MANAGEMENT DESPITE VUCA: IN THE LIGTH OF MANAGER EXPERIENCES

VUCA ÇAĞINDA YÖNETİM: YÖNETİCİ DENEYİMLERİ PERSPEKTİFİ

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Abstract

The predictability of events decreases rapidly; forecasts and past experiences as the basis for shaping the future lose their validity and relevance; the world is more complicated than ever. "One size fits all" and "best practice" were yesterday's catchwords, but now, rarely is something clearly or precisely determinable to allow us to use a standard process. The purpose of this research is to guide practitioners to evaluate the difficulties and solution alternatives brought by volatility, uncertainty, complexity, and ambiguity, known as VUCA. This research adopted qualitative research methods to support the practitioners for a more understandable and controllable VUCA world. Twenty managers from five medium-sized enterprises serving in different sectors were interviewed. Managers identified the methods and tools they used to control VUCA and valuable insights regarding VUCA-affected business and management environments. Recommendations that can benefit enterprises from different sectors have been compiled within the research results.

Keywords: VUCA, Managers, Challenges, Solutions, Interview, Volatility, Ambiguity.

Öz

Günümüzde olayların öngörülebilirliği hızla azalmakta; geleceği şekillendirmenin temeli olan tahminler ve geçmiş deneyimler geçerliliğini ve alaka düzeyini kaybetmektedir. Dünya gün geçtikçe her zamankinden daha karmaşık bir hal almaktadır. "Tek beden herkese uyar" ve "en iyi uygulama" sloganları geçmişte kalmış, standart bir sürecin kullanımına izin verebilecek şekilde açık veya kesin olarak tanımlanabilen şeylerin sayısı azalmıştır. Bu araştırmanın amacı, VUCA olarak bilinen değişkenlik, belirsizlik, karmaşıklık ve muğlaklığın getirdiği zorlukları ve çözüm alternatiflerini değerlendirmede uygulayıcılara rehberlik

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etmektir. Bu araştırma, daha anlaşılır ve kontrol edilebilir bir VUCA dünyasında uygulayıcıları desteklemek için nitel araştırma yöntemlerini benimsemiştir. Farklı sektörlerde hizmet veren beş orta ölçekli işletmeden 20 yönetici ile görüşülmüştür. Yöneticiler, VUCA'yı kontrol etmek için kullandıkları yöntem ve araçları ve VUCA'dan etkilenen iş ve yönetim ortamlarıyla ilgili deneyim ve bilgilerini aktarmışlardır. Araştırma sonuçları içerisinde farklı sektörlerden işletmelere fayda sağlayabilecek öneriler derlenmiştir.
Anahtar Kelimeler: Yöneticiler, Zorluklar, Çözümler, Mülakat, Değişkenlik, Muğlaklık.

1. INTRODUCTION

We live in a world that is continuously changing, becoming more unstable, and in which severe or minor changes are becoming more unpredictable, drastic, and rapid. Many events are entirely unexpected, and understanding cause and effect can be difficult. Planning investments, developments and growth becomes almost impossible. Managers are continually asking: What is the reason? What is the effect?

Problems and their effects are becoming more sophisticated and challenging to understand. The different levels of changes increase complexity and make connections more confusing. Decisions become a network of reaction and counter-reaction that can no longer be controlled (Bennet and Lemoine, 2014). Choosing the right path is hardly possible. "One size fits all" and "best practice" were yesterday's concepts – rarely is something clearly or precisely determinable. Not only black and white but also colorful is an option. Today's demands on organizations and leadership are more contradictory and paradoxical than ever and put the personal value system to the test. The "What?" follows the "Why?" and the "How?" All of this is circular. Decisions require courage, awareness, and a willingness to make mistakes (Lawrence, 2013).

VUCA is an acronym for volatility, uncertainty, complexity, and ambiguity and was marked by the American military in the 1990s. It later found its way into management theory to describe new framework conditions in change processes and management (Horney et al., 2010). The term VUCA World describes the age we are in today. Digitalization, Industry 4.0, Big Data are just a few keywords that have led us to live in a volatile, uncertain, complex, and ambiguous world today. VUCA certainly plays into everyone's private world, and it poses new challenges for company executives. In this context, managers have to make decisions and cannot rely on long-term forecasts because companies are changing rapidly. Decisions often have to be made quickly, history is missing, and there are no future forecasts.

This study aims to guide decision-makers in order to overcome the challenges of the VUCA world. The recommendations within this study are refined from the best practices and conflict experiences of managers.

2. LITERATURE REVIEW

To describe the contextual conditions of the "world of work 4.0" (Mesqute et al., 2021), the acronym "VUCA" is currently often used in management literature: volatility, uncertainty, complexity, and ambiguity appear as characteristics of work environments that change disruptively due to high dynamics of change, both agility and promote their structures as well as their actors and which are at the same time characterized by the diversity and Demand fuzziness options of the available for thinking and acting (Millar et al., 2018).

