

Imperative Strategic Enhancement on Human Resource Management Functions in VUCA Business Environment – HR Leader Perspective

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Abstract. Many studies imposed the essence of human resource management (HRM) and the leadership role to make an appropriate strategic response in order to survive in the volatile, uncertain, complex, and ambiguous (VUCA) environment. However, a detailed reflection on the strategies to be followed by the human resource leaders is highly mandatory in a complex business environment with an uncertain world. In the VUCA business environment, it is a primary requirement for the HR leaders to ensure the strategies and policies pursued by them are on par with the ever-changing situation and evolving needs. Thus, this paper examines the significance of human resource management and implementing or advancing imperative strategies in the VUCA environment. The various challenges faced by the HR leaders and the approaches to be followed by HR practitioners for the different yet more specific business environments have also been discussed to enhance employee engagement and organisational performance. Moreover, various other common strategies and adequate behaviours to be practised by the HR leaders that suit all the circumstances and situations have also been explicitly highlighted.

Keywords — *HR strategies, VUCA business environment, HR leaders and practitioners, employee engagement, organisational performance, employee satisfaction*

I. INTRODUCTION

The business environment is changing remarkably at a high speed due to the influence of change in various aspects such as technological intervention, political or financial changes, social and environmental changes and more. The transformation in the thoughts and working attitudes of the employees and behavioural changes impact the work environment in the organisation. With the conceptualization of the term 'VUCA' by the United States army war college to portray the conditions in the cold war, in the initial years, the components such as volatile, uncertain, complex, and ambiguous are used to refer to 'uncontrollable' environment [1]. Gradually, VUCA has been used in various fields such as political and business environments to refer to complex and variable difficulties faced by organisations and individuals during change [2]. In recent years, business and its related fields have been facing more unexpected challenges than ever especially after pandemic [3]. In order to manage critical situations, the leaders and human resource (HR) practitioners take immediate action with proactive strategies to run the business smoothly since they are responsible for designing the future of their business [4].

VUCA addresses unforeseen environmental changes, the needs of a diverse workforce, and unforeseen customer demands in a demanding business environment. The main goal of human resource management (HRM) is to overcome challenges in such a difficult environment in order to get a

competitive advantage [5]. Organizational structure and workplace culture play a significant role for thriving under uncertain business circumstances at the functional level [6]. Besides, inclusive leadership and diversity management increase employees' active engagement and participation [7]. Regardless of the organizational culture, it is essential to manage and retain talent by making sure the staff is intensely committed in raising the organization's performance [8].

In such a situation, leaders must be self-aware of their strengths and shortcomings, steady in their decision-making through consultation with others, internally motivated, business-ethical, and legitimate in their interactions with employees [9]. For managing quality and risks in the VUCA environment, VUCA prime was introduced [10]. Behavioral leadership paradigm VUCA prime was initially presented by Robert Johansen in 2007. Vision, Understanding, Clarity, and Agility is a model to help people and organizations succeed in a VUCA world. This acronym can be used to counterbalance each of the four VUCA aspects. When it comes to having a vision, one must act to create the future rather than just predict it [11].

Thus, HR leaders must redefine their legitimacy in the organisation and redesign the assumptions functioned in the past several years [12]. Factors such as encouragement, leadership style and mastering the required skills also create a huge impact on the performance of an organisation in the VUCA era [13]. Human resource department is the core for any organization which manages the human capitals

effectively. Several organizations covering a wide range of sectors are facing numerous issues without the presence or proper working of HR department and without effective HR activities to manage and retain their employees [14], [15]. Several studies pointed out the significance of strategic planning and HRM for enriching the quality and performance of the enterprise in an uncertain work environment [16], [17]. Accordingly, HR practitioners must implement advanced strategies and plans to address the ambiguous business environment that meets the dominant market needs [18].

II. CHALLENGES IN VUCA BUSINESS ENVIRONMENT

This section discusses the various challenges faced by HR professionals and leaders in sustaining organisational performance.

