MILITARY

Operational resilience: Lessons learned from military history

EDUARDO JANY

20

YEAR ANNIVERSARY

OPERATIONAL
RESILIENCE

THE CAPCO INSTITUTE

JOURNAL OF FINANCIAL TRANSFORMATION

RECIPIENT OF THE APEX AWARD FOR PUBLICATION EXCELLENCE

CONTENTS

OPERATIONS

TECHNOLOGY

MILITARY

DEAR READER,

Welcome to this landmark 20th anniversary edition of the Capco Institute Journal of Financial Transformation.

Launched in 2001, the Journal has followed and supported the transformative journey of the financial services industry over the first 20 years of this millennium – years that have seen significant and progressive shifts in the global economy, ecosystem, consumer behavior and society as a whole.

True to its mission of advancing the field of applied finance, the Journal has featured papers from over 25 Nobel Laureates and over 500 senior financial executives, regulators and distinguished academics, providing insight and thought leadership around a wealth of topics affecting financial services organizations.

I am hugely proud to celebrate this 20th anniversary with the 53rd edition of this Journal, focused on 'Operational Resilience'.

There has never been a more relevant time to focus on the theme of resilience which has become an organizational and regulatory priority. No organization has been left untouched by the events of the past couple of years including the global pandemic. We have seen that operational resilience needs to consider issues far beyond traditional business continuity planning and disaster recovery.

Also, the increasing pace of digitalization, the complexity and interconnectedness of the financial services industry, and the sophistication of cybercrime have made operational disruption more likely and the potential consequences more severe.

The papers in this edition highlight the importance of this topic and include lessons from the military, as well as technology perspectives. As ever, you can expect the highest caliber of research and practical guidance from our distinguished contributors. I hope that these contributions will catalyze your own thinking around how to build the resilience needed to operate in these challenging and disruptive times.

Thank you to all our contributors, in this edition and over the past 20 years, and thank you, our readership, for your continued support!

Lance Levy, **Capco CEO**

OPERATIONAL RESILIENCE: LESSONS LEARNED FROM MILITARY HISTORY

EDUARDO JANY | Colonel (Ret.), United States Marine Corps

ABSTRACT

Perhaps no other institution has weathered so many life-or-death challenges and Herculean tasks as have military forces in these past two centuries. Although military doctrine and tactics cannot be fully applied to the corporate arena, there are some great historical learnings that can and should be considered, particularly in terms of operational resilience. This article examines a number of common-sense approaches and considerations for leaders juxtaposed with the famous "Roger's Rules" of the revered Major Robert Rogers, a U.S. Revolutionary War figure, as they apply to readiness and resilience.

1. INTRODUCTION

For some, the term "operational resilience" conjures up visions of endurance in the face of adversity, for others it is simply aspirational jargon that expresses what we would like our organizations to do. Some, perhaps more administrative organizations, may believe that the use of the word "operational" renders the term inapplicable to their particular functional area. In truth, irrespective of the type of organization one is associated with, be it public or private, we should strive to be as prepared for, and as responsive to, any business impact, reputational crisis, catastrophe, and man-made or natural disaster – in effect, any stress event – as possible.

Renowned psychologist Abraham Maslow (1962), who analyzed stress and its impact on individuals and groups, stated that "stress will break people altogether if they are in the beginning too weak to stand distress, or else, if they are already strong enough to take the stress in the first place, that same stress, if they come through it, will strengthen them, temper them, and make them stronger." The Nietzschens among us will recall the famous quote: "what does not kill (us) makes us stronger" [Nietzsche (1888)].

Independent of the organization's mission or purview, there are times when crises, failures, shortfalls, or stress will occur. The question is how we respond to that stress, and whether the organization can work through the stress, bounce back, and complete the mission. Hence, given that most of us agree that stress can and will affect us all and our organizations, it is how we tolerate and work around, or with, that stress that defines our resilience, or as some call it "hardiness".

From my earliest days as a young soldier, and later as a Marine, I was imbued with a strong sense of readiness and resilience. One anecdotal observation of my own, that I am certain may be shared by others, is that much of our stress tolerance and hardiness has to do with adaptability. To foresee change, improvise, adapt, and overcome it when it hits you. There is a quote, often misattributed to Charles Darwin, that states: "It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change." Although the real author is unknown, it may as well have been Mr. Darwin and is applicable to any leader in any organization.

