



Leadership in a VUCA world



2020 is a year that will forever personalise the phrase 'VUCA' – volatility, uncertainty, complexity, and ambiguity. No longer a series of words with a sense of abstract meaning but something we have all learnt to live with as individuals, employees, and leaders.

VUCA is a new normal. It is not simply about crisis management, although there are obvious overlaps. It is about organisations adapting to thrive and survive in what has become an essentially hostile external environment.

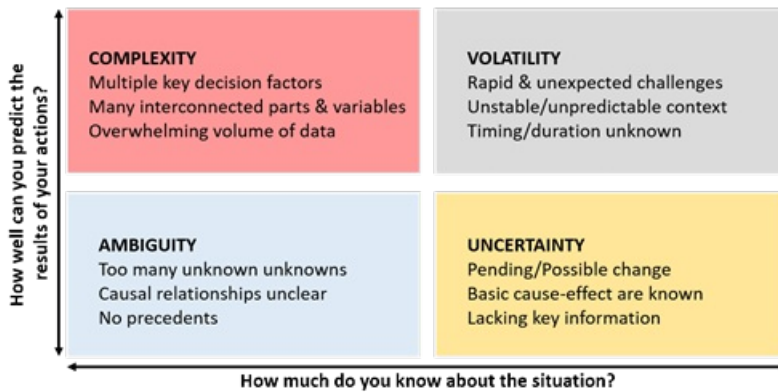
Leadership in a VUCA world demands specific skills. Join us for an overview of the concept and an exploration of the attributes and skills needed to excel in the years ahead.

Skip ahead for [five skills that audit leaders need to prioritise in a VUCA situation](#).

VUCA is an important concept

Military leaders are trained to operate in VUCA environments: anticipating outcomes, adapting battle plans and communicating orders. Business leaders are not and yet it is often their reality.

*Click thumbnail to enlarge image.



In practice, the four elements are interrelated; they are external to an organisation and therefore largely unable to be controlled. It is easy to think of extreme global situations such as a stock market crash, pandemic or existential threats, however, the concept is also relevant at a local, sector, and/or industry level.

Futurist, Bob Johansen, adapted VUCA for the business world in his 2009 book, *Leaders Make the Future*. In a world reeling from a financial crisis, he used it to reflect the many turbulent and unpredictable forces of change that could affect organisations such as political instability, climate change, pandemic, technological developments and civil unrest.

The following table highlights some of the impacts that a VUCA environment might have; can you think of others that might apply within your sector?

*Click thumbnail to enlarge image.

VUCA	Organisation Impact	Internal Audit Impact
VOLATILITY <i>Rapid and unpredictable change</i>	<ul style="list-style-type: none"> Length of horizons for strategic planning Jeopardise investment/innovation/projects 	<ul style="list-style-type: none"> Hard to determine cause and effect Shorter term assurance
UNCERTAINTY <i>Present and future lack clarity</i>	<ul style="list-style-type: none"> Traditional models/assumptions no longer reliable Lack of credible information 	<ul style="list-style-type: none"> Relevance of audit plan Timeliness of delivering findings
COMPLEXITY <i>Dynamics lead to chaos and confusion</i>	<ul style="list-style-type: none"> Decision-making paralysis Problems are multi-layered, unknown elements 	<ul style="list-style-type: none"> Harder to do root cause analysis Best practice not always relevant
AMBIGUITY <i>Low awareness of situations</i>	<ul style="list-style-type: none"> Increased 'mistakes' Heightens cultural norms and values 	<ul style="list-style-type: none"> Push-back on providing assurance Inconclusive evidence – shades of grey

Adapting to the future with speed and efficiency is a core competency of successful organisations nowadays. Gaining insight from the workforce, the 'employee voice' can be instrumental in finding new ways to adapt, driven by valuable knowledge from the front line of your company. People are the key to unlocking success.

Psychologically, as human beings we need to know our basic needs (according to Maslow's well-known hierarchy) are satisfied to cope with the elements of VUCA; in the case of the COVID-19 pandemic there was a clear focus from many leaders on these needs.



How to excel in challenging times

Organisations face relentless challenges, whether from competitive threats, austerity measures, regulatory change, technological developments, societal change or labour shortages. One or more aspects of VUCA is ever present.

Learning to embrace VUCA creates an organisational culture that thrives on change and develops resilience to mitigate against its negative effects.

Leadership qualities aside, other factors such as organisational design and cultural values are influential in being resilient to change – regardless of whether it was anticipated or not.

Organisation design should enable agile ways of working to effectively manage VUCA. Traditional hierarchies can often stifle innovation and creativity whereas these can thrive in a chaordic organisation – one which embraces characteristics of chaos and order.

Powerful values, espoused by leaders, to build effective cultures to excel through VUCA include:

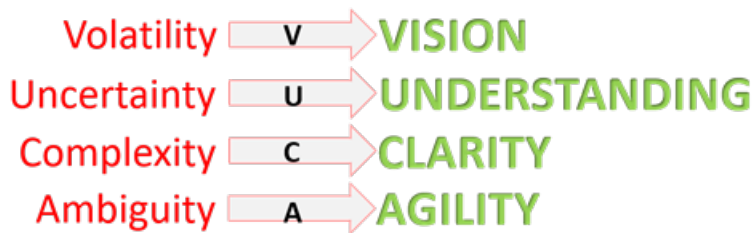
- Acceptance and value of people's talents, strengths and vulnerabilities
- Open and honest communications
- Authenticity
- Individuality and independence of thought
- Personal responsibility
- Continual learning
- Passion and energy – fun and humour – a positive place

VUCA influences are external to organisation, outside of its locus of control, by choosing to accept it, leaders make themselves and their employees less vulnerable to unpredictable forces.

