

Strategies to Respond to VUCA World

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ABSTRACT

Today's business environment is more volatile than before. Organizations must create and implement plans to deal with this disruptive environment globally. This paper investigates possible strategic solutions businesses could employ to survive in a volatile, uncertain, and complex world. Thus, literature review is carried out to present unbiased conclusions about what is currently known in the field of study. The literature review makes clear that in order for an organization to survive and prosper in a volatile and uncertain business environment, it must first prepare its people. Organizational culture and structure are the two primary themes at the organization level. The organizational structure has decentralized management, resilience, responsiveness, and entrepreneurial mindsets. While the emphasis is on management and leadership at the individual level, covering the competencies that managers should possess, how to find managers who possess these competencies, and how managers should apply their skills, learning organizations, high levels of engagement, promoting innovation, teamwork, and non-linear thinking are characteristics of the organizational culture. In addition, the primary theme is how to get the staff ready for a VUCA environment. There are also distinct interactions noted between leaders, managers, and employees. This study offers insightful information about VUCA-related strategies. This research seeks to improve understanding of organizational development and human resources management as a strategic method that corporate managers and executives may use to navigate a highly volatile and complicated environment. It does this by conducting a thorough review of multiple scholarly articles.

Keywords: *VUCA, VUCA World, Human Resources, Strategies*

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INTRODUCTION

Nowadays, every business operates in a chaotic, risk-filled environment that necessitates quick thinking, endurance, and uncertainty management. Managers must modify their leadership style in such an environment where employees deal with situations where data is constantly changing. This will enable them to act promptly in the event that an alert state is established and minimize any negative effects from potential events that might jeopardize project development or organization activity. The acronym VUCA refers to a volatile business environment that experiences significant changes every minute, is uncertain (it is very difficult to predict future events), complex (it is often unclear what causes what), and ambiguous (it lacks precision and presents unexpected situations for which there is no plan). In relation to the VUCA world, a solution that is thought to be the best often causes problems when it comes to implementation as the information that has been analyzed in the past has changed, making it necessary to find answers for questions that were not even thought of beforehand as soon as possible. Technological advancement, globalization, and environmental factors (such as population growth, migration, and climate change) have contributed to the increasingly volatile and complex world that organizations now operate in (Friedman, 2016). The transition from manufacturing to data, intelligence or knowledge economy, privatisation, the rise of mechanization, and externalization are reasons for this dynamic business environment (Deloitte, 2015). It is thought that VUCA business environments are becoming more commonplace, which makes it challenging for both new and established companies globally to turn a profit and maintain their competitiveness in a highly disruptive market. However, a Deloitte survey from 2017 shows that even though companies are aware of how drastically unpredictable and turbulent the modern business world has become, they still perceive “inadequately prepared” so as to deal with the changing environment. Although a VUCA environment may be confusing and frightening, leaders cannot afford to remain unresponsive to this change as it also presents new opportunities for business (Johansen & Euchner, 2013). To ensure the company’s long-term success as we transition to the “new normal,” executives and supervisors obliged to adjust to a complex, uncertain, and volatile environment and develop a strategic plan. Therefore, this study aims to explore the strategies that organizations can adopt to respond to VUCA world.

THEORETICAL BACKGROUND

The term was first used in the early 1990s by the U.S. Army War College to characterize the post-cold war world and new strategies were required to face it (Whiteman, 1998). Subsequently, when business change picks up speed faster than ever before, the phrase becomes more well-known as academics, executives, and leaders discuss the modern business environment that companies must navigate: the VUCA world, also referred as “new normal” in the sector (Gandhi, 2017).

Four characteristics in particular define a VUCA world: ambiguity, complexity, volatility, and uncertainty. According to Bennett and Lemoine (2014), the first element, “Volatility” define as an erratic and unforeseen circumstance that could last for an indeterminate period of time. Furthermore, constant fluctuations are what a volatile situation primarily indicates rather than a lack of knowledge or a complex structure. Common examples of significant volatility include the value of shares, the cost of petroleum and coal, and the demand and availability of goods after an unexpected event

