

## CREATING A MORE PREDICTABLE HR FUNCTION

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***Abstract:** VUCA environment is characterized by the absence of predictability. The current business world faces the problem of shooting in complete darkness. Managing an organisation's greatest asset i.e. the Human Resources faces a no different challenge and amalgamating predictability in it would without doubt be one of the greatest advantages an organisation can gain over its competitions. This paper seeks to bring forth the practices through which a more predictable Human Resource function can be built. The study brings to the fore the various challenges that the Human Resource function faces with regard to the VUCA perspectives and tries to suggest remedies for them. The paper seeks to suggest ways to create a more sustainable Human Resource function in the long run. The study highlights the best practices across industries and seeks to propose a generalized solution to the turbulence in the business environment with an impetus on the Human Resource function.*

### INTRODUCTION

Coined in the late 1990's, VUCA, the military derived acronym stands for the Volatility, Uncertainty, Complexity and Ambiguity – terms that reflect an increasingly unstable and rapidly changing business world (Lawrence, 2013). The term was later popularised in the publications of Bob Johansen of the Institute for the Future (The Conference Board). Continuous change and fluctuations in the market and the turmoil of 2008 have caused the business leaders to question the viability of their businesses and business models. These are being reevaluated and aligned to the changing market needs. Companies that were synonymous with their product categories just a few years ago are now no longer in existence. Kodak, the inventor of the digital camera had to wind up its operations. These changes also call for a need to restructure the way the human resources are managed and align it to the changing business needs.

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## **LITERATURE REVIEW**

**VUCA** is an acronym used to describe or reflect on the volatility, uncertainty, complexity and ambiguity of general conditions and situations. The common usage of the term VUCA began in the 1990s and derives from military vocabulary and has been subsequently used in emerging ideas in strategic leadership that apply in a wide range of organizations, including everything from for-profit corporations to education.

The deeper meaning of each element of VUCA serves to enhance the strategic significance of VUCA foresight and insight as well as the behaviour of groups and individuals in organizations.

- **V = Volatility.** The nature and dynamics of change, and the nature and speed of change forces and change catalysts.
- **U = Uncertainty.** The lack of predictability, the prospects for surprise, and the sense of awareness and understanding of issues and events.
- **C = Complexity.** The multiplex of forces, the confounding of issues and the chaos and confusion that surround an organization.
- **A = Ambiguity.** The haziness of reality, the potential for misreads, and the mixed meanings of conditions; cause-and-effect confusion.

These elements present the context in which organizations view their current and future state. They present boundaries for planning and policy management. They come together in ways that either confound decisions or sharpen the capacity to look ahead, plan ahead and move ahead. VUCA sets the stage for managing and leading.

The particular meaning and relevance of VUCA often relates to how people view the conditions under which they make decisions, plan forward, manage risks, foster change and solve problems. In general, the premises of VUCA tend to shape an organization's capacity to:

1. Anticipate the Issues that Shape Conditions
2. Understand the Consequences of Issues and Actions
3. Appreciate the Interdependence of Variables
4. Prepare for Alternative Realities and Challenges
5. Interpret and Address Relevant Opportunities

For most contemporary organizations – business, the military, education, government and others – VUCA is a practical code for awareness and readiness. Beyond the simple acronym is a body of knowledge that deals with learning models for VUCA preparedness, anticipation, evolution and intervention.

The capacity of individuals and organizations to deal with VUCA can be measured with a number of engagement themes:

1. Knowledge Management and Sense-Making
2. Planning and Readiness Considerations
3. Process Management and Resource Systems
4. Functional Responsiveness and Impact Models
5. Recovery Systems and Forward Practices

At some level, the capacity for VUCA management and leadership hinges on enterprise value systems, assumptions and natural goals. A “prepared and resolved” enterprise is engaged with a strategic agenda that is aware of and empowered by VUCA forces.

The capacity for VUCA leadership in strategic and operating terms depends on a well-developed mindset for gauging the technical, social, political, market and economic realities of the environment in which people work. Working with deeper smarts about the elements of VUCA may be a driver for survival and sustainability in an otherwise complicated world.