Leadership in this environment is about focusing on the 'why' and the 'how' not the 'what.'

Finding the positives

In his seminal book, Johansen not only adapted VUCA but turned it on its head to provide leaders with a solution to the challenges. It is an approach that is now widely adopted by leadership experts, trainers and consultants.



Vision

- Create a strong sense of identity with a collective view of the future
- Embed unpredictability in your outlook
- Focus on the destination not the journey
- Provide a frame of reference for rapid decision-making

Understanding

- Invest in data intelligence and analysis – maintain currency of knowledge
- Make interconnections transparent
- Evaluate performance to learn and improve
- Develop risk maturity to identify, evaluate and manage threats and opportunities
- Stimulate diversity across a broad spectrum – thinking, experience, gender, age etc

Clarity

- Keep things as simple as possible – communications, processes, systems
- Build trust
- Foster collaboration and teamwork
- Use networks to develop solutions
- Proactive management of reputation

Agility

- Be adaptable and flexible by design
- Governance drives momentum
- Stimulate debate and creativity – continual learning
- Facilitate innovation

Agility is an excellent way of working and a mind-set for coping with the disruptive forces of VUCA. It involves quick thinking and action – anticipating change and embracing it rather than pausing or withdrawing from it. Organisations that take a transformative approach, regularly disrupting their own status-quo, will find it easier when disruption is imposed.

Skills that matter

Developing the skills to manage through VUCA enables leaders to accept and manage situations to mitigate its effects rather than fight them and feel overwhelmed by factors outside of their control.

There are five skills that leaders need to prioritise in a VUCA situation according to Professor Vicki Culpin of Ashridge Executive School:

1. Motivation

Enabling people to understand their part in a shared purpose and vision; an ability to inspire people to join the adventure that is the organisation's journey. Setting flexible goals/objectives can be beneficial, this gives room for amending them and enables team members to transition with security and adapt quickly.

2. Learning

Willingness to develop and operate outside of one's personal comfort zone; being open-minded to listen to differing points of view and explore new concepts. Attract and retain people who thrive on change. Find opportunities within every situation, the COVID-19 crisis for example required the NHS to source equipment from new suppliers, with the potential to form long-term relationships.

3. Self-awareness

Understanding one's own strengths and development needs, impact on others and motivations; building trust through authenticity. Encourage job rotation and cross-training to improve team agility.

4. Influence

Ability to collaborate with a wide range of stakeholders and influence outcomes; develop employees to have the capability to form teams rapidly and be effective. Empower rather than control wherever possible. Work collaboratively to address threats.

5. Confidence

Mature risk outlook to access acceptable risk with limited information; ability to learn from mistakes and enable others to do the same. Reward the behaviours that are valued such as innovation and calculated risk-taking.

Agile leaders are curious and instinctive, able to act fast and bring people with them through clear and open communications. They are well-rounded individuals able to consider a variety of strategic options, understand people and maintain interest in all aspects of the organisation. You will often find they are surrounded by diverse thinkers and have a broad network.

Priorities for audit leaders

At a personal level, chief audit executives and those leading audit teams need to question their own leadership style and its fitness for purpose in an increasingly VUCA world.

- Have you evaluated yourself against the five skills?
- Where can you improve?

Audit leaders can quickly find themselves in a situation where established audit plans are no longer relevant and comfortable routines are thrown into disarray.

- How do you maintain audit relevance in a changing world?
- Is your audit planning process adaptable?

Looking ahead, and learning from the COVID-19 crisis, internal audit must challenge how it works. Agile is an obvious approach to explore if not already part of the existing audit methodologies.

Organisations often have a wealth of data which internal audit can turn into audit evidence/useful information using data analytics. Investing in analysing and interpreting business and sector intelligence is critical to keep pace in a changing environment.

Greater use of scenario planning and similar techniques simulate situations and afford people the opportunity to experiment and learn. Internal audit can encourage this and facilitate workshops, while future events are unlikely to be the same as a scenario, they are useful for developing skills and for executives/management to work together under pressure.

- When did you last review your audit methodologies?
- Does internal audit work at least at the pace of the organisation?

A quick look at the vuca-world.org website and you cannot miss one of their slogans.

Best practice was yesterday

Best thinking is in demand today and tomorrow

As audit leaders, this has potentially profound implications.

Do your internal auditors refer to best practice because it is easy or the right option?

- Are your internal auditors creative enough to find innovative solutions?
- Is critical thinking a valued skill among your internal auditors?
- When did you last update the role profile for recruiting an internal auditor?
- What level of risk awareness exists within your internal audit activity?
- How proficient is your team in agile auditing?
- Is the majority of your audit plan risk-based or are you still repeating a high proportion of cyclical audits?

Going forward assurance on decision-making processes, governance and the strategic planning process are going to increase in importance. A key area for internal audit to observe will be whether executives are overwhelmed by VUCA elements or whether they use them as levers to probe further, think radically and explore options before agreeing a way forward.

Embedding assurance over the organisations culture in all audits may become a requirement from the audit committee as they seek to oversee a swift transition to a more agile and responsive organisation.

Continual learning is a powerful cultural response to the VUCA environment. Internal audit is well placed to provide advisory and assurance engagements in this space and may need to do more than lessons learnt reviews at the end of a project to support their organisations in ensuring that learning is ongoing in an efficient and effective manner.

Closing thoughts

Audit leaders and business leaders cannot ignore the consequences of VUCA. This is perhaps a time for internal audit to take the lead, to drive change in order to protect the organisation from itself; to work with the board and executives, to champion a leadership style that embraces challenges and weathers the storm.

"You better start swimming, or you'll sink like a stone. 'Cos the Time's they are a-changing."

Bob Dylan