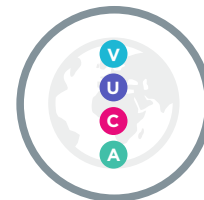
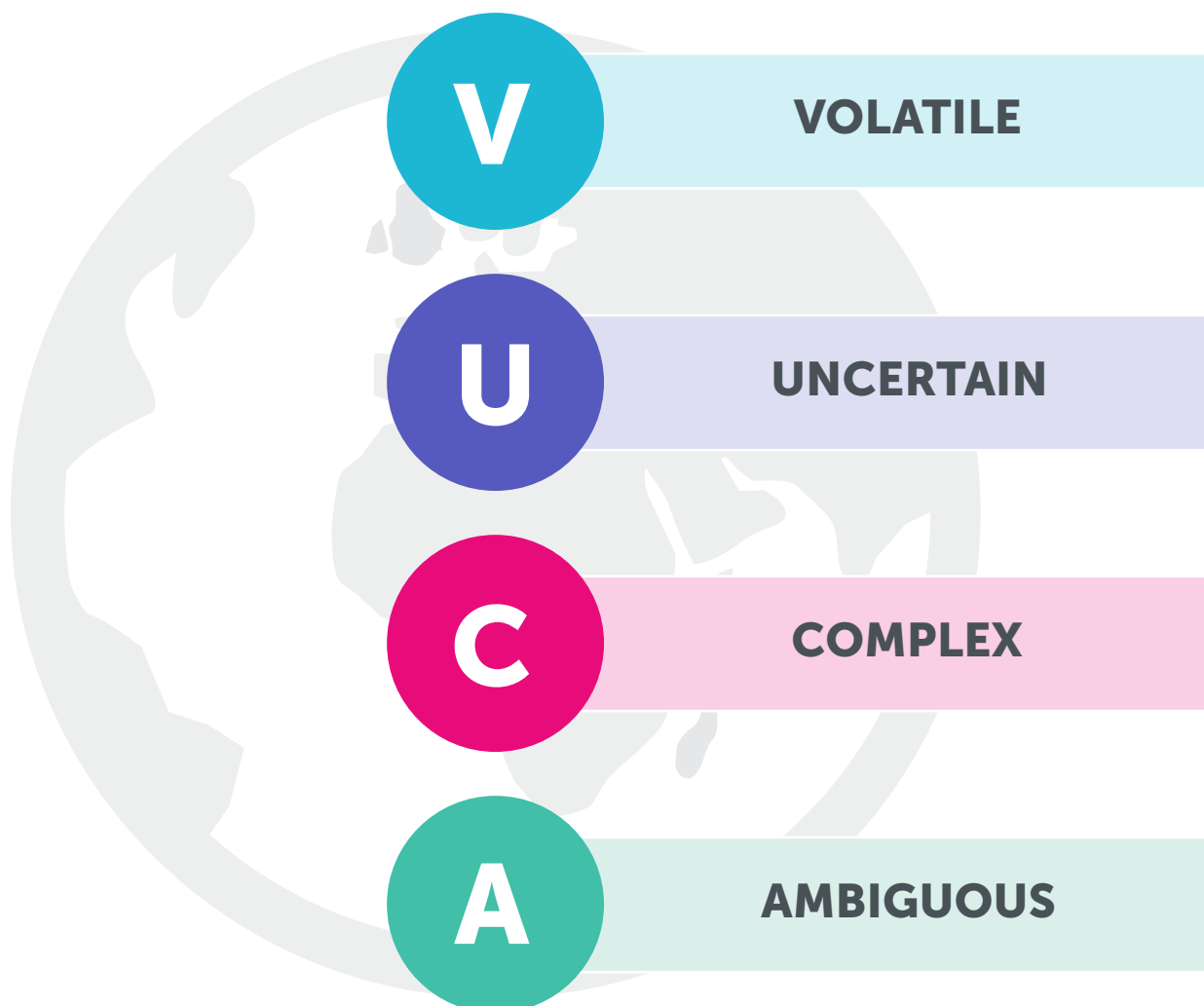


UNDERSTANDING THE VUCA WORLD.



As leaders, we face both day-to-day and longer-term challenges. The business environment is constantly changing and we need to be able to make decisions and take actions that will enable our organisation to survive.

VUCA is a way of describing the external environment and provides a mechanism to define some strategies that will support leadership decision making. This toolkit explains VUCA and how to identify potential actions to take in the face of different conditions in the outside world.



UNDERSTANDING THE VUCA WORLD.



Being curious and developing insight of the external business environment is essential to being able to make sound decisions and prepare the organisation for what lies ahead.

VUCA provides a framework for making sense of the environment and will help to build a picture for leaders to respond to through decision making, forward planning, risk management, change management and problem-solving.

What does VUCA mean?