Psychometrics which measure fluid intelligence by tracking information processing when faced with unfamiliar, dynamic and vague data can predict cognitive performance in VUCA environment. (Wikipedia)

#### **OBJECTIVES OF THE STUDY**

- To study the effects of the VUCA environment on the Human Resource Function.
- To suggest ways to bring in more predictability in the management of Human Resources.
- To explore ways to reduce the effects of turbulence in the business environment on the Human Resource function.

#### **RESEARCH METHODOLOGY**

The research is based on the study of secondary data collected from a wide range of sources including the web, magazines, research papers, articles, and white papers.

#### **DISCUSSION**

Traditional theories are going obsolete and the very fundamentals of how the human capital has been traditionally managed are being questioned. Transformations are in and the need for a paradigm shift is being impressed upon. There is a new dynamism in the way businesses have been functioning and the facts regarding these are being constantly learnt, unlearnt and re-learnt. This turbulent environment is an opportunity for the Human Resource function to contribute directly to business performance by truly affecting individual and team performances. The Human Resource function must examine where they create value, how and what the delivers of growth are. It must be

a constant exercise to look for value creation in every aspect of the human resource management. Clear deliverables must be decided and acted upon to integrate the Human Resource function as a core strategic partner to the business. The Human Resource activities must be focused on saving revenue and adding value to the business through a strategic approach. The Human Resource function needs to get over the compliance focused approach and move towards becoming a value creating strategic function. There is an increasing need for the Human Resource leaders to understand the Business Strategy inside out (HRPA, Knightsbridge, 2011). All the activities of the Human Resource function must be based on strategies and plans taking all the elements of the business environment into consideration. The Human Resource function needs to be very clear about where it is going, but also at the same time very flexible in how it gets there. This is characterised by agility; one of the most crucial components for success in the VUCA business environment. The Human Resource function needs to design agile plans with specific goals on how it proceeds with its responsibilities. Clear statement of deliverables, its implementation and constant evaluation is the need of the hour to create an example of best practices. This plan however needs to be constantly monitored and adapted according to the changing needs of the business environment. This is what we refer to as "Rapid Prototyping" (Johansen, 2010), wherein constantly new short term plans is prepared according to changing business environment to achieve the long term objectives of the organisation. The Human Resource Leaders must also have their focus and priorities set right and must rise over their regular jobs to lead and form a strategic partner to the business. This calls for a shift from core Human Resource function to the Strategic Human Resource (The Conference Board). The core Human Resource processes must be efficient and embedded in the strategy of the organisation. This would however require integration of Human Resource practices into the job description of the line managers.

Success in VUCA environment requires regular analysis of the work being done. Clear goals and monitoring through the maintenance of constant Scorecards and comparison with best practices is a must to sustain. However copying best practices is a mistake without applying the strategy/ culture filter. What works for one organisation can fail miserably in another if the environment and business objectives are substantially different. It is also required to avoid the constant pressure to focus on the urgent, when the real need is to focus on the long term strategic mandate. The organisation must never lose sight of the big picture in a bid to micro-manage all problems and situations. All practices must be aligned towards the achievement of the long term organisational goals. And the Human Resource function has an important role to play as a facilitator in this regard. It must help employees have their individual goals aligned to the organisational goal. A clear understanding of the organisation's vision must be there amongst the employees. This helps them understand the decisions and processes and avoids a situation of confusion regarding the big picture. This is important more so in the VUCA environment which itself is characterised by uncertainties.

The power of idea can never be undermined and it can never be known where the next big idea comes from. Organisations must develop a culture of out of the box thinking. Ideas and views should be openly shared and discussed. This would facilitate innovation which is one of the key differentiator in a turbulent business environment. The Human Resource Function must put an increased impetus on idea generation and knowledge sharing where people across teams and hierarchies are able to brainstorm ideas and views. This potentially can take the organisation a step closer to a greater operational efficiency and cost saving innovations.