In the military, being adaptable and stalwart in the face of pain and adversity was the norm, and as a Special Operations Officer, hardiness and resilience is a requirement in our units and changing circumstances, resources, and mission sets is inevitable. Preparation through stress testing always came in the form of hardcore training and simulations designed to replicate the most grueling and extreme conditions, such as cold, heat, isolation, equipment outages, simulated casualties, and long movements on foot and without support. Of course,

it would not make sense to apply such military doctrine, or those extreme levels of readiness, to a business environment; however, when considering strength and consistency in the face of adversity, much can be learned from the writings of our earliest military leaders and one that stands out, despite being a bit folksy and with dated terms, was written by Major Robert Rogers in 1789.

Rogers was a colonial frontiersman in what was then New England, who volunteered to serve in the Colonial Army during both the "French and Indian Wars" and the American Revolution; applying unique indigenous tactics as he led, prepared, and trained a 600-man infantry force. His commonsense methods emphasized adaptability, readiness, self-sufficiency, and stealth. Rogers' 19 "Rules", later reconstituted to 28, were written in 1756 and have been a hallmark of the U.S. Army Rangers and Special Operations Forces ever since. When digested and considered in the context of operational resilience, the first nine, which are described in this article, are as apropos now as they were over 200 years ago and can certainly be applied to the business environment.

2. ROGER'S RULES

2.1 Rule 1: "Don't forget nothing"

Plans and protocols are meaningless if they are too complex and cannot be readily understood or recalled. Most organizations have manuals and "standard operating procedures", commonly known as "SOPs", but we should strive to make plans, especially those involving crisis response, that are readily accessible, understandable, and executable at every level. Where possible, checklists or "bullet points" should be used to highlight and simplify processes into steps. Gawande (2009) suggests that the checklist is an essential element of a high-performing organization for ensuring adherence to protocols and safety measures, especially during complex tasks. Operational resilience is almost always tested under stress and in stressful conditions, complex instructions can become lost in situational overload. What may be simple in a climate-controlled room under optimal conditions may seem incredibly difficult during tenuous situations. The checklist or mnemonics for task(s) may not guarantee you will not "forget nothing" but will ensure you get the salient points or steps right.

Policies and procedures requiring immediate action or urgent attention should be boiled down into bite-size, step-by-step bits. Condensed, ready reference guides or handbooks are a must and should be issued, trained, and tested on to ensure operational resilience.

Figure 1: Ranger of the French and Indian War

Painting by Don Troiani ©

2.2 Rule 2: "Have your musket clean as a whistle, hatchet scoured, sixty rounds powder and ball, and be ready to march at a minute's warning."

In military parlance, since adopted and made famous by Tony Robbins, it is said that "losers react and winners anticipate." Action always beats reaction. Whether it is a proactive measure to execute a stock transaction at the best price, a first bid at a potential acquisition, or a well-prepared unanticipated game changer of a business initiative, we must do what we can to be ready at all times. Systems outages, criminal acts, terrorist attacks, hacks, or earthquakes rarely, if ever, happen during a sunny business day when everyone is in the office. Leaders must prepare for crises to pop up at the worst times; the weekend, late at night, or during holidays, when bosses are away and the most inexperienced or less equipped junior people are called upon to act.

Rogers' reference to weapon and ammunition can reflect how we must always have our resources in ready mode. There is no "off-day". Undertake mission assurance measures that include inspections and testing to ensure that our inventories are adequately stocked, those who work with us have what they need, things are well maintained and in working order, and backup equipment, people, or systems are at the ready. Redundancy is certainly a part of this. Operate by the "one is none, two is one" principle to ensure that you have the resources you will need in a crisis. Plan, inspect, and rehearse in conditions that will replicate worst-case scenarios. Note that not every test or drill needs to be a "black swan" or doomsday situation. Quite the contrary. It is important to test your people, equipment, and technology and help them succeed working up to tougher spot checks and tests until the good gets to better and the better gets to best. Operational resilience should include autonomous, independent testing to have an unbiased assessment of your capabilities and shortcomings.

Seeking and adhering to standards such as ISO or industry recognized organizations' best in class protocols will also help up your game. Having your equipment and people in order will ensure that you can readily adapt and pivot to the threat or situation at hand.

