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NEW APPROACHES TO THE MANAGEMENT OF ORGANIZATIONS IN ACCORDANCE WITH THE PHILOSOPHY OF “VUCA WORLD”

Abstract

The article examines the influence of the “VUCA world” philosophy on the management of a modern organization. The growth of instability and uncertainty in all spheres of life requires specialists of organizations to possess a wide range of knowledge and adequate response to situations when it is impossible to predict the negative development of certain events. The management of organizations needs to abandon mental illusions and established structures in management, maintain their physical and psychological state, work constantly checking with the organisation’s strategy, and support the team in the correctness of the chosen goals. In the “VUCA world” philosophy, digital technologies have predetermined the emergence of new “flat structures” for solving innovative tasks, assessing and managing counteraction to risks and threats. Contradictions associated with the release of a new product to the market have intensified because, in addition to previously known problems (investment, time and staff resistance), an organization may lose market share of products already produced.

Keywords: VUCA world, instability, variability, uncertainty, complexity, digital environment, risks, threats.

Introduction

Studies conducted in recent years have been marked by an increase in the volume of new information and a loss of relevance to existing information. Up to 90% of all information available in the world has appeared in the last 2-3 years, which means that the world that existed more than three years ago is already outdated. Many norms, ideas, knowledge and technologies are a thing of the past. Since 2015, approaches, principles and management methods, united by the abbreviation VUCA have been discussed in the global scientific and business community. “VUCA world” stands for volatility (instability, variability), uncertainty; complexity; ambiguity (Meleshkin & Nikolaev, 2012).

The “VUCA world” philosophy is a modern assessment of an ever-changing world, requiring

managers to make dynamic operational and strategic decisions. How did the emergence of the new “VUCA world” approach affect the assessment of situations reflecting the ongoing changes and the processes of managers taking response measures?

The Philosophy of Assessment Changes in the External and Internal Environment

The widespread use of high technologies, rapidly changing economic conditions, and the emerging digital space require new approaches to managing organizations and information technologies. In the conditions of increasing environmental uncertainty, the role of some basic management principles in management is changing:

- “Authority”, “Responsibility”, “Initiative support” – the priority of each employee’s personality is growing, and the conditions of relationships within organizations are changing. The staff is required to participate more and more in the adoption and implementation of management decisions, and consequently, responsibility is also growing;
- “Unity of action” – the role of the team in solving current and planned tasks is strengthened; team cohesion comes to the fore, and, consequently, the role and attitude of managers to this process is changing;
- The role of personnel is strengthened in the context of frequent adjustments to plans and assignments. The requirements are also changing, and specialists who are able to think variably deserve more attention;
- Requirements for ensuring the release of a better product (service) are being tightened.

Foreseeing the future is an important step that ensures the stable development of an organization that can encourage stakeholders to transform. Stephen R. Covey (2009) fairly defined that the ability to see the work result at its beginning is one of the essential principles of the work of the head of the organization.

As part of the development of the theory of environmental assessment with the help of the “VUCA world”, it naturally became necessary to develop other approaches to VUCA strategies, flexible transformation (rapid restructuring), etc., and the acceleration of the development of IT technologies; digital space changes the role of personnel in this process. Specialists with a wide range of knowledge and understanding related to situations in which it is impossible to predict the development of certain events, where there is a high degree of risk, and threats are becoming the most demanded ones. In this case, the head of the organization acts as a risk manager, and his task is to focus the staff on the organisation’s long-term goals.

The stability of the state and development of an organization is determined by the economic

conditions of its functioning and the level of impact on it of external and internal factors created by the mechanism of countering negative manifestations. Let us highlight the primary sources of potential threats:

- threats related to political and economic processes in the state;
- threats coming from unscrupulous competitors, as well as partners;
- internal threats emanating from their own personnel;
- threats of the criminal environment;
- natural and man-made emergencies, such as a pandemic (Mezhevov, Arakelyan, & Vorontsova, 2020).

Managing a modern organization in conditions of increasing risks and threats involves the choice of proven and improved actions that ensure the achievement of planned goals.

