

Book "The VUCA Company" by Suhayl Abidi and Manoj Joshi

How Indian companies have faced Volatility, Uncertainty, complexity Ambiguity

Extract prepared by Dileep Kumar, Secretary, AKWL and ED, Awadh Technology Park and SEZ P Ltd

1. The purpose of learning is to constantly challenge the status quo and changing mindsets. Einstein said " No problem can be solved from the same consciousness that created it; we must learn to see the world a new." Learning is complete only when the learner has internalized or embedded the concepts and can apply to a situation.
2. Employees in a VUCA world need more interpretive abilities. They have to draw on a variety of skills to adapt to unpredictable changes. To do that they need more support from leadership rather than attend more 'edutainments' as more corporate training have turned into today
3. Today no organization can survive, much less prosper, only on the basis of intelligence, competency and skills of a handful of people. Learning disabilities can cripple an organization whether in profit or nonprofit setting.
4. Adaptability is the Key: Fifth discipline book of Peter Sange, outlines seven learning disabilities
 - I am my position; focus too much on their positions thus missing out bigger pictures
 - The enemy is out there: an external agent to blame e.g. customers betrayed us
 - The illusion of taking charge: face up to difficult issues, stop waiting someone else to do
 - The fixation on events: having explanations that are true for now, but distract us from seeing longer term pattern
 - The parable of the boiled frog; maladjustment of organizations to recognize gradually building threats to survival
 - The delusion of learning experience; which makes it impossible to learn from direct experience
 - The myth of management team: most corporations reinforce that lesson by rewarding the people who excel in advocating their views, not enquiring into complex issues resulting in skilled incompetence
5. Learning organizations: Charles Kiefer said 'Reality is composed of multiple simultaneous, interdependent cause –effect-cause relationships'. Once behavioral changes take place any type of new initiative can be introduced. The mindset change is brought about by learning process and consists of typically three steps- acquiring, interpreting and applying knowledge. According to Prof David Garvin of HBS , to move forward we have to implement three principles of learning viz. learning from past experience, learning from present intelligence (external environment) and star employee mindset
6. Where star performers exist, teams cannot take roots. Intuitively we still attribute too much to individuals and not enough to groups. Part of that may be that it is simpler; it is

simpler to say the success of a company depended on the CEO for good or bad, but in reality the success of a company depends on a whole lot more. To build group IQ, the first step is DIALOGUE (the art of being together)

7. In knowledge based economies, the machinery is the mind. When we are tired or preoccupied –what psychologist call ‘resource depleted’-we start to economize , to conserve these resources.”Because it takes less brain power to believe than to doubt, we are, when tired or distracted, gullible’. Because we are biased , and biases are quick and effortless, exhaustion tend to make us prefer the information we know and are comfortable with, so we fall back on our biases the opinions and people we already trust.
8. Robust dialogue starts when people go in with open minds. They are not trapped by preconceptions or armed with private agenda. They want to hear new information and chose the best alternatives, so they listen to all sides of the debate and make their own contribution
9. Peripheral vision-detecting weak signals : A superior peripheral vision capability requires
 - An inquisitive approach to strategy making
 - A flexible and inquisitive culture
 - Knowledge systems for detecting and sharing weak signals
 - An organizational configuration that encourages the exploration of periphery

Without these you are inviting trouble

10. Asses and manage risk: Risk is a popular topic in many sciences e.g. natural, medical, engineering, social, cultural, economic and legal disciplines. Yet none of these disciplines can grasp entire substance of this issue; only if they combine forces can one expect an adequate approach to understanding and managing risks
11. Companies spend over \$ one trillion on mergers and acquisitions every year. The study shows failure rate@70 to 90%. BOD and share holders should increase their vigilance when theirv company is doing well
12. Selection of CEO: Those who reach this space possess thecompetence, skills and experience required of the job, however they must be evaluated on softv skillssuch as cultural fit, attitude and blind spots
13. An infant falls nearly a thousand times before learning how to walk. Adults give up after one or two attempts. Why this is so? Many managers look at learning as something of ‘questionable value’ that diverts the attention of employees from real work. Managers also like stability and predictability. This is inconsistent with learning, which encourages constant questioning and repeated re-evaluations of established practice. Learning organization need to live up to challenges of a world changing rapidly, socially, economically and politically . The purpose of learning is to constantly challenge the status quo and change mindset. Learning is complete only when the learner has internalized or embedded the concepts and can apply it to a situation
14. Learning disconnects in an organization: Organizations want to teach people how to do thngs. Employees would like advice on how to learn. They would like to find, sift and

evaluate information on their own. Companies want to provide polished speakers and stunning presentation materials; employees find credible experts in specialized areas and on the job coaches more useful

