VUCA is an acronym. It stands for **Volatility**, **Uncertainty**, **Complexity** and **Ambiguity**. The term was first used in 1987, originally in military contexts. The US Army War College, which contributed to American global military strategy, introduced VUCA as a way to talk about the new and unpredictable multilateral world that emerged at the end of the Cold War.

Since then, business strategists have used VUCA to describe the similarly more complex commercial world we find ourselves in.

Everything is relative, but life certainly feels less predictable and certain than it used to be 20 years ago. Factors include political, social, commercial and technological influences, for example:

- **The workplace**: Talent is more mobile than ever, the idea of “a job for life” has been replaced by short-term talent for hire.
- **Brexit**: The most seismic political change in the UK since the end of the Second World War.
- **The Technology Horizon**: Tech is moving so fast now that businesses must plan across 12 months at most, rather than the five to ten year cycles we have been used to.
- **Global Issues**: Challenges like Climate Change and food security are worldwide problems, to which traditional national systems don’t seem to offer solutions.

All of these combine to make decision-making in business much harder.

OK – let’s look at three examples of business issues from China, the world’s second largest economy:

1. In 2018–19, a slowdown in China’s economic growth impacted financial markets around the world, causing **volatile** market movements well beyond companies doing business with China itself.

2. At the same time, China’s “Five Year Plan” prioritised home-grown technology firms, often locking out foreign competitors. That’s why China has equivalents to Twitter (Sina Weibo) and Google (Baidu). Companies looking to expand into China face **uncertainty** over their strategy and reach.

3. As if that wasn’t enough...then the US and China engaged in a trade war using tariffs, the effects of which are still unclear on world manufacturing flows. Tariffs are particularly **complex**, because they are politicised and may change in a matter of days.
# VUCA in a Nutshell

Each part of the VUCA structure has a slightly different meaning, and affects business in different ways. Here’s what you need to know...

## Volatility

In short:
Tomorrow might not be like today.

**Why?**
In a changing world, people make different and unpredictable decisions.

**Example:**
Share price volatility - moving markets making decisions harder to make.

**What it means for business:**
Rapid change in an industry, market or the world at large.

**How to fix it:**
“Build in slack and devote resources to preparedness, for instance stockpile inventory.”

**Can technology help?**
Develop supply chain agility and insight to respond more rapidly to market changes.

## Uncertainty

In short:
We don’t have all the information we need.

**Why?**
Reliable knowledge isn’t always available when change is happening fast.

**Example:**
Geopolitical uncertainty - supply chains affected by tariffs.

**What it means for business:**
A lower ability to confidently predict the future.

**How to fix it:**
“Invest in information. Collect, interpret and share it.”

**Can technology help?**
Extract more data from existing systems and use visualisations to understand it.

## Complexity

In short:
We can’t see the wood from the trees - all the connections that influence our situation.

**Why?**
In our interconnected world, many factors will influence our environment and we can be blindsided by causes and effects we never considered.

**Example:**
Customer complexity - multiple needs, points of view and channels by which customers engage with our business.

**What it means for business:**
More factors, and more variable factors, to take into account, and more obscure relationships between them.

**How to fix it:**
“Restructure, bring on or develop specialists.”

**Can technology help?**
Bring more functions and disciplines together with better insight to inform them. Learn from a broader range of sources.

## Ambiguity

In short:
We can’t make judgements on the information we have to hand.

**Why?**
Uncertainty refers to a lack of information; ambiguity means that available information still leaves us unclear as to what to do.

**Example:**
Data overload - businesses have more data than ever – but are not always able to put it to work usefully.

**What it means for business:**
A lack of clarity from which to draw actionable conclusions.

**How to fix it:**
“Experiment. Understanding cause and effect requires generating hypotheses and testing them.”

**Can technology help?**
Deploy technology to shorten testing and delivery cycles to improve agility.
Is this the end of business as we know it?

The smart answer: No! The rules have changed, but they are still the same rules for everyone. We’re all in the same boat – what will separate smart businesses from the ones that will fall by the wayside is their approach.

Which brings us to...

How to win in a VUCA world

- **Build a responsive culture from the top**: empower teams to grow and give them the responsibility to respond to the issues they face. Make people the most agile and capable element of the organisation.

- **Never stop learning**: help employees to better themselves. Help them to tolerate and even relish change. Fund experimentation in ‘skunkworks’ so that everyone can nurture new ideas and contribute to future success.

- **Invest in people**: develop talent from within and work to attract the best. You will always have some turnover of staff, so turn that challenge into an opportunity to bring in great people with the latest ideas.

- **Listen to the organisation**: walk the shop floor, run employee surveys and conduct idea hackathons so that the knowledge and insight you already have in-house is put to good use.

Read a bit more

- **What VUCA really means for you** (HBR)
- **How to develop and execute a winning strategy in a VUCA world** (Consultancy.eu)
- **Strategy under uncertainty** (McKinsey)

About Datel:
Business technology to empower your future

Datel is a leading technology provider and Sage partner. We have nearly 40 years of experience in supporting and assisting successful UK businesses. We focus on providing them with technology and services that support them now and in the future.

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A lot has been written about the volatile and complex trading environment today but it’s only as difficult as we make it for ourselves. If we focus instead on collaboration over competition, we could make VUCA a positive thing.

Garry Turner, Founder of The Listening Organisation