What can you do in uncertain times?

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The current Corona virus crisis is real VUCA. It has forced many businesses to reduce or limit operations within days. That's caused by high volatility. The duration and severity of the shock is unclear. It has put businesses a high risk. That's uncertainty. Reorganising work with home office and balancing missing supplies with unclear customer demand requires to deviate from standard operating modes. That's complexity. Multiple scenarios are likely about future limitations to business. That's ambiguity. In combination, the current situation presents the ultimate of VUCA challenges to leaders, employees, management, and organisations.

Within day's managers had to switch from a comparable stable mode of operations to a hyper-dynamic model. Traditional rules-based management is ill equipped for VUCA. Higher volatility is the norm. But when control fails, we instal more of it. Uncertainties challenge the strategy in use. But with increasing uncertainty, we tell people what do to. Complexity increases with size. But when we lose sight, we ask for more detail and more precision in processes. Ambiguities require flexibility. But with higher ambiguity, we establish new rules and limit the degrees of freedom. The responses from traditional management are counter-intuitive to what is needed in a VUCA environment. Our research and experience from our practice is clear. In a dynamic context, capabilities-based operating modes by far out-smarts rules-based management.

Yes, home office, remote leadership, collaboration across boundaries, and purpose rather than goals for motivation are important. Many businesses have made the switch from rules-based to capabilities-based within days as there was no choice. The challenge now is to maintain the new mode because it better works in every context. Here are a couple of hints on what you can do to ensure, you and your organisation effectively manage in line with the capabilities-based mode. It's all about agile, people-centric, and dynamic capabilities. Make it your dominant mode of operations.

Management must enable people to focus rather than aim. To address greater volatility, managerial tools must focus attention rather than aim. When things change fast, people need something they can hold on to. Use tools that focus attention on what is important. The way to fix erroneous tools is design them to meet the needs of the people that do the work. Prevent focus on the wrong things by using tools that help people to focus their attention rather than just enabling control.

Management must trust rather than provide instruction. To cope with rising levels of uncertainty, managers need to trust rather than command. The only way to deal with uncertainty is to trust in your own capabilities and those of your people. The fix for flawed management is to design interactions in support of the people that do the work. To prevent creeping uncertainty from hampering performance, interactions require a design with features that enable trust.

Management must raise awareness rather than control. To cope with growing complexity, routines need to create awareness rather than control. Complexity is like water; it cannot be compacted. Better awareness is the only way to deal with increased complexity. Traditional ways of addressing complexity include deconstructing it, setting goals, and delegating decision-making. Increased complexity is a frequent cause of ineffective, bureaucratic routines and managerial processes. The fix for this is appropriate design of routines that re-establish their support for people that do the work. Prevent an emphasis on control by designing routines that enable higher levels of awareness.

Management must enable choice rather than to rule the game. In times of increasing ambiguity, rules must enable choice. When the future is unclear, choice performs better than standard

operating procedures with every decision. Greater ambiguity is a frequent cause of ‘infected’ rules and the lack of discipline to follow them. Agility and speed in dealing with ambiguities requires a design for choice.

Capabilities-based management has a design for agile, people-centric, and dynamic. Use this guidance when you have time to think about how you will manage people and organisation going forward. These four principles are conceptional in nature. They are the clues for the design of measurement systems, the strategy process, performance management, employee engagement, and risk management.

The research: Michel, L., Anzengruber, J., Wolfe, M., & Hixson, N. (2018). Under What Conditions do Rules-Based and Capability-Based Management Modes Dominate? *Special Issue Risks in Financial and Real Estate Markets Journal*, 6(32).

Über Management Insights

Management Insights wurde von Lukas Michel gegründet und baut auf mehr als 25 Jahren Forschung und Praxis auf. Die Arbeit unterstützt Menschen dabei, die Funktionsweise ihrer Organisation besser zu verstehen.
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