The Philosophy of Changing the Requirements for Personnel Response to Environmental Instability

The basis of entrepreneurial activity is the contradiction between the planned and its existing state. Foreign and Russian scientists believe that business structures using modern strategic planning methods, new systems for assessing the situation, stimulating staff, and changing (abandoning rigid) organizational structures feel better than competitors in the new information space and the constantly changing world. With such changes, the staff should have the ability to analyze quickly, think outside the box, and possess high intelligence and good interpersonal relationships.

In a rapidly changing situation, “lovers of the unknown” feel better when problems arise; they usually rely on logic and intuition and can find extraordinary ways to find a way out. Such specialists also have good psychological stability.

For personnel working in an unstable environment, it is possible to distinguish such vital characteristics as knowledge, competencies and

skills, i.e. what characterizes a person’s business qualities and his/her attitude to colleagues. It is crucial to abandon mental illusions and established structures, maintain your physical, emotional, and mental state at a high level, do not stop changing and improving, build horizontal and vertical connections, work with plans and goals, and constantly check them with the strategy of the organization and, most importantly, be able to take responsibility for the result.

The system of ensuring the reliable, effective functioning of the organization should first be based on the principles of setting goals and creating the necessary conditions for their achievement. It is essential to focus the goals on the stable development of the organization. In order to achieve the goals, it is necessary to establish a “corridor”, to achieve them, and the management of the organization should ensure that it is constantly in the field of permissible limits (standards of individual parameters), excluding in the process of developing the output of system evaluation indicators beyond the lower, and sometimes the upper limit of the effectiveness of its functioning. When selecting, training, and retaining employees and managers, special attention should be paid to flexibility, speed of decision-making, and accumulated experience in the “VUCA – environment”, that is, those who have the ability to act effectively in unpredictable situations.

The Philosophy of Changing the Requirements for the Behavior of the Manager

In an unstable environment, managers’ efforts should identify the essence and nature of emerging risks and threats (Chuvashova & Nikolaev, 2018). In this case, the best strategy is to simplify the assessment and methods of counteraction as much as possible. It is necessary to focus on a limited number of understandable risks and threats and significantly narrow down some of them. It is not necessary to disperse efforts to react to all incomprehensible and unknown events. In

such situations, the old schemes of planning, forecasting and counteraction management often do not make it possible to make informed decisions. Therefore, it is necessary to look for modern approaches to solving problems.

For a manager in such a situation, it is crucial to stop, look around, listen, think, and decide. This also applies to changing the conditions of interaction with the staff. The ability to switch from one thought to another, understand a new situation and look for ways to resolve it becomes a mandatory attribute of a modern manager.

It is crucial to be able not just to listen, but to hear people, feel the market, and soberly assess the position of resource providers and the interests of the organization’s personnel. Today, “illiterate” can be considered those who do not know how to constantly study and, retrain, improve (Mandelbrot, 1982). The application of such an approach will contribute to stable progress in achieving the organisation's goals.

Managers need to pay more attention to communications, keep faith in the correctness of the chosen goals, focus on the main directions of development, stimulate staff, and competently assess and simplify the situation within the organization as much as possible. To implement all this, it is necessary to understand the very essence of what is happening, use the gift of knowledge and skills, trust your intuition and experience, and consider problems from complex and systematic approaches. The manager needs to develop and encourage critical and creative thinking employees constantly. Thus, the manager should be based on a balanced assessment and quick decision-making when solving emerging problems.

Changing the Requirements for Training Specialists to Work in an Unstable Environment

The XXI century requires management to plan work, taking into account a large number of possible adverse situations. The ongoing changes in the external environment and the digital econ-

omy require changes in the level of knowledge of entire generations.

In terms of personal development, the assessment of the current situation with the help of the theory of “VUCA–world” determines the continuous process of training and qualification improvement, the development of practical cooperation skills, increasing the role of talents and full involvement in the work of all employees of the organization (team). Continuous professional growth is required from the staff and the development of effective interaction skills, maximizing returns, and full involvement in production processes.

