

Resilient Business

A lot of literature and computer games give us a simpler view on life. We don't want to face all the challenges of life. But challenges happen. Customers will push for more actions, demand different services, and put pressures on the structures we have built. We cannot predict disruptive market changes, cyber-attacks, or natural disasters. What we can do is to strive for "resilience".

As the cyber-attack on the gasoline pipeline shows, we are in a global conflict. Every organization, no matter how small, is under attack. We also live in the natural world and floods, fire, earthquake, and more will happen to us. The way we respond to challenges outside of our control defines what our future will be (or even if it will be).

Many organizations "hunker down" under stress (much like people diving into the cellar when the storm comes). That often leads to needing to rebuild as many "storms" leave the environment changed. Many strong trees will break in a storm while others, more resilient, lose branches but not break. In business, we can strive for "business resilience". A resilient organization is able to adapt and change with the outside demands instead of breaking under them.

Building for resilience in business requires a different approach for planning, allocating resources, and evaluating results. Planning to survive disasters is different from the normal financial management that most businesses engage in. In the last year, we have had society shutdowns, major

cyber-attacks / ransom attacks shutting down gas pipelines and many other businesses that we may have relied on, a huge power outage in Texas, and supply chains disrupted by a blockage in the Suez Canal. When we expect parts of the business to fail, for the data to be held for ransom, or for massive power outages and supply chain disruptions, we build a very different business than when we do our best to optimize shareholder returns.

Resilience Requires Validation

Some of the features of resilient businesses include: redundancy (at the expense of efficiency), different systems and behaviors (compared to standardization), loosely coupled parts (instead of tightly coupled organization), and

adaptability.

Resilient businesses are not highly centralized, but are built on a common long-range vision and focus. They are built on shared ideas and management spends a lot of time communicating the vision. These businesses recognize that adversity is an opportunity to improve. They measure themselves not just on financial performance, but how well they are living up to the vision and pulling others with them.

Resilience needs to be validated. We can't simply claim that we have it. When we run tests of major failures, intrusion testing of the IT network, and simulations of supply chain failure, we can find how badly we will be affected by such.

Challenges will continue to happen. Let us plan for them and build our businesses to bend and change with them.

Denying Reality

Recently, pictures of burned-out cars and cars with plastic bags of gasoline in their trunks appeared on social media. People put gasoline in the back seat, and then lit a cigarette. That is a real denial of reality and we are suffering through a pandemic of denying reality in many forms. Often, people deny facts because they want the world to be like it "should be". Seeing reality can be an opportunity.

When people in responsible positions deny reality, the rest of us suffer when the reality they deny comes back to bite us. In business, major companies collapsed when fraud was discovered. Thousands lose their savings in pyramid schemes. Numerous companies have had their data stolen or encrypted and held for ransom. Texas suffered because many denied that cold would shut down power generation.

The opportunity is when companies see the reality and prepare for the problems. These companies handle the difficulties far better. They generally don't get hurt as badly. They also are able to recover far faster. An example is how the H-E-B grocery chain handled both the pandemic and the Texas power outages. They had plans for dealing with disasters and spend a bunch to have generators for their stores. A clear view of reality can be a competitive advantage in a challenging environment.

Often, the biggest challenge to seeing reality is our preconceived ideas of how the world "should be". Many people can observe the situation and never see the problems arising nor the patterns changing. Their ideas of how things "should be" keep them from seeing the data as the situation unfolds in front of them. Here is where listening to multiple viewpoints can help see what is really going on.

It helps to have a clear view of reality.

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Risky World

One of the "ransom attack" software does not want to hit any Russian firms and it checks that by looking for the Russian alphabet in a target computer. Some people recommend installing the Russian alphabet on your computer to prevent that attack. (But they don't say what the CIA will do to you.)

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