

# Organisation design in a VUCA world

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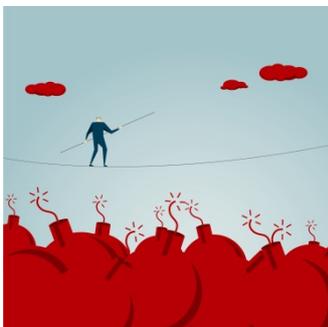
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## Valerie Garrow, Principal Associate and Sharon Varney, Principal Associate

For many people, our working world is becoming ever more volatile, uncertain, complex and ambiguous (VUCA). Although its origins come from the US military, it is not surprising that the term has been readily embraced by the business world as a catch all for *'hey, it's crazy out there!'*

## A VUCA world

Let's take a moment to paint a picture of our working context in a VUCA world:



### Volatile

In a more **volatile** world, periods of stability can seem like a thing of the past. Instead we have more instability, wilder fluctuations and often very rapid and unexpected change. No wonder many people see change as the only constant, and HR professionals find themselves 'constantly re-organising the re-orgs' as their organisations endeavour to respond.



### Uncertain

With so much volatility, not only is the future unlikely to be much like the past, but the present is often very different too. Information is incomplete because it is changing and there is too much going on to know it all. That increase in **uncertainty** makes it much harder to figure out what's happening today, let alone trying to understand what organisational form and capabilities might be important in the future.



## Complex

Uncertainty is amplified still further by **complexity**. The technological ease of connecting with people far and wide has created more interdependencies and feedback loops than ever before. Within those intricate and multi-layered networks, actions can have unintended consequences which cannot be predicted. The risk for those designing organisations is: change one thing and you might well change everything!



## Ambiguous

'Unknown unknowns' abound in complex, uncertain and volatile environments, and so **ambiguity** increases. Where no precedents exist, it becomes ever harder to reach clarity and agreement about the meaning and significance of events. In come doubt and hesitancy, making it easy for inertia to take hold. Therefore, in a highly ambiguous environment, it can be difficult to reach decisions about organisation design strategies.

Put those four conditions together, and the VUCA working world creates a perfect storm of challenges. The difficulties that organisations face in a VUCA world become clear when you think about companies such as BP and Tesco, both of which have hit the headlines in recent times for all the wrong reasons. Both face massive uncertainty as they strive to recover from highly publicised reputational damage, facing volatile markets, the risk of off-the-cuff comments coming back to bite, for past events to take on new significance, and the potential for unknown challenges from hungry competitors. Yet, at the same time, they need to keep large workforces engaged in order to repair the damage and develop new organisational capabilities to ready themselves for an unknown future.

## Challenges for organisation design

A VUCA world poses many challenges for organisation design.

While, in the past, organisation design has often been a response to clear problems, now it is expected to address evermore complex puzzles. Organisation design itself takes place in a changing organisational context, often amidst competing demands for attention and resources, and against a backdrop of multiple change projects.

Agility is highly prized. In a VUCA world, organisations are encouraged to become more agile and adaptable to changing conditions. Adapt or die, is a common mantra. Adapting to one kind of condition is relatively easy. But, when the underlying conditions change, organisations may not be ready or able to adapt. As we enter

2015, many organisations have adapted to financial volatility and downturn in design terms by slimming down their organisations and instituting several years of cost-cutting. But are these very lean organisations sufficiently primed for growth as and when new opportunities arise?

Traditional approaches to strategic planning, analysis, goal-setting and decision-making can seem out of step with a dynamic and unpredictable world. The paradox is that, while organisations cannot predict the future, they *must* make sense of it to survive. This puts the focus very firmly on learning. But how can organisations design feedback loops which capitalise on the distributed knowledge of all their people? How can they identify and make the most of decentralised networks within their organisations; networks that are usually informal and which may change rapidly over time?

If strategic planning assumes conditions of certainty, a key question for organisations is how can they engage with uncertainty? How can they encourage experiments, designed to provoke, rather than to predict the future? And how can they design and institute processes to make sense of that data, much of which may seem ambiguous, to inform their next steps?

