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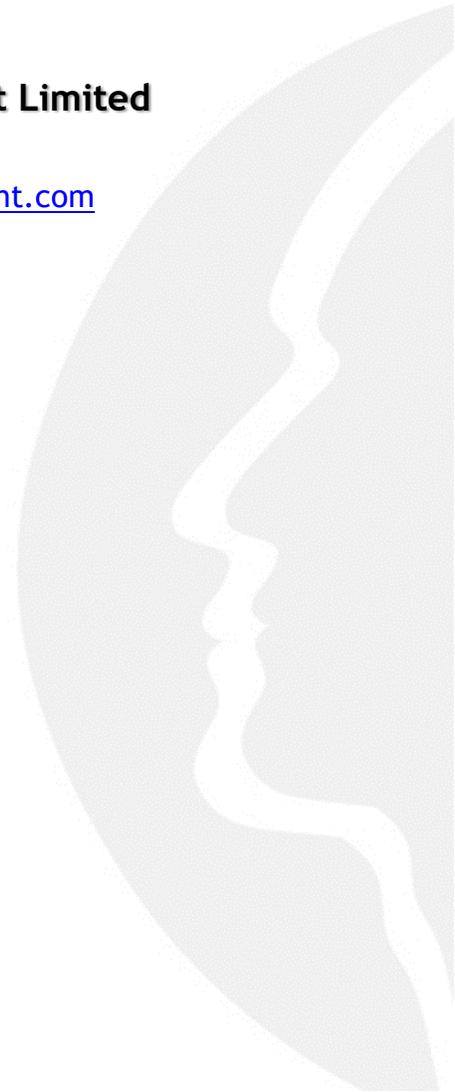
redefining the management of change

Planning for success in the new VUCA business world

Leadership strategies for dealing with Volatility, Uncertainty, Complexity and Ambiguity in today's business environment

DAV Management Limited

www.davmanagement.com



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Planning for success in the new VUCA business world

Today we live in a constant period of uncertainty, fuelled by factors such as globalisation, worldwide economic challenges and climate change, to name but a few. Many organisations and indeed, senior level executives, are struggling to stay afloat and aligned in what is increasingly being referred to as the VUCA nature of today's global business environment.

Coined in the early 2000's, this military-derived acronym stands for volatility, uncertainty, complexity, and ambiguity – terms that reflect our increasingly unstable and rapidly changing business world. The 'turbulence' this creates is ever present as we go about our daily jobs, tipping us this way and that as we attempt to navigate a safe passage and make important business decisions.

Constant and evolving influences are putting pressure on decision-makers to act in much shorter timescales than most leaders would like. The 'interconnectedness' of business, driven by globalisation, means that something happening in one part of the world can have an immediate impact on organisations elsewhere. An event occurring in one country is instantly reported around the world and stories are accessible via the internet almost in real time. The net result is that there is frequently little or no opportunity for reflection before important decisions need to be made. The challenge of leadership is made more acute by the modern day mantra of 'doing more with less and quicker,' which means that outcomes need to be delivered with significantly fewer resources and show a much faster return, than would have been the case in the relatively recent past. Surviving and thriving in this environment demands a different mind-set and new attributes in today's leaders.

1. VUCA defined

In this theme brief, we provide an insight into the implications of a VUCA environment for organisations today and outline the leadership characteristics that will be required to help identify, prepare for and successfully operate in today's VUCA world.

Firstly, let's take a closer look at what we mean by VUCA:

- **Volatility** is the nature, speed, volume, magnitude and dynamics of change, and is never a predictable pattern. Volatility is turbulence, a phenomenon that is occurring more frequently than in the past. A recent study undertaken by the Boston Consulting Group found that half of the most turbulent financial quarters during the last 30 years have occurred since 2002. The study also reported that financial turbulence has increased in intensity and persists longer than in the past. Drivers of turbulence in business today include digitisation, connectivity, trade liberalisation, global competition and business model innovation. For example, you often hear of new and highly disruptive companies coming into a market which completely disrupt the status quo for the incumbents operating in that space.

- **Uncertainty** is the lack of predictability of issues and events. These volatile times make it difficult for leaders to use past issues and events as predictors of future outcomes, making forecasting extremely difficult and decision-making challenging.
- **Complexity** - globalisation, working across borders, cultural nuances, a mobile and often remote workforce, and different working patterns all contribute to complexity. These and other factors, mean the whole environment is continually adapting and changing and it's impossible to measure it at any point in time - it's constantly evolving and outcomes are difficult to predict.
- **Ambiguity** - is the haziness of reality and the often varied meanings of conditions. Ambiguity can also refer to the inability to accurately conceptualise threats before they become dangerous for the business, such as in new and emerging markets where there are unknowns upon unknowns and the 'who, where, what, how and why' behind the things that are happening are unclear, because they are so new and many businesses have not experienced them before.

