simple means to enhance future resilience, combining these elements using longer-term planning and systems thinking will let businesses plan for multiple scenarios over varying time frames, then adapt and innovate in response when particularly disruptive situations such as a pandemic, natural disaster and/or economic downturn occur.



③ Why risk management, human & social capital and ESG integration are essential to long-term resilience



③ Why risk management, human & social capital and ESG integration are essential to long-term resilience

COVID-19 is affecting business and society in myriad ways. Responses and recovery plans need to be equally diverse, addressing every part of value chains, tailored to regional contexts and accounting for essential stakeholder relationships. In this section we explore company reactions to COVID-19 through the lenses of Corporate Risk Management, Human & Social Capital, and ESG strategy & integration to understand the roles they play in crisis response and recovery.

For each of the three themes we:

- Suggest specific actions that might help companies increase long-term resilience by improving approaches to Risk, Human & Social Capital and ESG.
- Explore how company efforts in these three areas contribute to performance on the four resilience attributes we identified and, vice versa, how increasing Diversity, Modularity, Cohesion and Adaptability helps businesses improve management of Risk, Human & Social Capital and ESG.

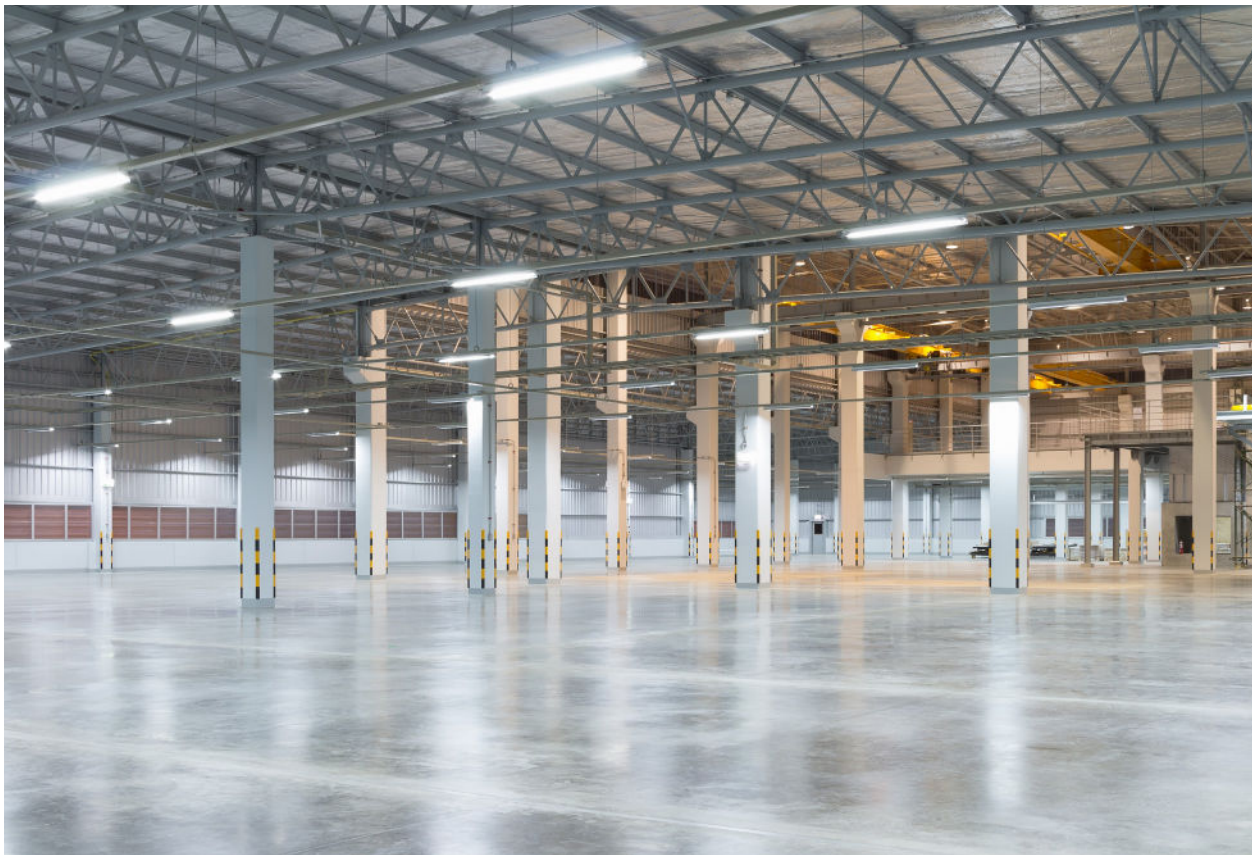


Table 1: Summary of recommendations for companies on how to enhance resilience through improved management of Risk, Human & Social Capital and ESG

