

Q + A with Andrew Zolli

Resilient organizations don't rely on any single plan for the future; they're agile, cooperative and responsive.

HURRICANES. DROUGHTS. RECESSIONS. NETWORK CRASHES. GEOPOLITICAL CONFLICTS. THE ORDER OF THE DAY SEEMS TO BE DISRUPTION AND CRISIS.

That's why it's critical for companies to be resilient, says Andrew Zolli, co-author of "Resilience: Why Things Bounce Back," a book about why some organizations fall apart in the face of disruption while others flourish. Resilient organizations don't rely on any single plan for the future; they're agile, cooperative and responsive. Amid change they don't just survive, they thrive. What builds resilience Empowered middle management and helping the company's social networks grow like kudzu, for starters.

Zolli is executive director and curator of PopTech, an influential global innovation network that explores key forces influencing the future and develops new approaches to the world's toughest challenges. He's helped companies such as Nike, American Express and GE to understand the evolving global operating environment and how to excel in an increasingly precarious world.

"Innovation and resilience are closely related."

ANDREW ZOLLI | Executive Director and Curator of PopTech

Crises seems to be more frequent today. Is that why resilience is such a hot topic?

Yes, absolutely. Consider that in 2012 alone we had a heat wave that melted the tarmac under airplanes in Washington, D.C.; half the country declared a federal emergency due to the largest drought in a century; the largest blackout in history left one in nine people on Earth (all in India) in the dark; and super storm Sandy—all influenced by a warming climate.

This kind of permanent and intrinsic volatility is becoming the new normal. And not only are we experiencing more disruptions, but their consequences are becoming harder to predict. That's because the world is connected in ways we can scarcely imagine: climate, energy, the financial, social and political systems are all interlinked and hard to observe. And worse, we have all sorts of natural cognitive blindness when it comes to disruptive change. Our brains are trained to attend to certain forms of change but not others, which is why we are constantly surprised that our models are not as nuanced as the world we live in. When you combine complexity, interconnectivity and blindness, tie the systems together and stress them all, you get these volatile spikes, or crises.

What's the impact on individuals and organizations?

Obviously, these kinds of spikes to the system—the financial crisis, droughts, food shortages, hurricanes, etc.—are costly. The last year for which we have data, 2011, was the most expensive year for natural disasters in human history and 2012 will likely top it. But that's really just the beginning. There are also indirect costs: the increasing costs of insurance and the increasing difficulty of long-term planning. And then you have things like the psychic stresses—on our people, which can be less visible but no less damaging.

Give us an example of organizational resilience.

When Katrina hit the Gulf Coast, people's homes were literally under water. They lost their possessions, money, identification, everything. One of the most important regional banks, Hancock Bank, lost 90 of their 115 branches and their headquarters was decimated. The electricity was out, computers weren't working and their offices were flooded, but the bank came up with an ingenious response:

There's a tremendous power in the physical environment to help build trust, cooperation and resilient behavior.

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They set up tents and card tables as offices, and offered anyone who needed it—customers and noncustomers alike—\$200 in cash on the spot. No ID, no problem. It was a radical act of trust in the communities they serve. In the first few weeks after the storm, Hancock loaned out \$50 million in cash in this manner. And what was the result? 99.6% of the loans were repaid, and net assets at the bank grew by \$1.4 billion dollars in the 90 days after the storm, as people moved their money over to the bank. This is the kind of adaptive, flexible response that defines a resilient enterprise—and it didn't come from the corner office. It came from the middle management, who understood and were motivated by the values of the institution.

Where does that kind of resilience come from?

Resilience has lots of correlates. First and foremost, we see it in organizations with tight cultures but loose tactics. These are companies that have a culture of continuous, modest risk-taking and are flexible and adaptive to circumstances.

Interestingly, these aren't always places where people all think the same way—indeed, most are companies that tolerate a lot of cognitive diversity. They have people who think about the world in different ways, who think about the same problem, with the same facts, but from different perspectives.

Another critical aspect of organizational resilience is trust: People have to be ready to believe in one another and cooperate when things go wrong. Resilience is what we call adhocratic—it involves lots of little collaborations between many different actors; rarely is it driven by some top-down plan. So you find it in organizations with a lot of trust, diversity and collaboration.

How does the organization develop ad hoc solutions?

