

THE OPPORTUNITIES AND THREATS IN THE CONTEXT OF THE V.U.C.A WORLD

Mihaela MINCIU ^a, Florin Aurel BERAR ^a, Cristina DIMA ^a*

^a The Bucharest University of Economic Studies, Romania

ABSTRACT

The business environment in which most of the organizations operate is often characterized by volatility, uncertainty, complexity and ambiguity (VUCA). The concept of VUCA has become very well known, in the last years defining an unpredictable society, in which the economic entities present huge difficulties in defining the future based on the experience accumulated in the past. In order to survive in a constantly changing world, most organizations are rethinking their strategy to be able to offer customers high quality products/services, taking advantage of every situation, even when a general chaos ensues.

Therefore, this paper aims to present the main components of the VUCA world, starting from the numerous studies and researches that exist in this area, analyzing in equal measure both: the threats caused by a working environment marked by the uncertainty and the opportunities that may appear. Also, both, managers and other employees from organizations have to change their thinking and mode of action acquiring new skills, abilities and professional qualifications, so that when a limitation situation, that would jeopardize the achievement of the objectives of a project, appears, it should be managed correctly and promptly. The VUCA world requires that each organization conceives an action plan and aligns itself with the new technological changes, in order to maintain a competitive advantage by offering consumers high-performance products and services.

KEYWORDS: *adaptability, abilities, management, VUCA*

1. INTRODUCTION

Starting from the identification of all the internal and external factors that act on the activity of the companies and the behavior of the employees, the present paper aims to examine all the challenges determined by the restrictions and constraints of the VUCA phenomenon. Today, every business is run in a world full of problems, with threats at every step, a chaotic world that demands speed, patience and uncertainty management. In such an environment, where employees are faced with situations where data changes from day to day, managers must adapt their leadership style so that they can act quickly when an alert state is established, and the negative impact of a possible event, that could endanger the activity of the organization or the development of an investment project to be minimal. The VUCA world describes a volatile business environment (which undergoes major changes with each passing minute), uncertain (with extremely low predictability in forecasting future events), complex (often confusing, without a connection between cause and effect) and ambiguous (lack of precision, new situations for which there is no preparation).

In the context of the VUCA world, what is considered to be a solution to a problem, often presents difficulties at the time of implementation, because over time the information analyzed has changed and so it is necessary to find answers as quickly as possible for questions that have not even been

* Corresponding author. E-mail address: *mihaela_minciu@yahoo.com*

considered beforehand. Unfortunately, in the VUCA world, does not exist a model or a strategy that can be applied by each manager in his organization.

Many managers strive to accumulate as much knowledge as possible, losing sight of the fact that between the socio-economic and natural systems exist some interdependencies, and the business environment is becoming more complex, with frequent changes in the report between demand and supply. The effectiveness of an organization depends very much on people's behavior who work to achieve the objectives of the organization, in order to achieve their own objectives. Among the responsibilities of the managers in the VUCA world, an important role is played by the motivation of the subordinates, so that they can make full use of their physical and intellectual resources.

The volatility and uncertainty of the external environment, of companies demands that managers have new skills in addition to information (making a decision in the absence of concrete data and in risk conditions, anticipating the effects of actions, defining and proving assumptions, self-motivating in case of adopting solutions insecure, uncertain, emotional intelligence), be flexible about changes and have resistance to stress. In an uncertain business environment, full of unpredictability, managerial competence represents the ability to meet the organization's objectives in order to achieve economic performance by efficiently using the resources available to provide competitive products and services to customers.

A competent manager must predict for others employees and for organization that he manages, he must prepare, organize, coordinate, control and evaluate implemented activities during a preset time. The position he is in involves making decisions to initiate constructive changes, which will motivate the other members of his team to take action to achieve the organization's objectives in the most efficient way. Thus, in order to survive in an uncertain world, an organization must prepare all its employees, in order to acquire new skills and abilities, so that they be prepared for any danger and can easily identify and exploit an opportunity, thus ensuring the development of the enterprise. Therefore this study aims to identify what are the main threats and opportunities generated by the VUCA world and how they influence the activity of organizations, and implicitly their employees.

