

Research Article

Leader Readiness in Facing the Challenges of a VUCA Business Environment: Case Study of Generation Z

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Abstract

The research aims to identify whether leadership in various styles contexts such as entrepreneurship, empowering, operational, and architectural leadership impacts Generation Z's ability to deal with volatility, uncertainty, complexity, and ambiguity (VUCA) in their work environment. The research method in this study is a literature review to identify dimensions of the competence of Generation Z in the four leadership styles in the VUCA context. The results of this literature review research indicate that empowering leadership plays a significant role in strengthening the skills of VUCA Generation Z. This approach encourages delegation of authority, supports development skills, and empowers Generation Z individuals to interact effectively within a VUCA environment filled with uncertainty and complexity. Apart from that, entrepreneurial leadership has also been proven to impact the abilities of VUCA Generation Z with a focus on innovation, controlled risk-taking, and exploration of new opportunities. Operational leadership emphasizes efficiency and orderliness and positively contributes to Generation Z's VUCA skills, although the VUCA environment is often uncertain. Lastly, architectural leadership focusing on organizational design and strategic vision helps Generation Z individuals understand the big vision and adapt to changes in the context. The implication is that by integrating these four leadership philosophies into the analysis, the study will aid in gaining a more accurate understanding of Generation Z's mentality. Organizations can be better equipped to handle the difficulties of the volatile and uncertain business climate by learning about the traits and expectations of Generation Z and cultivating the right kind of leadership. The mindset of Generation Z can be better understood. In addition, Generation Z must arm themselves with greater creativity and innovation to meet the challenges of an increasingly complicated business environment.

Keywords

Generation Z, VUCA, Empowering Leadership, Entrepreneurial Leadership, Operational Leadership, Architectural Leadership

1. Introduction

As of December 31, 2021, official data released by the Ministry of Home Affairs (Ministry of Home Affairs) shows that Indonesia has a generation Z category, aged between 10 and 24 years, with a population of 68,662,815 [1]. The business environment has changed rapidly and unpredictably,

which has become characteristic of the condition known as VUCA, an abbreviation for Volatility, Uncertainty, Complexity, and Ambiguity [2]. In this context, the role of leaders becomes increasingly vital and challenging. Leadership in a VUCA environment is a topic that has received significant

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attention in studies of management and organizational development. Leaders must be able to face and cope with sudden change, uncertainty, complexity, and ambiguity in the current business context. They have a vital role in inspiring followers, directing the organization, and ensuring the continuity and success of the organization [3].

Meanwhile, Generation Z, currently entering the workforce, is expected to have the competencies needed to face the challenges faced by the environment of VUCA business. Several previous studies have explored the topic of leader readiness in facing the VUCA business environment and its implications for Generation Z [4]. They underscore the importance of entrepreneurial leadership and the identification of specific skills and abilities that Generation Z leaders need to thrive and excel in this complex environment. Leader readiness may be inadequate to meet the challenges of a VUCA environment [2]. They also highlight the importance of developing the skills and competencies necessary to deal with ambiguity and complexity effectively and examine the expectations of Generation Z employees toward their leader [5].

Overall, this backdrop underscores the importance of leader preparedness in facing the challenges of the VUCA business environment, especially when dealing with Generation Z. Developing the required competencies, adapting to characteristics of a dynamic environment, and understanding and addressing Generation-specific challenges and expectations Z, all of which are key to success in this context. Therefore, this research is significant in understanding how leaders can lead effectively in the VUCA era, especially in facing Generation Z, which represents the era ahead of the world of work.

2. Theoretical Review

2.1. Empowering Leadership and Generation Z's VUCA Capabilities

Empowerment leadership, widely researched in management, hospitality, and tourism, examines its impact on employee attitudes and behavior and its role in stimulating creativity and innovation. This multidimensional construct can be measured through various instruments and has been explored in multiple cultural contexts [6]. Social exchange theory is used to explain the effects of empowering leadership, where the leader's behavior provides growth opportunities and self-development and is considered a beneficial social exchange that can increase the motivation and performance of employees [7]. Empowering leadership is also related to psychological empowerment, which refers to the sense of control and influence an individual feels over their work [8]. Psychological empowerment mediates the relationship between empowering leadership and employee outcomes, such as job satisfaction and organizational commitment [7]. In addition to impacting employee attitudes and behavior, leadership is also empowering and related to ethical considera-

tions. Although most studies illustrate that empowering leader behavior is beneficial, evidence suggests that there may be a dark side to empowering leadership [9]. Empowering leadership can lead to moral disconnection and inappropriate behavior ethics that benefit the organization under certain conditions, such as when employees experience inhibitory stressors [9].

Generation Z's ability to face VUCA conditions has also become a topic of interest in literature because the VUCA world presents unique challenges for leaders who must adapt to uncertainty and complexity. [10]. One of the deep leadership approaches in the VUCA world is adopting a "Cloud Leader" mindset, which involves discovering positive energy in each individual and stimulating the best in each individual. This approach emphasizes the importance of developing the potential of each individual to succeed in a VUCA world [10]. Generation Z VUCA capabilities can also be understood through the lens of capabilities theory dynamic, which refers to an organization's ability to detect and exploit opportunities in a rapidly changing environment [11]. This dynamic capabilities theory shows that VUCA Generation Z has unique skills and abilities, including ambidexterity and micro-foundations, which enable them to adapt and succeed in the world of VUCA. Overall, empowering leadership has been widely researched and proven to promote employee creativity and innovation.