A. Volatility

Volatility in the business environment indicates unstable change. Though there is enough available information, the situation is understandable and does not even involve a complex structure, the change is recurrent and the outcome of the business events is impulsive [19]. Volatile situations can be identified with the following question: What are the changes likely to take place in a business or organisation? At what speed the change will occur? Will the change negatively impact the employees and performance of the organisation? How long the change will last in the business? Primarily, the change in the business environment forces the HR leaders to manage instability, unexpected changes and sudden fluctuations [1]. High levels of unpredictability are made possible by the technological reconstruction of large scales at accelerated speeds. The attitudes held by workers and the ways in which they carry out their jobs also differ greatly. In addition, a volatile leader is another challenge that an organization may face, as this type of leader's inconsistency in making decisions as well as their untrustworthy deeds and acts may cause talented individuals to leave the organization. As a consequence of this, the leaders of HR need to conduct a new analysis and restructure the operational plans in order to retain employees and foster performance in uncertain conditions.

B. Uncertainty

Uncertainty is a situation in business that lacks knowledge and information about what significant changes the events might cause. Though a volatile situation appears to be similar to an uncertain situation, both are distinguishable. Volatile directs to unpredictable shifts concerning various dimensions such as nature, speed, volume, and magnitude [19], [20] whereas the uncertain crisis is when the cause and consequence of an event are unpredictable. The direction of the outcome is vague and makes it difficult to expect the outcome from past events. The uncertain situation can be identified with the following question: Whether the event caused change? Which factors influence the change? How

well the changes can be identified? When will the change take place? How fast the change should be responded to?. The recent years have seen a number of changes in the functional model of the company, which has created a significant vulnerability across the board. The transformation of the organisation in such an epoch needs modifications in each process and eventually, the outcome of these changes is unpredictable [1]. The unpredictability of the leader's actions is another factor that contributes to the employee's lack of motivation and frustration. Thus, the indeterminate outcome of activities in this peculiar environment and uncertain leadership are more challenging for HR leaders to handle.

C. Complexity

A complex business environment involves a huge number of interconnected events. This situation could not be seen as unstable or unpredictable though it has multiple issues that are interconnected. Moreover, the relationship between the interconnected events and issues as well as between people and other factors are entirely hard to understand. A change in one event or process ultimately causes unexpected and indirect changes in other events as well [19]. The cause and effect of the outcome of events may have numerous layers and so it is difficult to identify the influential factor and significant layer while making decisions [21]. The complex situation can be identified with the following question: How much the structure of the events is understandable? How is the event interconnected with others? How much could the chain reactions be stoppable? For HR leaders, the interface has to be created and linked with several other operations and entities in an organisation that are interrelated [1]. The measures or the functions of HR can create an unexpected consequence that is incredible to predict and exposure to such situations promotes complexity. On the other hand, with complex leaders, the situation is, even more, worse when the employees cannot understand the expectations or goals of the employer. Thus, an improper understanding of the management itself become an obstacle in the performance. Accordingly, more effort is mandatory to accumulate and understand the appropriate information to handle the situation.

D. Ambiguity

The Ambiguous situation arises when there is no clear understanding of the relation between cause and effect. The situation revolves around new things where the lack of clarity prevails and the details of the causes and the effects are unclear [7]. It is very difficult or even unable to conceptualize the threats and opportunities. In uncertain situations, the causes can be predicted upon gathering appropriate information whereas in ambiguous situations with precedent knowledge from the past, determining the outcomes are more difficult. Both the knowledge about the situation and the prior prediction about the events and their outcomes are unknown or unclear [8]. Apparently, this situation leads to difficulty in making decisions and

confusion in arriving at a proper decision and understanding. The ambiguous situation can be identified with the following question: How well the internal and external factors are visible? Is there any misinterpretation and confusion? Is the direction to proceed straightforward? Is the information sufficient to make decisions? In addition to this, the fact that the leaders' opinions are not crystal clear is another barrier that prevents people from being interested. In order to deal with problems of this nature, the HR professionals collaborate with the other administrative members to intellectualize and modify the culture that is required to deal with the scenario. The procedures and methods that have been used up to now need to be reorganized or updated to take into account the introduction of new occurrences and the capacity to adapt.