When an organization operates in an uncertain and ambiguous environment, characterized in most cases by the lack of information regarding strategic options and means of action, each step is important and each decision must be analyzed long enough to ensure progress economic of the organization and obtaining a competitive advantage.

With the development of the market and the change from the report between supply and demand, it seems increasingly difficult to identify safe ways of action for developing long-term strategies, by testing certain hypotheses. In this turbulent environment, organizations need to have an excellent communication plan between department heads and employees.

Moreover, today's managers must be leaders capable of leading people towards a common vision and purpose. In VUCA context, leaders must have both, professional skills (knowledge specific to his domain of activity: legislation, negotiation techniques, possible financing axes that can be accessed, for the purpose of implementing investment projects), as well as a number of new ones competences, such as: rapidly collection of the necessary information, sorting and analyzing of that data, setting clear, realistic objectives, motivating the work teams, in order to concentrate all efforts to ensure a favorable climate to economic development.

The VUCA world demands that the managers of the organizations be able to understand the motivations, desires, fears, expectations of the work teams and the consumers. The communication report between the different hierarchical levels must be very well organized, so that new ideas can be easily identified and exploited, which could lead to the economic progress of the organization.

In order for this to be realized, it is necessary that the manager of an organization to know how to increase the self-confidence of the employees, to ensure the existence of a constructive competition between them, to use a reward system for each performance achieved, by the employees. Thus, this paper aims to analyze the volatile and uncertain working environment, in which the organizations

operate, as well as studying the relations between the interested parties and the possible partnerships between companies in order to cope with the turbulence from the external environment.

The study is structured in three parts, in which will be presented different aspects regarding the VUCA concept, the characteristics of the component parts (volatility, insecurity, complexity and ambiguity), the threats and opportunities generated by an uncertain, and constantly changing world. Therefore, if in the first part of the research will be exposed the theoretical notions that take into account the VUCA world and the effects generated by it, in the next part the theoretical information will be used to examine the obtained data, as a result of the assessment of threats and opportunities generated by this context, and in the last part, the conclusions and recommendations will be presented, with the purpose to increase the economic performance of the organizations that operate in such an environment.

2. LITERATURE REVIEW

VUCA represents a world of dilemmas without general solutions, but demands that the employees of each organization have the patience to analyze and eliminate the uncertainties, to have the ability to learn continuously and to be flexible in adapting to each context.

The VUCA concept was first introduced by the US military after the end of the Cold War to describe the conditions of a world that was increasingly difficult to predict, in terms of challenges from opponents, a world in which the army had to adapt its weapons and attack strategy extremely rapid, to respond efficiently and effectively to enemies (Kinsinger & Walch, 2012). Over time, the acronym VUCA was adopted by most private sector managers to describe a volatile, uncertain, complex and ambiguous work environment, especially in the time of the financial crisis when most organizations were facing similar problems (figure 1).

A volatile environment is represented by all the turbulence occurring within an organization in the course of a project, often it is necessary to rethink the implementation methodology, in order to achieve the expected results. Most mathematical models and algorithms for solving an unforeseen situation describe a system that starts from a past situation, that has reached to a point, following threats from the external environment, from global or local level, but in a volatile environment this is becoming more and more difficult. When a manager faced with volatile changes the best means of action consists in the allocation of resources (human, informational, material, time) in order to quickly solve all the problems, which apparently do not have a solution. It is true that in general a strategy is elaborated after studying and monitoring all the factors (market evolution, and implicitly the prices, the wishes and needs of the consumers, the methods applied by the competitors) that influence the activity of the company for a long time, but in a volatile environment frequently an instant evaluation can provide more results than one obtained over time.

Factors favoring the emergence of a volatile environment include changes in technology, business model innovation, competition locally and globally, free circulation of products. Thus, the professionals from the human resources department and the managers must train the employees in order for organizations to be performing and to reach the top (Lawrence, 2013).

Although it is spoken of adapting to a constantly changing world, most of the methods used to develop new skills (trainings, professional training courses, coaching) have not undergone many changes, so leaders do not develop new skills so fast to keep up with the "new business model".