	IMPROVED RISK MANAGEMENT	INVESTMENT IN HUMAN & SOCIAL CAPITAL	BETTER ESG INTEGRATION
DIVERSITY	<ul style="list-style-type: none"> • Use a diversity of risk management approaches • Move beyond traditional, rules-based approaches and incorporate scenario planning, stress testing and other new tools • Include people with diverse backgrounds/expertise in risk management • Consider diversity of time frames, scenarios and response options 	<ul style="list-style-type: none"> • Encourage and support diversity in the workforce • Maintain diversity of suppliers and workforce in supply chain • Offer diverse support options to employees during crises • Invest in digitization and remote working technologies and plan for ergonomic and wellbeing support 	<ul style="list-style-type: none"> • Include diversity of perspectives and stakeholders in sustainability / ESG strategy creation • Ensure diversity of interests, backgrounds, geographies in stakeholder engagement • Draw on diversity of data in disclosure (balance between E, S and G)
MODULARITY	<ul style="list-style-type: none"> • Move beyond a strictly centralized risk management approach • Achieve the right level of connectedness between risk planning at corporate and other levels / parts of the business 	<ul style="list-style-type: none"> • Establish appropriate level of connectedness and collaboration with others (e.g., governments, NGOs) to improve the wellbeing of employees and society at large • Extend protection/support measures to workers throughout supply chains as well as employees 	<ul style="list-style-type: none"> • Recognize importance of assessing the ESG risks/opportunities in different geographies and parts of businesses • Understand ESG risks and opportunities in the supply chain
COHESION	<ul style="list-style-type: none"> • Integrate risk management skills and thinking into company culture and make it relevant to all employees/ part of everyone's job • Make the process as inclusive and open as possible 	<ul style="list-style-type: none"> • Establish and nurture stakeholder relationships in advance of a crisis hitting • Listen to the views of all employees; consciously build trust • Strengthen cohesion through diversity & inclusion actions • Equally consider and address the needs of all workers, of all skill levels, on permanent and temporary contracts, gig workers, etc. 	<ul style="list-style-type: none"> • Strengthen societal cohesion through strong stakeholder engagement practices • Contribute to societal cohesion through balanced action on E, S and G topics • Build organizational cohesion through alignment on sustainability strategy and values
ADAPTABILITY	<ul style="list-style-type: none"> • Broaden the range of risk management approaches and consider how to better integrate new, less well-known approaches and tools • Explore inherently hard to predict risks to help unearth "unknown unknowns" • Build agility skills in evolving situations by focusing on changing behaviors and ingraining risk management thinking in day-to-day operations 	<ul style="list-style-type: none"> • Improve the diversity and skills of employees • Build flexibility and adaptability to the changing nature of work, including remote work, digitization • Accelerate transition to remote working programs • Be prepared to identify needs for new systems or programs and roll them out quickly when needed • Adjust to any disproportionate impacts on employee groups that changes might have (e.g. automation) 	<ul style="list-style-type: none"> • Improve comprehensiveness and robustness of ESG disclosure and communication with investors and boards • Improve materiality assessments by exploring longer-term risks/ opportunities and incorporating scenario analysis • Increase integration of sustainability considerations in business models and strategy; leverage overall contribution to the sustainability agenda/SDGs

3.1 IMPROVED RISK MANAGEMENT

Risk management has been central to business response to COVID-19 and will play a key role in efforts to improve long-term resilience. At many companies, risk management is a core, well-defined function, led by dedicated teams following established processes. Enterprise Risk Management (ERM), a plan-based strategy to assess and prepare for risks and disruptions, is most widely used. Given the increasingly volatile political and economic environment of recent years, and the changing nature and scope of risk that must be considered, some companies have been adding new tools to ERM approaches such as stress testing, war-gaming, and scenario planning.

While many governments and companies considered pandemics a potential risk, almost everyone failed to embrace the likelihood of one occurring or to envision the speed and scale of disruption that a pandemic could bring. We need to understand why and consider how to adapt risk management systems. Given the rapidly changing nature and growing unpredictability and complexity of global risks, companies may need to explore approaches that currently fall outside of traditional risk management approaches and consider entirely new ways of assessing risk.

[In their article for Harvard Business Review, Robert S. Kaplan and Annette Mikes](#) distinguish between three types of risks: 1) Preventable risks that are internal and arise within an organization; 2) Strategy risks that a company voluntarily accepts to generate return on its strategy; and 3) External risks that are beyond a company's influence and control. Not surprisingly, regardless whether a risk is identifiable (even predicted, for instance pandemics), external risks, where organizations have limited control, are hardest to address. It is even harder, especially in market systems where short-termism dominates, to secure the investment required to mitigate such risks; doing so requires a fundamentally different approach and mindset. As Kaplan and Mikes note, while risk management is often treated as a compliance-like process that can be managed by drawing up rules, such approaches are not effective means to prepare for low-probability, high-impact external disruptions. Thinking outside the box, debating all plausible and not-so-plausible scenarios, challenging accepted truths, and engaging in continuous dialogue and learning are key to anticipating and successfully managing complex systemic crises.