III. HUMAN RESOURCE STRATEGIES FOR VUCA BUSINESS ENVIRONMENT

The HR practitioners must initiate to adapt new strategies without following the traditional methods [1]. The degree of challenges associated with the VUCA business environment also justifies the need for appropriate actions arising from HR. Consecutively, the HR leaders must use various procedures for the four factors represented in the VUCA business environment. Moreover, analyzing the business environment with VUCA enables us to know the level of understanding and misunderstandings about the current scenario. Accordingly, the situation can be well analyzed with which the risks and challenges associated with the scenario could be identified clearly. This supports the HR leaders to meet the VUCA business climate. Though the HR leaders follow numerous strategies in each VUCA environment, they can be grouped into four main standards and strategies 1) reliability (volatility), 2) flexibility (uncertainty), 3) clarity (complexity) and 4) adaptability (ambiguity). These four factors are considered to be an imperative strategic enhancement in difficult times and is given in Fig 1.

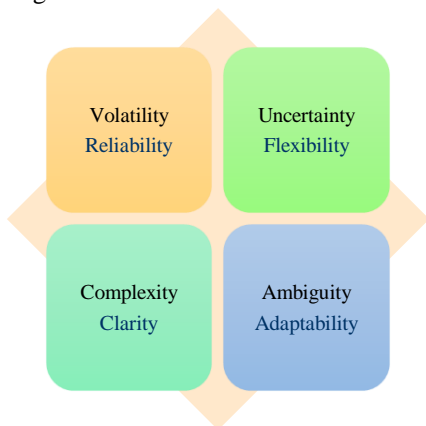


Fig. 1 HR Strategies for VUCA Business Environment
(Source: Author)

In general, the volatility and uncertainty represent the present environment condition and complexity and ambiguity influence the future outcomes of the decision

making. As change is the main driver of volatile environment that causes instability and increased risk, reliability must be the primary strategy to be followed by the HR leader. Similarity, unpredictability and unknown outcome lead to uncertain environment that creates indecisiveness and delayed action, HR managers must be flexible enough to handle uncertainty. Moreover, Interoperability and interdependencies leads to complex business environment that indeed leads to failure and mistakes, HR leaders must focus on being clear while handling complexity that arose in the business environment. Ambiguity is often caused by unclear actions, goals and reasoning that arises doubts, distrust and lack of confidence, the HR leaders must follow the strategy of adaptability. The detailed functions to be followed for the strategies such as reliability, flexibility, clarity and adaptability in VUCA environment is discussed in below sub sections. The overall strategic functions of HR leaders suggested for the VUCA business environment is presented as a framework in Fig. 2.

A. Reliability

The HR leaders must follow reliability as a core factor while redefining the strategies. Here the main approach to be carried out in such an environment is exploration. The HR leaders must proceed with the process without knowing much about the scenario. The agile process with trial and error-based experimentation helps to seek more knowledge about the situation. Moreover, they should be probed to change since change itself could be predicted in the volatile environment. Though the business environment is unstable, the functions and the strategies must be stable to a certain extent. Yet, it must be flexible enough with the firm base as a reliable foundation to cope with the volatile environment by accelerating and motivating employee engagement. The HR strategies must reflect the business priorities and focus on employee development through which the employee understands the opportunities for personal and professional development. It helps the organization gain the trust of the employees. Apart from employee skillset development, the wellness of the employee must be another part of the plan to minimize the work-life conflict persisting among employees. Human capital management through employee experience management must also be considered in a volatile situation. Everything can be achieved only when the HR personnel understand the main objective which is aligned with the vision of the company in compliance with the ethical practices [12]. This can be achieved by conducting periodic reviews at the employee level to assure that the HR goals are ensured through appropriate activities. These strategic functions help the HR leaders to handle the volatile business environment with stability and control and even help them to reduce the risk involved.