This "New Work" is transnational mainly in nature. Digitization as the technological basis and interaction in virtual work environments are indispensable (Elkington, 2018). Due to globalization and the ever-faster developing technological possibilities, work in virtual teams will increase radically. As a result of demographic and social developments, these will at the same time be increasingly diverse and shaped by different (value) ideas. The desire for network-like and networked cooperation among the "digital natives" who are already dominating the job market requires a new form of communication in companies (Baran and Woznyj, 2020).

What distinguishes such "new forms" of communication in virtual work environments in detail has been researched to a limited extent (Cousins, 2018), and corresponding practice-related qualification offers have hardly been found in the further training education offers for managers.

The questions raised both in the literature and the practitioners' side are aimed to be clarified in this study. On the one hand, it is about getting closer to the specifics of good action in VUCA times; more precisely: the question of the extent to which VUCA characteristics can be demonstrated to a particular degree and, if so, what they consist of. From this, in a second step, it can be derived which competencies are necessary to meet the requirements of VUCA business platforms and whether these are "new" competencies.

Volatility

Volatility is an increasing frequency and speed of changes and describes the fluctuation range and intensity within a period. High volatility means high and unpredictable fluctuations can be expected in short time intervals (Mack et al., 2015). That is, the impact of events is more severe than in less volatile times. An example of volatility in digital markets is a "winner takes it all" trend. Quasi monopolists make exorbitant profits, and losers disappear from the scene. This phenomenon can be illustrated using three examples:

A. The transmission of messages from Manchester to London took around five days around 1800 by stagecoach. Today emails and WhatsApp reach us within seconds – no matter where we are. We can react faster to current events, but we also must deal with a flood of news and information.

B. New technologies are spreading faster and replacing old ones. While the landline phone still needed 120 years to gain widespread acceptance, mobile phones only needed 20 years, and the smartphone adoption will be even faster. We have to adapt to new technologies and functionalities faster and faster.

C. New technologies and shorter product life cycles, in turn, change markets and industries. The pace at which companies can lose their market position or disappear entirely has increased. Around 1940, the average life expectancy of a company was about 75 years. Today is 15 years.

Uncertainty

Uncertainty refers to unpredictable developments and events, making it challenging to assess events and their probability of occurrence (Kok and Van Del Heuvel, 2019). The value of strategies decreases; planning is associated with a higher risk and has a shorter horizon. The increasing uncertainty is often triggered by the fact that old paradigms and patterns no longer have a high level of reliability (Dermott, 2020). Today's knowledge and skills have a shorter half-life. As a result, companies can no longer develop an optimal decision or best practice.

Complexity

In complex systems, relationships can no longer be explained in simple cause-and-effect mechanisms (Mack et al., 2015). The respective components of a system are so closely interwoven that changing one component has unforeseeable consequences. Global networking creates feedback with other systems, which makes it impossible to predict reactions of individuals or processes.

Ambiguity

Ambiguity means that there are various interpretations for a single incident or piece of information. Cause-and-effect relationships are blurring; situations seem confusing or even paradoxical. Ambiguity describes the lack of clarity of a situation or information (Miska, 2020). Issues can be conflicting or even contradictory (Johansen and Euchner, 2013). Ambiguity makes decision-making difficult, the possibility of misinterpretation increases, which in turn increases uncertainty. Ambiguity is primarily a result of the exponentially growing flood of data and information, the reliability of which can no longer be assessed (Du and Chen, 2019).

American journalist Sydney J. Harris said: "Our dilemma is that we hate change and love it at the same time; what we want is for things to remain the same but get better." What is meant is that we all want changes, but we cannot (or do not want to) let go of the tried and tested. Proponents and critics may have good arguments, increasing ambiguity. Every change is an opportunity, but also a risk. However, contradictions can also be shown quite differently: what works today suddenly will not work tomorrow. All the facts are on the table, and yet the future cannot be predicted. Fake news or "alternative facts" make it challenging to assess news and situations, making decisions more difficult.

3. METHOD

Within the scope of this research, qualitative techniques are employed and twenty managers from five medium-sized enterprises, serving in different industries (automotive, food, retail, tourism, textile), were interviewed to evaluate the difficulties and solution alternatives brought by VUCA. This study is based on their good and bad experiences, know-how on VUCA, and tested solutions. Managers of the IT, marketing, production, or public relations (for retail and tourism industries), and finance departments of the enterprises shared the problematic working conditions resulting from VUCA. Managers talked about what VUCA meant for them and the methods and tools they used to control VUCA. MAXQDA software is employed to analyze the thematic content of the narrative sources. The thematic structure enlightens the essential elements of VUCA, and the results compiled from the manager interviews are presented within the findings of the study.

