Strategy under Uncertainty: Making Decisions in a VUCA World

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Why is effective decision making in organizations so difficult today?

Globalization

Regulation

Competition

Too much information

So much change – And so quickly!

VUCA!!

Volatility, Uncertainty, Complexity, Ambiguity

FEAR

Competition
Short Term Business Objectives

- Dashboards
- Clear Metrics for Success

Long Term Business Objectives

- Managing uncertainty
- Higher tolerance for failure

Value-Driven Results

- Emphasis on Analytics
- Continuous Improvement

Organizational Processes

- Clarity of Enterprise “Core”
- Alignment of Incentives

Enterprise Mindset

- Accountability
- Bias Towards Action

Cultural Enablers

- Emphasis on Analytics
- Continuous Improvement

Judgment

Critical Thinking

Analytics

TEST AND LEARN
Best Practices
An Organizational Mental Model

PRODUCTIVE PARANOIA!
U.S. | EDUCATION

M.B.A. Applications Decline at Harvard, Wharton, Other Elite Schools as Degree Loses Luster

American business schools struggle to lure professionals out of strong job market, face competition from top programs overseas

Harvard Business School received 9,886 M.B.A. applications for this fall’s entering class, down 4.5% from last year—the biggest drop since 2005. PHOTO: CODY O'LOUGHLIN FOR THE WALL STREET JOURNAL

By Kelsey Gee
Oct. 1, 2018 12:01 a.m. ET
Clarity of the Intent

Adaptability

Ownership

Continued Focus on the Ultimate Goal
“Selective Information Processing”: The Confirmation Bias

- We tend to concentrate on information or “select” data that supports our pre-conceived beliefs – the confirmation bias.

- With more complex situations, the confirmation bias becomes even stronger.

- In situations with information “overload”, the confirmation bias becomes even stronger.
Or ... a Yogi Berra Example of the Confirmation Bias!

“Listen Ump! I wouldn’t have seen it, if I hadn’t believed it!”
Decision Rights

1. Clarifying the Issue
2. Executing on the Decision
3. Preparing for Execution
4. Gathering the Relevant Information
5. Developing Alternative Solutions
6. Evaluating the Alternatives
7. Making the Decision

Decision rights explicitly determined early

Who will make the final decision?

When will the decision be made?
Best Practices in Critical Thinking

- Ensure **clarity of intent**.
- Seek **diversity of thought**.
- Challenge the organizational mental model with **productive paranoia**.
- Use a **devil’s advocate**.
- Develop clear **decision rights**.
Building Agility into the Decision
Decision Rights

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Who will make the final decision?

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I STILL have uncertainties!
Three Actions for Strategic Agility

- Identify the key uncertainties:
  - Plan for the key trends
  - Manage the key uncertainties

- Track the key uncertainties:
  - “Trendspotting”
  - “Sense-making”

- Take action around the key uncertainties:
  - Conduct rapid experiments
  - Make small bets
  - Build adaptability and flexibility
A **trend** is a future force in which the outcome is very predictable - a *known known* or a “predictable”
Trends and Uncertainties

An *uncertainty* is a future force in which the outcome is unknown

*Unknown Unknown*

Black Swan

*Known Unknown*

Manage with Adaptability

*“It is not the strongest of the species that survives, but the one most adaptable to change.”*
## Future Forces Worksheet

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<th>Key Trends</th>
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Sources of the Early Indicators

- Various markets or countries
- Adjacent industries
- Headlines in leading business and/or tech journals
- Employees that interact closely with the external environment
- Formal process embedded in the organization

VIGILANCE
Key Concept in Strategic Agility

Manage uncertainty by using a process of agility or flexibility:

- SMALL BET: Invest a minimal amount initially in one or a variety of options
- RAPID EXPERIMENT: Test a hypothesis for the purposes of learning about the uncertainty
- PHASED APPROACH: Execute on a portion of the initiative that is less vulnerable to uncertainty
# Testing the Initiatives

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- **Red** = Vulnerable to the uncertainty
- **Green** = Invulnerable to the uncertainty
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Culture of Support and Agility

Fear of Repercussion?

Is the Person Willing to Challenge Directly and Speak Candidly?

Yes

No

Does the Person Care Personally?

Yes

Manipulative Insincerity

No

Obnoxious Aggression

Ruinous Empathy

Radical Candor

From Kim Scott