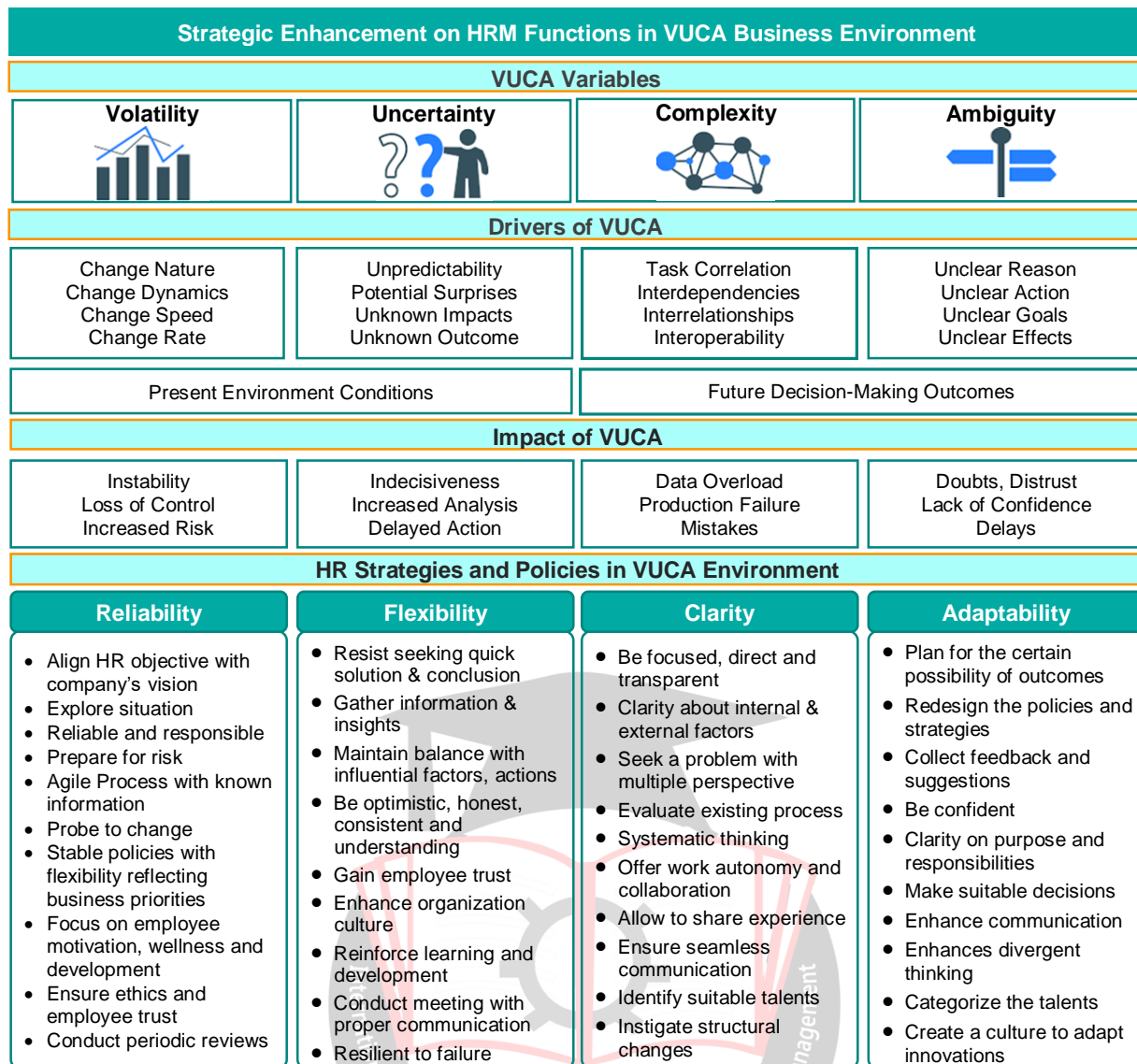


Fig. 2 HR Strategic Functions in VUCA Business Environment (Source: Author)