Awareness and anticipation is necessary to sustain in the VUCA business environment (Horney, Pasmore, & O'Shea, 2010). The rapid speed of change requires constant awareness to keep oneself updated and abreast with the latest happenings in the business environment. One little event creates a great impact on the market position of the organisation. In such a case, the organisation must be conditioned to anticipate change and act quickly to gain an advantage over others in the market. This requires informed anticipation by the leaders in the organisation. It requires vision and distilled wisdom on part of the decision makers to foresee change before it actually occurs. This wisdom comes from experience and a constant quest for knowledge. Constant and consistent learning should form an essential part of the organisational culture. The Human Resource function may implement knowledge sharing as a practise where senior employees may share their experiences and guide the young bloods. This would prepare them better for future leadership positions and would ensure smooth filling up of positions as well. Further, constantly updating the employees of the latest trend is also important. They should be provided with a platform where they may share information with each other and contribute towards mutual as well as organisational growth.

The VUCA business environment is characterised by rapid change and speedy transitions. The Human Resource function is the ideal department to deal with it. Keeping the organisation agile and quick adaptation is facilitated by it. Change is difficult and disrupts the state of active inertia of the people in an organisation. The Human Resource function can help the people get accustomed to the change and embrace it in a better manner. The change must be accepted in a positive manner and this adaptability must form the part of the culture for the organisation to be successful in the VUCA business environment. Leadership agility and adaptability are now required skills if organisations are to succeed in this VUCA world. This creates adaptive advantage for the firms. But this change also requires a change in the On-the-job training and mentoring. Traditional training methods have gone obsolete and seem to be in a fix. Newer training methods with a greater focus on customisation must be introduced. Technology must be used and a real time data regarding individual training needs may be maintained and catered to. Trainings should not be focused on compliance of the planned training schedule and policies but should serve its purpose of developing the future leaders. The Human Resource professionals should develop the skill of anticipation to survive this VUCA World Challenge. There should be

accurate predictions regarding talent gaps and a clear roadmap to address this gap. Training programmes should focus on assessing the skill gaps and addressing them. There is also need for a comprehensive analysis of the training programme to measure its effectiveness. Training plans must be wisely designed with a focus on achieving its objective rather than on compliance.

Another area to be focussed upon in the VUCA business environment is recruitment which involves huge cost considerations for the organisation. In a bid towards operational excellence and efficiency, the Human Resource function must ensure value out of the entire process. It should be comprehensive and accustomed to the requirements of the organisation rather than blatant copy of the best practices. Further, the induction programme must be focused on quick productivity out of the new hires. It also should aim towards reduction of absenteeism and turnover which cost the organisation dear. It should be constant effort on part of the Human Resource function to reduce these to the minimum.

In the VUCA business environment, there is a shortage of quality talent and increased competition to acquire it (Gandossy, Greenslade, & Kao, 2009). The Human Resource function should be on a constant look out for talent, tapping skills anywhere and anytime. There must be a constant focus on building a talent pool which ensures uninterrupted supply of skills to the organisation. This requires vigilance, awareness and a consistent effort towards identification of talent. In turbulent business environment, organisations compete for talent and the successful ones are those which are able to create a consistent reservoir of skills for themselves to meet the requirements in the long term. Organisations have now broken geographical barriers and there has been an increased attention to creating global leaders which has led to increased competition in the global talent space as well. The Human Resource function needs to buck up its game and has an important role to play in facilitating the global culture at the workplace. There are several initiatives like the global leadership programmes, setting minimum requirements of cross national experience for leadership positions etc. Uniform facilities and policies, similar infrastructure across offices at all locations may also be practised to create a global culture. For example, SBI prefers to have similar infrastructure across all branches. The essence of it all should be to have the best people working towards shared goals without any distinction of nationality and borders. This brings forward cross cultural ideas and experiences, which entails unique solutions for the organisation's challenges.

The ability to attract, develop and retain the best talent is what makes businesses successful in the long term. This calls for building a talent reserve through proven practices like development of Centre of Excellence, Development Centres etc. Engagement is another region that must be focused on to sustain turbulent times. The firm must wisely invest in its people to succeed in the long run. For example, Infosys was one of the first companies in India to come up with a Leadership Development Institute for its employees. This also adds to the branding as a quality employer other

than the fact that high engagement firms experience Earnings per Share (EPS) growth rate of 28% compared to an 11.2% decline for low engagement firms (Rankin, 2009).

