Succeeding in the VUCA paradigm: Making change happen
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Foreword

Why is it that some organizations continue to thrive in the VUCA (Volatile, Uncertain, Complex and Ambiguous) world while others fritter away with the first whiffs of change? Why is it that certain organizations manage to navigate through the complexity of interconnected economies and the downturns of volatile markets but still continue to build new products, transcend new geographies and experiment with new technology platforms with telling results, while others fail miserably even at the slightest changes in their business models or external environment?

In a never-ending game to stay competitive, organizations today are embarking upon more change programs than ever. However, EY research shows that 80% of the change programs initiated fail to achieve their intended outcomes. While a lot of literature exists on how organizations should take the journey of change once it is initiated, very little has been spoken about how to prepare organizations for the quantum and speed of change. Is this perhaps the reason why organizations fail to realize the intended benefits out of their change programs? Is there a success mantra for managing changes in this VUCA world?

EY embarked on a study in association with CII to answer some of these questions that have been plaguing the minds of leaders since the last decade. We reached out to CXOs, promoters, managers, HR professionals and change management practitioners across the country searching for these answers, and the results we found were startling, at times counterintuitive, and in other cases very predictable. A digital survey and direct interviews were the chosen methods to collect data for the study.

We discovered that the fast pace and high magnitude of changes are at the heart of VUCA and it is the art and science of managing these two aspects of change that set apart organizations that are thriving today. While 46% of the organizations surveyed believe that they will undergo major disruptive and radical changes in their business models due to innovation and technology, more than 70% of the surveyed organizations grossly under-invest in managing change formally. In contradiction to our hypothesis that most organizations would take a reactive and agile approach to manage these changes, an overwhelming 52% believe that they will be more proactive and structured and only 37% agreed with our initial hypothesis. 69% of the respondents indicated that they depend on the leadership layer for anchoring these large quantum of changes. They also mentioned about using distributive leadership as the weapon that could help organization maintain change stamina. The data therefore indicates that organizations are trying to preempt change as much as possible and undertake more structured transformational journeys. Through this study, we have tried to analyse what change leaders do so differently that they are able to ride the VUCA storm. We have tried to sum up, what we have learnt in the course of this study in a simple stakeholder based framework.

We would like to thank our partner CII, our clients, and the participating organizations who made this paper possible.
Foreword

In today’s world, organizations continue to be impacted by a multitude of changes and it influences the way they operate. With increasing volatility in the markets, ever changing customer needs and continuous technology led disruptions to business models, an organization’s nimbleness is what can help it weather the storm of changes that hit it every day.

On the other hand, the complexity and disruptions in the business environment today continuously decreases the visibility of businesses beyond a quarter, impeding organizations’ ability to build long term plans and requiring them to continually reinvent themselves.

Responding to these external changes through continuous internal transformations is the hallmark of the VUCA world we live in. Leaders will have to visualize and anticipate these changes even before they occur and it has to be reflective in the strategies they create. The speed with which the changes are occurring also would mean that they have to bring a high degree of rigor in execution, have a strong self-belief, and build a culture comfortable with change and capable of driving change across all levels.

Gartner, in its latest report predicted that Indian businesses will spend almost $72.6 billion on IT. According to Gartner figures, IT budgets in India are growing at an average of 11.7% compared to merely a 1% worldwide. Today, innovation in technology led by SMAC (Social, Mobile, Analytics and Cloud) is driving innovation in business. Businesses continue to experiment with these technologies and challenge the present established frontiers of customer experience and cost efficiencies. Investing in technology is no more limited to addressing a necessity or plugging a gap, but it is about building an asset which in time is capable of regenerating further assets through the process of innovation. Case in point is the investment in IoT. And according to a study by Vodafone, companies are spending about 24% of their IT budget on IoT worldwide.

Another critical contributor of weathering the VUCA storm is the role of diversity. Diversity too, plays a critical role in ensuring that organizations are able to ride well above the storm of change through people led innovations. Bringing together skills from diverse backgrounds, countries and cultures helps breed the type of innovation and creativity required to compete in today’s extremely competitive environment. This is truer for organizations now, more than ever.

It gives me immense pleasure to introduce to you, the EY – CII thought leadership on ‘Succeeding in the VUCA Paradigm’. This paper looks into some of these questions and shares perspectives that will help you re-evaluate your organization’s strategy to strive, flourish and survive. It will also incite you to question some of the long held beliefs on how organizations across industries invest and manage change internally.

We would like to thank CII leaders and participating organizations in sharing their rich perspectives and insights for the thought leadership. I would also like to thank EY professionals whose painstaking efforts have helped us peer into the heart of VUCA and how leading companies thrive in this ever changing environment.
1. Introduction

The term VUCA was coined by the US military in the 1990s to describe the increasingly convoluted and complex geo-political landscape in which it was operating. VUCA has since then found its ways into the cabins and discussion tables of organizations across the world. Today, we are living, breathing and navigating through VUCA every moment. It is quite visible in how disruptive technologies are redefining business models.