B. Flexibility

The key solution to the uncertain business environment is to inherit flexibility in HR strategies and plans that provide more comfort and support to the human capital. In the case of an uncertain situation, HR leaders must resist seeking quick solutions or conclusions. Instead, they maintain the balance between the core issues and factors influencing the problems with their actions without bias. In situations of uncertainty, the employees generally lose their trust in the management and the organisational culture and it depletes employee engagement and performance. The strategies created in the uncertain environment must make use of the situation to reinforce learning and development. The cynicism and dishonesty could be avoided by communicating and making the employees understand uncertainty. Apart from flexibility, being optimistic, honest and consistent in developing the strategies must also be significant for engaging employees. Conducting constant meetings with the employees also helps to reduce the distractions of the employees and to understand and evaluate

the employee's mindset at uncertain times. Moreover, every aspect must be taken care of individually while reforming the HR strategies. The insecurities and dissatisfaction among employees must be cleared relatively. Also, the plans and strategies are about to change in uncertain times and they must be resilient to failure. Thus, the strategic functions of flexibility results in definite, quick actions and analysis to handle unpredictability, unknown impacts and outcomes in flexible business environment.

C. Clarity

The strategy to be followed in a complex business environment is clarity and transparency. It is considered that only external conditions such as fierce competition and customer behaviours create a complex environment. Unfortunately, the greatest hardship is the internal conditions that include an organizational culture. It is a significant hindrance in the process of change and makes the situation complex. A clear idea about how the process and people are influenced by the internal and external factors by considering multiple perspectives of the same issue helps to handle

complex situations. Evaluating the existing process followed in the organization is also necessary. With systematic thinking and a clear understanding of the employees, many of the problems can be sorted out more simply. Moreover, the balance between autonomy and collaboration is also a key to success in handling complexity. Autonomy helps employees to handle the situation and reduce complexity by sharing their experiences with each other. Being transparent with the employees in the process of communication helps to gain trust and cooperation. HR leaders must ensure that seamless communication has been fortified among the employees to share their experience and knowledge. Identifying the appropriate people for appropriate jobs and instigating structural changes make the situation easier. These sort of strategic functions on clarity helps the HR leader to resolve failures and mistakes due to interdependencies, interrelationships and interoperability in complex business environment.

D. Adaptability

In ambiguous situations, adaptability must be the core element in reframing and restructuring the policies and strategies. The HR leaders must understand the employees and be clear in their purpose and responsibilities. This way of handling ambiguity in a business environment will motivate the employees to be engaged. With the lack of knowledge and information about the current situation, the HR leader must be able to make decisions and strategies suitably. Communication with the employees before and after restructuring the strategic policies in the form of suggestions and feedback helps to manage the ambiguous situation. The encouragement given to the employees enhances divergent thinking to empower innovations. Accepting the employee voice in such vague situations helps to gain trust and improve diversification. Though all the suggestions given by the employees may not be really effective, nevertheless allowing them to share their views helps to prepare their minds for innovations and to identify and categorize the organization's talents. Another responsible key strategy is to create a working climate or culture that supports the adaption of innovations. The HR leaders must be confident and assertive enough to face the situations. It is also necessary to plan for the certain possibility of outcomes prior by analyzing the event and its cause. Thus, these strategic functions on adaptability helps the HR managers to overcome doubts, distrust and lack of confidence revolving around the employees due to unclear actions, goals and effects in ambiguous business environment.