The cost of retaining the talent is three times lower than the cost of attracting, training and on boarding the talent. It must be a constant endeavour on part of the Human Resource function to create an unmatched employee experience, of which the salary is just a small component. Internal job opportunities, growth prospects must be available to the employees. The employee must be made to feel that the company cares for his growth and development. Real time feedback on performance, discussions on the employee's career prospects with the firm are a must to ensure a long term win-win proposition for the employee as well as the firm. Also a sense of ownership must be developed amongst the employees of an organisation. This acts as a great boost to the retention practices. The employees must take on responsibilities and harbour a sense of commitment towards the organisation. This sense of ownership leads to volunteerism and a constant quest on part of the employees towards development and growth of the organisation. The Human Resource function has a huge role to play in development of this sense of ownership. It starts right from the induction to compensation structure and the working culture of the organisation; all of these should aim towards creating an "at home" feeling for the employees. This however requires a certain degree of customisation to the Human Resource solutions and practices.

In a business environment where talent is a crucial element to the success or even survival of organisations, it calls for individual attention to the employees where there is a greater customisation to suit the varying needs and desires of the employees. The customisation could be in the form of variable pays, or designing the interiors of the office as per the employee's desire, and so on. The basic focus is to make the employee more comfortable and productive in his role. This also helps the employee create a bond with the organisation, increasing the probability of a longer, productive tenure. With the war for talent intensifying, there needs to be increased focus on employee experience to facilitate retention. The best in class facilities to enhance productivity and comfort for the employees are being brought in. The VUCA business environment has brought people and skill to the central focus. Various innovative measures are being pursued and are needed to ensure availability of quality talent consistently. This is only possible through rightful retention practices and enhancing the employee experience is a very necessary part of it. As the world is poised for a greater tussle for skills, the employer branding will certainly act as a great advantage for the organisations.

Although an attractive and competitive compensation package is necessary to obtain quality talent, the Human Resource function must adopt a more realistic framework while designing the compensation packages and people policy in a bid to build a stronger organisation. There should be an attempt to protect revenues, and more so in turbulent times and business environments so as to optimise the benefits of

the organisation's investment in people. This however, doesn't advocates cutting down on the essentials, but strategically planning the investments to reap the benefits of it in the long run.

Hierarchies form a backbone structure/ framework for an organisation. But getting stuck with it delays job and holds the decision making process. This can prove to be a negative aspect in an environment which is characterised by speed and change. In such a business environment, the Human Resource function must focus and capitalise on the power of networks rather than hierarchies. Networks help in the free flow of views and generation of ideas which might prove to be a game changer in the long run. Networks also help in broadening the views of employees and contribute to an increased cross functional knowledge.

Ineffective strategies, systems, and cultures are bigger barriers to achievements than the talents of people. The priority should be top for recruitment and training. These facts present the Human Resource function as a crucial strategic partner to the business for seeing through the perils of the VUCA environment.

Another area that the firms must focus on is to imbibe openness and transparency as a part of the organisational culture (Roland Berger Strategy Consultants). Its absence reduces uncertainty and breeds insecurity. This holds true more so in the turbulent environment where the people are confused and seem to be uncertain about their future. In the VUCA business environment and in case of turbulence, the Human Resource leaders also face a challenge to reduce the anxiety, fear and anger amongst the employees (Sandler, 2009). The ambiguity breeds a state of confusion amongst the employees when they lack a clear picture about the situation. It is the need for the Human Resource function to build an environment of trust, loyalty and commitment towards the organisation. In a VUCA business environment, it is constantly required to generate resilience and optimism amongst the employees, for them to consistently contribute towards the organisational growth and no department is better poised to achieve this other than the Human Resource function.

Communication and a clear picture regarding the state of the firm helps develop a bond and leads to a more connected, attached and productive human resource. During turbulent times and in an environment full of uncertainties, effective communication holds the key for successful management. It is in such a business environment that true leaders are recognised. Through effective communication, can a team be held together and led towards a common shared objective. Communication helps build trust and a shared vision for the organisation. The Human Resources is the most suitable function to execute effective communication and trust building. It should constantly apprise the employees of their roles and the expectation that the management has from them. This develops confidence in the employees and enhances productivity as well. With globalisation, a new problem that the organisations now a days face is that of business performance fluctuations in one country (especially in case of parent company) and its effect on sentiments at branches in other countries. The challenge of



the Human Resource function is to project unity with parent company while communicating non negative scenario in the country (Spencer Stuart India). This also calls for a need of transparency on part of the management. A clear picture about the situation would create an environment of trust amongst the employees. This also helps in avoiding fleeing away of talent during such situations, saving a great deal of cost and efforts on part of the organisation.

