VUCA

Idea In Short

VUCA accurately reflects the situation businesses are in today: we face global markets, restructuring, growth and downsizing, technological change, and cultural and societal shifts, to name just a few. Business leaders and consultants should act quickly, with clarity and wisdom in the face of emergent challenges. Recognizing VUCA gives consulting teams the opportunity to identify potential setbacks and mobilize around client objectives when the need arises.

The acronym VUCA stands for the volatile, uncertain, complex and ambiguous world in which we live. This acronym comes from the US military. It describes the conditions in war zones and during the Cold War. Nothing could be predicted and everything could change from one day to the next. Particularly, this VUCA world was characterized by four properties:

1. Volatility
2. Uncertainty
3. Complexity
4. Ambiguity

Volatility

Volatile means changing, unstable or fluctuating. Volatility describes the extent of fluctuations within short time periods. For example, prices or brands can be erratic. Even your clients' business environments, attitudes and opinions can change from one day to the next. In addition, new business models emerge overnight and existing ones are replaced. Companies that can adapt quickly without clinging to the past or freezing up when things go wrong are often the ones to prosper. Some examples of volatility are:

- Natural disaster

- Global health crisis
- Supply chain disruption
- Labor dispute
- Technology breach
- Geopolitical instability
- PR/Ethics Scandal

As consultants, no matter how much we plan, sometimes reality confounds our expectations. Volatile situations are stressful and challenge our implicit assumptions. Outdated information, slow feedback loops, low risk appetite are some of the factors from volatility that can jeopardize client engagements. As a consultant, you need to establish a clear engagement roadmap during the engagement kick off. This helps you to orient yourself when you feel that everything around you is changing. So, define your vision and make sure that you, your team and client stakeholders execute the roadmap. This also creates a baseline where you can maintain up-to-date information. Furthermore, you can also diverge from the roadmap when the engagement objectives become obsolete in the light of new information. In this case, a roadmap serves as guard rails to correct or change course midway through an engagement.

Uncertainty

Uncertainty indicates a state of lack of knowledge and obscurity. Companies do not know what will happen next. Forecasts become more difficult. It is difficult to plan in detail when uncertainty and ambiguity are everywhere. As a consultant, this means you have to plan for contingencies to deal with the associated risks. You need information is needed to make decisions and recommendations. So, make sure that you establish a mechanism to exchange information among the engagement stakeholders. In addition, you should also deal with risks early on and conduct detailed risk management. Some examples of uncertainty are:

- Competition is launching a new product/service and the impact on the market not known
- Uncertain impact on the availability of key resources, including capital, skills, knowledge, and talent
- Past supply and demand metrics may not apply
- Merger/Acquisition may be on the horizon

- Proposed legislation/regulations may be adopted

Consultants manage change. Every change or innovation brings uncertainty with it. You may not always have all the answers. Uncertainty can be daunting, but trust can be an antidote to it. But, uncertainty has always marked the consulting profession. In consulting, we can respond to uncertainty by seeking the collective wisdom of our teams and advisors. That includes listening to all voices and trusting the experts to counsel wisely. In other words, uncertainty of the VUCA means collectively working with incomplete information to the best of your knowledge. Furthermore, you should consciously manage your stakeholders, so they don't revert to their old, proven methods.

Complexity

Complexity means that the effects of actions cannot be calculated in advance. In effect, this means you cannot easily understand the mechanism between cause and effect. An action can have consequences that were not foreseeable in advance, neither in their consequences nor in their effects. Contexts are intransparent. What is important here is the difference between complicated and complex. Complicated describes the linking of logical conditions that can also be simplified - for example, by shortening a fraction such as 6/8 to 3/4. Complex, on the other hand, cannot be explained by the if-then principle because they are highly diverse and dynamic. Nor can you trace the cause of events a posteriori. Today, companies operate in very complex environments. Therefore, try not to prematurely establish relationships between cause and effect. Some examples of complexity are:

- Doing business in global markets
- Multiple stakeholders with competing or shifting priorities
- Multiple brands, products, supply chains, distribution channels
- Current conditions will greatly impact your entire business eco-system

Businesses are increasingly simplifying their core operations. As a consultant, provide clear direction and try to design processes as simply as possible. In addition, conduct regular health checks throughout your engagement. This will help ensure that you have a clear view of your desired target state and can address potential issues before they turn into a crisis.

Ambiguity

Ambiguity stands for duplicity. This means that linear and causal explanations do not always work. Ambiguity is my favorite component of VUCA because it makes me think about opportunity. The definition of ambiguity is:

> the quality of being open to more than one interpretation; inexactness.

In a VUCA world, there is a lack of clarity. Information has multiple meanings and it can be difficult to make decisions. This situation can occur, for example, when a business wants to tap a growing market. In client engagements, you can discover ambiguity in unclear requirements. The inability to gauge the sustainability of events, unfit measures emerging or wrongly interpreting information are all risks of ambiguity in a VUCA world. Some examples of ambiguity are:

- Timeframe and impact of the current conditions are unknown
- Moving into a new market
- Launching a new product, creating a new strategic alliance
- Expanding beyond your core competencies
- Big leadership or organizational changes

Consultants live in a world that's many shades of grey. In addition, there can be multiple right answers to a single problem. Accepting the ambiguity and staying open to possibilities positions consultants to succeed. You cannot simply transfer engagement blueprints across multiple client engagements. You need to customize your best practices to deliver client outcomes. Furthermore, ensure cooperation and communication among all engagement team members and client stakeholders.

Summary

Panta Rhei - everything flows. The speed of change is faster today than ever before. Tasks are complicated and projects or developments complex. And blueprints don't always fit. Change requires everyone to adapt. However, in the VUCA world, it is not entirely clear which direction this should take. This environment makes it increasingly difficult for companies to develop a strategy. At the same time, they are forced to do so to generate revenue in the future as there is less reliance on established business models. As a consultant, your challenge in a VUCA world is to find a middle way between implementation and adaptation of a strategy.