In order to brave the economic storms in the global economy, many organisations have been battening down the hatches, focusing on efficiency, and **exploiting** their current capabilities to maximum advantage. Yet, there is significant value to be gained, we are told, by designing ambidextrous organisations, which are both structurally and culturally suited to **exploring** future possibilities, ready and able to adapt and innovate. And, if achieving those twin goals wasn't challenging enough, organisational designers are also advised to pay attention to the third leg of that stool – **engagement** – or risk it falling over.

*'Organisational ambidexterity is the difficult act of balancing two diametrically opposed organisational qualities - adaptability and alignment. Adaptability is about focusing on the future. It is the ability to respond to change, to be nimble, to progress. Alignment is about maximising the present, leveraging existing ideas, exploiting markets. The organisation that successfully reconciles both is rewarded with a significant competitive advantage.'*

Birkinshaw J, Gibson C

## So how should this picture of a VUCA world inform our understanding of organisation design (ODS)?

In our latest report we took the story of a Palace as the starting point for an exploration of ODS. The Palace symbolises the traditional, solid, but inflexible organisational structures that have evolved over many years, with silos, hierarchies

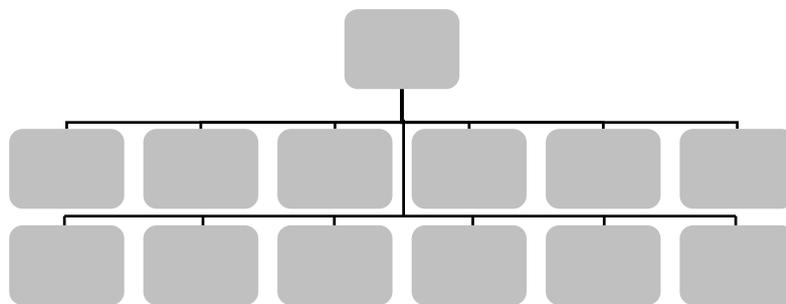
and fiefdoms, which inhibit the sharing of ideas, innovation and too often the movement of talent.

*‘Often there were so many different passageways that it was easy to get lost...on occasions one might open a door to find the entrance bricked up or go down a long passage to find it was a dead end.’*

Garrow V, Varney S (2013)

The organisation chart presents us with a formal structure of reporting lines but offers no insight to the real dynamics of an organisation.

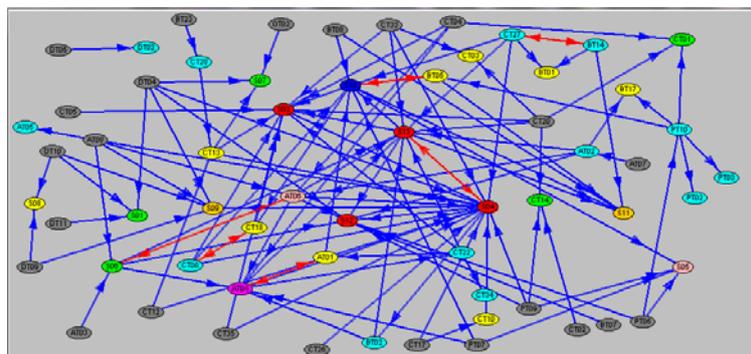
**Figure 1: Formal structure**



- Simple: few people, clear connections
- Highlights roles with authority
- Stable, until changed
- Centrally designed and planned

*Source: Garrow V, Varney S (2013), The Palace, IES Report 501*

**Figure 2: Informal structure**



- Complex: many people, many connections
- Highlights people with influence
- Dynamic and continually evolving

- Decentralised and emergent

*Source: Garrow V, Varney S (2013), The Palace, IES Report 501*

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Restructuring using Figure 3 risks losing people with important networks and organisational knowledge. It says nothing about the quality of relationships between people that lead to rapid problem solving. In a VUCA world we need to pay much closer attention to these informal structures.