4. FINDINGS

The four trends described with VUCA are intertwined and mutually dependent. The good news is that VUCA is nothing new. The world has always been faster, more dynamic, less specific, more complex, and more contradictory (Kinsinger, 2012). On the other hand, in times of increasing insecurity, people want simple answers, unambiguous statements, predictability, and a feeling of control and protection. However, the current VUCA world is about becoming more versatile, flexible, faster, and more willing to experiment with enduring uncertainties, but simultaneously requiring managers to offer stability and orientation (Rodrigues and Rodriguez, 2015). These requirements are also subject to volatility, uncertainty, complexity, and contradiction. Managers must learn to live and deal with less time to adapt to changes or help shape them.

Industries are in an environment of constant change. Managers from the automotive, retail and textile industries emphasize the spread of artificial intelligence, block chains in the supply chain or manufacturing, the use of bots for customer communication, or innovative approaches: everything is in flux. However, these innovations have an impact on business models and processes. Especially automotive companies are adjusting to and dealing with a far more complex and dynamic environment; otherwise, they run the risk of losing their market presence. However, how to act? The speed of change is increasing rapidly, and certainties are disappearing. At the moment, quick reactions to changes are essential. All of this creates uncertainty that can paralyze even the most cognizant manager. Automotive, food, retail, tourism, and textile organizations are now trying two different approaches to make meaningful decisions that should ensure successful operation in the future market.

Managers from automotive and retail companies attempt to gain valuable information by using data, recognizing patterns in the environment, and making wise decisions based on them. Textile and food companies declared that they employ other approach endeavors to make decision-making processes more agile. Digitization and knowledge form the basis of effective decision-making approaches.

Digitization

Managers from the textile industry claimed that organizations are characterized by the formal side and the informalities that subsequently develop, such as the small official routines or the pragmatic interpretation of rules. The informalities play an essential role since every organization is faced with very different and often contradicting demands. Managers underlined that they could monitor and control the processes thanks to the incredibly practical and functional informalities; their organization remains flexible enough to deal with the different expectations and changing requirements in a VUCA world.

Digitization in automotive and textile industries interferes very actively with the formal structure due to their rule-bound nature and transparency-generating mechanisms. Managers claim that this creates pressure to formalize the informal or ban it altogether, making the organization more rigid because only what has been programmed into the digital processes applies. The informality will decouple more and more from the formal because rigidity potentially endangers the survival of the organization. Purely technical digitization especially in automotive and textile industries ignore this dilemma and ignore the usefulness of the informalities. The managers suggest that more that non-reflected processes are digitized, the more rigid and unfriendly the formal structure becomes. However, they confess this conflicts with the need to deal be agile in relation to the dynamics and complexities of the environment.

Knowledge

A second effect concerns the effects of digitization on an organization's interests and power structures, which is observed in interviews with managers from food and retail industries. Big data and valuable insights from it are not about discovering natural laws. However, data about the environment are neither precise nor objective. The actors who decide to obtain data combine the desire to create changes and creative impulses for both the organization and themselves. Since these individuals are usually not the ones who know how to collect and evaluate data, other actors come into play. The managers claim that it makes no difference whether this is the IT department, a Chief Data Officer (CDO), or newly created boards.

Each participant pursue their perspectives and interests. The individual deciding on the data collection processes determines what can be perceived in the organization and used for evaluation and decision-making. This is the first perception filter (Cousins, 2018).Then another individual interprets this data to provide a basis for decision-making. This interpretation represents a second perception filter (Cousins, 2018).

Power struggles are inevitable in the entire process of interest-based filtering. A manager from automomotive industry emphasized that, "It is not possible to be neutral about data and information choices and/or interpretations. Everyone brings their own frames to the processes." Both managers agree that the ramifications may be severe when these effects on power distribution are ignored. Data and information are neutral, but knowledge and interpretation come with their own frames and filters. It is possible that those "pushing the button" to get the data may not have the same frames and filters as those making the decision; there may be a major disconnection between the IT staff and the decision-makers.

Suggestion for Solution: VUCA Model

Digitization offers opportunities to create something new and extend the current business model. If the firm is focused too much on the VUCA world, managers assume that they and their company are exposed to external forces and must react, instead of proactively developing a market.

Therefore, the term VUCA should be used with a specific reference appropriate for the enterprise and its environment.

The managers are asked to express the causes and triggers of the VUCA world.

The thematic content analysis of the responses revealed that the VUCA world is typically shaped by one or more of these factors:

- The half-life of competencies and competitive advantages decreases.
- Industrial borders are blurring, or barriers to entry are falling.
- Technology creates and extends value-added.
- Price competition and pressure on margins are increasing due to digital competitors.
- Digital customers expect simplicity, flexibility, and speed.
- Technology is developing quickly and in a variety of ways.
- A great deal of capital and a high willingness to invest in globally dominant technology groups and venture capital providers.
- Global networking and the closest competitor are just a click away.