The uncertainty that is at every step, characterized by the lack of predictability is the result of multiple interactions that are created at the level of a global system. For example, for a company that is about to launch a new product, a competitor who introduces on the market a product with similar characteristics may completely disrupt the company's activity.

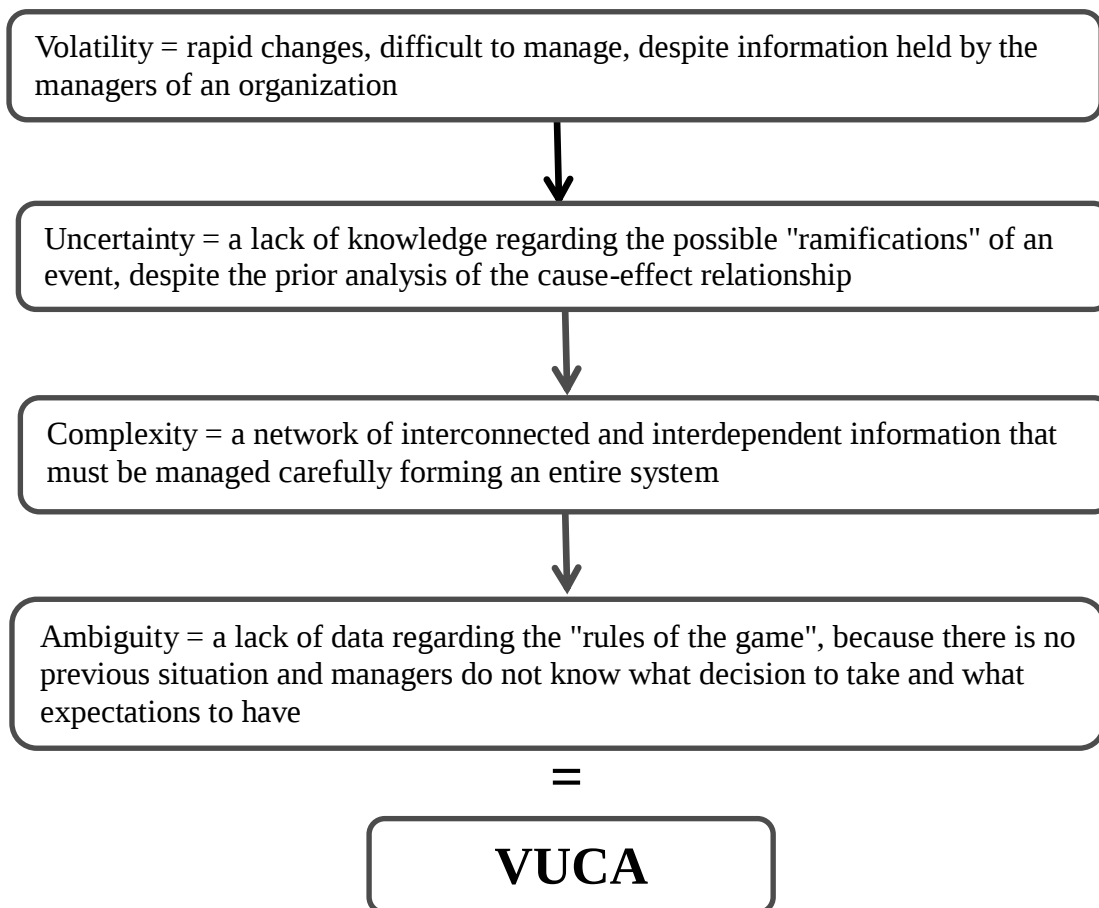


Figure 1. The components of the VUCA world
Source: Adapted from Bennett & Lemoine (2014, p. 313)

In order to act with the uncertainty, the most effective method is to collect, study, analyze and interpret information, so that the products launched on the market become superior to those launched by competitors. It is also very important to create data networks starting from several sources, both inside and outside the company (the possibility of entering new markets, the implementation of a project that will act on satisfying certain needs of consumers, the advantages of concluding certain partnerships with different organizations).

What leads to the growth of an uncertain environment is the fact that a risk that can represent a threat to the manager of an organization, for another firm can represent an extraordinary opportunity (conquering a new market niche, increasing demand as a result of reducing supply).