Since the ‘flattening’ of organisational structures in the 90s, organisations have struggled to become agile and adaptable. In our story, the enemies outside the Palace ‘carried all they needed with them and so could quickly and easily pack up and move, either from oasis to oasis or where the resource or trade was’. Start-ups, for example, have the advantage of little ‘baggage’ but they also have the challenge of organising enthusiasm and innovation into successful structures that will support growth without stifling creativity. As we navigate a volatile world, this ability to organise and grow is the key to agility. This means we need to approach ODS as an ongoing process rather than a product.

Ganz (BerkmanCenter, 2008) describes it as the ‘craft of organising...based on intuitive elements, such as storytelling, strategizing, relationship building’ and proposes several enablers:

- **Shared values** that are experienced and communicated emotionally, often through narrative.
- **Shared interests** based on relational understanding, leading to a commitment to work together.
- **Shared structure** creating a space where interaction and creativity can occur, involving shared norms, clear roles and responsibilities.
- **Shared strategy** which turns ‘what you have into what you need to get what you want’.
- **Shared action** and the ability to mobilise and deploy resources including time, effort and energy.

Working in the field of social movement, Ganz remains an advocate of enabling and participatory structures that provide clarity, support and stability.

## New organisational forms

Many new forms of organisation have emerged in response to new technologies, social media, deregulation and access to global markets. Alliances, partnerships, open sourcing, outsourcing, supply chaining, for example, have led to complex

networks of interconnections and cross-boundary relationships. The balance between chaos and order is captured nicely by the 'chaordic' organisation, a term coined by the founder of VISA, Dee W Hock, who turned to self-organisation as a principle for design in the VUCA world:

*'It was beyond the power of reason to design an organisation to deal with such complexity and beyond the reach of imagination to perceive all the conditions it would encounter. It gradually became apparent that such an organisation would have to be based on biological concepts and methods. It would have to evolve - in effect to invent and organise itself.'*

Hock D W (2013)

Linux, the open source operating system is another example of connecting talent without formal structure as experts self-organised around mutual interest. Described as a 'bazaar at the edge of chaos', there are clear parallels with the enemy tents ranged outside the Palace. People are engaged and involved in decision-making and can respond to, or even pre-empt, challenges around them.

## ODS as a process

Co-development has become a valuable method for organisation design. The OD&D Service worked with TSol, the Treasury Solicitors, to integrate the majority of legal services into a single organisation, doubling its size. It required the merger of many legal departments with TSol and there were issues of creating a new brand and identity to reflect the best of what was happening in all the individual organisations. The process of self-organising sometimes feels ambiguous and the outcome uncertain; it requires trust and the opportunity to build solid relationships. One of the HR team commented,

*'In organisation design you usually have an idea of what the end result will be but the challenge here was to build something better without knowing what that would be. From experience we recognised that there were lots of opportunities but were not sure what it would look like or how best to get from here to there.'*

Garrow V, Varney S (2013)

The benefits of involving people in the design meant that there was more confidence in the process and that while everyone did not agree with all the outcomes, the opportunity to challenge was healthy and helped to clarify and refine the vision for the kind of organisation they wanted to achieve.

Furthermore, aligning design with values and a vision for the future reduces the need for controls and procedure, enabling organisations to adapt and evolve

organically without the need for major change programmes. This agility is the key to navigating the volatility, uncertainty, complexity and ambiguity of the global economy.

## Some final thoughts

A VUCA world presents a lot of dilemmas: how to balance risk and creativity; how to mobilise without losing control; how to provide leadership during bottom-up change; and how to reduce unproductive complexity without oversimplifying the risks.

Over the past decade we have seen some spectacular institutional failures and we clearly still have a lot to learn about designing organisations that are able to navigate the challenges of the VUCA world. How can organisations avoid this 'system blindness', a kind of 'group think' which leads them to wilfully ignore or be simply blissfully unaware of internal or external threats? The reasons might be structural, cultural or both.

Our sense is that organisations must:

- Provoke, rather than predict the future – and learn FAST!
- Question, challenge and look outside the 'palace walls' to see what the enemy is up to.
- Promote collaboration (internally and externally) and the exchange of ideas and information.
- Simplify the environment, making it easier to work in.
- Mobilise the workforce and fully engage their talents and creativity.

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