Moreover, Rodriguez and Rodriguez (2015) clarify that managing Millennials is unpredictable since they don’t have long-term commitments to the companies they work for and instead regularly move employment to take advantage of new possibilities. Though an unpredictable circumstance by itself shouldn’t be perplexed with a VUCA scenario because the former has complex aspects, whereas the latter lacks historical precedent and data. The next stage is referred to as “uncertainty” (Bennett & Lemoine, 2014), when both causes and consequences are understood but context-specific relevance is unknown. A higher rate of uncertainty is produced by the data’s constant changes as a result of the increase in volatility (Gandhi, 2017). There is some degree of uncertainty in every aspect of business, but this is especially true in an international company environment where there is a higher likelihood of being exposed to this form of risk. A few potential reasons for this phenomenon could be political instability (war, revolution); legislative modifications (fiscal policy, trade prohibitions, price controls); macroeconomic patterns (inflation, interest rates, foreign exchange rates); social unrest (riots, terrorist acts); natural disasters; rivals’ activities; or disruptive innovation (Miller, 1992). In addition, complexity characterizes a scenario that is difficult to handle and involves a lot of interconnected factors (Bennett & Lemoine, 2014). The development of technology has accelerated and facilitated the flow

of information, which is the cause of this element's complicated identity. This ultimately ends up in the multifaceted, interconnected data network, which has unpredictable and hard-to-predict effects (Gandhi, 2017). Furthermore, one of the main causes of the increasing complexity that firms face is globalization. As the world economy becomes more linked and interdependent, firms will face both opportunities and problems from the removal of trade barriers and technological improvements (Hill, 2013). Finally, the "unknown-unknown" refers to the uncertainty that arises from not understanding the source and impact of the occurrence (Bennett & Lemoine, 2014). Due to the lack of precedence, there is also a lack of agreements, clarity, and expectations. Furthermore, since instability, unpredictability, and difficulty all increase at a given time, ambiguity is bound to arise (Gandhi, 2017). This factor is rated as being at the highest degree compared to the other three since it is uncertain about every aspect—including causes and effects and what is likely to happen or not. Furthermore, Bennett and Lemoine (2014) point out that when completely new products or innovations are introduced or undeveloped, emerging markets are entered, an ambiguous situation is frequently seen.

VUCA presents opportunities as well as challenges for businesses to expand. Certain enterprises take advantage of changes in consumer behavior and technical advancements to open up novel business possibilities. The success of Uber and Airbnb demonstrates how young businesses may prosper in an unstable climate. These disruptive innovations use a business model that prioritizes facilitation over ownership and directly compete with established hotel and taxi industries. They are also bringing about a new technological disruption that is altering the landscape (Innovation Tactics, 2020).

RESEARCH METHODOLOGY

To offer insight into the strategic measures that organizations can take to endure and prosper in a volatile, uncertain, and complex environment, we have chosen to perform a review of conceptual and empirical literature from scholarly publications.

DISCUSSION

Examining scholarly works on tactical reactions to volatile uncertainty and complexity (VUCA), we discovered that various organizational levels were covered. To sum up, while some articles only addressed one aspect,

the majority discuss several ways to get ready for a volatile, uncertain, and complex environment. The outcome of the review display that the concentration is on both organizational and individual levels in order to be ready to confront the volatility.

At company level, the two main topics are determined to be organizational structure and culture. While organizational structure is typified by innovative mindsets, endurance, adaptability, and distributed management, organizational culture comprises strong engagement, learning structures, fostering creativity, cooperation, and chaotic thinking.

On an individual or solitary level, the main concern is management of employees and leadership, including how to identify managers that fit the bill, what talents managers should have, and how to use their abilities. Furthermore, the main objective is to get the workforce ready for VUCA situations. These articles also address the diverse interactions that occur between leaders and employees.

These findings are explained below:

Organizational Level

- *Organizational Structure*: According to Millar et al. (2018), the conventional approach of formulating strategies at the level of the organization is not as effective as forming them at the unit level. Established businesses are less adaptable and quicker to react to a rapidly changing market than startups because they have different stakeholders and competing goals than startups, especially those with hierarchical structures (Evans & Bahrami, 2020). For this reason, a team-based approach or a smaller, more focused group of workers are thought to be a more suitable structure for a dynamic environment. In VUCA times, teams that are organized into structures, particularly those with high resilience, are found to be more creative, adaptable, and productive (Sharma & Sharma, 2016). To thrive in turbulent times, it is specifically determined that building teams with an entrepreneurial mindset, resilience, responsiveness, and decentralized management is essential. According to Xing et al. (2020), diverse teams that possess an entrepreneurial mindset can improve their likelihood of exhibiting strategic sensitivity in intricate circumstances by diversifying their culture and composition. Additionally, it gives businesses the quickness and capacity to decide wisely in a highly uncertain situation (Xing et al., 2020). Another important aspects of managing