2.3 Rule 3: "When you're on the march, act the way you would if you were sneaking up on a deer. See the enemy first."

In terms of resilience, leaders must be forward leaning. Be stealthy and vigilant. Having a vision of what can go wrong, what threats exist in your field or in your area, and knowing how you will react is incredibly important. You must be up on intelligence and recognize potential hazards well in advance in order to prepare for or prevent them. In the security arena, these are, perhaps, more obvious, but when considering facilities operations, banking, or food services, have you looked at what may be impacting your area? What are the potential points of liability, loss, or concern? Whether it is an insider threat of intellectual property loss, cargo theft, bad publicity, or product liability, what are you seeing in the industry you serve? Open your aperture and look beyond your focus area, your city, your country, and your region.

Today's threats are hardly ever localized or isolated and you need to stay sharp and in tune, looking over the horizon to "see the enemy first".

2.4 Rule 4: "Tell the truth about what you see and what you do. There is an army depending on us for correct information. You can lie all you please when you tell other folks about the Rangers, but don't never lie to a Ranger or officer."

Emphasize integrity and trust; value those who speak truth to power. Lean on those who are in the know and who have the real view of what is happening. You must rely on the ground truth and really understand what is going on at the lowest levels if you want to make effective decisions at the strategic level. Value the inputs of your closest confidants and colleagues, but encourage inputs from the newest people in your organization and embrace honesty. I was absolutely dumbfounded during a recent conference with two senior "C" level executives from a well-known Fortune 100 firm, a mammoth global leader in its area. Both were peers and had operational control of their particular sectors in two separate business units, but they had not seen each other or communicated in months. Their roles were quite similar, they certainly had cross over areas but were not collaborating or synchronizing in any way. When I politely asked why this was, they both shrugged and said that is the way the company had been since the beginning. There seemed to be a level of competition or fear that these units would suffer from idea contamination or lose footing with the board. This is absurd. Trust is imperative. Recognize that anything a leader does or fails to do rests solely on them and they must absolutely be honest and forthright about how and why they executed an action. We all look to succeed and often try to send the good news stories up the chain of command, but the bad news, the reality checks are equally important. It is fine to brag about your excellent attributes and accomplishments, but resilience requires your employees to be brutally honest with each other and report any shortcomings or issues so that they can be corrected.

Interoperability and integration should be the standard you seek. It requires a certain degree of trust and collaboration between higher authority and subordinate elements and, of course, cooperation and integrity between peer organizations and units to your left and right.

2.5 Rule 5: "Don't never take a chance you don't have to."

At times it may be easier or more expeditious to cut corners or seek shortcuts. Jumping over checklist items or ignoring procedures is an invitation to failure or, even worse, catastrophic consequences. In "Truth, lies, and o-rings: inside the Space Shuttle Challenger disaster," former aerospace engineer and Morton-Thiokol executive, Allan McDonald, discusses how a mix of untested environmental effects, hubris, and failure to follow protocols resulted in the tragedy that cost the lives of seven U.S. astronauts. Convenience or cost savings can never take the place of safety and security.

Although patience, prudence, and care may take you down a longer road, you will be more likely get to your destination in one piece. There is a caveat, and that is that many leaders avoid risk altogether. For these leaders, everything becomes a deliberate decision: applying the logic that it is safer or more effective this way. In some private sector organizations, even some big tech firms considered to be cutting edge, decisions often have to be sent all the way up before they can be processed, mulled over, and approved. Having served in military and police organizations, and now the private sector, I have had the opportunity to observe the very lengthy deliberate planning processes undertaken by certain conventional organizations in contrast to the kinetic processes effected by the unconventional or agile organizations. Each has their place. At times, resilience means being tough and staid enough to make a decision, and get rolling, making course corrections along the way. The United States Marine Corps emphasizes agility through a six-step decision-making process that consists of problem framing, course of action (COA) development, COA war gaming, COA comparison and decision, orders development, and transition. When the time does not allow for that level of planning, an even more dynamic rapid planning process is undertaken that allows for quick deployment and utilization, using existing procedures as the guiding framework for all actions.

Strong policies and procedures with quantifiable testing measures and metrics will ensure that even when time constrained or resource poor, there is always the ability to undertake a rapid cycle of scan, assess, respond/ react, and analyze. Taking chances or cutting corners should not be the norm but agility should not suffer.

