

OPERATING IN A VUCA WORLD: Understanding the Forces of Disruption



In *The World Is Flat*, Thomas Friedman notes that the rate of “flattening” is different than in past disruptive, dislocating technical revolutions. What used to take centuries is happening at warp speed and touching many more people on the planet. The faster and more broadly this transition to a new era takes place, the more likely the potential for disruption.

Flattening is creating a new set of conditions that strategic business leaders are increasingly calling a “VUCA” environment. Coined in the late 1990’s, this military-derived acronym stands for **V**olatility, **U**ncertainty, **C**omplexity, and **A**mbiguity—terms that business leaders use to describe the chaotic and rapidly changing business environment that has become the “new normal”.

By all accounts, the chaotic “new normal” in business is real. The financial crisis of 2008-2009 rendered many business models obsolete, as organizations throughout the world were plunged into turbulent environments. At the same time, forces of disruption increased, technological developments like social media exploded, the world’s population continued to simultaneously grow and age, and global disasters disrupted lives, economies and businesses.

VUCA – Volatility, Uncertainty, Complexity, Ambiguity

Volatility: the nature, speed, volume, and magnitude of change that does not occur in a predictable pattern. As drivers of turbulence—digitization, connectivity, trade liberalization, global competition, and business model innovation—increase, so will volatility.

Uncertainty: the lack of predictability, the probability for surprises and the inability to identify plausible scenarios makes it difficult to use past issues and events as predictors of future outcomes. This makes forecasting extremely difficult and decision-making more challenging.

Complexity: the multiplicative impact of confounding internal and external forces, the chaos and confusion resulting, and the turbulence of change, make relying on existing organizational knowledge, systems and processes to solve complex problems insufficient.

Ambiguity: the haziness of reality, potential for misreads, and mixed meanings of conditions lead to cause-and-effect confusion. Coupled with the rate of change, this leads to an inability to conceptualize threats and opportunities before they become game changers.

Complex Adaptive Systems and Forces of Disruption

Economies and their respective industries are increasingly operating as Complex Adaptive Systems. These CASs are in a constant state of flux, rapidly responding to evolving business conditions. As the speed of change continues to increase, business models need to adjust more rapidly to accommodate this rate of change. Business models that traditionally had a life span of decades are getting shorter. Incumbents tend to *over-estimate* how long they have to transform their current business model, and *under-estimate* how long it will take to achieve the transformation. ***Business leaders tend to focus the majority of their efforts on sustaining the current model, and spend insufficient time identifying the truly transformative strategies necessary to win in the long term.***

Forces accelerating the rate of change include:

- **Changing generational workforce expectations:** Millennials now outnumber Gen-Xers, and Gen Z is just entering the workforce; each generation has different expectations. What is the impact of these changing expectations on your workforce development strategy?
- **Proliferation of choice:** More is not always better and research shows that the sheer number of choices increasingly overwhelms consumers across every facet of their lives. How can companies help consumers choose? What's the best sales approach with countless choices?
- **Mobility:** Over 6 billion people have mobile phones, and over 14 billion mobile devices are in use today. U.S. consumers alone spend five hours a day interacting with mobile devices. Does your business model take into account this increasingly preferred means of interaction?
- **Sharing:** Everything we do online is shared, creating vast amounts of data and enabling better consumer insights. As comfort for sharing information and experiences continues to increase, how will social sharing and the sharing economy impact your business model?
- **Changing consumer expectations:** Regardless of what industry you are in, what's been called the "Amazon effect" has changed customer service and experience expectations forever. Are you prepared to deliver an exceptional experience at every point in your value chain?
- **Quantified self:** Already on track to be a five billion dollar industry, consumer adoption of wearable devices is expected to grow to 29% by 2021. How might data on an individual's lifestyle and habits enable you to better target the right customers?
- **Internet of things:** In the future programmable world, all our objects will communicate. By 2020, there will be 50 billion connected devices; by 2030 the estimate rises to 1 trillion. How might you reimagine your business to leverage information from new sources?
- **Big data:** There are 2.5 quintillion bytes of data created each day, enough to fill the Library of Congress 18 million times. Over the last two years, 90 percent of the entire world's data was generated. How well are you using data analytics to make informed and timely decisions?