VUCA situations is the pursuit of building and maintaining resilience within teams (Millar et al., 2018; Cook, 2016). A team that is resilient is more adaptable and can better adapt to the changing needs of the market. According to Sharma and Sharma (2020), social elements like caring relationships and productive teamwork are characteristics of resilient teams. Cohesion, trust, resourcefulness, collective efficacy, and relational schemas are the root causes of these elements. The authors go on to say that high resilience teams have a beneficial effect on the flexibility, productivity, and adaptability of organizations. According to Rimita et al. (2020), being able to react and adjust fast to changing market conditions is also an important skill for being ready for a VUCA world. Making quick decisions and being “responsive” are essential in this complex and rapidly changing world if one is to survive and prosper (Xing et al., 2020). According to Xing et al. (2020), companies that employ embedded teams should be able to recognize changes in the external environment and allocate internal resources appropriately and promptly in order to meet those demands. Lastly, When working in a volatile, unpredictable, and adaptable environment, management must adopt a team-based approach that emphasizes emergent, spontaneous, and self-organized work coordination rather than traditional command and control (Michel et al., 2018). Aside from enabling proactive and adaptable actions that can result in strong outcomes, the decentralized approach offers the required speed. Furthermore, in the study of a VUCA circumstance, Evans and Bahrami (2020) found that allowing delegation at the team level allows frontliners to take the lead and make decisions.

- *Organizational Culture*: Organizational culture is crucial in creating a supportive atmosphere where employees can acquire the skills and mindset needed to adapt to this rapidly changing market in a volatile, uncertain, and complex world. In the VUCA era, It is notable that different national cultures can have a big impact on business culture. Consequently, when changing the organizational culture, management needs to pay close attention to and take into account local culture (Geysi et al., 2019). On the other hand, there are some fundamental elements of corporate culture that are helpful for surviving in a volatile, uncertain, complex, and ambiguous environment. These consist of non-linear thinking methods, learning organizations, high engagement, and cooperation and support for creativity.

It is commonly noted that creating a learning culture is an effective way to deal with a volatile, uncertain, and complex (VUCA) environment (Srivastava et al., 2016; Millar et al., 2018; Castillo & Trinh, 2019). To thrive in this dynamic environment, organizations need to be adaptable, which can be learned through continuous learning. Specifically, Vaidya et al. (2020) report that their research demonstrates how a learning culture can give staff members the ability to learn more effectively, quickly, and better. As a result, this aids in the organization's transformation into a so-called "adaptive firm," which has an advantage over rivals in terms of speed and effectiveness in decision-making in a volatile and complex business environment. Another element that has drawn a lot of attention from academics is the creation of an engaging culture. The definition of employee engagement is the degree of dedication to the company, the readiness to put in more effort than is necessary, and the desire to go above and beyond (Royal & Agnew, 2011). According to Moccia et al. (2019), there is a positive correlation between higher employee engagement and the development of core competencies like sensemaking, diversity of perspective, flexibility in decision-making, humility, and openness to feedback in order to thrive in a volatile and uncertain environment. Sarkar (2016) and Hepner (2019) asserted that, cultivating a "Thinking outside the box" mindset is crucial to the company's viability in volatile and uncertain times. Furthermore, firms need innovation to thrive in an unpredictable and confusing marketplace; for this reason, managers should prioritize creating an organizational culture that welcomes change, experimentation, creativity, and an innovative mentality (Gandhi, 2017). Indeed, Mohammed and Viswanath (2019) discovered a strong correlation between employee innovation and organizational culture. According to their work, organizational innovation promises sustainable development in the face of constantly shifting market demands, mounting environmental and economic densities, and the ability to adapt to new challenges. It also adds value to businesses. As a result, businesses need to foster an innovative culture that makes the most of their workers' creative potential. These workers are priceless resources whose performance is directly impacted by them (Mohammed & Viswanath, 2019). And finally scholars and senior managers believe that an organizational culture that fosters collaboration, cooperation and ongoing communication among its staff is crucial in these volatile times. Effective teamwork is prioritized, so open, collaborative, and sharing attitudes must take the place of arrogant, critical thinking and conservative, bureaucratic ways of communicating (Das & Ara, 2014). Furthermore, the teams that possess a strong sense

of collective confidence in their capacity to plan and carry out tasks effectively are likely to be more resilient, enabling them to effectively and positively adapt to the shifting demands of the market.

