Executive Summary—This Should All Sound Familiar

In 2007, the Council on Competitiveness (Council) released Transform, making the case that resilience could be a competitive advantage enabling businesses, higher education and the public sector to recover from crises more quickly. There was a recognition that globalization, technological complexity, interdependence, terrorism, climate and energy volatility, and pandemic potential were increasing the level of risk that societies and organizations faced. And that risks were increasingly interrelated. Therefore, the ability to manage emerging risks, anticipate the interactions between different types of risk, and bounce back from disruption would be a competitive differentiator for companies and countries alike in the 21st century. That was the conclusion 13 years ago.

With more than 188,500 Americans dead,1 at least 13.6 million Americans unemployed,2 GDP growth at -31.7 percent,3 colleges and universities struggling to reopen, and no congressional infrastructure in place to enable remote legislating—it is fair to ask: did anyone listen? The COVID-19 pandemic that has shaken the global economy may have been unexpected, but it was not unanticipated. Yet, policymakers and other stakeholders are treating the pandemic like a once-in-a-lifetime occurrence that could not have been planned for and that will require 12-18 months at least from which to recover. That is not resilience. That is capitulation.

To drive home the point that a focus on resilience should have been standard operating procedure for the public and private sectors by now, the following insights and recommendations from the original Transform report are included below. That they remain relevant is both a testament to the foresight of the Council and its members and to the lack of urgency and implementation by critical stakeholders.

What Policymakers Should Know

The national objective is not just homeland protection, but economic resilience—the ability to mitigate and recover quickly from disruption.

There are an infinite number of disruption scenarios, but only a finite number of outcomes. Leading organizations do not manage specific scenarios, rather they create the agility and flexibility to cope with turbulent situations.

Government regulations tend to stovepipe different types of risk, which impedes companies’ abilities to manage risk in an integrated way. Policies to strengthen risk management capabilities would serve both security and competitiveness goals.

What Business Should Know

Businesses must root the case for investment in resilience strategies to manage a spectrum of risks, not just catastrophic ones.

1 https://covid.cdc.gov/covid-data-tracker/#cases.
Making a business case for investment in defenses against low-probability events (even those with high impact) is difficult. However, making a business case for investments that assure business continuity and shareholder value is not a heavy lift.

The investments and contingency plans these leading companies make to manage a spectrum of risk create a capability to respond to high-impact disasters as well.

Operational risks are growing rapidly and outpacing many companies' abilities to manage them.

Corporate leadership has historically viewed operational risk management as a back office control function. But managing operational risks increasingly affects real-time financial performance.

Lack of collaboration between risk specialties, and lack of consistent and “leading” metrics to anticipate emerging or interacting risks, are important gaps in the risk management process.

### What Policymakers Should Do

- **Lead by Incentive**
  - Include resilience criteria in procurement and research and development processes

- **Reinforce Market Mechanisms**
  - Explore expanded U.S. Securities and Exchange Commission (SEC) disclosure requirements on non-financial material risks

- **Reduce Risk and Cost for Resilience Solutions**
  - Leverage computational capabilities of universities and national laboratories to strengthen modeling and simulation of operational risks
  - Catalyze regional networks for crisis management and information exchange
  - Expand technology test beds to demonstrate the cost effectiveness of resilience solutions

### What Business Should Do

- **Walk the Talk at the Top**
  - Inspire cultural transformation

- **Link Operational Risk to Revenues**
  - Organize risk management processes as a continuum

- **Take a Systems Approach**
  - Identify critical vulnerabilities across business assets and operations

- **Manage with Metrics**
  - Benchmark risk management performance on the operational side

- **Harness New Technologies**
  - Apply technology solutions, that create early warning and tracking capabilities, as well as coordination across the organization

- **Create Adaptive Capacity**
  - Develop capabilities to mitigate a variety of outcomes from disruptions

### What Universities Should Do

- **Learning to Change**
  - Create cutting-edge, cross-disciplinary resilience curricula and research centers

- **Invest in Training and Education to Change the Culture:**
  - Create a Resilience Curriculum Fund to embed resilience in undergraduate and professional education
  - Stimulate cross-disciplinary research centers on resilience