- **Artificial intelligence:** Recent advances in “near light speed” computing, visual perception, speech recognition, and machine learning are being combined in new ways to create intelligent computers. How might the application of artificial intelligence change your business model?

VUCA PRIME: Implications for Leaders and Teams

This new VUCA environment is taxing even for capable leaders whose skills may be growing obsolete in this unpredictable landscape. The knowledge, skills and abilities needed to operate in a VUCA world are far different from what leaders needed to use in the past. The VUCA Prime Model (developed by Bob Johansen, a distinguished fellow at the Institute for the Future) focuses on the characteristics and skills business leaders must develop to counter the effects of a VUCA environment. Johansen proposes that the best VUCA leaders have **V**ision, **U**nderstanding, **C**larity, and **A**gility.

Managing volatility with vision: leaders must ensure that people throughout the organization are aligned around a clear long-term vision. Leaders should articulate the vision and identify the critical strategic priorities that will guide the organization over the next 2-3 years. Finally, they need to identify how each part of the organization can contribute to these priorities and break them down into departmental goals and individual objectives. Volatility creates anxiety; anxiety is energy without a goal. Leaders must focus this energy on the actions that will propel the organization towards its Vision.

Countering uncertainty with understanding: the old paradigm of “once-a-year” strategic planning is no longer an effective remedy for operating in a VUCA world. Leaders must continually scan the environment for “clues” and “data” that help them reinterpret their current paradigms. They need to look outside their own disciplines and create dialog across the organization about the current business environment and the implications for customers, services, products, and the brand. We are in an age where the next disruption to your business may not come from known competitors: it may come from a different industry, or potentially from someone’s garage.

Addressing complexity with clarity: leaders must get better at homing in on what is truly important. This is easier said than done, and most leaders lack the skills or abilities to do this well. A strong team can make all the difference. Harnessing the capacity and wisdom of a diverse team can help create clarity from complexity. Most leaders build teams of similar people: in a VUCA world, teams that have a greater diversity of education, experiences, knowledge, cultures, and (perhaps most importantly) thinking styles will have a competitive advantage. The ability to harness this diversity is a new competency that leaders must develop.

Reducing ambiguity with agility: leaders need to create organizations that are agile. This begins with having a clear vision, continually observing the environment, seeking greater clarity and focusing on what really matters. But it's also more than that: being agile requires a different mindset, one that is never satisfied with "good enough" or the status quo. It's the ability to quickly pivot when new insights create a new understanding. It's the willingness to try new ideas even when things are going well, and the relentless pursuit of "what's next" that requires being very comfortable with constant change.

About the Session and Facilitator

This interactive session combines dynamic presentations with guided discussions to provide insight into the VUCA world and the implications for leaders and teams. The *VUCA Prime framework* will be used as a set of lenses to examine the current capabilities of the organization across the four dimensions: **V**ision, **U**nderstanding, **C**larity, and **A**gility. Interactive discussions focusing on the application of concepts and action planning will allow participants to immediately apply their insights to the workplace.



Paul Kessler is Founder and Managing Director of Altus Group LLC, a consulting firm specializing in increasing individual, team and organizational performance. He is a co-author of *Leading at the Edge: Leadership Lessons from the Extraordinary Saga of Shackleton's Antarctic Expedition*, which summarizes 25 years of research on individuals and teams attempting to perform at "The Edge" – the highest possible levels of performance. His passion to understand "The Edge" has taken him to disparate places — to Antarctica, where he retraced the footsteps of famed explorer, Ernest

Shackleton, to Australia, where he sailed with the crew of the *Midnight Rambler*, winners of the treacherous 723 mile Sydney-Hobart Race, and to the top of Mount Rainier—the most heavily glaciated peak in the contiguous United States—to push his own physical limits to "The Edge".

Mr. Kessler has co-authored various articles including *Leadership Lessons from the Race to the South Pole*, *Decision Making at the Edge*, and *Using the Power of Resonant Metaphor to Increase Leadership Effectiveness*. His focus is on helping organizations to maximize leadership and team performance under conditions of adversity and rapid change. He is a featured speaker at conferences around the world and resides in Connecticut, U.S.A.