We offer four specific recommendations on how businesses can improve long-term resilience by improving traditional risk management tools and approaches.



ADAPTABILITY

DIVERSITY

PRIORITIZE PROCESS AND DEBATE OVER RULES: [“Plans are nothing; planning is everything” said a Novartis leader](#), quoting former US President Dwight D. Eisenhower while reflecting on what constitutes an effective approach to risk management.

To prepare for ambiguous threats, companies must complement or swap rules-based approaches for [regular debates, discussion and exercises](#). According to one interviewee, it is not just the outcome of the exercise that matters, but the effort that goes in. Another interviewee emphasized the importance of drills: “Every year we carry out scenario-informed practical drills that involve the participation of all executives and leaders of various functions that help us to see what is most important and critical in such situations.” Discussions, debates and drills that extend beyond the core risk function, and are inclusive of the wider employee base and diversity of perspectives, help companies build risk preparation and management muscle. Success and resilience under pressure so often comes down to the ability to analyze, respond and make the best decisions in an agile manner and adapt to a situation based on the evolving circumstances. As Novartis noted, ultimately, when the time comes to act, [“companies should not be burdened by plans”](#) but be enabled by them and able to make informed deviations from them as needed.



ADAPTABILITY

DIVERSITY

CONSIDER NEW WAYS TO BETTER IDENTIFY “UNKNOWN UNKNOWN”:

Traditional risk management tools often fail to identify and prepare companies for a growing diversity of risks, especially threats that are less familiar and therefore harder to anticipate. According to interviewed companies, risk processes need to be modified to encourage more outside-the-box thinking capable of identifying “unknown unknowns”.² Such a shift in mindset reduces reliance on risks identified in the past. It also makes companies more open to considering ambiguous threats and discovering risks that may otherwise slip under the radar. To enable this, risk assessment must become more dynamic and regular, a process that enables learning on the go, agility and adaptability based on context. For many companies, this may require stepping outside of time-tested and familiar processes and considering new ways of approaching risk. As J. Peter Scoblic notes, companies [“need to set up a process of constant exploration – one that allows top managers to build permanent but flexible bridges between their actions in the present and their thinking about the future.”](#) One way to ensure exploration of a broader range of threats and overcome the limitations of [“groupthink”](#) is to include a broader range of perspectives, for instance by broadening the range of functions, backgrounds and expertise involved. For instance, one company mentioned that they almost never see social scientists included in risk discussions and recommended that they should be. Another defense against complacency is stretching the time horizons under consideration to go beyond traditional five-year business planning cycles and force people to think differently about the future.

² The concepts of “known knowns”, “unknown knowns” and “unknown unknowns”, popularised by former US Secretary of Defense Donald Rumsfeld, were also used by several of the companies interviewed for this issue brief.

ADAPTABILITY

DIVERSITY

EMBRACE SCENARIO PLANNING: One way to explore alternative, divergent, longer-term futures is scenario planning. A growing number of companies utilize scenarios to assess and plan, which can increase the agility and diversity of responses in times of crisis. The use of scenarios has become somewhat more widespread recently as a result of the inclusion of climate risk scenario planning among the recommendations made by the [Task Force on Climate-related Financial Disclosures \(TCFD\)](#). As with other risk planning methods, diversity of inputs and perspectives is key. One company interviewed noted, “As long as you have the people with the right mindset, tools and inputs, scenario planning can be a powerful way to come up with very unexpected scenarios to reflect on.” Despite growing awareness about such approaches, scenario planning is yet to become a regular corporate activity. As Scoblic notes, [“All too often, organizations conduct just a single scenario-planning exercise and then set whatever they learn from it on the shelf.”](#)

Like other risk planning tools, scenario planning should not be limited to narrow, irregular exercises – it needs to be a regular activity engrained into company processes. Finally, while it may be relatively straightforward to run scenarios that consider the next five to ten years, examining the future beyond the next decade can spur more challenging conversations and add illuminating conclusions.