Not like you might think. The cliché of leadership in a crisis is either the square-jawed visionary CEO at the top or the street activist/external agitator. Yet when disruption occurs it's hard for people to issue top-down commands because they don't have good situational awareness, while people on the front lines lack a broad, systemic view. The real strength in a resilient organization comes from the organization's middle management.

If the middle is strongly connected and there's cultural permission to be improvisational, they can use their shared values and mission to get creative and respond to a crisis. They don't have to check with the top. There are no rules, so they invent them as they go along. And they can do extraordinary things.

The Hancock Bank employees understood the bank was about helping people achieve their financial goals. The board and CEO didn't decide to set up those tables and tents. The empowered middle, fueled by creativity and improvisation, came up with that solution.

How can you build that kind of collaboration when the organization isn't facing a catastrophe?

The ability to withstand disruption is mostly a by-product of decisions made when things are calm. We see resilience emerging from four basic capacities. The first is the ability to build regenerative capacity when things are going well. This is measured by the health of an organization's culture, its levels of appropriate risk tolerance, the strength of its internal and external social networks, the physical and mental health of its people, its embrace of diversity, its adaptability and its level of trust. This self-renewing capacity is the single most important aspect of resilience, and it's proactive, not reactive.

The second aspect of resilience is the ability to listen for change, to sense impending disruptions. This means listening for weak signals, things that are on the edge today but might be major disruptors soon. It also means interpreting those signals, rehearsing for various forms of change and embracing scenario-based thinking.

The third aspect is the ways we respond to disruption, unlocking the kind of adhocratic, improvisational response we discussed.

Finally, consider learning and transformation, taking the lessons of response and reshaping the kinds of capacity-building we're doing, and the ways we're listening for future changes. Resilience isn't found in doing one of these things well—it's found in doing all of them well.

Can a company's physical space influence resilience?

Absolutely. There's tremendous power in the physical environment to help build trust, cooperation and resilient behavior. Humans are social, and the natural environment is our preferred environment. We also like to be near places where we're by ourselves in the context of other people. When people are in these environments, their cortisol levels drop and their pro-social and trust behaviors increase.

Yet so many offices put people in the interior of the building, away from the natural environment and daylight. Soul-crushing cubicleville. They take away every aspect of a human's preferred environment. However, there's an enormous performance and resilience benefit that comes from working in an environment that's physically designed to mimic the environments to which we have innate, low stress reactions.

To build trust and cooperation, change the places where you want people to engage in trusting behaviors. Put them in environments that naturally unlock those behaviors, places where they're less stressed, less fearful and more at ease.

People are mobile and organizations are often widely dispersed. How do you get widely dispersed people to work together?

There was a famous study done in the 1970s about how people find jobs through networking. Most people found new employment not from people they knew, but from people they knew who in turn knew someone else. That's called a "weak tie": someone you know through someone else. Researchers also found that most people found novelty through these weak connections, whether it was looking for a new job or new information. So if you're looking for new information, having a lot of weak-tie—the kinds of ties we have through social media—is really helpful. But if you're trying to produce and synthesize new work or new products, you actually need intimate, strong-tie connections.

The best teams are small groups of people who have close ties with each other, and each of those people individually have large weak tie networks. They keep in touch with widely disparate ideas and different ways of thinking. They're exposed to new ideas and information constantly, which they then bring to the table to share with their small, strong-tie colleagues. It makes each of them a better collaborator to have a large weak-tie network. Twitter is a good example of a technology that helps people maintain and use a large weak-tie network. Later, when you need to work more closely together, you meet in person, use the telephone or a videoconference for higher bandwidth to develop a strong-tie with the person you're collaborating with.

The trick is to pick the right spaces for the right kinds of work. Say we're going to design a new product. If we're on the team, we have to have really strong ties and connections together. Most effective teams are small groups of strong-tie folks who themselves have very large weak-tie networks—people who know their team members well, and have a lot of sources of information, insight and inspiration.

Some companies recently decided to bring home-based employees back into the office. What does this mean for distributed work?

Companies are realizing that people need time to work face-to-face, that they can't work apart all the time. Many companies are realizing this and to some extent they are re-urbanizing, recognizing the huge value of face-to-face communication, that people need to work together. Our cognitive processes are designed for human interaction.

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