Managers from organizations are faced with an uncertain environment in which they must find a number of possible solutions and strategies. The most common decision is to ignore uncertainty, considering that it is impossible to predict it, but a manager with adequate training will rather try to make wise decisions before an important event takes place (implementing a new project, enlargement the range of services and products offered to customers, changing the production line), so that any "surprise" is eliminated, and the managed system is resistant to unsafe situations and even to capitalize the changes that have occurred.

In a complex environment, leaders must take care to keep things simple, to solve elementary problems that would represent a danger to the organization, to use their intuition and experience to maintain an effective communication relationship with its employees (Kaivo-oja, & Lauraeus, 2018). Complexity, as a component of the world VUCA describes all the connections realized

between the components of a system. The best example in this regard is an organization that operates in several countries, respecting the rules of each state, regarding the politics of distribution and prices, cultural values.

The complexity of a business environment generates a series of challenges for the managers of the organizations: difficulties in identifying the connection between the different structures/components (economic, social, legal) of the company, managing the cause-effect relationships. The old organizations in which existed few regulations and restrictions, in which a person took care of a small group of suppliers, that had a small niche of customers, were left behind; today the companies are becoming more complex, having specialized departments (Financial-Accounting, Human Resources, Production, Research & Development, Marketing).

Thus, while more and more organizations develop and have experts for each part of them, the degree of complexity increases. Therefore, organizations should turn their attention to their employees by preparing them for an uncertain environment and offering them as much benefits as possible (health services, discounts/vouchers for certain recreational activities, meal vouchers). Ambiguity refers to all the problems and conflictual situations, often difficult to identify and solve (Thoren, 2018).

In the case of this component, it does not exist a cause-effect report or any previous experience that could contribute to the elaboration of an action plan, in order to achieve the desired results.

Just as in a volatile environment, in an ambiguous environment, collecting information does not contribute to anything, because managers do not know what information would be most useful to gather, and any measure (restructuring, attracting investors, creating partnerships), applied in companies must be properly understood before being implemented. In today's society, the concepts of volatility, uncertainty, complexity and ambiguity are considered true standards in the business world. The best response methods of leaders within organizations for a volatile, uncertain, complex and ambiguous environment are shown in the figure below (Figure 2).

Frequently the concept of VUCA is used to avoid planning and action in a disparate and crazy work environment, inclining more towards the use of applying short-term strategies, from close to close (Carla et. al, 2018). In a modern context, the acronym VUCA would be translated by all the strong fluctuations of the macroeconomic conditions in the financial markets, which affect the commodity prices, as a result of environmental pressures (Schick, Hobson, & Ibisch, 2017).

Considering all the turbulence and changes inherent in today's society, the thinking of the leaders from different organizations must change, so that they should be prepared for the unknown, for the rapid changes of situations and potential crises, collaborating effectively with their subordinates (Mofuoa, 2016). Jan Bartscht (2015) describes the VUCA world as avalanches of information and change that dramatically affect the landscape by removing leaders and organizations from their way. Comparison with the blizzard and the avalanches of data, that more and more companies are facing today, both in the public and private sectors, best characterizes the situation in which most of the managers from organizations do not know how to manage new risks that arise and how to act before it's too late.

The problem in the VUCA world is that the general mathematical models used to make forecasts for investments are no longer adequate, because the assumptions change very rapidly, being almost impossible to identify (Abidi & Joshi, 2015).

The rhythm in which the business environment has developed, in recent years, the way in which the decisions of action were taken from different state institutions and from the private environment that face different unfavorable situations has led to a series of negative effects: transformations from the global business environment have led to the appearance of government regulations on the market for products and services, rapid changes in technology have led to the occurrence of cyberterrorism and information theft, and the new modern appliances and equipment, which contribute to the efficiency of the processes within the organizations, cause in time a series of harmful effects on the quality of life of the people.