On the other hand, the managers are requested to explain their success stories and how can be the enterprises improved through:

- New sales and marketing channels developed using digital platforms.
- Automated processes are the basis for efficiency and better customer experience.
- When workflows are automated, employees have more time for creative and creative tasks.
- Networking with customers allows a different service and market experience.
- New (digital) business models are developed.
- There is a chance to be the pioneer and the “winner” in the industry, that is, to become a quasi monopolist.

All of this requires not only courage but also the willingness to invest in the development of digital skills. Above all, all managers agree that enterprises need a new understanding of leadership. Furthermore, here, the VUCA model offers a much friendlier approach than the very negative VUCA world. To take advantage of opportunities and challenges within the VUCA world, the VUCA model offers a reference framework for the management of employees and companies under these uncertain conditions.

In the VUCA model, the acronym VUCA has a second set of meanings: vision, understanding, clarity, and agility.

Vision

A manager from tourism industry claims that; “Mission statements and goals provide orientation in uncertain and complex environments”. The mangers’ job is to bring this vision to life. Depending on the company and culture, it may be a vision, mission, or purpose. In any case, it is an answer to the existential question of why the firm exists. A content framework that offers employees orientation and a framework, the "Why, how, what" model by Simon Sinek (2009), offers an interesting framework for this.

Understanding

In complex and multidimensional situations, understanding the context of change, opportunities, and challenges is particularly important. Moreover, this only arises from the exchange with others and the time that managers take to understand these factors. In an environment characterized by so much uncertainty and dynamism, old and possibly proven patterns of action may no longer work (Livingston, 2014). Often, in the tourism industry, decision making cannot even be delegated, says a manager of a tourism company. It takes collaboration, many different perspectives, and common images (a vision) that make a diffuse state more tangible and concrete. Creating this common understanding is one of the essential tasks of modern leadership and is closely aligned to the vision.

Clarity

It is necessary to understand data and information in a context to have clarity. Both managers agree that a lack of clarity exists when managers justify necessary changes or the digital transformation of their company with the VUCA world, indicating that they have no clarity about the future. That does not have to mean that they do not understand it but that they just cannot put it in a clear language yet. A concrete language creates security and a stable framework. If the "enemy" is just the VUCA world, then nobody knows in which direction to run or why, so the manager runs away from an intangible instead of toward a vision.

Agility

Agility is the key to making the company more adaptable and alert. This function is proposed by all of the manager but underlined especially by managers from automotive and retail industries. Planning horizons are shorter in the VUCA world. Companies need concepts to adapt faster or to align themselves with new strategies. Agile project and working methods mean that people act in short iterative intervals, constantly adapting any procedure without losing sight of the big goal. Employees work in small teams in a self-organized and autonomous manner. With a high level of agility, the company can manage high levels of uncertainty and reduce risks.

5. CONCLUSION

Volatility, uncertainty, complexity, and ambiguity (VUCA) are the current framework conditions in which managers have to make decisions. It is evident that the demands on managers have changed dramatically in recent years and that the staccato of changes is pounding them more and more violently. Managers have to be able to deal with this new reality, or they have to fail, and of course, people determine the success of every company. The right framework conditions are required, under which each individual can and may contribute his or her skills and achievements in the sense of agreed results to be successful or efficiently manage business-related issues in the VUCA world.

Although this concept has long been valid, it applies even more in the VUCA world, especially in these times of digitization. Therefore, human-centered design is becoming increasingly important. The most effective form of corporate development is one that can be actively and independently shaped by those involved. In a digitized VUCA world, it is essential to anticipate and to strengthen cooperation within companies with contemporary solutions. Deciding and connecting are success factors for shaping the future. Energy, information, and data must be managed into meaningful channels so that it results in value-adding approaches and measures.

VUCA represents the dynamism in digital markets. However, the term VUCA World is one-sided because it is militarily shaped and primarily geared towards threats. Also, using the term is empty without a specific reference to which challenges the company is facing. Managers can formulate a clear view of the opportunities and risks resulting from digitization for their companies to enhance the VUCA term. If this succeeds, then the VUCA model offers a frame of reference for how leadership can be designed in dynamic environments.

Managers make significant decisions about the framework conditions that enable their organizations to act. The increased volatility, uncertainty, complexity, and ambiguity require managers and companies to do things differently and to ensure good results with new leadership behavior under changed conditions. The VUCA world challenges managers to find their way, understand psycho-logic, and develop empathic behavior – or in short: to deal more with people and their needs. Sense and purpose are at the center of entrepreneurial activity. In today's VUCA world, neither leadership nor strategies in organizations are spared. Experiences, beliefs, and paradigms are put to the test because there is no longer one way or the management tool. Individuality replaces standard.

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