To succeed in this environment, leaders must make continuous shifts in people, processes, technology, and structure. This requires great flexibility and pace in decision-making. The Boston Consulting Group (BCG) study that I mentioned earlier concluded that organisations today must shift their business models and their leadership skills to become "adaptive firms." By becoming adaptive firms, businesses can adjust and learn quicker, more thoroughly and more economically than their peers, giving them an "adaptive advantage." Examples of adaptive firms that have done this very well are Apple, Google and Amazon.

2. An accelerating world

Everything is accelerating. The ceaseless advance of technology and our own fundamental appetite for novelty and convenience have combined to speed up every aspect of daily life. Technology has not only become all-pervasive, but it has automated and, in many cases, changed the shape and focus of many roles within business. This acceleration is transforming both our working and social lives, from the food we buy and the music to which we listen, to media, politics, the financial markets and most importantly, business.

As we race into a world where new technologies, ideas and discoveries are opening up new horizons and possibilities every day, it's natural that today's leaders want to exploit these developments within their own organisations. However, the user friendliness of many new technologies, particularly those emanating from the consumer marketplace, has a tendency to exacerbate the 'do more with less and quicker' mantra I referred to earlier. Leaders now expect technology-enabled business projects and programmes to be delivered and generating a return on investment in far shorter timescales. Whether this is always possible, or indeed desirable, is another debate, but it certainly fuels the VUCA environment and requires firms to become more adaptive in their approach to dealing with such scenarios.

3. Millennials are our VUCA leaders

The millennial generation (born between 1980 and 2000) represents the largest proportion of our workforce and according to global banking giant, Goldman Sachs, and multinational professional services company, PWC, between 50% to 75% of the workforce will be millennials by 2020. It's axiomatic that millennials will be our future leaders and therefore important to consider how they behave in a VUCA environment.

In many ways, millennials are more suited to a VUCA environment than previous generations, as they have grown up in a time of rapid change, fuelled by technology. Other studies have shown that millennials don't necessarily equate corporate loyalty with reward or long-term security in today's economic climate. Few appear to be interested in putting 10 years into one particular job just because they think it will make their CV look better. They tend to be quite agile and adaptive, typically moving on every couple of years and work/life balance is a high priority, with rewards linked to results rather than number of hours worked.

Most are interested in building their own personal brands and their own brand equity, rather than a CV carried by the companies they have worked for, so as businesses, how do we create an environment that helps them achieve this? Many are also becoming much more mobile and independent. A recent study undertaken in the US found that two-fifths of the American workforce will be independent workers by 2020, working across multiple jobs with multiple employers rather than just one.

It is also widely believed that millennials have shorter attention spans than previous generations. They are used to having immediate access to information and therefore less need to retain some aspects of knowledge because they can find what they need online. So in many ways, they have the right attributes to become adaptive leaders, ready to face a VUCA environment. It would therefore make sense for organisations to consider the inherent leadership characteristics within this generation of the workforce and determine how they can attract, nurture and retain the people and skills they need.

4. A changing approach to management

When all of this is said and done, surely in our modern, technology-savvy businesses we have management practices and theories in place that can help us deal with a VUCA environment?

The sad reality is that many of our management principles are based on outdated learning and old-fashioned rules. In general, management principles are quite crude and simplistic, and we typically use deduction and assessment as a way of determining outcomes or to describe and justify situations.

So, whilst one can argue that the basic function of management does not change, the way it operates and the techniques it uses must. In order to deal with the multifaceted and intricate challenges that VUCA presents today, organisations need to embrace it rather than try to impose rigid controls and management practices that are unlikely to work. Now more than ever, we're moving away from 'cause and effect' situations, where the management process is predictable, repetitive and the response is borne out of traditional thinking, to those that are complex, where many causes, often of differing magnitudes, interact and interweave together to produce a unique end result, the like of which may never evolve again. Here we have to probe situations, sense what's happening and then respond. These are the hallmarks of an adaptive organisation.

And it's that adaptability that sustains innovation. Trying to innovate based on rigid deduction and assessment techniques is no longer an option in this new business playing field. Successful organisations will adopt a 'safe to fail' approach to innovation, where traditional forms of thinking and management approaches are challenged, adapted or ignored; where creative teams are funded to experiment and where failure is accepted as part of the learning process, rather than seen as a trigger for blame.

Former US President Abraham Lincoln's quote has never been more apt than it is in today's milieu: *"As we live in turbulent times, so we must think anew and act anew."* If organisations can get to grips with uncertainty, they can move from a strategy model based on robustness to one based on resilience. Occasional failure is inevitable, but it is the speed of recovery and the lessons learned that make all the difference.