15. **'The fifth discipline' by Peter Senge**, outlines seven learning disabilities that afflict individuals and organizations
 - 'I and my position'- focus too much on their positions and responsibilities, thus missing out bigger pictures and inter unity
 - 'The enemy is out there'- to find an external agent to blame
 - 'The illusion of taking charge'- we should face up to difficult issues, stop waiting for someone else to do something and solve problems before they grow into crisis
 - 'The fixation on events' explanations that are true for now but distract us from seeing the longer term patterns of change behind the events and understanding the causes of the patterns to events
 - 'The parable of the boiled frog' just as the frog placed in a pot of water brought to boiling temperature will not Attempt to jump out of pot but adjusts to the temperature and slowly dies
 - 'the delusion of learning from experience' is when our actions have consequences in the distant future or part of the larger operating system, which makes it impossible to learn from direct experience
 - 'the myth of management team' most corporations reinforce lesson 'never to admit that we do not know the answer' and reward the people who excel in advocating their views, not enquiring complex issues resulting in 'skill incompetence'
 - As per management consultant Charles Kiefer: 'reality is composed of multi-simulations, interdependent cause-effect-cause relationships
16. In most companies failures were due to one or more learning disabilities of concepts like TQM, Kaizen, Business process re-engineering and ERP, CRM etc, which mainly rely on change management, use of data analytics etc
17. According to Prof David Garvin of HBR, **to move toward LEARNING ORGANIZATION**, implement three types of learning viz.
 - a) **Learning from past –experience** : as experience is the best teacher. We learn in two ways repetition and exposure by working in unfamiliar environment or by shouldering new responsibilities.
 - b) **Learning from the present- Intelligence**: Intelligence about external environment e.g. selection, collection interpretation and distribution of information that has strategic importance.
Information can be gathered in three ways viz. **search** e.g. from public sources, its analysis and research. **Inquiry**- relies on interviews/surveys involving insightful questions etc., keeping an open mind and listening emphatically. **Observation**: relies on direct contact with users and involves attentive looking and listening.

Star employee mindset: collective intelligence is more than just an arbitrary score. When the group grappled with a complex task, the researcher found it was an excellent predictor of how the team performed

Develop organization wide group IQ system: first step is DIALOGUE, i.e. the art of thinking together. It has considerable promise as a problem formulations and solving philosophy and technology. It is a vehicle for understanding cultures and sub cultures within the organization and increase organization learning. Use interventions like strengthen the invisible workplace (social networkking) , knowledge communities

c) **Learning from future- experimentation:** It includes amplifying weak signals, scenario planning and war gaming, experiment-adapt- improvise

18. **Pause step back to lead forward:** learning through past, present and future gives us an opportunity to take the necessary pauses before embarking on next course of action.

19. **Nature is always adapting; why can not humans:** adaptation implies change , it is kind of change that you make ton happen, a conscious response to shifts in your environment, the change we control.

20. Pixar, a true learning organization, a USA based animation movie studio: its management culture includes

- Cultural humility, new ideas can come from anywhere, including new trainee
- Encourage non-confirming views
- Management afraid of complacency (self satisfied)
- Accept failure essential to success
- Learning from failures
- Team work is paramount
- Non hierarchical environment

Why Firms fail: Behavioral Causes and Systemic or organizational causes

21. Arrogance or Hubris : is king of failures.

Andrew S.Grove , writer of 'only the paranoid survive says "The person who is the star of previous era id often the last one to adapt change, the last one to yield to logic of a strategic infliction point and tends to fall harder than most"

Jim Collin in his book "How the mighty fall" message is "Whether you prevail or fall , endure or die, depends more on what you do to yourself than what the world does for you"

Self management: Insight, sensitivity, impulse control, optimism and persistence

Humility: Channeling one's ambition into excellence in performance rather than self – promotion

Courage: choosing to do the right things under difficult circumstances

As per Irwin derailment does not happen overnight. It is a long process including following stages as they head towards their demise

1. A failure of self/ other- awareness
2. Hubris: pride before fall
3. Missed early warning signals
4. Rationalizing
5. Derailment

Assumptions, Beliefs, Mindsets and blind spots

Neuroscience research suggests that an assumption that what worked in past would also work in future can become a major obstacle to high performance

As per Synder in his book “Leadership and art of struggle” said “ the real secret of success resides in people’s mind- set. He shows how a ‘fixed’ mind-set that ascribes success to innate qualities is less resilient and adaptable than a ‘growth’ mind-set that connects achievement to continuous learning.

