

Building Agile and Resilient Operating Models in VUCA times - A gateway to the future



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We live in a VUCA world. VUCA is more than a buzzword – it's a way of life!

VUCA is an acronym that describes Volatility, Uncertainty, Complexity and Ambiguity of conditions or situations all of which make it difficult for us to analyse, respond or plan our next move. It is an ever-changing way of devising solutions in this dynamic world.

There is a Russian idiom ***Galloping across Europe***

which means "To do something hastily or haphazardly." There is another Portuguese idiom ***He who doesn't have a dog, hunts with a cat*** which means "You make the most of what you've got." Unfortunately, both these idioms have no place in the present-day VUCA world. The modern world may be increasing in technological knowledge, but, paradoxically, it is making things more unpredictable.

It is this constant state of unpreparedness and change that demands that we do away with traditional approaches to management and leadership and adopt flexibility in the face of change.

To combat VUCA and its pernicious effects, every organisation must welcome 'Agility' and 'Resilience'. These forces being two sides of a coin, share an often-conflicting relationship, but are essential for the operations and growth of any organisation.

Becoming faster, more flexible while being intensely customer-focused is Agile. Faster time-to-market with innovative products and services is the mantra for success. This means organizations must 'fail fast', quickly learn from mistakes, make changes, and move forward to beat competition.

Being able to bounce back from adversity and failure is Resilience. Organisations must right size teams, drive continuous change, have hawk-eyed progress-monitoring mechanisms and must be quick to course-correct. It's the pace at which organisations shift gears during these trying times is what differentiates them from the rest. A human-centric approach that focuses on developing a new breed of employees and organisational leaders who can navigate difficult times is the need of the hour. Because, resilience at individual, team, and organizational levels matters.

Nassim Nicholas Taleb, an eminent essayist, mathematician and aphorist in his book 'Antifragile', talks about fragile, the anti-agile, robust, agile, and anti-fragile. The anti-agile and agile focus on 'change' and the fragile and antifragile focus on 'disorder'. Agile organisations 'embrace change' by 'adapting' while anti-agile

organisations resist change. The antifragile 'embraces disorder' by 'evolving' while the fragile resists disorder.

Therefore, agile and resilient organisations embrace change by adapting and embrace disorder by evolving.

The "U" of VUCA stands for "Uncertainty" in which context Taleb defined a 'Black Swan' which has three classic attributes.

- a) It is an outlier – nothing in the past can point to its possibility.
- b) It has an extreme impact.
- c) Despite its outlier status, human nature devises retrospective explanations that make it explainable and predictable.

While there are differing opinions on whether the COVID-19 pandemic is a Black Swan event, it certainly possesses the attributes of one.

I am reminded of a quote by Charles Darwin: "It is not the strongest of the species that survives, nor the most intelligent. It is the one most adaptable to change." This has applicability to the business world as well because the success of every business can be attributed to its Operating Model. The Operating Model is like the engine that keeps everything running and the heart of the business, so it makes sense to invest in it if you want the business to flourish now and, in the future. *Julie Choo, Creator and Lead Author of THE STRATEGY JOURNEY (2020).*

In the seeming blink of an eye, the pandemic turned the world upside down. But it also accelerated the digital transformation and put us ahead of time in 2025. From in-person meetings to virtual meetings, from projects that would have taken years to those that took a few weeks, from physical work at office to work from home, from movie theatres to OTT – everything changed.

So, what were some of the traits of effective agile and resilient business operating models that transcended these times of extreme uncertainty?

Businesses that could metamorphose their digital presence with their customers with speed and certainty, those that adopted Mobile First approach, those that shifted focus on projects with real returns vis-à-vis long-drawn cost-agnostic projects, those that embraced change in letter and spirit, those that realised that AI-intensified Automation was no longer optional and those that built teams of multi-faceted, renaissance professionals are the ones that have successfully waded through these VUCA times and emerged triumphant.

Enhanced revenue, reduced costs, support for growth, operational efficiency, customer experience, operational risk, regulatory compliance, data quality and organisational capabilities are the benefit levers that organisations aspire for and consider when drawing their business strategies.

Automation is helping many organizations in building scale. Facing resource shortages and the "Great

Resignation,” it is filling in gaps and accentuating organisational capabilities. Both, attended and unattended Robotic Process Automation (RPA) are gaining popularity as organisations continue to spend considerable time and money to serve their internal and external customers while encountering challenges of scalability. It is important to pay close heed to what every department in the organisation needs so that the focus is directed appropriately.

If organisations move beyond just automation, they can experience tangible business transformation that is required for long-term sustainable agility, resilience, and continuity. The secret lies in being continuously adaptable, nimble, and agile as the best way to beat the turbulence.

Agile operating models which comprise cloud technologies, agile workflows, digital first, experience-centric practices - to name a few, are hallmarks of a resilient modern business. Resilience goes beyond ensuring continuing operations. The abilities to be reactive, proactive as well as predictive are equally important.

Another business strategy to tide over VUCA times is the Blue Ocean Strategy. The term “blue ocean” was coined by INSEAD business school professors Chan Kim and Renee Mauborgne in their book *Blue Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant (2005)*. This strategy is all about the simultaneous pursuit of differentiation and low cost to create a new uncontested market space and new demand thereby making the competition irrelevant. Market-leading businesses can define new boundaries not previously set and reconstruct them to create a niche for themselves. Particularly interesting in this strategy is the 4-Actions

framework that points out four key actions necessary to refine a business’ products or services. They are Reduce, Eliminate, Raise and Create. Business operating models need to be enriched by implementing these actions.

Reduce – are there any elements that we can reduce if their cost or value does not justify the means?

Eliminate – are there any elements that customers pay for as part of status quo which if eliminated, customers would not get impacted?

Raise – are there any product/service attributes whose value can be enhanced as to provide extra customer value?

Create – are there opportunities to offer something novel to the customer which has never been offered by competition?

This contrasts with ‘Red Oceans’ where there are pre-defined industry boundaries and competitive rules. This Red Ocean is the ‘pie’ which all businesses will vie for. As the market space gets more and more crowded, profits and growth become scanty leading to cutthroat or ‘bloody’ competition – hence the term ‘Red Oceans’.

To conclude, businesses should be prepared for challenges and disruptions. By expecting the unexpected and structuring business processes and systems accordingly, organisations can be more effective in VUCA times.

References

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