RESILIENT + ADAPTABLE + INNOVATIVE = Sustainable Enterprises

A new mindset to RAISE the bar

May 2020
Virtually all Canadian businesses have been disrupted – some in unprecedented ways due to the global pandemic, market volatility, technological advancements or environmental changes. Weathering the storm to transform away from the disruption depends largely on where you stand along the continuum – from charged-up and ready to embrace newly developed opportunities to completely overwhelmed by it all.

Either way, building sustainable enterprises that are agile and adaptive requires a progressive mindset, both for CPAs and their organizations, so that they are better suited for disruption at any given time.

CPA Canada developed its RAISE philosophy to help you reflect on and assess your own proficiencies and to help you guide your organization to assess its level of resilience, adaptability, and capacity to innovate in response to change. Or, expressed as an equation:

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\text{Resilient} + \text{Adaptable} + \text{Innovative} = \text{Sustainable Enterprises}
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In defining sustainable enterprises, RAISE expands the discussion beyond environmental and social business practices. It encompasses the full range of strategic decisions needed to support an organization’s ability to add value and support long-term growth during pervasive and undefined change. RAISE is a continuous journey. It takes place daily to transform the way organizations work, think, develop and prepare for disruption at any given time. This expanded concept of what it means to be a sustainable enterprise is at the heart of RAISE and recent global events have provided an entirely new context.
Change is constant, but the current force of change is not business as usual

**2005**

Fifteen years ago, could you have guessed that devastating floods and wildfires would become second-page news? Or that you could watch them unfold in real time using a device you carry in your pocket?

**2010**

Ten years ago, could you have envisioned sending advertisers an open invitation to your social media page simply by reading an online article?

**2015**

Five years ago, could you have imagined that a network of smart devices would create an “Internet of Things,” giving you intel on your customers without a single human interaction?

**2020**

Today, we are dealing with a global pandemic that has virtually shut down the global economy, with devastating effects on many businesses, and could lead to the end of entire business sectors along with the emergence of new ones.

The following pages elaborate on the RAISE equation to help create a personal and organizational mindset that explores opportunities and manages risk beyond what is known today. It helps you explore how pervasive change could affect virtually every component of your operations, including products, clients and supply chains. It also links you to resources to help your organization take action to become a truly sustainable enterprise.

Many organizations are impacted by the velocity of change, either resulting from the pandemic or business disruptors. Today, many businesses that have managed to survive have converted to web-based almost overnight. Online shopping has become a necessity, rather than a convenient option. In the past decade, consider the taxi industry versus Uber and Lyft; the travel industry’s traditional business model versus Expedia and Travelocity; job recruitment professionals versus Monster; and, indeed, even personal tax accountants versus online services like SimpleTax. Those who once profited
from movie rentals, cable television, record stores or bookstores have either adopted different business models or been left behind. Even the biggest of the big – Canada’s banks – are being diminished by payment systems like Apple Pay and, potentially, blockchain.

The pace of change is not slowing down – in fact, it is accelerating – and the world beyond today is going to look very different. We will all need to RAISE the bar for a more sustainable economy and a more sustainable world.

Navigating disruption with RAISE

Resilient + Adaptable + Innovative = Sustainable Enterprises

While there are predictive tools at our disposal, anticipating future change is extremely difficult. The old adage “you don’t know what you don’t know” is perhaps truer than ever before. Your organization’s long-term viability hinges on its ability to:

• be resilient in the face of uncertainty
• adapt business practices to competing market pressures
• continuously innovate fresh and novel concepts to create long-term sustainable value

RAISE applies these three capabilities (Figure 1) to leverage change.

*Figure 1: RAISE should be part of your organizational DNA*
Resilience = Protecting + Recovering

Resilience speaks to the ability to manage risk and quickly recover from turmoil and disruption. Resilient organizations do this while maintaining continuous business operations and safeguarding people, assets and overall brand equity. Resilient leaders and organizations understand that change is inevitable, often unexpected, and that it typically emerges from the external environment. This insight allows them to focus on proactively building the capacity to respond to the unexpected. In short, resilient organizations are flexible enough to manage risk and deal with change. The devastating impact of the global pandemic and virtual shut down of global economies is testing resilience unlike anything ever has before.

Adaptation = Learning + Responding

Adaptation is the process of adjusting to internal and/or external change by altering routines and practices in a timely way. The most adaptable enterprises can learn from change. They adopt a nimble, fluid, decentralized structure that empowers decision-making at all levels. Adaptive leaders embrace a learn-unlearn-relearn strategy, realizing that a perpetual state of revision is required for success in today’s environment. In short, organizations must be flexible enough to read the signals and adjust quickly. Manufacturers converting from car parts to ventilators, or beer production to hand sanitizer are just a couple of examples of the kind of adaptation that we are now seeing.