IV. ANALYSIS AND DISCUSSION

In general, though the VUCA business environment is more challenging, the situations can be handled appropriately with empowered talents. Though there exists an unstable situation in volatile environment, it is an anticipated situation since the information about the similar

situation and the way in which it is handled could be predicted. Similarly, though the lack of information prevails in uncertain situation, the likely causes and outcomes of the actions are known. Though several chaos exists in complex business environment, some information is readily available and come can be forecasted. Though there exist unclear situation in ambiguous business environment, the situation is unique and the HR professionals must be adapted to such environment to face the unknown with clear mission.

Thus, the main mission of HR leaders is to confirm that the employees are highly interested in the success of organization through their quality performance, innovativeness, clearness and adaptability. This helps the organization to compete and sustain their growth in global market. Moreover, to ensure the employees are interested in organization's success, the HR leaders must follow various strategies such as reliability, flexibility, clarity and adaptability in volatile, uncertain, complex and ambiguous VUCA business environment. The various HRM strategies are suggested by the experts for VUCA business environment and the identified strategies are presented as a Word Cloud in Fig. 3. The words highlighted in red color indicates the proposed HRM strategies for the handling human resources in VUCA business environment.



Fig. 3 HRM Strategies for VUCA Business Environment Identified from Literature

Among various strategies, agility [20], innovation [21, 1] and flexibility [8] are the strategies that are repeatedly suggested by the experts in VUCA business environment. Additionally, clarity and adaptability [17], learning, training and development, performance management, talent acquisition and management [5, 10] were also suggested to handle VUCA environment.

Though specific strategies are suggested for individual VUCA business environments, all the strategies could be considered by the HR leaders irrespective of the environment

as they suit all the situations. As human resources are the primary key and strength of the organization to sustain its performance, managing the human resources can even change the competitive potential of the organization. Implementing all these strategies helps to sustain the organisational growth and employee engagement. In general, employee satisfaction and organizational culture must be enhanced to boost organizational performance. The recruitment of agile leaders and transforming the existing people to support agility help to handle the situation to a greater extent. Also, organisational culture must be reframed with the VUCA environment which plays a lead role in organisational growth performance. Promoting learning and development programs, exploring technologies to predict employee attrition and retention, adapting the changes, considering employee wellness and safety, conducting performance management events and employee engagement activities, open to accept suggestions and knowledge sharing, ensuring ethical practice, compliance to the external conditions, fostering innovation, strong leadership qualities are some of the other strategies that are adequate for the HR practitioners to promote and sustain the success of the business in VUCA environment.

V. CONCLUSION

Recently, VUCA, the phenomenon to analyze the risk associated with the business has been seen positively. The appropriate usage of the VUCA situation helps to measure the associated risks and implement mitigation plans. The risk creates a change and the change creates a new beginning and new morale for the employees. Thus, it is effective to embrace the change for being successful and sustaining the business. It also motivates the employees to be supportive and engaged. HR leaders have a superior responsibility in playing their significant role, especially in the VUCA business climate as they are dealing with the more sensitive workforce personnel having intense emotions. This paper aims at performing conceptual analysis and suggesting a framework of HR strategic function in handling VUCA business environment. Thus, based on the analysis, the four key strategies such as reliability, flexibility, clarity and adaptability have been suggested to be followed by HR leaders in volatile, uncertain, complex and ambiguous business environments respectively. A deep and valuable insights on various functions that can be carried out in these strategies are also discussed. These strategic functions are extremely helpful for the HR leaders in managing the talents, increasing the performance of the organization and reducing the impact of VUCA environment.

Though various strategies are suggested for different business environments, all the strategies must be followed and considered by the HR leaders to sustain the organisational growth and engage the people in an effective way. However, the suggested strategies must be in higher proportion than others to suit the specific environment. The limitation of the proposed study is that it does not include a

statistical analysis to support the study recommendation or the deep analysis on systematic review of literature. Thus, the future research focuses on performing evidence-based studies from literature and real time analysis on HR strategies in the VUCA environment.

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