Picture this: in 2009, Usain Bolt became the 21st athlete to break the world record for the 100m sprint over the last decade. Interestingly, the 100m record was broken merely four times from 1900 to 1950, but the same record was shattered 17 times in the next 50 years!

Closer home, the taxi and cab industry is witnessing a major overhaul. Even by the standards of India’s rapidly evolving e-commerce ecosystem, the past five years have been an utter whirlwind. Look closely and you will see a striking similarity with the history of the 100m world record. The years 1940–2000 witnessed as few as three major innovations in the taxi industry, whereas the last 16 years have seen as many as eight major disruptions! The last five years have seen the combined valuations for the top two players in the country rise over US$5b, with ridership rising from a few hundreds a day in 2010 to over a million today!

Whether we examine the number of patents filed globally, sonic barriers breached by planes, distances travelled, altitudes reached, minerals mined or explosive power harnessed, the same accelerative trend is unmistakable and evident in all walks of life. Research shows that the time span between the launch of a new product and its extinction from the market is decreasing every year. Shorter lifespans of companies, constant overhauling of ways of working and incomprehensible interconnectedness of causes and effects across the globe – this is the essence of VUCA! But what is the impact of these fast-paced changes on people’s lives?

Alvin Toffler in his book Future Shock argues that the rising rate of change in the world around us disturbs our inner equilibrium, altering the very way in which we experience life. This shattering stress and disorientation caused by too much change in too little time is called “future shock”. The same theory when extended to an employee who is being imposed with multitudes of changes can perhaps explain the change fatigue and associated drop in performance levels. Organizations need to be prepared for these shocks as they are here to not only stay but increase in intensity.
When we embarked on this study, we asked organizations a simple question: how do successful organizations manage to maximize the adoption of change initiatives despite the high pace and quantum of changes that impact employees every day? Among the myriad of responses we received, four levers stood out distinctly and formed the bedrock of our research.

### Role of leadership

What is the role that leaders will play in helping organizations succeed in VUCA times? What behaviors will be the most critical for a leader to shepherd teams toward success?

### Use of technology

How can technology help organizations speed up decision-making to respond to the ever-changing business realities? Can SMAC enable faster and better adoption? Does investment in technology coupled with innovation help organizations to stay ahead?

### Culture alignment

Can organizations successfully build a culture of always being change-ready? Can culture spearhead the adoption of change initiatives?

### Internal capability

Should organizations set up permanent structures for managing internal change or should organizations inculcate internal capabilities within employees to manage change at different levels? What role can organizational learning play in building such internal capabilities?

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**Managing and leading change in the VUCA world**

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**Evolution of the Taxi and Cab industry**

- **Fare meter-enabled yellow-top cabs**
- **Increasing number of transporter-owned cab fleets**
- **Launch of the app-enabled fleet-aggregation model**
- **Innovations through differential pricing and model-based service differentiation**
- **Foray into mass transportation through shuttles and buses**

- **Early 1940s–1970**
- **1970s–1990s**
- **1995–2000**
- **Early 2000s**
- **2009–2010**
- **2010–2011**
- **2010–2015**
- **2010–2015**
- **2010–2015**

- **Yellow-top cabs doubling up as shared taxis**
- **Introduction of GPS-enabled fully owned fleets**
- **Modifications to app-based cab-hailing through the hybrid ownership model**
- **Introduction to Wi-Fi enabled cabs for premier customer segment**
- **Introduction of motorcycle cabs**

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**Introduction to Wi-Fi enabled cabs for premier customer segment**

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**Innovations through differential pricing and model-based service differentiation**

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**Evolution of the Taxi and Cab industry**

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**Managing and leading change in the VUCA world**
2. The role of a leader
Organizations still continue to bank upon senior leadership teams to succeed in and navigate around complex business scenarios in VUCA times. Our research findings show that 69% of the firms surveyed placed an increasing emphasis on the top management’s role in change programs.

Businesses are truly complex today, operating across multiple markets and tax jurisdictions, supported by a web of technologies, selling a diverse set of products and services to a diverse set of customers and constantly being challenged by disruptive business models. The various change initiatives undertaken impacting multiple departments often fall prey to organizational politics, where departments are quick to claim the benefits out of the program but falter in collaborating to lead the change. What may be a great cost-saving initiative in the lens of the corporate finance department may be perceived by the local sales department as ill-conceived and devoid of market understanding, resulting in loss of sales revenue. No wonder that the majority of the respondents (69%) identified “managing complexity and contradictions” to be a major role of the leader. Able leaders need to positively spin contradictions as opportunities of improvement.