5. Steps to success in a VUCA world

To paraphrase the Bard, some leaders are born to cope with VUCA, some achieve that capability and others have VUCA thrust upon them. Whatever the scenario, there are a number of techniques that leaders can utilise to make sensible decisions in a VUCA environment.

Volatility can be countered with vision, which is vital in turbulent times. Leaders with a clear vision of where they want their organisations to be in six months, a year, ultimately in three to five years' time, can better weather volatile environmental changes such as economic downturns or new competition in their markets, by making business decisions to counter the turbulence while keeping the organisation's vision in mind. It is really important that they keep focused on the end result and the outcome they want to achieve.

Uncertainty can be countered with understanding, the ability of leaders to make sense of the multifaceted and competing factors that both drive and impact their organisation. To be effective in a VUCA environment, leaders must also learn to reach beyond their functional areas of expertise. This requires leaders to communicate effectively with all levels of employees in their organisation, and to develop and demonstrate teamwork and collaboration skills.

Complexity can be countered with clarity, derived from an abductive process that enables leaders to probe complex situations, sense how to react and respond accordingly. In a VUCA world, complexity is all around us. Leaders who can quickly and clearly tune into all of the minutiae associated with complexity and understand what's happening can make smarter, better informed business decisions - often with first mover advantage.

Finally, ambiguity can be countered with agility, the ability to communicate across the organisation and adapt quickly to deliver new solutions to changing scenarios. Vision, understanding, clarity, and agility are the intertwined elements that are inherent in 'VUCA ready' leaders.

It will be interesting to see how VUCA impacts behavioural attributes and traditional interpretations of organisational maturity - a significant topic for another time. However, it is critical that organisations think now about how they develop capability in their leaders to cope with the kind of VUCA environment that we're likely to experience for the foreseeable future. Here are five tips that may help to plan for this.

1. In order to develop VUCA leaders, organisations must invest in leadership programmes that help foster agility, adaptability, innovation, collaboration, communication, openness to change, and other, higher-order critical thinking skills, including the kind of cognitive thinking that is key to dealing with complex environments. And they need to deliver those programmes faster (via social media and other technology) to keep up with the pace of change.
2. Organisations will also benefit greatly from the inclusion of scenario planning when developing leadership programmes. As the name implies, scenario planning involves predicting possible future situations and deciding how the organisation would or would not react. Scenario planning can help identify the knowledge, skills, and other attributes that leaders may need in future business environments.
3. Leadership development programmes based on VUCA principles should also include scenario training where participants can anticipate possible challenges and devise potential solutions. This pseudo-visualisation technique can make leaders more confident when they actually encounter a new situation. Scenario training should be conducted frequently so that reactions become part of the leader's "muscle memory."
4. Simulations are powerful learning tools when developing VUCA leaders because they give participants a chance to practice skills in a 'safe to fail', non-threatening environment. Simulations can range from classroom role plays, to day-in-the-life assessment centres, to virtual simulations, such as crisis containment.

5. Simulations can also help leaders assess their strengths and weaknesses, making them more aware of their own skills and gaps. Simulations are appealing across generations, but they have particular appeal to younger high potentials (our millennials), a generation which has already learned many of the desired VUCA leadership skills by playing video games. To develop collaboration and to encourage thinking outside the box, organisations should also consider the use of job rotation to help leaders think beyond their own functional areas.

6. In conclusion

Organisations that can foster adaptability, innovation and agility in their leaders will see tangible rewards. Arguably, this also comes down to maintaining business confidence and a winning mind-set. Small steps are important and it is vital to recognise your wins, no matter how small they may seem. If the organisation has good ideas, but unfavourable sentiment has created a paralysing phobia of moving ahead, take it step by step. More than ever, in a VUCA environment it's vital to keep moving, or risk being left behind by more nimble competitors.

Negativity has the ability to reduce confidence and drag a business down and suddenly it is off track. When we surround ourselves with positive energy, we are automatically more productive. Have a power group of positive influences around the business who will support its goals. Not only will they be able to provide leaders with a little push when they are feeling indecisive, they will also be able to reel leaders in if they drift slightly off track.

Helen Keller once said: "Life either is nothing at all or an adventure." In today's highly competitive VUCA environment, standing still is not an option. Progress requires a mind-set that is agile, flexible, adaptive open to new technology and fresh ideas, and thrives just as much in an uncomfortable environment as a positive one. So whatever macro-issues are occurring outside of their control, we would urge organisations to plan for a VUCA environment, to invest in developing the leadership skills required, and above all have the courage of their convictions to press ahead with confidence, as change is the norm in this new VUCA business landscape.