



Leadership in a VUCA world

“Uncertainty” has become the modern catchword but recent events have only revealed a deeper truth: we always live in uncertain times. The apparent stability of 2015 seems like a lifetime away. Will the political trend that brought us Brexit and Trump continue in the 2017 elections in Europe or reverse? With trade groupings like TPP and the EU under threat is globalisation about to give way to a new era of protectionism? Is the global financial system secure or could the Italian banking crisis provoke another global meltdown?

Each day brings news that only makes the future harder to decipher: there seems to be as many meanings as there are commentators! So what might each of those possible meanings mean for you, your industry, for the economy, for the world?

Meanwhile, the forces of globalisation and innovation march on - so our local uncertainty is combined with a growing recognition of how complex the world has become. It's hard to cope with all the possible interactions between what we know and what we don't know – the known unknowns and the unknown ones collide every time we try to foresee a viable strategy. No-one's 'industry context' is stable – new competitors can emerge from anywhere – think Uber, AirBnB and Netflix. And the formation of supply-webs instead of supply-chains adds complex computation into our traditional ideas of competition as 'coopertition' emerges between former rivals.

For those of us with multiple stakeholders, much of what we see around is not merely uncertain but ambiguous. It's not just that we don't know the right thing to do, there may not be a right thing to do – and we certainly can't easily find agreement about the best way forward. There are few precedents to guide us: meanings and interpretations have yet to emerge, or are contested between different groups. Think of the apparently endless struggle to reach global agreement over action on climate change: no sooner do we appear to have reached a consensus than it comes under threat again.

Finally, no-one can deny that the context is changing in a discontinuous and unpredictable way - we only have to look at the rapid rotation of political leaders and the almost daily announcements of new initiatives or developments that turn everything that has happened before on its head. Big shocks like the Brexit vote or the US election result are followed by aftershocks – and the shifts in an economy half a world away can reverberate long after the Renminbi has restabilised.

We can summarise this new context using the VUCA acronym - volatility, uncertainty, complexity and ambiguity. And we are now seeing that a VUCA context poses a twin challenge to leaders: not just to formulate strategies and immediate responses but, at the same time, to develop their own capacity to respond to VUCA conditions.

When VUCA conditions emerge - or rather, when we become aware of them - a natural human tendency is to shut down. Uncertainty grabs the social system of our organisations and this can lead to an abdication of leadership, paralysis by analysis or, often worse, a 'strong' knee-jerk leadership reaction in completely the wrong direction. We defer decisions until we have more data, but the more data we receive, the more complex and ambiguous the world becomes.

VUCA contexts often undermine people who have up to now been performing very well under business-as-usual conditions. They may simply shut out new data or news from the 'troops', denying the changing realities of the world around them and seeking refuge in the certainties of the past. Or they may simply try to 'do the same but harder' – putting ever more effort into the strategies that worked so well last year in the hope that graft will win through.

But other leaders seem to react differently: they see the opportunities that are opening up to develop and innovate, creating their own meanings to fill the gaps created by VUCA. Without in any way taking away from the seriousness of the situation, they create the space in which to experiment, play and explore the new possibilities that turbulence creates.

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This can lead to surprising results. In the UK public sector we have seen local government bodies respond to drastically reduced “austerity” budgets with an unexpected burst of creativity that has by and large maintained services. But despite the publicity given to “disruptive” new entrants and market creators - Whatsapp, BitCoin, 23andMe etc, as yet, it seems harder to us to identify established private sector organisations who have radically changed their game in response to VUCA to the extent that some (and not all!) public sector organisations have shifted in response to 'austerity'. However, you will no doubt be thinking of a small number of individuals in your own industry - we would be delighted to hear your views about who these innovators are as we prepare for later articles in this series.

What enables some leaders to grasp these opportunities, rather than trying to roll back the clock to a more stable context?