With multiple change initiatives running, employees often lose sight of the end objective of the programs and can become victims to change fatigue. Change programs often begin with enthusiasm among employees but become a burden with too many programs overloading the organization. Another interesting theme emerging from the data is the role of the leadership in bringing a certain level of order within the chaos.

When we asked what the top reasons were that inhibit leaders to successfully manage change in VUCA times, we received an interesting response: about 64% respondents believed that the leader’s inability to anticipate changes along with the inability to build the right team was preventing them from successfully managing change. What was alarming though was that 48% of respondents mentioned being in denial of the changing context.

Leadership speaks

“Imagine that you are driving a car and the terrain around you is soft, with potholes, puddles and obstacles, the horizon unknown but presumed to be bumpy. What you would need while driving through such a terrain is a car with great sensors. Similarly, businesses in the VUCA world need great sensors, so that they can maneuver with dexterity. They need to have great shock absorbers, so that the ride feels less bumpy. That is where technology is of a great help in sensing the pulse on the ground.”

— CIO of a leading technology company
Succeeding in the VUCA paradigm

1. The oracle with tools:
   Investment in institutionalizing a dedicated business analytics wing can help leaders understand their markets, suppliers, distributors and customers. In short, it can help in beating ambiguity by predicting business trends using historical data. Leaders need to craft their vision using this information and ensure that everyone understands it and is convinced about it.

2. The hands-on leader:
   Leaders need to coach and mentor the next in line by actively participating in change initiatives — by acting as “action heroes” rather than “command center generals.”

3. The change fitness trainer:
   In the VUCA world, leaders should focus on building a culture that is dynamic and is comfortable in questioning the status quo. Leaders can build such a culture by adding an element of eustress into the ecosystem — which a leading psychologist Dr. Lazarus describes as a positive stress that helps in increasing motivation and performance at work. Setting up of well thought out stretch goals helps introduce this positive stress.

A case in point

Get involved in the action on the ground: A leading media company recently acquired another player in the market in a wave of consolidation the industry has seen. While crack teams formed under the Managing Director (MD) worked on integrating operations and systems, the MD took the lead for integrating the organization cultures. The MD was personally responsible for communicating, driving an open culture, being accessible to all employees, and visible taking charge of things on the ground. The HR function provided planning and execution support to the MD. With acquisitions having a reputation for failure and often because of people issues, what has made this integration successful was the direct involvement of the Top Leadership.

From both the survey and the interviews, four additional roles for today’s leaders emerged besides ‘Building a shared vision that accounts for VUCA’, ‘Repeated communication and re-enforcement of the shared vision to maintain focus and motivation’, ‘Leadership involvement in the resolution of inter-functional conflicts’, ‘Breaking organizational silos and promoting teaming and encouraging a distributive leadership’. These four critical roles are:

1. The oracle with tools:
2. The knowledge investor:
3. The hands-on leader:
4. The change fitness trainer:

Where leaders spend most of their time?

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<th>Role Description</th>
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<td>52%</td>
<td>Addressing change resistance</td>
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Ranked in the order of priority are the effective enablers for leaders to manage change effectively in VUCA times:

1. Internal capacity building for managing change
2. Tools to constantly monitor change initiatives
3. Social, mobile and interactive platforms to constantly engage with stakeholders
4. External coaches who focus on building competency for leading change

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4. External coaches who focus on building competency for leading change
3. Building internal capability
As the quantum and speed of changes keep increasing, managing change should become second nature to managers. In the VUCA world, change management cannot be event-triggered; it should be a continuous process. We believe that such a change-capable organization is not just willing to invest in external consultants to manage change for them, but also has strong internal capabilities to manage change and appreciates and understands change management. This also resonates with the need of more than 50% of respondents who indicated that the response to change needs to be planned and organized.

Building internal change capability is only possible by engraining the lessons of successful changes in the foundational structures of an organization. The study helped us identify five key pillars of these foundational structures:

1. Cross-functional mobility to quickly respond to change
2. Governance mechanisms for responding to change
3. Setting up centers of excellence for managing change
4. Honing and developing change management as a competency
5. Internal standard and uniform methodology for managing change

Around 70% of the respondent organizations rely on “leveraging cross functional mobility” to build up change teams or “change readiness groups” responsible for driving the change on the ground. These transient structures also aid in last-mile communication as well as relaying the fears and apprehensions of employees back to the management.

In more than 60% of the organizations surveyed, the responsibility of driving change lies with the business leaders, and HR takes over the role of supporting line managers in delivering change initiatives.