Assessing the situation with personnel in modern organizations, we can draw one more conclusion – personnel who have received a broad, comprehensive education, are able to think in a variety of ways and are willing to work with solutions to problematic situations, do not panic when faced with uncertainty.

The requirements for vocational education have also changed. New and improved forms of training should help increase the competence of personnel and their readiness to diagnose and effectively solve emerging problems. This is achieved by organizing:

- rapid learning;
- more internal movements and work with a consultant;
- attracting specialists on the terms of temporary employment, with possible subsequent enrollment in the state.

The involvement of third-party employees (outsourcing) will save on taxes and, to a greater extent, create conditions for responding to the ups and downs of the market to meet the organization's needs in new competencies, knowledge, and skills.

There has been much talk in the Russian Federation about creating training systems in recent years. Nevertheless, the proclaimed national goal of building a socially-oriented society allows us to give the following formulation – “*everyone is talented, the state should help citizens obtain the*

necessary knowledge and competencies and further develop for the benefit of society”. By providing an opportunity to get a versatile education for everyone (even better - by stimulating him/her in every possible way), the state allows talent to open up in the interests and field of activity corresponding to his aspirations. An analysis of the current general education system of education and training of professional personnel in the Russian Federation shows that the Unified State Exam and other similar events do not contribute to the formation of the above-mentioned goals of social society and the formation of professional skills of work in conditions of instability, and even more so the propensity and desire for new types of thinking. Today, the Russian education system (general, specialized secondary and higher levels) has been restructured towards narrow specializations and the search for solutions among ready-made answers. The system does not develop variability of thinking.

Changing the Requirements for Managing an Organization in a Digital Environment

The philosophy of “VUCA–world” involves changing the management organization system and adjusting the principles and methods of organization management. The variability of the environment implies consideration of alternatives to the development of the organization. Despite strengthening collegiality in management, a modern manager should be ready to take responsibility for the decisions made. The variability of the situation and flexibility in decision-making allows you to quickly switch from one development scenario to another with minimal losses. Based on the “VUCA world” philosophy, the new approach assumes the possibility of rapid restructuring of organizational structures (flexible transformation). Such examples may be large foreign companies like Google, Microsoft, Spotify, Zappos, Ericsson, PayPal, Acrolinx, Moody’s, Facebook, and Russian ones – Al-

faStrakhovanie, Sberbank, MVideo, and MTS.

The rapid transformation of goals, organizational structures and technologies involves close interaction of the organization’s employees at different levels. Organizations’ so-called “flat structures” have already appeared, including self-connecting cross-functional teams. With such a management organization, employees are result-oriented. This model, which can move from one state to another, to move from one behaviour model, for example, from authoritarian to another, more effective for the company at one stage or another of its development, is often called hybrid. This reflects the essence of a “self-organizing” organization, which is also understood as a “fractal model of organizational behaviour” (Mezhevov, Zheltenkov, Mitrofanova, & Ryabichenko, 2017). When functioning in an unstable environment, the advantages obtained from such teams are the ability to quickly manage changing priorities, labour productivity growth, acceleration of decision-making processes and introduction of innovations.

Risks and threats in the philosophy of “VUCA the world”, affecting the organisation’s activities from the external environment, are multidirectional. The functioning of an organization from the point of view of external factors is constantly at risk of disruption or deterioration of the situation due to possible disruption of the regional, sector and inter-sector resource flows and restrictions necessary for its activities. We noted that the threat, unlike the risk, represents a real but still possible impact on the organization. Therefore, when managing counteraction (active or reactive management), proven methods and mathematical apparatus can be used (Anikin & Rodkina, 2019)

The philosophy of the organization’s work with risks and threats involves the organization of the collection, analysis and exchange of information and its systematization. Particular importance is attached to understanding the political, economic, social, technological, legislative and environmental factors that significantly affect the business situation. It is important to regu-

larly use and update well-known methods of analysis and preparation of management decisions (PESTLE, SWOT, BCG matrix and others). When assessing risks and threats, ranking methods can be used to determine priorities and assess the degree of their impact on the state of the business to determine which steps need to be taken first. The lack of accumulated experience in the organization, methods and systems of continuous forecasting of the market environment, poor quality of market monitoring, effective methods of planned assessment of the behaviour of market participants, as well as mesoeconomic and macroeconomic factors may eventually lead to the bankruptcy of the company (Nikolaev, Chuvashova, Grishin, & Zemtsova, 2019; Nikolaev & Seleznev, 2019).