VUCA Prime is a concept developed by Bob Johansen which reverses the acronym VUCA to find its solution with V being the Vision, U being the Understanding, C being the Clarity and A representing the Agility (Johansen, 2010). Keeping these in mind the organisations must renew themselves constantly to sustain this VUCA environment. Only 9 of the original Fortune 50 companies are still on the list today (UNC Kenan-Flagler Business School, 2013).

In the VUCA business environment, there is an increased pressure on all the functions for value addition. This brings in the role of big data and analytics for the Human Resource function. The Human Resource function needs to validate its place in the boardroom with data on value addition to the strategies. The turbulent business environment calls for analysing all activities and more so those involving major cost components. The Human Resource function must make use of the analytics tools to measure the skill gaps, effectiveness of its trainings, recruitments etc. This would bring to the fore major information regarding the scope for improvement in the path towards excellence. With the increased impetus on technology, the Human Resource function must also focus on technological integration and innovation to succeed in the long run. This reduces significantly the human efforts, provides real time data and increases the accuracy. The Human Resource function must make use of the latest technological advancements and remain updated. Cloud based solutions may be used to reduce cost for the organisation (Accenture, Oracle). Amalgamating technology as a part of the working culture and staying updated and aware in this regard is absolutely necessary. Technology reduces effort and can be a cost saver for the organisation. Integrated ERPs, cloud solutions and other cutting edge technologies will bring in an advantage for the organisation in the form of quick, easier and accurate decision making which can provide an edge to the organisation over the competitors in the VUCA world.

Today more than one third of the world is online. Focus must be paid on the Cyber space as well which adds to the employer branding and helps create a positive image for the organisation. Over 175 million tweets are added to twitter timelines every single day (Manwani, 2013). This provides access to quality talent reserve, facts, information and knowledge and you never know where the next big idea might steam from. Social Media has largely broken the traditional hierarchies and organisation structure as well. Now, it is time for becoming "friends" and collaborating. Informal groups are being formed and these changes bring with them a unique advantage for the organisations where there is smoother flow of communication. To build upon this

opportunity, the human resource function must capitalise this new trend to the advantage of the organisation. It may be used for communication, employer branding etc. The social media has a huge potential to act as a great tool for recruitment, engagement and communication at minimal cost. Social media can be a key cost eliminator for some aspects of the human resource management and with a greater reach.

NASA's website says, "Your cell phone has more computing power than the computers used during the APOLLO era" (Manwani, 2013). This well explains the importance of these gadgets and the huge potential they carry. Digitisation has connected the world and the Human Resource function must capitalise on this to create better connected workforce (Roland Berger Strategy Consultants, 2014). It can be well used for real time integration and better decision making which is an extremely important aspect in a VUCA environment.

In an organisation that thrives in difficult times, decisions are made at the right level, not necessarily the highest level (Mathewson, Bleak, & Villeneuve, 2008). The Human Resource function must focus on developing leaders who are able to make better and informed decisions and this should form a part of the organisational culture. Trainings should focus on developing independent thinkers (FMI Corporation, 2012) and decision makers. Quick and accurate decision making at different levels smoothens work and speeds up the whole process. Out of the box thinking promotes innovation. The freedom to make decisions also enhances the employee experience and provides a vent for creativity and expression, resulting in a more satisfied and loyal employee. Trainings should not form a part of the norms but should be well reasoned and must justify its utility. Regular analysis of its effectiveness and utility must be carried out to ensure the deliverables promised. It is a crucial aspect involving major cost considerations and must be utilised to the advantage of the organisation.

