

Ever heard about VUCA world? Better learn fast to manage it

*By Claude Smadja**

Ever heard of VUCA? This acronym for *Volatility, Uncertainty, Complexity and Ambiguity*, was first created in the early 90s in the US Army war college courses to reflect the conditions resulting from the end of the cold war and the emergence of a more multilateral world. First confined to the rarefied universe of military strategists, the acronym started to rise to greater public awareness as management gurus – always eager for new fads propitious to one more book or speaking engagement - grabbed it and tweaked it to reflect the new business environment and the magic formulas that would help executives cope with it. We are now at the third stage when VUCA is now the buzz word to characterize the new normal in the global economic and geopolitical picture.

Obviously, all the components of the VUCA acronym have always been part of this picture. However, the level of volatility, uncertainty, complexity and ambiguity has now increased to such levels that the extent of the quantitative change that we have seen in the last few years is now bringing a qualitative, structural, change of the international scene. In this new normal, many factors that previously helped ensure some modicum of predictability have disappeared, some basic assumptions or tacit rules of the games have been turned upside down, and “black swans” seem on the verge of almost becoming routine occurrences.

A definitive reason behind one of the biggest failure of the Obama foreign policy – the enduring war in Syria and the endless disastrous repercussions it keep creating – is obviously the inability to cope with the almost unmatched degree of complexity and ambiguity that the Syrian situation involved, with so many players involved, so many contradictory priorities competing with one another, so much need for – and so much inability at – deciding what would be the lesser evil to go for in a context where there never was a realistic prospect for a “good” solution. In a different domain, look at the way financial markets and businesses have still tremendous difficulty to adjust to the unprecedented level of volatility and uncertainty that characterizes financial markets and the global business environment. And what could be a better illustration of today’s VUCA world than this year 2016 which has given us a Donald Trump as the Republic nominee for the US presidential election, the shock of Brexit, and the failed coup in Turkey providing a golden opportunity for President Erdogan to sweep away any remaining source of dissent in the country and to rush into the last straight line towards absolute power? Military and political strategists in Washington and other European and NATO countries are still struggling with the new and – again – unprecedented levels of uncertainty,

complexity and ambiguity that these developments in a crucially strategic country are creating for the overall geostrategic balance, and for a Middle East region well on its way to disintegration.

A key issue with this VUCA world in which we need to learn to operate is that too many political leaders and governments along with too many business leaders still continue to cling to the hope that, somehow, “things will settle down”, that conventional wisdom and classic patterns of responses to new challenges can still do the trick with a few cosmetic or incremental here and there. The hard reality is that this new normal is here to stay – at least for the foreseeable future – and that it requires a change of mindset and of Modus Operandi, from the part of governments as well as from corporations.

Of course, there are structural trends which continue to be “anchors of predictability” in all the volatility and uncertainty surrounding us, such as the continuing urbanization of the planet, the demographic trends in different regions of the worlds, the trend towards greater and deeper connectivity due to the technology advances. However, we have seen in the last few years that there is not certainty about the potential outcomes created by these trends. Flexibility and versatility are the necessary – but not sufficient – responses to the present levels of volatility and uncertainty. The ability to make sense of chaotic situations, to connect the dots and organize contradictory priorities, are becoming the *must* attributes of real leaders.

In that respect, the notion of “thinking outside the box” has been used so often and in such an inflated way in so many – and not so innovative – strategy books and speeches that it has now become an almost meaningless cliché. However, this is actually the necessity that the VUCA world imposes on us. How much and how deep are we able to think the unthinkable? How relevant is the way most institutions continue to do contingency planning? Are we paying enough attention to low probability but high impact scenarios in scenario planning exercises? One just needs to consider how Europeans and Americans were actually caught flat-footed by the way Vladimir Putin reacted to the attempt to integrate Ukraine into the Western systems. In a way, it was the Russian leader who was thinking, and acting, in that case “outside the box”.

A troubling question is whether the present generation of political leaders in most countries has the mental agility to adjust to this new normal on the global economic and geopolitical scene. In that respect, it might well be that the business world is ahead of the political one on that front. If this proves to be the case and if a new generation of political leaders is not able to step in soon with a new mindset and a new approach, then there is no underestimating the graver risks that this will create for social and political stability in many countries. After all, it is



the lack of appropriate responses to the challenges created by increased volatility, uncertainty, complexity and ambiguity, in domestic affairs as well as on the international scene, the lack of clarity of vision from the part of the Establishment that is at least partly responsible for the populist road rage that is shaking social and political stability in too many countries.

**Claude Smadja is President of Smadja & Smadja, a Strategic Advisory Firm @ClaudeSmadja*