Individual Level

- *Management and Leadership Oriented:* Several important characteristics are recognized from the management viewpoint, including roles in management and leadership, skill development and acquisition, and manager and leadership abilities. Demands for resilient, adaptable, and learning workers are rising, and with them is the need for leaders with the skills necessary to support this change rather than stand in the way of it in a volatile, uncertain, and complex environment. A more transparent style of leadership is taking the place of command and control. Secondly, to manage VUCA, talent development within the organization is crucial, and remaining composed, engaged, and balanced is the secret to success in this environment. Incorporating system thinking, cooperation, and partnership into management is essential for managers to deal with VUCA, according to Rimita et al. (2020). The writers stress the value of shared leadership by encouraging and empowering staff members to make decisions more quickly. In these volatile times, purpose-driven leadership that capitalizes on the motivations of staff members and uses those motivations to propel the company is also beneficial (Rimita et al., 2020). Furthermore, Minciu and colleagues (2020) suggest that involving a large number of individuals and relying on their intuition rather than analysis promotes speed and rationality in the decision-making process.
- *Manager-Employee Interaction:* Vision, understanding, clarity, and agility are essential for addressing the various facets of the VUCA world when looking for alternatives to adjust to it (Codreanu, 2016). These are essential elements for the supervisors and executives and must be disseminated to personnel and workers employed by the identical premises (Kosuri & Raghurampatruni, 2017). Additionally, Codreanu (2016) suggests that Leaders must set a good example and accept responsibility for their own mistakes as well as those of the staff part of the educational process, while maintaining the value of accountability. The significance of managers and staff operating together in the same direction is also highlighted in the case of Lenovo (Das & Ara, 2014).

- *Staff Perspective:* All organizational levels face difficulties in a VUCA world. Numerous strategies for addressing this issue center on structural adjustments or on managers and leaders as role models. Additionally, increasing employee involvement through responsibility or delegation gives the business greater agility, enabling it to adapt to change more quickly. Identifying the workforce directly is one very simple way to get the frontline staff members ready for the best conditions to deal with a VUCA world. Our research revealed that developing a mindset of continuous learning and providing cross-training, which allows employees to be flexible in their work responsibilities, are essential elements (Horney et al., 2010). Singh et al. (2020) emphasize the value of training and skill improvement in addition to cross-training to equip staff to manage volatile, changing conditions. They also plan regular workshops to boost employee motivation and intrinsic value. A more VUCA resilient workforce was also produced, according to Singh et al. (2020), by monitoring employee activity and providing feedback.

CONCLUSION AND SUGGESTIONS

In this study, we have examined the tactical reactions to VUCA that have been suggested by academic literature. It appears that the focus is primarily on the team-based approach, with traditional hierarchical structures being viewed as a barrier to developing the agility required to adjust to a world that is becoming more volatile. It is widely acknowledged that a company's vision, values, and culture play a significant role in fostering a VUCA-aware workplace. It is generally agreed upon that simply having these in place is insufficient; instead, they must be in line with the manner in which things are done, the manner in which we want things done, and the manner we believe things should be done. It is crucial to create a culture of learning where new knowledge is generated and existing knowledge is shared in order to support the growth of the organization as a whole. Furthermore, it is crucial to have a culture that encourages experimentation. Employees are free to make mistakes in this culture as long as they take responsibility for them and learn from them. This encourages a growth mindset. Furthermore, in a complex environment, the concept of obtaining the fastest answer seems to lose its advantages. The new paradigm of thinking, like design thinking, encourages the discovery of novel ideas and methods that are overlooked in the rush

to find the quickest fix. A growth mindset is essential in this learning culture for personal development goals, which feed into the growth of the company. It implies that one should concentrate on the potential better outcomes and knowledge they can produce rather than relying solely on the prior knowledge and experience. In the context of staff, cross-training and diversity are therefore further translated into this, with the main goal being to avoid becoming mired in tried-and-true methods that may have worked in the past.

Effective management and leadership are essential to a functioning corporation because they foster understanding and dissemination of the company's values and visions, keep all the little pieces together, and inspire employees. Being moral, genuine, and honest are the foundations of trust. Setting an example for others by walking the walk and talking the talk are crucial. To manage in a volatile, uncertain, and complex world, a manager or leader needs to possess several advantageous attributes. Additionally, by distributing responsibilities and encouraging employee involvement, the organization boosts motivation within its workforce and develops more adaptable workers for the time ahead. Since workers are the foundation of any organization, it is imperative to prioritize having a motivated workforce. Human resource development is a major factor in general. Much emphasis is placed on an organization's internal structures in order to help it deal with a volatile and changing business environment. Hiring individuals with the appropriate competencies, providing them with the necessary training and assistance, and having the courage to make management adjustments along the way should all fall under the purview of HR.

This paper presents a plethora of creative recommendations and suggestions for tactical or strategic actions in retaliation to a VUCA world. It would be fascinating to investigate in more detail how these ideas relate to practical VUCA management in the future.

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