

## Keys to beat volatility, uncertainty, complexity and ambiguity

**Advice from Miguel Ángel Ariño on guiding your company through VUCA times. It's not about predicting the unpredictable, but about being prepared to face and lead the changes in an increasingly turbulent environment.**



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Until the arrival of COVID-19, two events had conditioned the first decades of this century, according to IESE professor [Miguel Ángel Ariño](#): the terrorist attack of September 11, 2001,

and the 2008 financial crisis. These two events had already made the global population feel "that we are vulnerable, that we don't have everything under control."

Now, in a globalized and hyper-communicated world, the COVID-19 outbreak has triggered a strong VUCA situation, the acronym referring to volatility, uncertainty, complexity and ambiguity.

In this type of environment, new managerial capacities and new forms of leadership are needed to diagnose the situation and react with initiative, breaking down resistance to change and taking advantage of any opportunities that arise. Ariño has suggestions for each of the four VUCA pressure points.

Companies faced with *volatility* should use futures markets to protect against price fluctuations and have extra stock and extra people to fill vital roles, Ariño suggests. Efficiency concepts, such as just-in-time or lean manufacturing, lose validity in such environments, where safety stocks are vital.

To alleviate *uncertainty*, top management needs access to good information. And often, such information is to be found by listening to those lower down in the chain of command, those who experience the day-to-day realities of the company. Additionally, leaders need to prepare their company for bad times, which sooner or later always arrive, and avoid generating any additional uncertainty due to lack of clarity.

There are two basic measures to face *complexity* successfully: lean on the experts and simplify. "Don't try to control absolutely everything. If there are many variables, focus on the most important ones," Ariño insists. It's also important to adapt the structure of the organization as the situation evolves. For example, what worked when the company had one volume of activity may not be valid when shrinking or growing. Lack of coordination can also create complexity, and a good manager should be on the lookout to reduce this.

To deal with *ambiguity*, a first step is to conduct low-cost experiments that don't put your company at risk. "Generate many options, have many people thinking about ways of doing things," Ariño urges, pointing to the example of companies that allow employees to dedicate part of their time to innovative projects. He adds that it's good to generate a culture permissive of error so as not to send the message that any new idea must be immediately successful.

You don't need to predict the unpredictable to lead well when the going gets tough. You just need to make sure that you don't lose your head and that you step up to the challenges

presented in times of crisis.

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