



Volatility | Uncertainty | Complexity | Ambiguity
IN THE EYE OF THE STORM

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Imagine an established global company supplying cement and aggregates in all its forms, in more than 70 countries across the world. Having done this for many decades, and riding on the back of an excellent reputation, one assumes that the company will always produce and sell cement, gaining attractive returns in the commodity sector.

But what happens when a competitor overnight announces the launch of a secretly developed cheap alternative that beats every one of the characteristics of traditional cement, including faster setting times, higher strength and binding limits, with lower mass, i.e. less weight for its transportation? Could such an entry to the commodity market kill the cement giant?

Hurricanes, tsunamis and the economic meltdown of 2008 all brought their fair share of chaos to thousands of organizations that would have preferred order and the predictability that goes with it.

New technology and inventions shape and change the world profoundly, often within very short time frames. Consider the impact of mobile technology, open access to IT solutions, and cloud computing on business all over the world.

Think of the new demands placed on organizations' reporting needs by international pressure for transparency introduced primarily by [Sarbanes-Oxley](#). The powerful international drive towards renewable energy and reducing companies' carbon footprints placed its own demands for adjustments to business strategies and reporting requirements.

In a world that is on the one hand shrinking as a global village, change has become inevitable and the speed and volume of change is growing exponentially.

V.U.C.A.

Referring to the volatility, uncertainty, complexity and ambiguity that characterize conditions and situations, particularly when influenced by significant change, V.U.C.A. was coined as an acronym by the US Military in the late 1990s. It soon entered the business world as its impact on organizations and how strategic leadership should cope with it, is no different from the military.

Business leaders in a changing world understand the value of instant, reliable information and optimal visibility of all their processes, KPIs and systems at all times. The challenge is to create systems that not only store information by department or function and allow users to extract and manipulate it as and when this is required, but to have this done across the entire enterprise. That includes taking account of the impact of each sub-system on all other systems. That is exactly what Enterprise Resource Planning (ERP) solutions should provide.

Consider the impact of V.U.C.A. against this backdrop:

Volatility refers to the nature of change, including the speed at which it happens. It creates sudden and profound instability within companies, creating uncertainty and anxiety.

Uncertainty is the consequence of an inability to predict behavior. There is uncertainty about the future; about demand and stock needs; about new competitors entering the market; about new government policies, etc. A lack of clarity muddles the picture and obstructs management's ability to understand and to value the threats and challenges facing them.

Complexity is created by the magnitude of the forces that confront companies. They get faced with cans of worms and apparent chaos that clouds their thinking. The challenge is to gain a sober perspective on the situation and not to confuse threats and opportunities as collectives.

Finally **ambiguity** is brought about by the haziness of one's reality; the potential for misinterpretation; the confusion of causes and effects. Diversity and global influences strengthen ambiguity, demanding a multi-visual approach to evaluate and to judge reality.

Businesses want uncomplicated clarity and maximum control over their entire operations. Stock forecasting must be reliable and accurate; customer promises should be in-line with agreed service levels and achievable; product quality should be exceptional; potential problems must be predictable and pre-empted, allowing contingencies to be put in place for them. Their ERP solutions must offer them just that in spite of what V.U.C.A. and harsh reality throws at them. In a changing world, a good ERP system is expected to offer:

- increased information visibility
- improved alignment of business operations with its strategy
- improved financial management and corporate governance, and
- reduced business risk.

In effect, the solution should strengthen management's foresight while simultaneously enhancing its insight into the business.

Chaos to Clarity

Fundamental to managing VUCA is to select and implement the ERP solution that best addresses the exact needs of the enterprise's business model and all its functions. This will provide the user with the information and the flexibility to anticipate changes in the environment that shape their conditions across the entire business, while at the same time giving management a better understanding of the consequences of the changes and of their chosen actions.

The management principles of Planning, Executing, and Controlling are all neatly accommodated in any modern ERP system, covering not just the flow of resources and material through the value chain, but also allowing clear visibility and providing critical business information on a real-time basis on any aspect of the entire process.

Sound **Business Process Modeling (BPM)** software adds huge value to the planning stages of a business process, whether it be in manufacturing, logistics, service management, or any other process.

BPM improves the efficiency, effectiveness and operational agility of an enterprise by automating, optimizing, and managing its business processes. It enables business processes to be designed independently of any single application and then leveraged as shared business logic. Combined with optimal workflow processes and capabilities, it also takes care of much of the complexities presented in a V.U.C.A. environment. It offers the methodologies and tools for modeling and administrating processes that involve people, organizations and systems, making complexity easier to see and to understand.

Workflows simultaneously make the flow of information through the organization more visible and manageable.

In addition to the value added by access to workflows, the issue of complexity becomes much easier when management has access to **visible and graphical reporting tools**, such as functional **dashboards** that provide this capability per organizational function or division, or even Role. They also provide analytical capabilities, enabling users to evaluate reports and data in a proper context in spite of fluctuations that come with volatility in the environment. The graphic use of pictures cuts across cultural barriers, giving clarity and ease of interpretation.

The power of such tools is further enhanced if they offer the accumulation of data for overall reporting to senior management across functions, thus providing complete transparency. By providing graphical displays, much of the complexity becomes clear and accessible to users.

In a nutshell: any ERP system should take the muddle out of supply chain management across all aspects of the business. A really good system will cut through the haze of dust kicked up by V.U.C.A. and still offer a clear and unambiguous view of the processes and systems, allowing for effective management in turbulent times.

The eye of the storm

Calmness and order is to be found in the eye of the storm. It is how leaders find their way through the storm to conquer it that makes the difference. ERP solutions should bring the insight (vision) and the understanding that clears up the confusion and the chaos that V.U.C.A. brings and should translate it into organizational agility and ultimately to business success. ❖