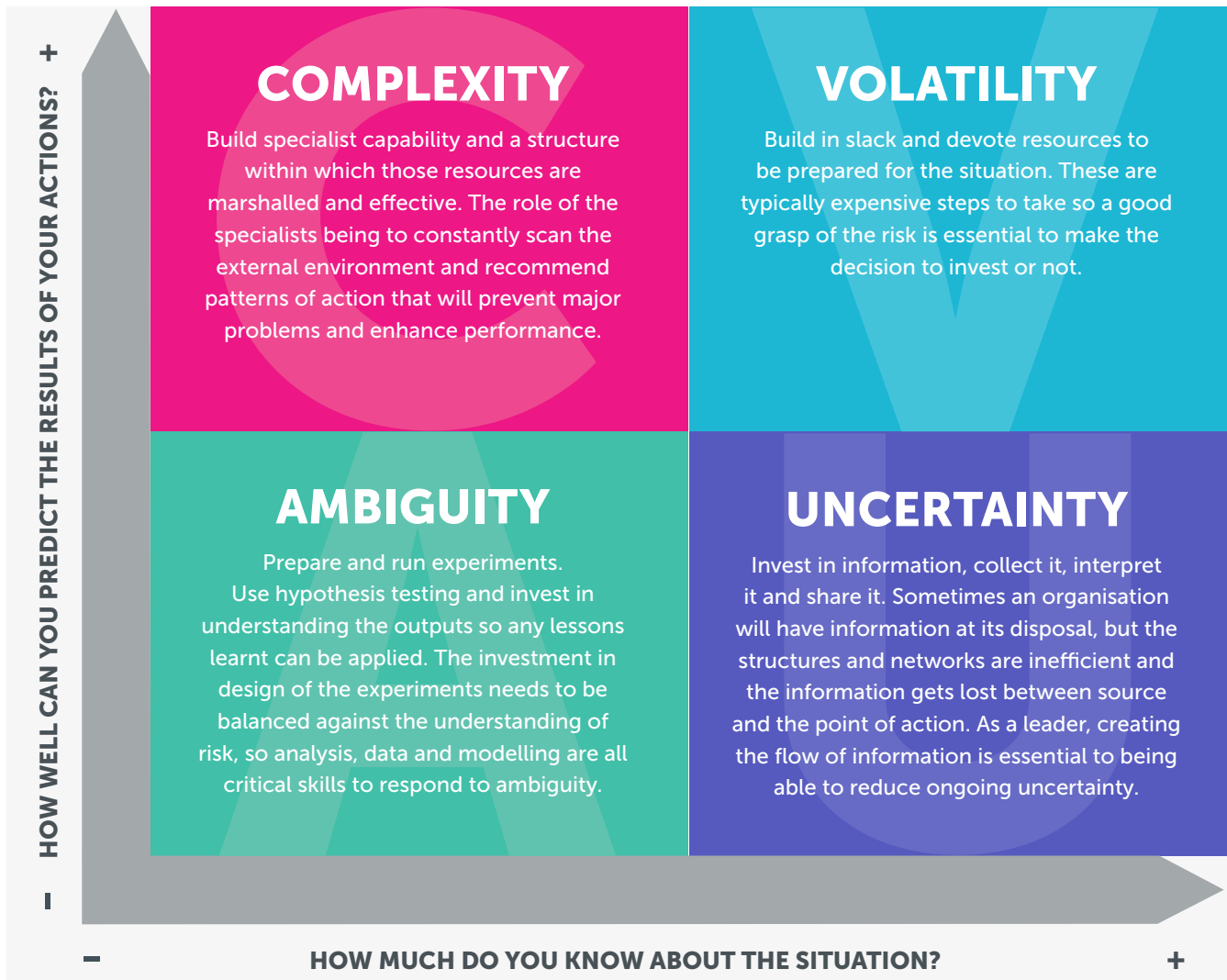
CHARACTERISTICS	EXAMPLES
V = VOLATILITY. This recognises the dynamic nature of the world and that there are various forces that catalyse change. The external environment may be unstable and unexpected events may occur. In many cases, the nature of the instability may not be difficult to understand, but how long any particular set of characteristics will last may be difficult to predict.	An example of this would be a supplier being out of action owing to a natural disaster. We often know that it may happen but it comes as an unexpected event.
U = UNCERTAINTY. This acknowledges the lack of predictability and the prospects of being surprised by issues and events. Despite a lack of other information, the event's basic cause and effects are known. Change is possible, but not a given.	An example of uncertainty at play would be awareness that a competitor is ready to launch a product or make a move in the market. The anticipation of that event creates ripples in the market that impact on the whole market until more information is available.
C = COMPLEXITY. This is a description of situations where there are many interconnected parts and variables. The volume of information surrounding the situation is huge and processing it into meaningful outputs is resource intensive.	If your organisation is a global player, this brings complexity into the decision making mix; regulation, legislation and financial markets contribute along with the general culture to do business in many countries.
A = AMBIGUITY. This describes those situations where there are no precedents and the cause and effect of actions are unclear and ambiguous. The unknown, unknowns of the business world.	An example of ambiguity would be launching products outside of your core competencies. It will be unknown how the customer will react, unknown what the impact might be on other products and unknown how your competitors and critics will respond.

UNDERSTANDING THE VUCA WORLD.



How can you respond?

The four categories of VUCA are characterised by how much you know about a situation and how well you can predict the results of your actions. These two parameters can help you to identify, plan for, and respond to events in each of the four categories. Some suggestions are provided below.



Hints & Tips

- Ask yourself how often you scan the horizon to understand the external environment
- Rank the four factors of VUCA for your business area, where should you focus attention?
- Network to explore what is already in place.

Links & References

- Adapted from What VUCA Really Means for You. Bennett and Lemoine HBR January–February 2014.
- <https://hbr.org/2014/01/what-vuca-really-means-for-you>