Only 40% of the respondents had a formal change-management methodology in their organizations. And interestingly, 3 out of 5 such organizations are global MNCs or Indian organizations with significant foreign investments. These findings suggest that while our western counterparts realize the importance of a uniform, organization-wide change-management methodology, Indian organizations still continue to under-invest in it.

Top 4 measures organizations are undertaking to develop internal capabilities for managing change

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<td>64%</td>
<td>Involving HR for driving and managing change</td>
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<tr>
<td>62%</td>
<td>Setting up appropriate governance mechanism</td>
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<tr>
<td>56%</td>
<td>Development of requisite competencies with external help</td>
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A case in point

Setup of a Change Management Office: A major Indian business house has set up a change management office to manage multiple change initiatives that the organization is undertaking. The change management office is responsible for co-ordinating across project teams, business teams and external vendors to improve employee experience of change, provide a centralised governance, follow a consistent approach and manage interdependencies.

Building internal change capability: In the dynamic world of e-commerce, one organization is proactively investing in building change management capabilities in the leadership and managerial level. For this they have roped in an external vendor to provide trainings focusing on building change capability within the organization. These tools range from helping business build basic change management skills to running complex simulations on stakeholder management and equip the business to manage changes in the dynamic e-commerce industry on a daily basis.

Leadership speaks

“An organization that strives to be ahead of the market at all times needs to have people that are flexible to new ways of working because in our industry, business models change every quarter. So we are striving to build a company with the competency of change management woven into its very fabric. Managing change, multi-tasking and living with ambiguity should be an auto-response for our people.”

— Category leader at a leading e-commerce organization
4. Aligning the organizational culture
More than 60% of our respondents feel that lack of cultural alignment is one of the biggest reasons for failure of transformation efforts in VUCA times. Still, it continues to be one of the most neglected aspects while managing change in organizations.

For organizations to succeed in the VUCA world, an organization’s culture should act as a strategic enabler for managing change — a culture where people are comfortable with constant changes in the way they work, are adept at multi-tasking and handling ambiguity, and can make quick decisions despite complexity and uncertainty in market scenarios.

Through the survey we identified 9 behaviours of a change-ready culture

1. Being flexible and adaptable to changes
2. Being creative and looking for innovative solutions to business challenges
3. Being comfortable with taking calculated risks
4. Encouraging failure and rewarding sustained efforts
5. Collaborating and promoting sharing of information and ideas
6. Being agile and quick in decision making
7. Challenging the status quo
8. Being patient and developing the ability to withstand pressure
9. Promoting open communication

Shaping culture is never easy, but organizations can take certain positive steps to build a change-ready culture and it has to be anchored by the organization’s leadership. Two concrete suggestions mooted by the interview participants based on their experience were:

1. **Concerted efforts in building a learning organization:**
   Organizations can create a source of competitive advantage, embrace innovation and improve bottom-line by becoming a learning organization. As organizations develop this capability, they are able to question the status quo on their own without relying on external forces and events to initiate change. By building a learning organization, leaders can essentially engrain a culture of change readiness within the organizational DNA.

2. **Reward risk-taking and innovation:**
   VUCA entails newer challenges and never-seen-before business scenarios. Such challenges cannot be solved with run-of-the-mill solutions. It is where tried-and-tested methods fail that trial and error triumphs. Solving novel challenges will require thinking and solutions that are novel themselves. This essentially means that organizations will have to develop an appetite for risk and reward behaviours such as innovation and creative thinking. While doing so, organizations need to establish a solid foundation of risk governance to support good business decision making.

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**A case in point**

**Building a learning organization:** A major auto manufacturer promotes events where-in employees reflect on weaknesses, mistakes and missed opportunities which helps them improve their products and processes. The company also encourages employees to look for root causes of a problem and then look to address them. And employees then share how they solved the problem with larger groups. This helps the organization to reflect on its mistakes and these learnings are then ingrained in form of processes and changes in the ways of working. An organization so created, which constantly learns, is adept at handling changes in the VUCA world.

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**Leadership speaks**

“Preparedness for change is a critical success factor for any organization in this highly volatile and changing business environment. So an organization that (can) embeds the same into its culture would be at a lesser risk of (facing) change barriers and hindrances to meet the challenges.”

— Business head at a leading Indian compliance, risk and analytics products and solutions provider
5. Leveraging technology
We are living in age of rapid technological advancements. SMAC (Social, Mobility, Analytics, and Cloud), Robotics, and IoT (Internet of Things) are changing existing business models. Take an example of the simple health tracking band – it can now connect through your phone to dieticians and coaches real time and also connect to nutrition companies, thus creating a new business model.

According to NASSCOM, the estimated market growth driven by SMAC is expected to be 30% (US$1 trillion) by 2020. So, as organizations open up purse strings to invest in these disruptive technologies, they are actually building assets for the future. Through the process of innovation, organizations are turning technology into newer assets and creating a further spiral of change. Today white good companies are offering fans and air conditioners which can be operated and controlled from your phone.

