VUCA: VOLATILITY / UNCERTAINTY / COMPLEXITY / AMBIGUITY

HOW WELL CAN YOU PREDICT THE RESULTS OF YOUR ACTIONS?

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 investement should match the risk.

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.

HOW MUCH DO YOU KNOW ABOUT THE SITUATION?

STRATEGY

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