The “modernity” of an organization’s management system can be assessed with the help of changes in the organizational structure, applied information technologies, production process management systems, the flexibility of the system (subject) itself, etc. In order to guarantee the positive dynamics of the development of an organization operating in a digital environment, in addition to external factors, it is necessary to analyze the possible negative impact of internal factors. To do this, it is advisable to use the following methods: scenario planning, decomposition, risk and threat assessment, etc. As for risks, it is possible to plan a response to them using the following areas: risk prevention, risk distribution, risk absorption, redundancy, risk diversification, localization and limitation.

The Philosophy of “Vuca World” and the Acceleration of Changes in Internal Processes in Organizations

The organisation’s management should be prepared for possible threats that cannot be predicted. Acceleration of the processes of changes in the external environment implies an increase in the speed of internal staff movements to places where they will be able to unleash their potential to a greater extent.

A new product. The philosophy of the new product has changed. The processes of updating it have accelerated. Only innovations – the source of development and the priority direction of the organization’s management can create new, competitive products. This can also be achieved through the growth of the competence of its own staff and the search and involvement of specialists who are inclined to develop and implement changes. The development and implementation of innovations is a process that requires certain financial, time and labour costs; therefore, innovative development creates a certain tension in the organization.

Another problem is the new product, which can significantly reduce the demand for the product currently produced by the organization. The question often arises whether it is necessary to create a new product to reduce the demand for what is already being produced today. Is it worth it? In this case, the management should seek and justify answers to the following questions:

- Does the organization need a new product today, including to prove innovative advantages over competitors?
- How have the modern requirements of the buyer changed, and how much does he need a new product?

On the other hand, practice shows that it is easier for competitors to copy a new product, and the question arises, does it make sense to risk “helping” competitors to strengthen their positions?

About technologies. Apply flexible processes – the requirement of the flexibility of adaptation and the ability to make changes quickly – as an important component in all current and new technology management plans and processes.

About the software. There are requirements for the organization management software. It is planned to introduce a continuous assessment system for obsolescence.

Organization of management. The nature of vertical and horizontal connections is changing, increasing and strengthening the latter. Imple-

mentation of fluid job descriptions. Creation of conditions and accumulation of experience for the continuous development of the processes of changing job descriptions to reflect new work standards and changes like staff activities.

Discussion

The scientific novelty of the authors’ developments lies in changing the vector of requirements for the management and personnel of organizations, namely, in the growing demand for specialists with a wide range of knowledge and proficient methods of assessing situations in which there is a high degree of risks and threats. Today, the head of a modern organization needs to understand the very essence of what is happening, use the gift of knowledge and skills, trust his intuition and experience and consider problems from the standpoint of complex and systematic approaches. The manager needs to improve management processes and develop systems for professional development and employee incentives.

The use of the “VUCA world” philosophy revealed an increase in demand for personnel capable of thinking in a variety of ways and working with solutions to problematic situations, not to panic when faced with uncertainty.

The authors have identified several relevant areas for developing methodological approaches to risk and threat assessment, more comprehensive application of scenario planning methods, decomposition, etc. The use of reactive management to prevent or absorb risks, their diversification, localization or limitation is presented.

Conclusion

The functioning of organizations in conditions of increasing instability and uncertainty has significantly complicated their management. The philosophy of change, revealed by the VUCA world assessment, determined the strengthening and acceleration of democratisation processes in

business. Changes were identified in the assessment of ongoing changes, personnel response to environmental instability, managers' behaviour, training specialists, approaches to combating risks and threats, and organizations working in the digital environment. The growth of democratization in society, in the management system, acceleration of changes in the external environment and the environment of organizations implies a change in organizational structures and acceleration of internal staff movements to places where they can more fully unleash their potential.

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