ADAPTABILITY

DIVERSITY

MODULARITY

INTEGRATE RISK MANAGEMENT DEEPER IN COMPANY CULTURE AND ACROSS THE VALUE CHAIN:

Ensuring risk management is not siloed at the corporate level but embedded across different functions up and down the value chain boosts resilience. Many companies learned they lacked this when COVID-19 hit and they were faced with multiple, simultaneous, unforeseen supply chain disruptions. Many banks learned a similar lesson during the 2008-2009 financial crisis as true lending and securities exposure was revealed. As one interviewee remarked, it is “important that risk management is seen as everyone’s responsibility” and that risk thinking is embedded in day-to-day operations. Another company noted that one of the most effective changes they had made in their risk management planning was moving away from a centralized approach to a decentralized one, better incorporating all the company’s functions and operations. By decentralizing risk management and empowering all employees to own it, companies enable skills, capabilities and mindsets that contribute to long-term resilience. The importance of extending risk management to operational levels was one lesson companies learned from the 2011 earthquake in Japan, which prompted some Japanese companies to think how to improve communication with second and third tier suppliers and integrate risk management deeper in the supply chain. Similar operational changes are also likely to stick with companies after COVID-19.

3.2 INVESTMENT IN HUMAN & SOCIAL CAPITAL

The definition of human capital has broadened rapidly over recent years from a compliance-based concept focused on health and safety, to one that recognizes the value derived by companies and employees from greater development and well-being. The [Human and Social Capital Coalition](#) defines human capital as: “the knowledge, skills, competencies and attributes embodied in a company’s employees that facilitate the creation of personal, social and economic well-being.”³

While evolving, the concept of human capital is already familiar to business. Social capital – defined by the Coalition as: “the networks of relationships among people outside the company, who live and work in a particular society, enabling that society to function effectively” – is less well-known in the private sector. This is not to say that business has not been engaged in social capital management through its interactions with external stakeholders – it may have simply been framed as something else such as community relations, external affairs or Corporate Social Responsibility (CSR) – but recognizing such engagement as building social capital underlines that societal conditions external to companies are a real, material factor in business success.

Pre-COVID-19, there were signs that human and social capital were being increasingly valued by business. Since the pandemic hit, their perceived importance has grown further still. For instance, in response to COVID-19, some three hundred institutional investors signed an open [statement](#) in March of this year urging the business community to take steps to protect their workforce and broader society as the pandemic unfolded. In another example with origins dating back to before the COVID-19 crisis, the [Robert Wood Johnson Foundation \(RWJF\) and the Global Reporting Initiative](#) identified how businesses and investors can embed health as a core strategic priority for business.



³ [Human & Social Capital Coalition \(2019\), Social & Human Capital Protocol](#)

Below we offer seven specific recommendations on how businesses can improve long-term resilience through focus on human & social capital.



ADAPTABILITY

DIVERSITY

COHESION

RECOGNIZE YOUR WORKFORCE IS A CRITICAL ASSET CENTRAL TO BUSINESS

RESILIENCE: For one company interviewed, COVID-19 was a “massive realization that you are only as resilient as your people.” One interviewee said their company’s resilience in the face of COVID-19 was attributable to the fact that it is at heart a “people business” and that their company had a range of people measures ready to support the workforce. Supporting the findings of a recent WBCSD survey, one company cited the lack of investment in digitization as a “major gap” in their preparedness for protecting human capital during the pandemic. In future, business must recognize that protecting the health, well-being and jobs of their employees and contractors is central to long-term resilience, as human capital is “one of the most important capitals for company development in that it guarantees adaptability and an ability to innovate.” Several companies noted that ongoing trends and disruptions such as increased [automation and digitization](#) will require companies to watch the impacts these changes may have on different parts of the workforce. WBCSD recently produced recommendations for keeping employee needs central to the navigation of technological disruptions in its “[business principles for people-centered technology transformation](#)”. For some industries, the rise in automation poses even more existential threat to jobs, with one [study](#) reporting that by 2030 up to 20 million manufacturing jobs around the world could be replaced by robots, with a likely disproportionate impact on lower-skilled workers and on poorer local economies.



ADAPTABILITY

MODULARITY

EXTEND HUMAN CAPITAL MANAGEMENT INTO SUPPLY CHAINS: To be resilient, people considerations need to extend beyond a business’s fence line to their supply chains and all the workers in them. For instance, COVID-19 responses need to consider non-permanent, ‘gig’ workers and the different needs of frontline workers who cannot shift to home working. Several companies underscored how critical this has been to business continuity under COVID-19, providing examples of actions taken to extend workforce protection measures originally designed for their direct workforce to suppliers and their non-permanent employees. Interviewees also noted where resilience had been strengthened through collaboration, citing for example how several automakers came together to protect shared suppliers. Overall, the crisis has exposed the connectivity and fragility of supply chains; especially in parts of the world where supply chain informality is a growing trend, business has been forced to re-evaluate the role it plays supporting workers in the informal category.