We tend to think of capabilities as a problem solving, communication skills and leadership as fixed and stable overtime, hardwires by our genes. This mental model is a proven recipe for suboptimal performance over the long term

According to a team of researchers led by Wharton management **Professor Adam Grant** says

“Introverted leaders typically deliver better result than extroverts, because they are more likely to let proactive employees run with their ideas. Extroverted leaders, who like to be at the centre of attention, may feel threatened by employees who take too much initiative”

“Introverts are persistent –give them a difficult puzzle to solve, and they will analyse it before diving in, then work at it diligently”

The Talent Mindset

Those with fixed mindset is about proving they are smart or talented, validating themselves, and for them failure is a setback, but failure is about not growing, not reaching the things they value, not fulfilling their potential. People may start with different temperaments and different aptitudes, but it is clear that experience, training and personal effort take them away the rest of the way. Mahatma Gandhi said that ‘I change my opinion every few years’. The collective mindset makes itself visible in many ways. The attitude of large companies when entering new market is to think big-this is a mindset that is difficult to shake. They have many assumptions, principal being that you can use the same strategies to succeed here as those in home markets

In dynamic internal and external business environments, leaders must be able to interpret cues to make decisions. But decision making is increasingly complex and success uncertain. A decision maker might need to use intuitive assessment in addition to analytic tools and research.

Peter Drucker said 'In order to grow, a business must have a systematic policy to get rid of outgrown, the obsolete, and unproductive'. Mindsets are just beliefs that can be changed as readily as assumptions

Systematic or Organizational causes for failure

Too fast too furious-uncontrolled and speedy growth:

Applying for CDR (Corporate debt restructuring) has reached epidemic proportions, due to fast and reckless expansion in new industries leveraging debts, which are easily available today. In FY 2012-13 number in Q1 was 433 and in Q4 522 cases.

Too fast expansion brings stress in internal operations such as

- Synergy failure between delivery to customers vis a vis its internal capability
- Resource management failure
- Dynamic capabilities acquisition failures e.g processes, services, products, supply chain, customer experience etc
- Crafting, operationalizing and implementing strategy (COIS)

VUCA World: The reality is that the world is a complex ecosystem where the future is unpredictable and chaotic. We know from natural world that systems – biological or social – and entities that lack feedback loops do not survive. Slow adapters fail in evolutionary and competitive environment

As per Harish Manwani, then CEO of Unilever "As far as business is concerned, the most important thing for us to ensure is that we build enough flexibility in our plans to manage and tackle any scenario. The days of long term planning and plans cast on stone are over. It can provide a context, but if you are operating a business on the basis of long term business plans, the model is not valid any more. You have to have clarity in terms of destination, be clear about strategic thrusts, but operating plans have to be really flexible"

As per Nitin Pranjpe, former CEO, HUL and present President of Home care business of Unilever said "IN VUCA world, organization would increasingly have to push the boundaries in their endeavor to adapt to this new reality and organizations needed to build capabilities that would future –proof their business

Me Kaushik Basu, Sr VP, World Bank and Chief Economist said "Very long term planning is a hazardous activity because the uncertainties and imponderables of life have plenty of time to intrude, and bend and buck the charted path. At the same time, to craft policy that is rooted in

reason and reality, we need to peer into the future with the best information, statistics and models that we have”

Business leaders should review their strategic planning processes, especially the various assumptions that come into play

Board Composition: The Board should be constituted of persons who can contribute meaningfully to the discussions at Board meetings. luminaries in BOD can certainly bring glamour to the Boardroom and can impress investors, but before appointing them the company management should see whether they have time and energy to bring strong outside perspective and they have the courage to any weakness in company’s strategy

Infobesity: Companies have overindulged in information. Useful information creates opportunities and makes for better decisions, but the torrent of information termed as infobesity flows through most organizations today, acts like so much bad cholesterol, clogging their arteries and showing their reactions