Business Intelligence and analytics is enabling leaders shape the right strategies and making informed decisions.

While technology has been labelled as the biggest disruptor and cause of a flurry of changes, it has also opened avenues for effectively managing the changes. Today, newer technologies allow organizations to engage their employees in a two-way dialogue that emails could never achieve. Without such a two-way dialogue and a commitment to encourage participation and listen with intent, risks to a successful adoption can be missed or, more importantly, ideas from an organization's most treasured assets, employees, can go unheard. A workforce of multi-generations is a multichannel crowd. Texting, yamming, tweeting, blogging, tagging, posting videos and uploading photos are the mainstream methods for communication in today's society. If these elements are not included in an organization's change management and communications plan, it is likely to limit the reach of the change initiative and the impact of the desired business change.

While organizations have taken major strides in using technology for communication management, there are other key roles that technology can play in managing change. The respondents believed that the following are the two main roles of technology platforms in managing change:

1. **Deployment of tailor-made trainings:**
   Training and development forms an integral part of the change management plans of any organization. With significant investments involved and incomprehensive metrics for measuring effectiveness, trainings for large transformations often come under the scanner and are questioned for their returns. Technology-based trainings are playing a promising role in alleviating these challenges in the following ways:
   - **Interactive and engaging content:** Using concepts of gamification and role-playing to create highly engaging and interactive learning content
   - **Ease of use:** Using technologies such as cloud and mobile (app-based content) to provide ease of use to employees
   - **Scalable and cost effective:** Being highly scalable with nominal additional charges per additional user

2. **Technology’s support in managing change remotely:**
   Whether it is a new product launch or a complete overhaul of the organization structure, leaders need to ensure that the teams involved and the people affected are completely focused and productive throughout the project duration. This task is all the more difficult if the workforce is spread over different geographies and departments. Technology plays a major role in helping manage change remotely through collaboration tools such as WebEx and SharePoint, supporting communications through social media using platforms such as Yammer, engaging with stakeholders through video messaging using YouTube, tracking the health of internal change initiatives through mobile applications, running enterprise-wide polls or pulse surveys using services such as Poll-Everywhere, and building and leveraging internal communities through platforms such as Jive. These platforms play an important role in engaging with people and aid in information sharing.

### Innovative methods used for managing change

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<th>Use of analytical tools and BI to track the success of change initiatives</th>
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<td>2</td>
<td>Use of mobile applications for launching programs, communicating with employees about the change etc.</td>
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<td>Use of internal social media to engage with stakeholders and employees throughout a transformation journey</td>
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<td>Use of cloud based platforms that provide centralized access to change management tools, methods and artefacts.</td>
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A case in point

Technology as an enabler for change: A leading technology products company relied on a tedious and time-consuming process of identifying change impacts for various stakeholders and functions through interviews and focus group discussions (FGDs). The entire process would typically consume around one month of time and effort to identify the impact of a process change across all the BUs and functions. The organization switched to a crowd sourcing based model of capturing the impacts of a change through employee intelligence. This method not only reduced the time to capture impacts by 15 days, but also provided a much deeper reach to the change management team than could have been possible through interviewing techniques.

Leadership speaks

“Technology can play a major role in (demystifying) VUCA; It helps in (establishing) closer connect with our employees and get true information to them quicker than rumors.”

— Business head at a leading gold financing organization

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<th>Social media collaboration tools useful for managing change</th>
<th>Social media tool examples</th>
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Source: Change 3.0: using social media to engage your workforce, performance, Volume 6 by EY
6. Our perspective
It has been well established throughout the paper that Leadership will play a vital role to succeed and survive in a VUCA world. We have identified these five key elements as part of the Leadership Dimension.

a. **Build an arsenal of technology to stay ahead:**
   Technology is changing at a lightening pace and its impact on business is being felt worldwide. Investing in technology has now become a question of survival and all leaders understand this, but the successful ones go a step forward and consider this investment as building an asset. While companies are investing in latest technologies like Social, Mobile, Cloud, Internet of Things, and Robotics; the most powerful weapon in the arsenal of successful leaders is business analytics, which helps them anticipate the changes and gives them the foresight to shape their businesses for VUCA times.

b. **Build leadership agility:**
   A combination of five qualities that a leader should possess, what we call “leadership agility,” is the key to be a good change leader in VUCA times:
   i. Develop a vision which accounts for VUCA
   ii. Communicating effectively and assertively
   iii. Ability to take quick decisions
   iv. Navigating through complexity and chaos
   v. Execution focused

c. **Build a culture of change:**
   In the course of the research we identified two important measures which help build the culture of change.
   i. Firstly a learning organization which is ready to reflect and question status quo
   ii. Secondly an organizations which allows risk taking within a strong governance framework and rewards for innovation and creativity

But we also realised that while these two measures can help immensely, it needs to be supported by:
   i. Enabling faster decision making through right structures, systems and policies, and
   ii. Embracing diversity.

d. **Bank on distributed leadership:**
   Tall hierarchies often cripple decision making. It is common to hear of ideas initiated at the shop floors but never reaching key decision makers, strategic initiatives failing to find internal sponsors and crucial vendor payments pending authorization for months. In the VUCA scenario, organizations have to leverage upon distributed leadership, i.e., employees at all work-levels should be empowered to take decisions themselves. This will not only help in combatting the bottlenecks at the leadership level, but also help organizations respond quickly to the speed of changes all around.

e. **Build change stamina:**
   Making organizations comfortable would need organizations to do three things.
   i. Firstly Leaders need to be aware of the state of readiness of the organization at all times. They could do this by frequently conducting pulse surveys.
   ii. Secondly, Leaders need to conduct or sanction a thorough change portfolio analysis to identify the employees getting impacted by the changes, which should help them to take better decisions.
   iii. Thirdly, they need to set stretch goals consisting of owning and leading initiatives to create positive stress and improve organizational stamina.
6.2 The employees

While working on this paper, we also posed the interviewees and ourselves a question – “What are employees in successful organizations like?” Collectively we came up with three elements:

a. **Stay inquisitive to stay relevant:**
   Imagine being in the HR department and being unaware of the cloud HR solutions. Would it be OK for the company and the employee in the long term? Employees need to stay abreast of the newest development and latest updates. For their own self development and for them to be able to contribute to growth of the organization. Employees should pro-actively look out for internal change initiatives and opportunities to be a part of such transformation exercises to stay relevant in the VUCA world.

b. **Leverage on technology for collaboration and quicker decision making:** With workplaces becoming digital, employees need to leverage technology for their daily duties to save time and enhance employee productivity.

c. **Be comfortable with ambiguity and uncertainty:** Employees need to embrace this idea as a new normal and look at the positive outcomes from this state. Today organizations are helping their employees to understand VUCA and how to deal with it.

6.3 The HR function

Through the study, it was clear that while the business should have clear accountability of leading and managing change, HR could also play a much greater role in supporting them. We believe that HR has a pivotal role to play both from a short-term and a long-term perspective:

**Short term: Change Event-specific**

a. **Support internal change initiatives by championing the execution of change management:**
   i. HR should help in the identification of the change teams based on past performance and future potential
   ii. They can support in training design and management
   iii. HR should help in design of reward and recognition mechanisms for change programs
   iv. HR should work with business to identify goals that need to be set for the project team to successfully roll-out the change and the larger impacted employee group for embracing the change

**Long term: Organization-specific**

a. **Align all internal HR systems, processes and frameworks to build a change-capable workforce:**
   HR should align its internal recruitment, training, performance management and talent management processes with change management capabilities. What this means is that recruitment processes should be designed to test and assess candidates for their change capabilities; performance management systems should align performance goals with change programs; reward mechanisms should be such that they kindle change behaviors; learning and development teams should design curriculums to develop change competencies in employees; and talent management practices should be such that the top talents displaying change capabilities are groomed for future leadership roles.

b. **Institutionalize a Centre of Excellence/Change Management Office for managing change:**
   i. Different companies have different opinions about having a rigid change management group within the organization for managing internal change. However, we believe that the most effective way for such a center of excellence (CoE) to function is to have an agile team with 2-3 members who are subject-matter experts and leverage upon fluid functional team structures for the execution of change management.
   ii. This CoE would be responsible for building the internal change management capability of the organization and act as guiding teams to departmental SPOCs who are leading internal change projects. These CoEs can be further strengthened with the support of consulting firms, which can provide both expertise and executional capacity.
6.4 The external ecosystem

Through the interviews it also became amply clear that the organizations that successfully manoeuvre through the VUCA maze, create successful game plans to deal with the external ecosystems. We identified two elements that set apart such organizations:

a. **Leverage technology to communicate & train the external ecosystem:**
   As business models change, organizations look for ways to effectively engage customers to aid adoption of new products and platforms. As an example, today, Banking sector is leveraging the internet and mobile application ecosystem to communicate about their new services and products. They are also using the same platforms to spread consumer awareness about complex financial instruments to train large masses of people, which would otherwise have taken ages to accomplish at multi-folds cost.

b. **Identify impacts downstream and foster collaboration:**
   In this complex world most changes involve the interplay of the entire business ecosystem. As an example the successful implementation of GST (Goods and Services Tax in India) for companies will not be possible without their vendors being on-board with the change. As an initiative, not only governments but companies have started educating their vendors about GST. Thus organizations that understand this interconnectedness and dependence of their operations on external environment are the one that will succeed in the VUCA world.
7. Exhibit A: Survey demographics

For the study, we solicited responses from more than 100 top Indian businesses from multiple industries, including manufacturing, IT/ITES, BFSI, auto and associate ancillaries, power and utilities, FMCG, infrastructure, and media and entertainment. Our respondents include a wide range of practitioners including founders, functional heads, change management practitioners and project managers. The inputs – gathered through online surveys and face-to-face interviews – have been analyzed extensively to come to conclusive inferences about various enablers for managing and leading change successfully in the VUCA world.
More than 75% of the organizations surveyed invest less than 10% of a project’s cost in managing change formally; only 17.3% invest 20%-30%.
7. Exhibit B: Additional survey insights
It is significant to note that more than 50% of the organizations surveyed have undergone cultural transformations in the last 3-5 years.

### Major change programs in the last 3-5 years

<table>
<thead>
<tr>
<th>Rank</th>
<th>Change Program</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Organization restructuring and design</td>
<td>64%</td>
</tr>
<tr>
<td>2</td>
<td>Enterprise/function-wide business transformation</td>
<td>52%</td>
</tr>
<tr>
<td>3</td>
<td>Culture transformation</td>
<td>50%</td>
</tr>
<tr>
<td>4</td>
<td>Policy and regulatory compliance</td>
<td>44%</td>
</tr>
<tr>
<td>5</td>
<td>Outsourcing and/or shared Services</td>
<td>37%</td>
</tr>
</tbody>
</table>

### Ranking of parameters for evaluating success of a change program

<table>
<thead>
<tr>
<th>Rank</th>
<th>Parameter</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Proficiency with the changed ways of working</td>
</tr>
<tr>
<td>2</td>
<td>Financial impact – Noticeable improvements in financials such as revenue, profitability and internal costs</td>
</tr>
<tr>
<td>3</td>
<td>Minimal disruption to business</td>
</tr>
<tr>
<td>4</td>
<td>Speed of adoption</td>
</tr>
<tr>
<td>5</td>
<td>Recognition by the customer and markets</td>
</tr>
</tbody>
</table>

Organizations are focusing on sustainability of the changes introduced rather than reaping short term financial benefits from change programs.

### Top barriers to change in organizations

<table>
<thead>
<tr>
<th>Rank</th>
<th>Barrier</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Lack of leadership support and commitment toward the change</td>
<td>76%</td>
</tr>
<tr>
<td>2</td>
<td>Lack of properly defined goals and objectives of the programs</td>
<td>51%</td>
</tr>
<tr>
<td>3</td>
<td>Lack of focus on cultural alignment for change adoption</td>
<td>47%</td>
</tr>
<tr>
<td>4</td>
<td>Change fatigue – too many changes happening too often giving little time for people to adjust</td>
<td>40%</td>
</tr>
<tr>
<td>5</td>
<td>Untimely and ineffective communication</td>
<td>38%</td>
</tr>
<tr>
<td>6</td>
<td>Inadequately defined measures of the program’s success</td>
<td>24%</td>
</tr>
<tr>
<td>7</td>
<td>Ineffective transition planning and inadequate transition support</td>
<td>24%</td>
</tr>
</tbody>
</table>

### Top measures adopted by organizations to increase the speed of adoption

<table>
<thead>
<tr>
<th>Rank</th>
<th>Measure</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Continuous leadership support and commitment</td>
<td>82%</td>
</tr>
<tr>
<td>2</td>
<td>Technology-led communication and learning</td>
<td>78%</td>
</tr>
<tr>
<td>3</td>
<td>Use of local change champions and change agents</td>
<td>62%</td>
</tr>
<tr>
<td>4</td>
<td>Track and measure RoI on adoption</td>
<td>56%</td>
</tr>
<tr>
<td>5</td>
<td>Leverage transient teams like business readiness groups</td>
<td>22%</td>
</tr>
</tbody>
</table>

Besides leadership support, using technology has become one of the key drivers to increase speed of adoption.

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### Impediments to be ready for the change

<table>
<thead>
<tr>
<th>Cultural readiness</th>
<th>Commitment to readiness</th>
<th>Capacity readiness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Culture that is not aligned to the change</td>
<td>Conflicting business priorities</td>
<td>Lack of a dedicated team to implement business side of change</td>
</tr>
<tr>
<td>Belief that change does not require to be managed</td>
<td>Minimal understanding of the impact of change</td>
<td>Lack of a dedicated team to implement business side of change</td>
</tr>
<tr>
<td></td>
<td>Unwilling to invest in training and capability building</td>
<td>Unclear accountabilities between program teams and business teams</td>
</tr>
<tr>
<td></td>
<td>No buy-in of the change</td>
<td></td>
</tr>
</tbody>
</table>

### Cultural readiness

- Leverage change champions across the organization to drive a culture of change: 48%

### Commitment to readiness

- Communicate with purpose and transparency: 78%
- Assess all soft and hard risks and put appropriate mitigation plans: 52%
- Identify detailed impacts of change and make appropriate action plans: 38%
- Collect suitable data around the health of change program and take necessary steps: 34%
- Set up a strong change governance board: 32%

### Capacity readiness

- Invest considerably in training and capability building: 66%
- Set up task force of impacted business owners responsible for change readiness: 52%
**Note to the reader**

**For more details please contact**

**Rajiv Krishnan**  
Partner,  
People Advisory Services Talent & Performance Leader  
EY, Bangalore  
+91 9632548005  
rajiv.krishnan@in.ey.com

**Anurag Malik**  
Partner,  
People Advisory Services  
EY, Delhi  
+91 9811395130  
anurag.malik@in.ey.com

**Gopal Nagpaul**  
Partner,  
People Advisory Services, EY, Mumbai  
+91 9870495509  
gopal.nagpaul@in.ey.com

**Jayant Kumar**  
Director,  
People Advisory Services  
EY, Delhi  
+91-9811236279  
jayant1.kumar@in.ey.com

**Contributors:**

**Mayank Malhotra**  
Senior Consultant,  
People Advisory Services  
EY, Delhi

**Amit Damahe**  
Consultant,  
People Advisory Services  
EY, Kolkata

**Pramod T**  
Consultant,  
People Advisory Services  
EY, Delhi

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- **Ms. Tumpa Sarkar**, Sr. Counsellor, CII, CII-Suresh Neotia Centre of Excellence for Leadership.

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**CII contacts:**

**Ms. Indrani Kar**  
Principal Advisor, CII & Head,  
CII - Suresh Neotia Centre of Excellence for Leadership,  
Tel: +91 33 66140100  
Fax: +91 33 66140136  
Email: indrani.kar@cii.in

**Ms. Tumpa Sarkar**  
Sr. Counsellor,  
CII - Suresh Neotia Centre of Excellence for Leadership  
Tel: +91 33 66140100  
Fax: +9133 66140136  
Email: tumpa.sarkar@cii.in
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Ahmedabad
2nd floor, Shivalik Ishaan
Near C.N Vidhyalaya Ambawadi
Ahmedabad–380015
Tel: +91 79 6608 3800
Fax: +91 79 6608 3900

Bengaluru
12th & 13th floor
“U B City” Canberra Block
No.24, Vittal Mallya Road
Bengaluru-560 001
Tel: +91 80 4027 5000
Fax: +91 80 6727 5000 (12th floor)
Fax: +91 80 2224 0695 (13th floor)

Chandigarh
1st Floor SCO: 166-167
Sector 9-C, Madhya Marg
Chandigarh-160 009
Tel: +91 172 671 7800
Fax: +91 172 671 7888

Chennai
Tidel Park 6th & 7th Floor
A Block (Module 601,701-702)
No.4, Rajiv Gandhi Salai Taramani
Chennai-600113
Tel: +91 44 6654 8100
Fax: +91 44 2254 0120

Delhi NCR
3rd & 6th Floor, Worldmark-1
IGI Airport Hospitality District
Aerocity New Delhi-110037, India
Tel: +91 11 6671 8000
Fax +91 11 6671 9999

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Succeeding in the VUCA paradigm

Hyderabad
Oval Office
1B, iLabs Centre
Hitech City, Madhapur
Hyderabad - 500081
Tel: +91 40 6736 2000
Fax: +91 40 6736 2200

Jamshedpur
1st Floor, Shantiniketan Building,
Holding No. 1, SB Shop Area,
Bistupur, Jamshedpur - 831001
Tel: 657 663 1000

Kochi
9th Floor “ABAD Nucleus”
NH-49, Maradu PO
Kochi - 682 304
Tel: +91 484 304 4000
Fax: +91 484 270 5393

Kolkata
22, Camac Street
3rd Floor, Block C”
Kolkata-700 016
Tel: +91 33 6615 3400
Fax: +91 33 6615 3750

Mumbai
14th Floor, The Ruby
29 Senapati Bapat Marg
Dadar (west)
Mumbai-400 028, India
Tel: +91 22 6192 0000
Fax: +91 22 6192 1000

Pune
C-401, 4th floor
Panchshil Tech Park
Yerwada (Near Don Bosco School)
Pune-411 006
Tel: +91 20 6603 6000
Fax: +91 20 6601 5900
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