ADAPTABILITY



DIVERSITY

RECOGNIZE THAT 'OFFICE WORK' HAS CHANGED: While the simultaneous move to remote working experienced by large populations of white-collar workers under COVID-19 was unprecedented and unplanned, it demonstrated that extensive change can be managed at great speed when necessary. Two companies told us they were able to complete the roll-out of remote working programs that would have taken years in a matter of weeks. We have also seen how similar changes made in response to past crises can stick. Some interviewees reported that prior crises led them to develop software to better monitor staff safety during a crisis, tools which in 2020 helped them react to COVID-19. Adaptations being made now may have similar long-term effects. For example, sales functions that previously relied on face-to-face relationship building, may now have the confidence to rethink business models to allow for more remote relationship building. Some companies also suggested that new ways of working may increase efficiency by forcing them to rethink what roles need to be performed by whom and where. With mental and ergonomic health issues high on the radar, companies anticipating a future where remote work is the norm need to think more about the 'whole self' of employees. Given the blurring of home and work identities, one company suggested traditional management and leadership approaches will need to be re-thought, with "more management of human and empathetic qualities being needed, not just organizing how the work gets done." Practically, companies must continue to engage with their workforce around changes as they occur and re-consider what training and support is needed to allow workforces to thrive as contexts change.



ADAPTABILITY



COHESION

MEET THE NEEDS OF ALL EMPLOYEES, INCLUDING FRONTLINE WORKERS AND THOSE ON NON-PERMANENT CONTRACTS: COVID-19 has highlighted stark gaps in protection measures for different types of workers, and there is evidence that some safety net provisions have failed to support those on non-permanent contracts as well as independent workers. Because of this, the pandemic has been a catalyst to extend conversations that were already taking place about how government and business need to engage and protect the full spectrum of workers crucial for societal functioning and business continuity. This includes the large volume of workers who are not formal employees and thus often less visible. In response, for example, Uber is discussing the potential for a '[third way](#)' of employment, where companies would offer independent workers some of the protections and benefits usually reserved for employees, while maintaining flexibility for both the company and its drivers. It is not an exaggeration to say that COVID-19 has put an unprecedented spotlight on both the vital role played by frontline workers and how their employment situation is often precarious and low-paid. Previously, the limited focus on frontline work has been on protecting the health and safety of those operating in these roles and less about transformation. Now there is likely to be a lasting and explicit shift in how governments and business define frontline workers and the support they are provided.



DIVERSITY

COHESION

COHESION

ADAPTABILITY

COHESION

MODULARITY

SUPPORT WORKFORCE DIVERSITY AND INCLUSION: Diversity and Inclusion (D&I) have been center-stage in recent years and have been made more so by the inequalities that have been exposed by the COVID-19 crisis and the powerful global campaigns against racism and systemic discrimination that emerged in 2020. While historically D&I might have been put on the back burner in times of crisis, it is increasingly recognized as [essential to long-term success](#) and resilience. This has been visible for years in [evidence linking diversity on executive teams and boards of directors to better market performance](#). Our research reinforced the value of D&I under COVID-19 too, with interviewees explaining that they see D&I as part of their corporate identity, even to the point of helping define and bring to life their purpose and vision. The companies we interviewed also explained that COVID-19 allowed them to observe there is no one size fits all approach to good management of people. Companies need to be agile and have systems that provide their people with support measures appropriate to specific contexts, actionable locally rather than be driven by one centralized approach. Interviews and research also highlighted the risk of disproportionate impacts on women from trends in automation and noted [future work at home arrangements could magnify inequalities](#) if not sensitively and actively managed.

TAKE ACTION TO FOSTER SOCIAL CAPITAL AS A MEANS TO STRENGTHEN LONG-TERM RESILIENCE:

Most companies don't have social capital plans, and few use the term social capital when describing stakeholder relationships and interactions. But we saw commonalities in how our interviewees articulated the business need to foster external relationships to improve long-term resilience. One interviewee commented, "It is academic whether a pandemic could have been foreseen – if you look at the things that contributed to COVID-19, these are not new and were exactly the challenges the SDGs were designed to address." The same is true of the vulnerabilities the pandemic has exposed. We also heard clearly that social capital cannot be nurtured with a one size fits all approach – companies have to engage with society in the USA differently to Denmark and Brazil. Interviewees also stressed that, to be resilient under pressure, a business needs to have had a long-term commitment to develop relationships and trust with stakeholders before a crisis hits. Another interviewee emphasized that, to develop social capital and protect business resilience, a company needs to understand both its relevance and responsibility to society.

