

CHEAT SHEET

Redefining VUCA: thriving in an uncertain world

What is VUCA all about?

VUCA stands for **Volatility, Uncertainty, Complexity and Ambiguity**.

It's a phrase first coined by strategists at the US Army War College to describe the geopolitical unknowns which characterized the end of the Cold War. The fundamental genius of VUCA was to realise that in war, unpredictability itself is often more challenging to deal with than a bad situation which you fully understand. It's easier to face an enemy head-on than not to know who your enemy even is.

“Entrepreneurs are great at dealing with uncertainty and also very good at minimizing risk. That’s the classic great entrepreneur.”

Mohnish Pabrai, Indian Businessman

They say that business is like battle, and military strategy has often been borrowed by business – Chinese military theorist Sun Tzu’s ‘The Art Of War’ is over 2500 years old, and is still quoted in plenty of business books. Not surprisingly, VUCA is being adopted by business, too.

It's appropriate because we find ourselves in increasingly unpredictable times – the pandemic is just one (admittedly seismic) upheaval among many: Brexit, climate change, political uncertainty, even the prevalence of **conspiracy theories**, are all serving to disrupt normal business life.

Isn't it all just Uncertainty?

No. There are subtle nuances, which business leaders are wise to account for in their strategies. Let's take a closer look:

Volatility

The **speed of change**. We particularly see this in technology – often tech moves forward faster than we can plan and deploy it.

Uncertainty

Our **inability to predict the future**. The pandemic has created huge uncertainty. Note, of course, that uncertainty can also mean opportunity.

Complexity

The **number of factors** we have to consider – especially when they are **interrelated**. Brexit is complex; globalized supply chains are complex. Annoyingly, sometimes our own business activities are too complex.

Ambiguity

A **lack of knowledge**. That may mean incomplete information, but in today's data-rich world can also mean information overload, conflicting information, vagueness or inaccuracy.

It should also be clear by now that some manifestations of these factors are more in our control than others:

- Elections are a great example of reasonably controllable uncertainty. The stock markets factor in their predictions for a winner in the days leading up to an election; and businesses (and their lobbyists) make appropriate plans for all possible outcomes. Elections are uncertain, but rarely complex.

And some are also easier to mitigate than others:

- Cybersecurity is a great example of complexity. Mere mortals just don't understand it, yet the cost of getting it wrong can be deleterious. Businesses solve it by outsourcing the problem to experts – insurers with in-house technology specialists.

I get it! This is a really helpful tool for understanding the business world!

Exactly! Except that not everybody is a fan.

Financial Times Contributing Editor Michael Skapinker **writes**, “I can see the attraction. It sounds daring and swashbuckling, operating in this supposedly perilous environment. But VUCA is a vacuous concoction. Business leadership has always been tough. In more than 30 years of writing about business I have never seen a time when company bosses have not felt assailed and vulnerable.”

Skapinker concludes that what business leaders really need is advice on international relations. It’s fair to say that upheaval has been a constant of business life (the Tulip bubble, the Cuban Missile Crisis, even the Industrial Revolution...), and that leaders should make time to understand their world. But we still think that a framework for understanding uncertainty is useful. Especially as leaders will need a lot more than a course in international relations to deal with a pandemic.

Organisational agility specialist, Francois Knuchel, accepts VUCA but **says** that businesses typically don’t do themselves any favours: “The ‘natural’ management response to complexity is to do more of what created it in the first place, i.e. to fight and bring it under control, to suppress it or to ‘fix’ it, rather than to accept and work with it. What complexity requires is the forming of a complete picture of an issue. Because any individual is limited by the filters or lens he/she perceives through, this can only be achieved by including and integrating the perspectives of all the people affected. Yet this is precisely what our current management structures discourage and so we throw more oil onto the fire.”

Yes, we live in an uncertain world, he says, but dealing with it doesn’t require military strategy. It requires a management approach based on collaboration. Knuchel is not alone. In the past few years, several business theorists have put their ideas forward, redefining approaches to VUCA. What unites them all is that the answer is people-oriented – we’ll look at them below.

“Without the element of uncertainty, the bringing off of even, the greatest business triumph would be dull, routine, and eminently unsatisfying.”

J Paul Getty, American tycoon

So, what do I do?

Glad you asked. What's right for you will depend as much on your leadership style and situation as any theory, but here are just a couple of VUCA strategies that are worth your consideration. Feel free to mix and match!

Who?

Bill George. Senior Fellow at Harvard Business School.

What's the story

Focused on business leadership, Bill feels that traditional business strategies are not up to the job; but that authentic leadership - driven by a set of characteristics that leaders can polish - is the way forward.

In the literature, you may also find "Clarity" in box 3; indeed Clarity is more often quoted and is the foundation of an approach called "VUCA Prime". But clarity is not an approach, it's an outcome - a good opposite to Complexity.



1. Vision

Have a clear vision for your organizations. Define your mission, values, and strategy. Create clarity around this 'True North' and don't let external events pull you off course.



2. Understanding

Know your business' capabilities take advantage of changing circumstances. Play to your strengths, tap into multiple viewpoints for the bigger picture. Get out of your own office.



3. Courage

Now more than ever, leaders need the courage to make audacious decisions. In fact, their greatest risk lies in not having the courage to make bold moves. This era belongs to the bold, not the meek and timid.



4. Adaptability

Long-range plans are often obsolete by the time they are approved. Instead, flexible tactics are required for rapid adaptation to changing external circumstances, without altering strategic course.

So, what do I do?

Who?

Kerryn Kohl, organisational behaviourist and learning strategist.

What's the story

Kerryn knows that an organisation is the sum of its people, and getting the best out of the way those people work is the easiest way to counter bumps in the road.



1. Velocity

Prioritise an ability to adapt quickly in response to your environment.



2. Unorthodoxy

Think outside the box. Countenance the impossible. Innovate and always stay curious.



3. Collaboration

Traditional business (and IP lawyers) operate on a scarcity mindset. But “survival in this information age where almost everything is networked depends on our ability to share knowledge.”



4. Agility

This means more than just responding fast to commercial stimuli. It means valuing people and conversations over processes – break the rules, think like a startup and get your people aligned.

Read more...

- **What VUCA Really Means for You** (Harvard Business Review) – The ideal primer.
- **Six ways to thrive in an out-of-control world** (World Economic Forum) – If there was a “VUCA Leadership for Dummies”, it’s this excellent and practical guide.
- **COVID-19: Confronting uncertainty through and beyond the crisis** (Deloitte) An introduction to scenario-based decision-making.
- **Where Organizational Culture is Headed** (PwC Strategy&) Everything you need to know about cultural engagement.

“A lot has been written about the volatile and complex trading environment today, but it’s only as difficult as we make it for ourselves. If we focus instead on collaboration over competition, we could make VUCA a positive thing”

Garry Turner, Founder, The Listening Organisation

For more info, visit: sage.com/fringilla/pellentesque/magna

Have a question we don’t answer here?

We can still help. Just call **XXX-XXX-XXXX** with your client question and we’ll make sure you have the answers.

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