We are not necessarily talking about people who are more intelligent or harder working or more creative than their peers. What we are seeing are people who have managed to progress in their own development as leaders. They have gone beyond what we might call the ‘foundational leadership’ skills which are based on expertise, solid interpersonal skills and professional achievement to shift to a more inquiring, pattern-detecting and creative style from which they can begin to shape and question their own paradigms and those of their people.

Based on a field of theory known as ‘Constructivist Development’, a set of stages of leadership development have been catalogued in a way that reflects an increasing ability to cope with fluid and complex situations. As people begin to move beyond the ‘conventional’ ways of making meaning (called ‘later stage’ thinking), new patterns of thinking and relating start to emerge.

At MDV, we have examined all of the main theories in the field and we have identified four underlying mental capacities which can be developed into the capabilities a leader needs to survive and thrive under VUCA conditions.

1. **Handling complexity:** VUCA demands a whole new level of ‘processing skill’ from leaders at all levels in the organisation. There is so much information coming in from all directions, from the global

strategic level to the impact of tricky personal relationships or organisational politics. Later stage leaders are constantly ‘upgrading’ their ability to work with complex information – if necessary building their own new conceptual maps as they go.

2. **Intellectual flexibility:** When the context is changing rapidly, we need to be intellectually adaptable – to continually test our existing ideas with competing new models as they emerge. In this situation, there are no right answers and Scott Fitzgerald’s maxim ‘wisdom is the ability to hold two (or more) contradictory ideas in your head at the same time without going mad’, holds true.
3. **Self-observation:** Later stage leaders exhibit the ability to “keep their heads while all around are losing theirs” and yet still be fully aware of the seriousness of the situation. Some people are naturally calm under pressure but these individuals develop the capacity to observe themselves under all sorts of conditions and learn how to better manage their own emotional state even in high stakes situations. Under VUCA conditions this can be as important a leadership skill as implementing strategies or managing armies of people.
4. **Holding multiple perspectives:** it takes more than one pair of eyes to navigate all these emerging possibilities and high capacity people know that they need as many perspectives as possible from people-in-the-know. They find mechanisms and processes to bring people together to share different viewpoints and have the capacity within themselves to hold and make sense of all of the different ways of considering a situation.

People who have these capacities will be able to respond to VUCA situations without resorting to dogma or becoming wedded to their own ideas. They will have the courage to take risks in the full knowledge they may fail and encourage others to do so as well. They will understand the political and personal nuances of situations and be able to spot the threats and opportunities that others might miss. Above all, despite the ‘hurly burly’, they create the space for new thinking and innovation to occur. This is all very well – but where

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do these paragons of leadership show up? Well, VUCA leaders are made and not born - the good news is that human development can continue throughout our adulthood – and later stage leaders have just kept on going. Often they talk of “crucible experiences” which shaped their approach. This tells us that developing high capacity leaders involves a careful combination of exposing them to the right experiences and people, coupled with a strong emphasis on ‘learning to learn’ and sense-making about their current context. But it also depends on individual qualities - what makes the difference here is the strength of what we call a person’s ‘development engine’ - their motivation to learn and their ability to examine and reflect on their own thought processes and reactions (called metacognition in the trade!).

None of this is to say that the need for the usual ‘foundational’ leadership skills have gone away; leaders still recognise that they need to deliver results, inspire and motivate people, create medium-term direction wherever possible. But VUCA leaders are drawn as much to context creation as to results delivery, seeking to change the game while still staying in the game.

Learning to deal with VUCA is not simply a response to a crisis. Uncertainty never goes away - we just become more aware of it in crisis conditions. Without uncertainty there would no room for innovation and growth, let alone the disruptive change we are seeing today. Just as the components of VUCA reinforce and amplify each other, so our own flexibility and openness to ideas can increase; we can always get better at learning how to learn.

Reflective exercise:

How is VUCA affecting your organisation? Which roles are being affected the most? How have you been reacting to the current climate personally?

How would you rate yourself on the four VUCA capabilities? What do you need to develop? What are the opportunities to develop those around you?

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