

Strategy in a VUCA world



The traditional view of strategy and strategic alignment is one where the successful organisation uses a deliberate and considered process that requires an organisation's governing body to determine its vision and mission, and then for the governing body and executive management craft a strategy to move the organisation towards achieving its vision. The resulting strategic plan forms the basis for effective portfolio management, setting the objectives for projects and programs, and providing a framework for measuring their success in terms of their contribution to implementing the strategy and creating value.

Juxtaposed to this ordered view of the world, in the last few years management thinking has shifted towards the concept of **VUCA** and developing approaches to deal with the challenges the 'modern world' presents. VUCA stands for:

- **Volatility:** the unpredictability, speed and dynamics of change. The VUCA-Prime¹ response to volatility is Vision. When things are changing unpredictably, it is vital to keep a clear focus on the organisation's overall vision. Knowing where the organisation is heading will ensure that short-term planning can be adjusted to stay on course when the external circumstances are turbulent.
- **Uncertainty:** is caused by the lack of knowledge or an inability to determine the course of future events. Working to understanding the environment around the project or program helps reduce uncertainty but can never remove it entirely – this is the domain of risk management².
- **Complexity:** refers to the degree of unpredictability of the outcome of an action or a decision caused by the interaction between various elements of the project (people and technology) and the surrounding environment³. There will always be a degree of complexity involved in every project but clarity of vision and seeking to simplify processes wherever possible will minimise its effect. But there will always be some unexpected consequences (good or bad) that emerge from the processes involved in managing a project or program.
- **Ambiguity:** is another 'always present' factor; it means that requirements, instructions or a 'situation' can be interpreted in different ways or are not fully defined. Ambiguity can be reduced by effective communication and the application of many of the processes defined in the *PMBOK® Guide*; but agility is required to resolve the remaining ambiguity as it emerges. You need the freedom and flexibility to respond quickly to changing circumstances.

The strategic challenge created by managing VUCA effectively at the project level should not be underestimated. The agility and decision making needed to respond to VUCA will inevitably affect the outcome of the projects and programs and consequently the direction of the organisation, creating a

¹ VUCA-Prime developed by Johansen, R. 2007. "Get There Early: Sensing the future to compete in the present." Oakland, CA, USA: Berrett-Koehler

² For more on **risk management** see: <https://mosaicprojects.com.au/PMKI-SCH-045.php>

³ For more on **complexity and its effect on project management** see: <https://mosaicprojects.com.au/PMKI-ORG-040.php>

difference between the strategy as implemented and the strategy as planned. One approach to dealing with this is to see the gap as 'strategic non-alignment' and assume it's bad; the alternative is to see the gap between planned and actual as strategy emerging from the work of the organisation driven by changes in the environment, and actively manage its effect to capture as much value as possible.

This idea is not new, its 40 years since the concept of *emergent strategy*⁴ was developed by Henry Mintzberg. This concept seeks to create a framework that can identify and act on the emerging strategies resulting in a more incremental approach to strategy formulation. Developing strategy from the 'bottom up' may be a novel concept for many organisations but academic studies suggest this is an important value adding process.

In summary, way to reduce the potential chaos of VUCA within a project or program is to:

1. Use a staged, adaptive approach to planning, we really don't know that much about the far future.
2. Be agile, act quickly to manage emerging issues and problems, things will not get better by themselves.
3. Be adaptive and flexible, when you need a new plan to achieve the project's objectives be prepared to make the changes. When you need to adapt the objectives, be prepared to have the conversation.
4. Expect the unexpected, things happen, and watch for approaching Black Swans⁵.
5. Use emergence to your advantage, seize the opportunities you did not expect

Conclusion



Given projects and programs are a rich source of VUCA, and almost everyone says successful PMOs and portfolio management should have a 'strategic' focus; I suggest it's time to start conversations with your executive management about identifying and managing the emergent strategies that are appearing in your organisation as a consequence of projects and programs responding to VUCA so as to maximise the value created and influence the next iteration of formal strategic planning. Mintzberg and Walters concluded their 1985⁶ paper by suggesting '*strategy formation walks on two feet, one deliberate, the other emergent*'.

The challenge for PMOs and portfolio management is to engage with the paradox between implementing the strategy and adapting the strategy; and the paradox between allowing sufficient agility and flexibility to maximise value in a VUCA environment without sinking into undirected chaos. Maybe this can be achieved by adapting the five elements needed to manage VUCA outlined above to the strategic levels of the organisation.

⁴ Mintzberg, H., 1978, *Patterns in strategy formation*. Management Science 24, 934-948.

⁵ For more on **Black Swans** see: <https://mosaicprojects.wordpress.com/2011/02/11/black-swan-risks/>

⁶ Mintzberg, H., Walters, J.A., 1985, *Of strategies, deliberate and emergent*. Strategic Management Journal 6, 257-272

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