2.6 Rule 6: "When we're on the march we march single file, far enough apart so one shot can't go through two men."

It is a bit tougher to translate this point into a business relatable concept, but it could be said that Rogers never wanted to compromise the safety and security of his men by putting them so close together. Compromising all of your assets in one location at one time would be foolish in any endeavor. In the context of resilience, you should never rely on one resource or asset, or pool everything into the same place. Corporate Counsel and Risk Management would never allow the entire executive committee to travel together on a single aircraft nor would we consider having all of our principal assets in one location. Decentralization of emergency assets and response resources is of imminent importance.

> *At times, resilience means being tough and staid enough to make a decision, and get rolling, making course corrections along the way.*

If your organization is relying on a single site or entity to provide your information or attend to your emergency, you may be out of luck if that location becomes part of the crisis. From a sales perspective, if you are hedging your business survival on a sole client, you are putting yourself at risk of losing everything at once. Your fate is in the hands of one client and at some point they may go down, taking you along. In terms of personnel, effective cross-pollination, cross-training, and professional development in order to ensure ascension or emergency role changes is essential.

Spread load assets, tasks, and resources so that the metaphorical single shot does not take you down all at once.

2.7 Rule 7: "If we strike swamps, or soft ground, we spread out abreast, so it's hard to track us."

We can easily become mired down in minutiae or task saturated during crises. Resilience and hardiness require that leaders trust their people and resist the urge to micromanage. Your name may be on the blame line but spread loading and disseminating tasks will allow for faster actions and better brief backs on results. To this end, the military can certainly teach the private sector to allow for more agile decision-making at the lower ranks. In the Marine Corps, we often refer to the "Strategic Corporal". These young men and women, often still in their teens, are at the lower rungs of the junior enlisted ranks, but are afforded a great deal of responsibility and autonomy to operate. They are consistently trained and tested to ensure proficiency, knowledge, and adherence to policy and are expected to make split second decisions in order to ensure the mission succeeds without the need for constant permissions or authorizations. Much the same can be applied to the corporate world.

Allow for junior personnel to take on responsibilities and afford them with opportunities to promote their initiatives. This ensures that in crises, even if you hit a "swamp", you will have that much more agility and momentum.

2.8 Rule 8: "When we march, we keep moving till dark, so as to give the enemy the least possible chance at us."

Again, the colloquial way Rogers expresses this order can be translated to mean staying in motion and being proactive. This does not, however, mean that you burn your people or resources out by overextending them beyond their capabilities, but reliance requires that we apply endurance and drive through sometimes beyond the end of a business day or time clock. Those in sales will express that they are "always selling". Where are you when your competitor is shutting down for the night and putting away their wares? In a crisis, your response does not end at the end of a business day nor at the point the crisis is "over". You may notice that firefighters do not leave when the fire is out – they inspect, re-inspect, and check for smoldering embers or unseen hot spots or flare up points.

Resilience means being hardy enough to stay in the game, follow through and identify. Did we do everything we needed to do? Is there anything we missed? What if the situation re-emerges? Are we safe? For how long? Immediate debriefing and after-action reviews are essential. If you "keep moving till dark" you will recognize if the situation is stable or not and whether there is more to be done.

2.9 Rule 9: "When we camp, half the party stays awake while the other half sleeps."

At times we must be hardy and prepared to suffer, though that suffering needs to be moderated so as not to burn out everyone or everything at once. Vigilance and readiness require someone to stay awake to watch for threats. In terms of operational resilience, having a follow the sun model with 24x7x365 coverage, interoperable communications, and a common operating picture enable operations centers or hubs to provide real-time insight and information to leaders during crises. Interestingly enough, some organizations embrace easy does it, laissez faire attitudes or cultures that do not account for hardiness. Research has shown that hardiness is in itself a definitive moderator of combat exposure stress. Maddi and Kobasa (1984) state that "hardy persons have a high sense of life and work commitment, a greater feeling of control, and are more open to change and challenges in life." They tend to interpret stressful and painful experiences as a normal aspect of existence, part of life that is overall interesting and worthwhile. Hardy people make for a hardy unit and shared resilience.