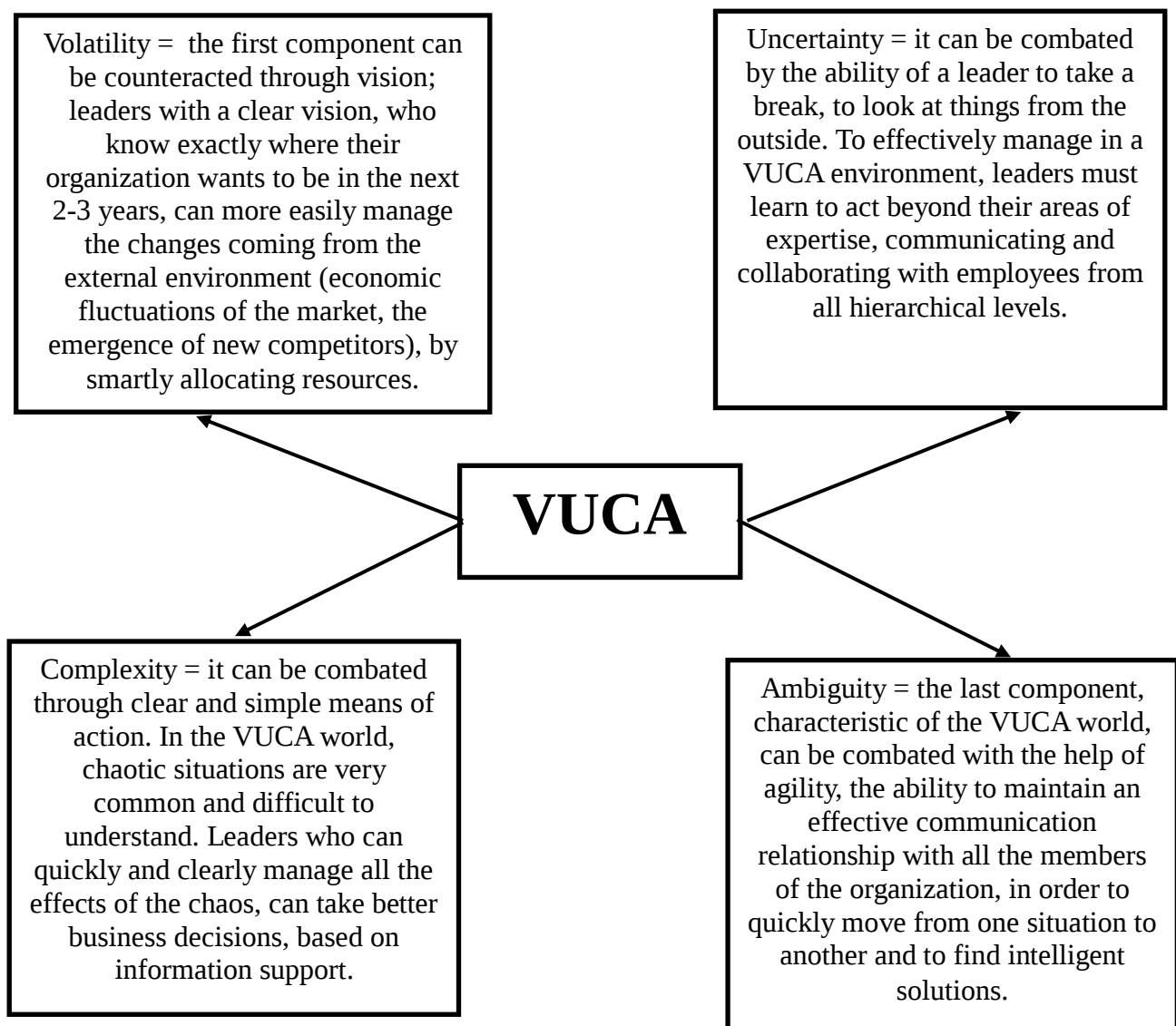


Figure 2. Combating the elements of the VUCA worlds

Source: Adapted from Lawrence (2013, p.6)

The problems in the VUCA world do not have clear solutions, often being influenced by all the constraints from different areas (economic, political, social, legal, environmental). The perception of the risk, from the point of view of the probability of occurrence and the impact generated for a particular event is different for each manager. Thus, there are people who have a higher appetite for risk, so any unfavorable situation that may arise will not affect the activity carried out in the organization, the manager trying to quickly find solutions with his team and people who have a low appetite for risk, who will always try to make certain predictions regarding the future of criticism. Leaders from different organizations need to make continuous changes in the production projects and processes that take place within the organization, so that decisions can be made quickly in a specific situation, and the organization's goals can be successfully achieved in the expected time period.