REMEMBER TO LOOK OUTWARDS NOT ONLY INWARDS: To be resilient, a business needs to actively seek to understand and engage with others around it. For instance, as well as protecting its employees, it is in a business' interest to protect the health and well-being of its customers and the human capital of the communities that support its workforce. As one interviewee commented, business resilience "concerns not only employees in operations, but also society as a whole, especially in developing countries and emerging markets.... if people at large are not resilient we would not have customers." Business also needs to recognize the importance of collaboration with other external actors, from governments to NGOs, to fostering resilience. One interviewee noted that it took the COVID-19 crisis for them to fully appreciate the results of collaboration between business, government and NGOs, each of whom bring complementary skills and resources. Finally, business also needs to bring this external mindset when defining its vision and purpose – even before COVID-19, some companies were responding to societal shifts in ways that contributed to redefining themselves. For example, Toyota and other automakers have been actively redefining themselves as mobility providers, reflecting the fact that an entire [mobility system transformation](#) is required. WBCSD's [SDG industry roadmaps](#) are examples of how whole industries can come together, take shifting societal needs and expectations into account, and have greater impact through combined action and collaboration.

3.3 BETTER ESG INTEGRATION

The most common definition of “sustainable development” was introduced by the [UN Brundtland Commission in 1987](#), cementing the idea that economic progress must not jeopardize the environmental and social aspects also essential to society.

As the impacts of climate change, deepening inequality, biodiversity loss and other environmental and social challenges have become more pronounced, businesses have come under growing pressure to demonstrate their positive impact on society. This is often viewed in terms of their commitment to corporate sustainability, which the [UN Global Compact](#) defines as a “company’s delivery of long-term value in financial, environmental, ethical and economic terms.”

Businesses have responded to growing societal expectations by incorporating sustainability considerations into business planning and execution. According to a [2020 Deloitte survey](#) of more than 2,000 C-suite executives, six in ten executives put increasing positive impact on society among their top-five desired outcomes as compared to just 35% two years before. While executives see an opportunity to garner reputation and generate revenue, the shift is also driven by changing external expectations. It reflects growing interest inside and outside companies in the potential of a stakeholder model, as opposed to the current dominant shareholder model, of capitalism.

In this context, Environmental, Social and Governance (ESG) management and investing have increased in importance. While there was already evidence that strong company performance on ESG yields better financial results, COVID-19 has provided a new opportunity to examine the relationship between sustainability leadership, financial performance and resilience. Based on the data available, many ESG funds outperformed their peers during the first months of the pandemic. For instance, according to 2020 first quarter analysis by [Morningstar](#), 24 out of 26 ESG funds yielded higher returns than their non-ESG peers. Another report by [HSBC](#) concludes that the stocks of companies with stronger ESG credentials and more robust climate strategies have outperformed peers this year.

While there is still much that remains to be understood in terms of the causal relationship between ESG performance and long-term financial success, the links are becoming impossible to ignore. As one company noted, “The pandemic has given sustainability a new lease on life. Resilience has become a dimension of sustainability, and every CEO wants to have a resilient business.” Georg Kell, Chairman of asset management firm Arabesque Partners, also observed [that the pandemic is likely to prove a turning point for sustainability](#): “Those corporations that fail to transform their business models will be replaced by others that have the adaptive flexibility to thrive in a new world that values smart, clean, and healthy activities.”



Below we discuss three ways ESG can help companies build long-term resilience:

ADAPTABILITY

DIVERSITY

ACCELERATE IMPROVEMENTS IN ESG DISCLOSURE: The combination of the growth of ESG investing in recent years and its further rise during COVID-19 might prove to be a turning point. If ESG funds continue to deliver strong results during the pandemic, it will add proof to the concept that strong company performance on ESG confers greater agility during disruptions and is good for long-term resilience. One of the most direct implications of rising investor interest and stronger links between ESG performance and long-term performance will be even greater expectations for comprehensive ESG disclosure. According to the most recent [data](#), 90% of S&P 500 Index companies published a 2019 sustainability report, up from 20% in 2011. A growing number of companies also submit data to ESG ratings agencies like CDP, DJSI, MSCI, Sustainalytics and others. In the eyes of one company, "We have seen a likely permanent elevation of ESG as a result of COVID-19, and one of the biggest implications of this will be on disclosure. We are likely to see greater pressure for instance, for ESG impact disclosure of all products, and overall, more pressure from investors to consolidate metrics and standards." Companies will face higher expectations regarding the range and diversity of their disclosed data too. Investors are likely to demand more robust data – and improved performance – across the board, especially in the areas previously overlooked that are now supporting COVID-19 response and resilience such as employee safety, health & well-being, and diversity & inclusion. With supply chains suffering some of the worst impacts during the pandemic, the bar for disclosure of ESG data and risks related to supply chains is likely to rise as well.

