

# HBR.ORG Harvard Business Review



JANUARY–FEBRUARY 2014

REPRINT F1401C

## IDEA WATCH

# What VUCA Really Means for You

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**MANAGEMENT** by Nathan Bennett and G. James Lemoine

# What VUCA Really Means for You

It's become a trendy managerial acronym: VUCA, short for *volatility*, *uncertainty*, *complexity*, and *ambiguity*, and a catchall for "Hey, it's crazy out there!" It's also misleading: VUCA conflates four distinct types of challenges that demand four distinct types of responses. That makes it difficult to know how to approach a challenging situation and easy to use VUCA as a crutch, a way to throw off the hard work of strategy and planning—after all, you can't prepare for a VUCA world, right?

Actually, you can. Here is a guide to identifying, getting ready for, and responding to events in each of the four VUCA categories. ▽

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## complexity

**Characteristics:** The situation has many interconnected parts and variables. Some information is available or can be predicted, but the volume or nature of it can be overwhelming to process.

**Example:** You are doing business in many countries, all with unique regulatory environments, tariffs, and cultural values.

**Approach:** Restructure, bring on or develop specialists, and build up resources adequate to address the complexity.

## volatility

**Characteristics:** The challenge is unexpected or unstable and may be of unknown duration, but it's not necessarily hard to understand; knowledge about it is often available.

**Example:** Prices fluctuate after a natural disaster takes a supplier off-line.

**Approach:** Build in slack and devote resources to preparedness—for instance, stockpile inventory or overbuy talent. These steps are typically expensive; your investment should match the risk.

HOW WELL CAN YOU PREDICT THE RESULTS OF YOUR ACTIONS?

## ambiguity

**Characteristics:** Causal relationships are completely unclear. No precedents exist; you face "unknown unknowns."

**Example:** You decide to move into immature or emerging markets or to launch products outside your core competencies.

**Approach:** Experiment. Understanding cause and effect requires generating hypotheses and testing them. Design your experiments so that lessons learned can be broadly applied.

## uncertainty

**Characteristics:** Despite a lack of other information, the event's basic cause and effect are known. Change is possible but not a given.

**Example:** A competitor's pending product launch muddies the future of the business and the market.

**Approach:** Invest in information—collect, interpret, and share it. This works best in conjunction with structural changes, such as adding information analysis networks, that can reduce ongoing uncertainty.

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HOW MUCH DO YOU KNOW ABOUT THE SITUATION?

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