3. RESEARCH METHODOLOGY

After the documentary analysis of the specialized papers from this area it can be affirmed that the situations caused by the VUCA world can represent both threats and opportunities for the different organizations from the public and private sector.

Uncertainty, insecurity, unpredictability of events, difficult to understand situations with many ramifications lead to mistrust, the managers of organizations being afraid to take decisions that involve change, transformation at the entire enterprise. In the VUCA world, systems are complicated because cause-effect relationships require a long process, often difficult to understand.

The time and resources available to organizations, in most cases, no longer allow the identification of adverse events before they occur, but rather the discovery and the rapid action under a certain scenario, are prioritized.

In the VUCA world is no time to analyze and investigate the turbulence because there is no concrete information that can be researched, so the mission of the managers to act is increasingly difficult. In a chaotic environment, the most recommended decision model is to take immediate action, to reduce the negative effects of certain deficiencies and to create new possibilities for development and innovation (Cracsner & Gherghinescu, 2018).

It is also true that, if a manager is acting in the wrong way, wasting resources and time it may have extremely serious consequences for the organization (losing a large number of customers, losing the image), and in some cases even lead to its exit from the market.

Therefore, the leaders from organizations need to be competent, so that when a crisis situation emerges, several means of dealing with the deficiencies found are identified together with the working team, because when it is proved that a solution does not fit or not produce any beneficial change, that it can be immediately replaced, in order to improve the situation and to move from a lower state to a higher state.

All the relationships and connections between the departments of an organization require an efficient communication plan, a collaborative report, because when a certain dysfunction occurs within a system, there should not be a negative effect in the chain, but the whole problem have to be solved quickly.

Despite the fact that in the beginning all the changes that characterize the VUCA world are often similar to a state of fear and worry, there are also certain opportunities and benefits, which ensure the development of the company and the economic performance. For example, dynamic and rapid changes in a volatile environment for companies with flexible and creative managers can be a real opportunity, because the effective response to a new challenge can lead to the revolutionization of the entire business model (better distribution network, improvement image by aligning at certain standards, the production line efficiency by applying new intelligent organization systems), because what was previously viewed with suspicion by the society, today has become a normality.

All the insecurities and uncertain events that influence the behavior of managers and employees lead to the change of the organizational culture of the companies and the promotion of the new one, the implementation of new technologies and the use of high performance equipment. The unknown future, all the organizational changes that do not have immediate effects, are at the same time the main way of business development and growth, because this encourages the employees of the companies to think creatively, innovatively.

4. CONCLUSIONS AND RECOMMENDATIONS

The acronym VUCA defines a world full of changes and uncertainties, in which organizations have to adapt their strategies frequently, depending on the new situations that have occurred, to survive and to be competitive, offering customers products and services to high standards. All the challenges and the rapid development of technology have led to the fact that more and more

companies are operating under the sign of vulnerability and uncertainty, the previous experience can no longer be used to make predictions.

In order for an organization to be economically efficient in the VUCA world, a very important role is left to the managers who have to adapt their leadership style and become leaders for their subordinates. Managers from organizations must be willing to continuously learn, to follow, to research different strategies and models used by other companies from their domain and to consider the possibility of implementing or adopting a new production line, promotion and distribution, in order to make the activity more efficient.

Also, the employees of the organizations must be agile, flexible, with multiple competences, not only specific to the sphere of activity in order to easily and efficiently manage the changes that have occurred and to be able to quickly turn a threat into an opportunity. The VUCA world demands that the innovation activity from the companies should not be seen only as a general activity, but as a component part of the organization that makes it possible to enter and conquer new markets, diversify the products and services offered, reduce the consumption of resources, following the use of modern, high-performance equipment.