Innovation = Reframing + Transforming

Innovation is the ability to use revolutionary concepts to create sustained value. It includes taking risks and challenging the status quo by being disruptive and transformational. Innovative leaders and organizations must move well beyond the traditional practice of incremental development and transform the DNA of an organization through fresh and novel concepts. In short, organizations must be creative enough to anticipate and embrace opportunity and take advantage of change. We have yet to see what the world will look like beyond this current crisis, but few would argue it will be the same as before. Will energy companies continue to innovate and make a successful transition to the creation of low carbon energy? Will our economy and the businesses that comprise our economies reinvent themselves as we emerge out the other side?
In combination, the three capabilities of a RAISE mindset provide an integrated approach to strategic decision-making that prioritizes long-term enterprise sustainability. By weaving a RAISE approach into day-to-day analysis, planning and implementation, organizations can foster transformational change.

**Getting started – Using the RAISE approach to business management**

Embracing a RAISE mindset is a journey unique to you and your organization. There is no straight line from start to finish and no true finish line. Continuous learning and improvement are key. The path to managing change and adopting a RAISE philosophy at a high level requires that we:

1. **Reflect on the current environment and ask probing questions.**
2. **Assess how to manage the speed of change to ensure long-term success and sustainability.**
3. **Implement the plan to navigate change and “be RAISE.”**
4. **Scope the progress and outcomes.**
5. **Evaluate and refine the plan based on feedback and outcomes.**

One of the most important steps is to enable a meaningful dialogue about change and disruption within the organization, ideally starting with the executive leadership. Where it’s not possible to directly engage the executive team, start with more focused discussions in your own sphere of influence within the organization and look for opportunities to expand the discussion over time.

Through adopting the RAISE mindset, CPAs place themselves in a unique position to provide the organizations they serve with a coherent approach to enhancing enterprise sustainability. CPAs are experts in dealing with complex...
information and understanding the story behind the numbers – invaluable skills in today’s fast-paced, data-rich, data-intense and data-driven world. By using these skills to inform the conversation on organizational resilience, adaptability and innovation, CPAs can help enterprises of all types address the business impacts – and opportunities – of ongoing change and disruption.

**RAISE and CPA Canada’s Foresight initiative**

RAISE is closely aligned with CPA Canada’s future-focused initiative Foresight: Reimagining the Profession. As reflected in the title, the initiative is exploring the impact of disruptive change on the accounting profession and ecosystem, which includes accountants, organizations that rely on their services, and the investment community. The Foresight initiative challenges the status quo by examining how the accounting profession will need to pivot to respond to today’s rapidly-changing business environment. For more than a century, the accounting profession has built its credibility on its ability to synthesize vast amounts of corporate transactional information. The result was ordered, thoughtful interpretation and reporting that served as a platform for considering the prospects for performance. And now, our traditional mindset of looking back in time to report on what has already occurred must be reoriented to a real-time, forward-looking point of view.

Fortunately, as history shows, the ability to adapt to changing business environments is in the CPA’s DNA.

For more information or for general inquiries, please contact us at raise@cpacanada.ca. For additional insights on how to implement a RAISE mindset, refer to the following CPA Canada resources:

**Resilience**

- *RAISE the Bar: Sustainable Enterprises Reflect a New Mindset*
- *Finding Success Through Resilience and Adaptability: Contemporary Matters Broadcast Series*

**Adaptation**

- *Adapting to Climate Change: Finance at the Forefront*

**Innovation**

- *Pivot Magazine, “Sidewalk Labs’ Data Dilemma”*
Case study on the IKEA sellback program

IKEA RAISEs its brand value
IKEA’s sellback program is a great example of RAISE in action.

Resilience
Several years ago, the company became aware that the resiliency of its business model was at risk due to changing consumer expectations. The popular retailer faced a growing consumer backlash for contributing disproportionately to landfill sites with its focus on providing affordable products that are, as such, considered to have a relatively short lifespan. IKEA’s previously-admired value proposition of offering well-designed products even for those on a budget was under new pressure due to growing environmental concerns.

Rather than ignoring the complaints, IKEA chose to enhance its long-term resiliency by incorporating these insights into its business plan.

Adaptation
The IKEA sellback program is a stellar element of IKEA’s overall adaptation to its new reality. Instead of changing its core value proposition, IKEA has simply expanded it. The store allows its loyalty customers to sell certain types of gently-used items back to IKEA for credit, then resells them at a discount. With this initiative, IKEA addresses consumer concerns by prolonging the product lifecycle, advances the credibility of its brand as environmentally conscious and gains both a new revenue stream and additional marketing traction.

Innovation
Innovative thinking lies behind the sellback program and IKEA’s broader long-term sustainability plan. The company has stated that it will become a zero-waste business in just over a decade. Achieving this goal requires brand-new ways of thinking about the customer, product design, materials and waste. “We don’t really think of waste as such,” said Brendan Seale, head of sustainability for IKEA Canada. “We really think of materials as resources and how we can maximize the value of those things.”
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