

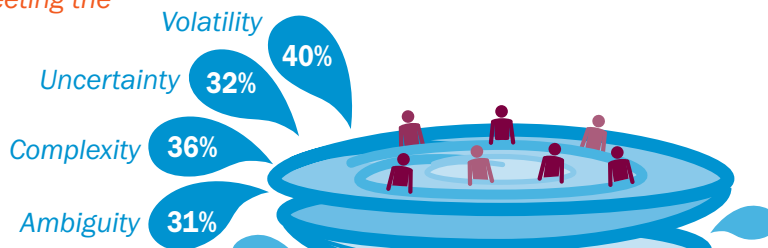


# Working Within the VUCA Vortex

## Leaders Need More Preparation to Face VUCA Challenges



Percent of HR professionals who report that leaders are incapable of meeting the challenges of...



Competencies required for success in key leadership positions are clearly defined.

Leaders' performance expectations are linked to the organization's strategy.

Leadership competencies serve as the foundation for multiple leadership talent management systems.

### Six Leadership Practices to Mitigate VUCA

Leaders have high-quality, effective development plans.

Leaders regularly review their development plan with their managers.

Leaders practice and receive feedback on key skills with their managers.

## Leading in a VUCA World

A VUCA world is one that is volatile, uncertain, complex, and ambiguous. First used by the United States military to discuss preparedness, the term was later popularized in the publications of Bob Johansen of the Institute for the Future.\*

This study measured leader readiness in four key areas from which we created an overall VUCA index:

- Anticipating and reacting to the nature and speed of change.
- Acting decisively without always having clear direction and certainty.
- Navigating through complexity, chaos, and confusion.
- Maintaining effectiveness despite constant surprises and a lack of predictability.

Less than two-thirds of leaders said they were either “highly confident” or “very confident” in their ability to meet the four VUCA challenges. As illustrated at left, this less-than-encouraging view is echoed by HR professionals, about a third or more of whom viewed their organization’s leaders as not capable of meeting the challenges of volatility (40 percent), uncertainty (32 percent), complexity (36 percent), and ambiguity (31 percent). At best, only about 18 percent identified their leaders as “very capable.”

This does not bode well for businesses and industries worldwide. Indeed, in *The Conference Board CEO Challenge*<sup>®</sup>, CEOs indicated that among their top pressing issues were these elements of the VUCA world in which they must navigate: economic depression in Europe, currency volatility, financial instability in China, labor relations, cybersecurity, volatility in energy markets, activist shareholders, and government regulations to address bribery and corruption.\*\*

Our research found that organizations whose leaders have high VUCA capability are 3.5 times more likely than organizations with low VUCA capability to have a strong leadership bench—that is, leaders ready to step in to meet future challenges. Also, VUCA capability links to financial results. The top 20 percent of organizations performing well financially are three times more likely to have VUCA-capable leaders than the bottom 20 percent.

\* Johansen, B. (2009), *Leaders Make the Future: Ten New Leadership Skills for an Uncertain World*, San Francisco, Berrett-Koehler Publishers.

\*\* Mitchell, C., Ray, R.L., & van Ark, B. (January 2014), *The Conference Board CEO Challenge*<sup>®</sup> 2014: *People and Performance*, New York, The Conference Board, [www.conference-board.org](http://www.conference-board.org).

## Now What



A world that requires effective leaders is one with greater implications for sound decision making, high confidence, and ready adaptability. The illustration at left summarizes the talent management practices that—due to a prevalence in organizations ranked high compared to those ranked low in leaders’ VUCA readiness—consistently helped the leaders and organizations included in our research successfully navigate a VUCA world.

The impact of solid talent management choices will be further amplified by a focus on the right skill targets. Our research identified the top four skills that, when practiced effectively, had the greatest impact on leader preparedness and confidence in addressing the challenges of VUCA:

- .01 Managing and introducing change.** Unsurprisingly, this was the strongest predictor of a leader’s confidence in the face of VUCA.
- .02 Building consensus and commitment.** This skill is critical for eliminating discord and misunderstanding.
- .03 Inspiring others toward a challenging future vision.** To induce others to act, leaders first must be inspired themselves.
- .04 Leading across generations.** This skill is key to forging a shared purpose despite diverse employee viewpoints and motivations.

**25%** of organizations report their leaders are not VUCA-capable.

**3X** Organizations whose leaders are VUCA-capable are three times more likely to have financial performance commensurate with the top 20 percent.