Even if at first sight the volatility of the environment cannot be easily observed, the assessment of the internal and external environment must be carried out continuously, so that the changes that have occurred can be detected in time, both, from the point of view of resolving certain dangers that could prevent the achievement of the objectives of the organization, as well as from the perspective of the opportunities that can lead to the increase of the company profitability. All the changes that have occurred in today's society, the multiple urgent situations that require immediate action have led to the adaptation of organizations to an uncertain, vulnerable environment.

In the VUCA world, entrepreneurship is enhanced by the existence within the organizations of flexible managers regarding the adoption of managerial decisions, which collaborates with its subordinates, in order to effectively manage external constraints. The complexity of the business environment, the totality of the interdependencies existing between the stakeholders of an organization leads to the implementation of fast solutions, to simple strategies, so that the deficiencies that have appeared during the life cycle of a company can be solved efficiently and with a minimum consumption of resources. Because today's society, in which organizations carry out their activity of production and supply of products and services, is no longer a normal world, where previous experience was an important starting point in realizing the organizations strategy, it is recommended that their employees be prepared to integrate and adopt the cultural values of the VUCA world.

In order to increase the performance and adapt to the new context, the managers within the companies must be true models for their subordinates motivating them through different reward systems (financial incentives, bonuses, reductions in accessing certain medical analysis packages) to learn and train continuously, in order for them to become specialists in the domain of activity.

Also, the communication report registered, both between managers and employees, and between different employees from different hierarchical levels must be effective so that at the time of occurrence of certain risks various working sessions are carried out, in order to act on the probability of their occurrence or their impact, so that an organization does not record losses and maintain or increase its profit.

For each of the four dimensions that characterize the VUCA world, there is no clear algorithm to be followed when a threat occurs, which would endanger the activity of an organization, the best remedy being represented by experiencing the situation, so as not to lose sight of the use of minimal resource consumption and immediate action to stop the recording of unfavorable events.

REFERENCES

- Abidi, S. & Joshi, M. (2015). *The VUCA Company*. Mumbai: JAICO Publishing House
- Bartscht, J. (2015). Why systems must explore the unknown to survive in VUCA environment. *Kybernetes*, 44 (2), 253-270, doi.org/10.1108/K-09-2014-0189
- Bennett, N., & Lemoine, J. G. (2014). What a difference a word makes: Understanding threats to performance in a VUCA world. *Business Horizons*, 57, 311—317.
- Cracsner, C. E. & Gherghinescu, R. (2018). VUCA – a reality of everyday life. Pilot study. *Journal of Psihology*, 64 (1), 7-23.
- Kaivo-oja, J. & Lauraeus, I. (2018). The VUCA approach as a solution concept to corporate foresight challenges and global technological disruption. *Foresight*, 20 (1), 27-49, doi: 10.1108/FS-06-2017-0022
- Kinsinger, P. & Walch, K. (2012, July 9). *Living and leading in a VUCA world*. Thunderbird University, Retrieved April, 10, 2019 from <http://www.thunderbird.edu/article/living-and-leading-vuca-world>
- Lawrence, K. (2013). *Developing Leaders in a VUCA Environment*. Retrieved April, 10, 2019 from <https://www.emergingrnleader.com/wp-content/uploads/2013/02/developing-leaders-in-a-vuca-environment.pdf>
- Millar, C.J.M. (2018). Management innovation in a VUCA world: challenges and recommendations. *California Management Review*, 61 (1), 5-14, doi: 10.1177/0008125618805111
- Mofuoa, K. (2016). Prospering in the southern Africa's VUCA world of the nineteenth century: A case of resilience of Basotho of Lesotho. *Journal of Enterprising Communities: People and Places in the Global Economy*, 10 (2), 164-177, doi: 10.1108/JEC-09-2014-0019
- Schick, A., Peter R. Hobson, P.R. & Ibisch, P.L. (2017). Conservation and sustainable development in a VUCA world: the need for a systemic and ecosystem-based approach. *Ecosystem Health and Sustainability*, 3(4), doi: 10.1002/ehs2.1267
- Thoren, K. (2018). Backcasting as a strategic management tool for meeting VUCA challenges. *Journal of Strategy and Management*, 12(3), doi: 10.1108/JSMA-10-2017-0072