In Special Operations assignments, especially those in hostile or high-risk areas, I was often impressed by the ability of our people to show calm and poise under incredible amounts of pressure in the most dynamic, life-threatening situations. Stressors, such as isolation and time away from family and support infrastructure, coupled with high-frequency exposure to dangerous situations and lack of adequate rest in a high operational tempo would, for most people, be simply too much to bear. Yet, some individuals, some units have an incredible hardiness. Today's business world may not have clandestine infiltration with hundreds of pounds of equipment into dangerous places, but coping with stress includes dealing

with home officing, late night or early morning and weekend workloads, family demands, and prevention of exposure to COVID-19. In any organization, behavioral health issues that affect the emotional stability of one individual will undoubtedly affect the stability and efficacy of others. That health starts at the top. Leaders lead by example and those leaders who demonstrate agility and adaptability will always be the most successful in a crisis.

Ensuring your organization's fitness and wellness are integral to how adaptable and resilient you can be. You may have the best minds and equipment, but if your people are burned out or overwhelmed you are not likely to succeed.

3. CONCLUSION

While planning and stress inoculation are important parts of resilience, effective forward-thinking leadership is key in times of crises. During the initial stages of the COVID-19 pandemic, many businesses were taking a wait-and-see attitude, while some of their peers were initiating mask wearing protocols, temperature testing, and sensor operations, which allowed them to get ahead of the situation and provide a safer and more secure workplace. Of course, as the saying goes, hindsight is always 20/20, but leaders must play out scenarios, best case

and worse case, and game out what may happen and how to respond "before" the crisis comes. Leaders can and should influence their organizations and, in effect, determine how resilient they can really be.

Military organizations are group- and team-oriented and highly interdependent. Applying a degree of esprit de corps and organizational cohesion contributes to resilience. This should be accomplished through a combination of servant leadership and role modeling. The most effective leaders have a keen sense of self-awareness, are adaptable, exude enthusiasm and optimism, and able to take on changes and challenges with a smile. Confidence is a must, though the emotional maturity and humility is equally critical, as the leader must be open to feedback and constantly seeking development and knowledge for themselves and their units.

Operational resilience must be incorporated into the organization's policies, procedures, and protocols and tested frequently. While ensuring that your unit or organization have the necessary resources is very important, realistic scenario-based training and testing is the real key to resilience. One rule that Rogers did not add to his list was that "it could always be worse", and without well-planned and tested operational resilience, it will be.

REFERENCES

Gawande, A., 2009, The checklist manifesto: how to get things right, Picador

Maddi, S., 2006, Hardiness: the courage to grow from stresses, Journal of Positive Psychology 1:3, 160-168

Maddi, S. R., and S. C. Kobasa, 1984, The hardy executive: health under stress, Dow Jones-Irwin

Maslow, A. H., 1962, Toward a psychology of being (original Wiley 1962), reprint 2014 Sublime Books

McDonald, A. J., 2009, Truth, lies, and o-rings: inside the space shuttle challenger disaster, University Press of Florida

Nietzsche, F., 1888, Twilight of the idols, or, how to philosophize with the hammer (original Berlag 1888 Leipzig), reprint 1911 T.N. Foulis

Robbins, A., 2014, Quoting from several books, lectures and seminars, tonyrobbins.com

Rogers, R., 1765, Journals of Robert Rogers of the Rangers (original Munsell's Sons 1883), reprint 2016, independently published

ABOUT CAPCO

Capco is a global technology and management consultancy dedicated to the financial services industry. Our professionals combine innovative thinking with unrivalled industry knowledge to offer our clients consulting expertise, complex technology and package integration, transformation delivery, and managed services, to move their organizations forward.

Through our collaborative and efficient approach, we help our clients successfully innovate, increase revenue, manage risk and regulatory change, reduce costs, and enhance controls. We specialize primarily in banking, capital markets, wealth and asset management and insurance. We also have an energy consulting practice in the US. We serve our clients from offices in leading financial centers across the Americas, Europe, and Asia Pacific.

WORLDWIDE OFFICES

APAC	EUROPE	NORTH AMERICA
Bangalore	Berlin	Charlotte
Bangkok	Bratislava	Chicago
Gurgaon	Brussels	Dallas
Hong Kong	Dusseldorf	Hartford
Kuala Lumpur	Edinburgh	Houston
Mumbai	Frankfurt	New York
Pune	Geneva	Orlando
Singapore	London	Toronto
	Munich	Tysons Corner
	Paris	Washington, DC
	Vienna	
	Warsaw	**SOUTH AMERICA**
	Zurich	São Paulo

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C001648

WWW.CAPCO.COM

CAPCO