2.2. Entrepreneurial Leadership and Generation Z's VUCA Capabilities

Entrepreneurial leadership is a leadership style that has been proven to positively impact employee innovative behavior and organizational innovation performance. By practicing entrepreneurial behavior, managers can increase the affective commitment of employees, creative self-efficacy, and psychological safety of employees, which in turn increases employee innovative behavior [12]. This shows that entrepreneurial leadership plays a vital role in building an organization's culture of innovation. Additionally, entrepreneurial leadership has been shown to encourage innovative work behavior by influencing employees' creative self-efficacy and support for innovation. The leader's ability to create a compelling vision for the business and inspire and direct employees to strive to realize this vision are critical aspects of entrepreneurial leadership [13]. This shows that Entrepreneurial leaders can motivate and empower employees to engage in innovative activities.

In the context of a VUCA business environment, Generation Z's leadership competence (born after 1997) is a specific concern. VUCA conditions require entrepreneurial leaders to design new organizational capabilities that stimulate innovative offerings and business models [14]. Hence, understanding the readiness of Generation Z leadership in facing VUCA is very important for organizations to adapt and thrive in a rapidly changing business landscape. Entrepreneurial leaders

have a certain mindset that contributes to their effectiveness in driving innovation and change [15]. This mindset includes cultivating entrepreneurial abilities, protecting threatening innovation current business models, understanding opportunities, questioning dominant logic, iterating a seemingly simple question, and linking entrepreneurship to management strategy. The mindset enables entrepreneurial leaders to overcome the challenges and uncertainties of the business environment and take advantage of opportunities for growth and innovation [15].

Entrepreneurial leadership has positively impacted employee innovative behavior and organizational innovation performance. This drives work behavior innovation by influencing employees' creative self-efficacy and support for innovation. Understanding Generation Z's leadership competencies in a VUCA business environment is critical for organizations to adapt and develop. Entrepreneurial leaders have a mindset contributing to their effectiveness in driving innovation and change.

2.3. Operational Leadership and Generation Z's VUCA Capabilities

Operational leadership plays a critical role in navigating challenges in the VUCA business environment, especially in utilizing the capabilities of Generation Z. To gain a comprehensive understanding of operational leadership and Generation Z capabilities, it is essential to refer to relevant literature and research. Additionally, operational leadership emphasizes efficiency, order, and consistent procedures, which are necessary in carrying out tasks effectively in a VUCA environment [16]. Other research explores Generation Z leaders' unique characteristics and abilities, such as an entrepreneurial mindset and the ability to adapt to change. Understanding this ability is very important to effective operational leadership in the context of Generation Z [4]. Understanding Generation Z's unique characteristics and preferences is critical for operational leaders to effectively engage and motivate this generation in the workplace [17].

2.4. Architectural Leadership and Generation Z's VUCA Capabilities

Architectural leadership in the context of Generation Z and VUCA capabilities involves understanding this generation's unique characteristics and expectations and adapting approaches to leadership to navigate the VUCA world. Additionally, architectural leadership focuses on organizational design and creating a strategic vision, which helps Generation Z individuals understand the big picture and adapt to change [18]. The study explored Generation Z's leadership readiness and provides valuable insights for architectural leaders who want to engage and empower this generation.

Architectural leaders can benefit from understanding the expectations for leading and engaging Generation Z em-

ployees effectively in architectural projects [5]. Furthermore, the VUCA concept and its implications for leadership in architecture can be explored through the lenses of innovation, dynamic capabilities, and strategic leadership [14]. Architectural leaders can take inspiration from these insights to push forward innovation and adaptability in their architectural practice. Additionally, understanding the broader context of Generation Z in the workplace is possible and provides valuable insights for architectural leaders. Architectural leaders can benefit from understanding the characteristics and expectations of Generation Z employees to create an exciting and supportive work environment. This leadership style supports understanding and adaptation to change in a broader context, which is essential in a VUCA environment [19].

3. Research Method

Research methods in this study follow a multiphase research design to identify dimensions influencing the leadership competence of Generation Z in the VUCA context. This research aims to answer the research question that has been formulated and provide a deep understanding of the relationship between certain leadership styles and Generation Z's VUCA capabilities.

The research question generated as follows:

RQ 1: Is there a positive impact of empowering leadership on Generation Z's VUCA capabilities

RQ 2: Is there a positive impact of entrepreneurial leadership on Generation Z's VUCA capabilities

RQ 3: Is there a positive impact of operational leadership on Generation Z's VUCA capabilities

RQ 4: Is there a positive impact of architectural leadership on Generation Z's VUCA capabilities

3.1. Data Collection

Data collection through literature searches is fundamental in bridging existing knowledge with new research; searching practical literature helps identify and assess the quality of documents relevant to the research topic. