

BUSINESS STRATEGIES OF ENTERPRISES IN THE FACE OF UNCERTAINTY

Strategic thinking is about synthesis, about using intuition and creativity to formulate an integrated perspective, a vision, of where the organization should be heading.

Henry Mintzberg

S – *steady*

P – *predictable*

O – *ordinary*

D – *definite*

word

V – *volatility*

U – *uncertainty*

C – *complexity*

A – *ambiguity*

word

B – *brittle*

A – *anxious*

N – *nonlinear*

I – *incomprehensible*

word

80s of the XX
century

20s of the XXI
century

Management is carried out on the basis of operational and short-term planning, clear procedures and predictable algorithms of actions

Increasing the importance of strategic planning instead of long-term planning, the need to adapt traditional management methods, practices and procedures to the new environment

The need to adapt the management system to the new characteristics of the international environment and the search for tools to ensure the success and competitiveness of organizations in the face of extraordinary uncertainty

Aspect	VUCA World	BANI World
Foundation and Origin	Originated in the late 1980s, post-Cold War era, with a focus on geopolitics.	Emerged more recently in response to contemporary challenges, including digitalization.
Framework Components	Volatility, Uncertainty, Complexity, Ambiguity, focusing on external factors.	Brittle, Anxious, Nonlinear, Incomprehensible, addressing internal and external dynamics.
Change Perspective	Primarily external disruptions and adaptability.	Extends to internal fragility, psychological anxiety, and non-linear change.
Response Approach	Adaptability, agility, and reacting to external changes.	Resilience, anxiety management, embracing complexity, addressing internal issues.
Focus	External environment, market, competition, geopolitics.	Broader focus on external and internal dimensions, including organizational dynamics.
Applicability	Widely used in business contexts, strategy, and risk management.	Applicable to business, society, and digitalization's impact on individuals and organizations.

The types of uncertainty in business:

Extreme uncertainty

Extreme uncertainty arises when an event creates significant business problems, when numerous factors are uncertain and particularly difficult to measure effectively. Therefore, an event that is difficult to measure in terms of its duration or rate of change is often referred to as extreme uncertainty because of the multiple levels of uncertainty it creates.

Generated uncertainty

Generated uncertainty can best be understood as uncertainty that emerges as a direct result of an external action taken by an individual or group of people. In the vast majority of cases, these actions are largely the results of decisions made by leading parties or administrations of a particular country.

Political uncertainty

The inability to consistently predict how government policy may change and potentially impact business as a result is at the centre of what is known as political uncertainty. A particular change in policy could have unforeseen consequences for business, leading them to need to adapt as a result of the unforeseen change.

Financial uncertainty

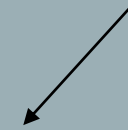
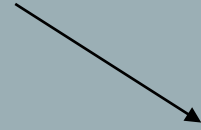
While business uncertainty by design makes it more difficult for a business to turn a profit, financial uncertainty involves uncertainty that is explicitly tied to unforeseen changes in the financial sphere.

Extreme uncertainty

Generated uncertainty

Political uncertainty

Financial uncertainty



Scenario planning



Dynamic strategy



Investing in the workforce



Agile operations



Creating value with deals



Adjusting to tax and regulation reform



Capital strength

Building flexibility and resilience in the face of uncertainty

Dynamic strategy

Strategic decision-making should be dynamic and probabilistic. Defining a strategy and then testing and adjusting it in response to internal and external changes is critical to creating competitive advantage.

The use of modern big data technologies and machine learning is creating more opportunities to model economic, corporate and human behaviour.

Supporting the workforce with agile operations

In times of uncertainty, organisations need to focus on operational agility. This prepares people for rapid change, which can be the key to survival and prosperity.

Investing in the workforce

As companies consider a wider range of options and scenarios, they need to ensure that their workforce has the new skills required by the new digital world. Investing in efforts to make the existing workforce more agile and resilient to changes in the environment can enhance an organisation's ability to thrive in uncertain times.

Create value with deals

Companies that are flexible enough to make deals when they can, rather than when they have to, realise that deals provide an opportunity to accelerate growth and stay ahead of the competition. As more motivated sellers emerge in uncertain times, companies could potentially benefit from a flood of deals from organisations selling assets.

Adjusting to tax and regulation reform

To be resilient to changes in the tax and regulatory environment, companies must stay ahead of the curve and, where appropriate, work with industry peers and government to improve outcomes.

Capital strength

The finance department should closely monitor the payment discipline of customers to keep an eye out for early warning signs. To ensure flexibility during periods of heightened uncertainty, companies should proactively optimise working capital and reduce receivables before customers face their own liquidity problems.

No one action, by itself, can dispel a heavy cloud of uncertainty. But if organizations can get out of their defensive crouch and assume a more aggressive stance, they have a better chance of maintaining their balance and shaping their future.

W. Jackson-Moore, H. Swanston, M.Kande



SIGNAL ADVANTAGE

The ability to detect, communicate, and assess risks and opportunities

Take a wide-angle approach to data collection

Model second- and third-order effects

Uncover counterintuitive opportunities



DECISIVENESS ADVANTAGE

The ability to align around and execute the best strategy

Use simulations to identify a variety of plausible futures

Define what success would look like and how to achieve it

Prepare plans for different scenarios and choose where to place bets



RESILIENCE ADVANTAGE

The ability to anticipate and recover from disruption

Develop contingency plans that mitigate the effects of shocks

Develop organizational agility

Prepare emergency protocols and train workforce

Three sources of Uncertainty Advantage (BCG)

Some measures that companies can take to plan effectively in the face of uncertainty and incomprehensibility:

Minimise the impact of negative risks: managers should encourage in-depth risk assessments to manage them wherever possible

Strategic analysis using models such as Porter's Five Forces and SWOT analysis, scenario planning should be more frequent than it has traditionally been.

The need to have a cash buffer: in volatile times, it is best to convert shares and receivables into cash as quickly as possible.

Encourage long-term planning: Companies typically focus on a 1-2 year planning horizon. However, some new trends take time to spread across a market niche, so it is important to assess the likely impact of current trends on future consumer behaviour.

Managers need to have access to a variety of information sources: smaller and more nimble companies will benefit if they can take advantage of obvious new trends in their industries before larger companies have time to react.

Flexible use of new opportunities: Black swan events create winners and losers. Companies must remember that changing environmental conditions also present new opportunities, and therefore, businesses must be able to adapt to these changing conditions.

Encouraging innovation: entrepreneurship and innovation should be encouraged; provided the downside risks are managed, learning in itself will be very rewarding.

Setting up an alert system: companies should ensure that there are simple alert systems in place to track issues

Finding innovative solutions: Many issues arising from external shocks or black swan events are complex and often require tough decisions. Using tried and tested solutions that lack imagination can often lead to exacerbation of problems. More creative solutions are needed to deal with such problems caused by black swan events.