Another skill other than quick decision making, that gains importance in the VUCA perspective is Design Thinking. Being able to think without being burdened by the past is a critical skill. This promotes free and independent thinking and innovative solutions. Zero base thinking is important in today's business environment because of the speed of change and turbulence. Statements become obsolete the very moment they are spoken, such is the magnanimity of change. This calls for a different approach than those prevalent in the past. Trainings should be imparted and focused on development of this crucial skill to ensure better innovative decisions by the managers.

## **CONCLUSION**

- The Human Resource function has an important role to play in risk management for the organisation in the VUCA business environment (Risk Management in HR). Designing the policies with focus on transparency is required to avoid potential risks. Ensuring occupational health and safety compliance, proper safety procedures, equipments etc is essential. Ensuring discipline, protections

against abuse, reputation in the community, all come under the ambit of the Human Resource function. Personal information protections, prevention of fraud are also important hats donned by the Human Resource function. Policy regarding compensation and benefits, deciding on the checks and balances, signing authority etc are important functions of the Human Resource department.

- What is expected of the Human Resource department in the VUCA business environment is a more proactive role with a greater focus on strategic Human Resource management for success in the long run.
- A framework for ensuring greater predictability in the Human Resource function in the VUCA environment may be represented as the following:

**LIMITATIONS**

- The research is based only on secondary data.
- The research is based on theory and needs to be verified using primary data.

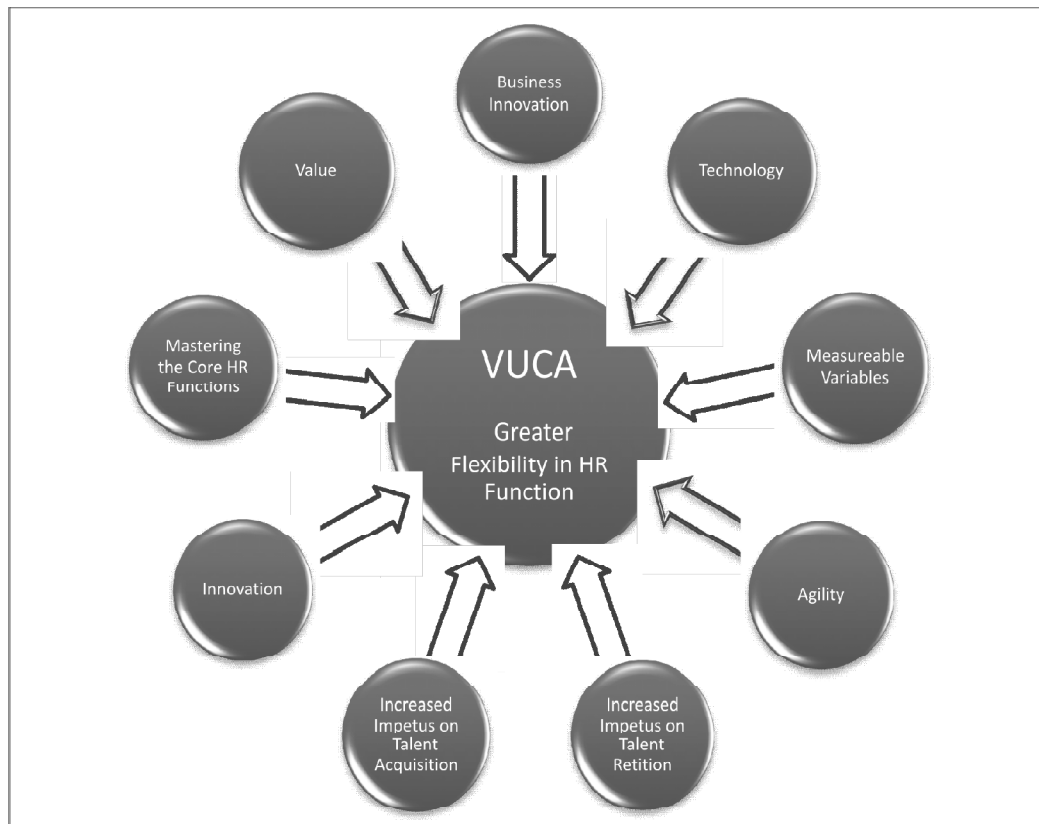


Figure 1: A framework for Greater Predictability in HR Function

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