ADAPTABILITY

DIVERSITY

COHESION

EXPLORE WAYS TO STRENGTHEN MATERIALITY ASSESSMENTS: Sustainability materiality assessments serve as the foundation for corporate ESG strategy and disclosure. Best practice materiality assessments include extensive internal and external stakeholder consultation. Such stakeholder engagement informs the selection of priority ESG topics and is critical to forging strong relationships with stakeholders and making sure that companies operate with society's best interests in mind. Despite well-established standards and guidance, our analysis of non-financial reporting (see Figure 2) shows that very few companies identified and disclosed pandemics as a credible risk pre COVID-19. Furthermore, even if companies did identify pandemics as a material sustainability risk, [WBCSD research](#) shows that very few risks mentioned in sustainability reports are incorporated in company risk and legal filings. While almost everyone failed to prepare for the arrival of a pandemic as severe as COVID-19, it is worth asking how materiality assessments could have helped companies better anticipate and prepare for this and other major ESG-related risks. Key ways in which companies can improve materiality assessments and better uncover threats include: increasing the range and diversity of stakeholders included in assessments (by broadening geographies, sectors, expertise areas, etc.), and; extending the time frames covered (similar to what we recommended related to scenario planning). Most materiality assessments look 2-3 or at most 5 years ahead. Considering material issues that might be relevant over 5-10 years or longer would expose companies to a broader range of risks and possible responses. Furthermore, materiality assessments are conducted every two to three years and remain static outside the few months the assessment takes place. This makes it hard to keep materiality results "live." Finally, to unleash more creative thinking and capture the advantages of scenario planning discussed earlier in this issue brief, companies might consider integrating scenario planning exercises and materiality assessments.

ADAPTABILITY

DIVERSITY

COHESION

REALIGNING THE BALANCE AMONG E, S AND G: Sustainability COVID-19 has brought importance of social factors for business resilience to the surface. The crisis has underscored the critical role that individuals and their well-being play in long-term resilience and building cohesive organizations and communities. Before the pandemic, most company and investor attention was focused on governance and then environmental topics, with climate the dominant and sometimes the only environmental topic receiving attention. This had begun to change pre-2020 with increasing focus on biodiversity, waste and plastics, and the shift has accelerated with COVID-19. Social issues such as inequality have been rising in importance in the eyes of investors as well. As one of the interviewees noted, "Discussions at the WEF annual meetings in Davos focused almost exclusively on environmental issues and climate change, but now the conversation has become much broader. COVID-19 has elevated environmental topics such as nature and biodiversity, and increased focus on social topics such as the need to look after your people." In order to improve their ability to withstand the range of future shocks that will stem from environmental and social challenges, business will need to rebalance their view of E, S and G. It would be one of the more positive outcomes of the COVID-19 crisis if businesses developed a greater appreciation of topics related to employees, diversity, inequality and social cohesion and gave those greater emphasis in their strategy and disclosure through realignment, deeper investments and bolder action.



④ Summary recommendations



4 Summary recommendations

In this issue brief, we explored early business responses to COVID-19 and made recommendations on how companies can build greater long-term resilience through improved approaches to Corporate Risk Management, Human & Social Capital and ESG. We also investigated how such actions relate to the key attributes of resilient organizations: Diversity, Modularity, Cohesion and Adaptability.

Given the changing and multiplying nature of global threats, we found that Diversity and Adaptability are particularly important for improving **corporate risk management**. Companies should prioritize the following risk-related actions to better prepare for future disruptions:

- Shift from traditional rules-based approaches to more flexible, regular and process-oriented risk assessment and management methods that enable ongoing learning and exploration
- Incorporate tools and approaches likely to spur more outside-the-box thinking and reveal harder-to-predict threats (“unknown unknowns”)
- Regularly practice scenario planning and leverage other long-term analysis tools and exercises
- Integrate risk management deeper into company culture, operations and value chains
- Shift behaviors and company culture by integrating risk

thinking and ongoing risk assessment and learning into every job.

The pandemic has highlighted the critical role that **Human & Social Capital** plays in long-term business success; Diversity, Cohesion and Adaptability have proven key to effective response on these capitals. Businesses can contribute to long-term resilience by improving Human & Social Capital management as follows:

- Listen and respond to people – both inside and outside the fence line – and ensure that the insight gathered from consultations is used to define and uphold a company’s vision
- Test extending workforce protection measures originally designed for the direct workforce to supplier workforces and non-permanent employees throughout the value chain and consider the extent of support provided to frontline workers
- Actively promote diversity and inclusion as part of company culture and recognize that a company’s approach to managing human capital needs to respect individuality and cultural nuances
- Engage with government, NGOs and industry counterparts in recognition of the fact that greater impact can often be achieved through combined action and collaboration
- Explore ways to make work more flexible for all employees – from farm to factory floor to office – and to address real and potential pressures of automation and digitization, reshoring, cultural shifts and

even conflict, as well as the current pandemic, all of which present a challenge to the nature (and our understanding of the nature) of work.

Finally, the degree to which companies, investors and other stakeholders view **ESG** as essential to long-term success and resilience continues to rise. ESG is increasingly viewed as a mark of quality and security by investors and as a key indicator as to how a company will perform long-term. Robust ESG management reinforces the Diversity, Cohesion and Adaptability resilience attributes. We believe ESG performance and its contribution to long-term resilience can be strengthened in these ways:

- Continue to improve ESG disclosure, especially by accelerating adoption of common standards and metrics and improving disclosure on topics proving critical to business resilience during COVID-19 (for example, human & social capital elements including employee well-being, diversity and inclusion, and safety).
- Improve sustainability materiality assessments by including a greater diversity of stakeholder perspectives, longer time frames and scenario thinking, and by finding ways to keep materiality “live” between assessment cycles.
- Re-balance E, S and G emphasis and investment to give social issues a greater/adequate share of attention in disclosure and strategy.

⑤ Conclusion



5 Conclusion

Our research shows that resilience is less about maintaining a steady state than adopting behaviors and actions that are agile, dynamic and transformational in response to pressure – that is to say, adaptable. Interviewees and our research suggest the way to become adaptable is by emphasizing purpose and values in leadership; improving stakeholder engagement; re-designing supply chains; and, above all, embracing longer-term thinking and developing new and sustainable business models and behaviors.

True resilience isn't about withstanding but instead embracing what it takes to thrive at the organizational and systems level. For business, that means seeing that resilience is not just about access to raw materials and operational efficiency, but about recognizing and protecting the enormous investments and value found in skilled and healthy workforces and vibrant communities. It's also about protecting and enhancing vital ecosystems, and ensuring that strong institutions, transparent rule of law, and healthy national and local budgets can support the resilience of the system overall. True resilience prioritizes the transformational role of innovation in the face of challenges and disruptions, as it supports efforts to find ways to create value in new, evolving circumstances. When these are the things that businesses seek to protect, their understanding of resilience shifts from making themselves robust and able to resist change, towards

a mindset where resilience means adapting and changing as required to continue to exist as employers, as value-generators for shareholders and as members (and servants) of communities around the world.

This exploration of resilience has taken place when COVID-19 and its impacts are still ongoing and unfolding, and when business is focusing on immediate response and survival. Further engagement, discussion and collaboration in the private sector and with stakeholders will be critical to deepening collective insights and understanding the keys to building truly resilient organizations and systems. Resilience needs to be more deeply embedded in business language and especially in practice to ensure it does not atrophy. Applied and honed, better long-term resilience will result in businesses that are better able to anticipate and prepare for all future scenarios, minimize the impact of the shocks that do hit and recover more quickly from them.

ACKNOWLEDGMENTS

This issue brief was developed both as part of WBCSD's COVID-19 response project on the long term effects of pandemic, and our work to update WBCSD's Vision 2050, a project that is being driven forward with the support and leadership of 40 WBCSD members and the WBCSD Executive Committee. The issue brief was produced in partnership with the ERM SustainAbility Institute. Several WBCSD members were kind enough to be interviewed, offering their time and insights that would form the back bone of this issue brief. The report was reviewed by both WBCSD members taking part in the COVID-19 response and Vision 2050 Refresh projects. We thank all interviewees and reviewers for their valuable inputs.

For more information on the update of WBCSD's Vision 2050 visit www.wbcds.org/vision-2050-refresh

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This publication has been developed in the name of WBCSD. Like other WBCSD publications, it is the result of a collaborative effort by members of the secretariat and senior executives from member companies. A wide range of members reviewed drafts, thereby ensuring that the document broadly represents the perspective of the WBCSD membership. Input and feedback from members and interviewees was incorporated in a balanced way. This does not mean, however, that every member company or interviewee agrees with every word.

ABOUT ERM

ERM is a leading global provider of environmental, health, safety, risk, social consulting services and sustainability related services. ERM works with the world's leading organizations, delivering innovative solutions and helping them to understand and manage their sustainability challenges. To do this, ERM has more than 5,500 people in over 40 countries and territories working out of more than 160 offices.

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ABOUT WBCSD

WBCSD is a global, CEO-led organization of over 200 leading businesses working together to accelerate the transition to a sustainable world. We help make our member companies more successful and sustainable by focusing on the maximum positive impact for shareholders, the environment and societies.

Our member companies come from all business sectors and all major economies, representing a combined revenue of more than USD \$8.5 trillion and 19 million employees. Our global network of almost 70 national business councils gives our members unparalleled reach across the globe. Since 1995, WBCSD has been uniquely positioned to work with member companies along and across value chains to deliver impactful business solutions to the most challenging sustainability issues.

Together, we are the leading voice of business for sustainability: united by our vision of a world where more than 9 billion people are all living well and within the boundaries of our planet, by 2050.

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September 2020

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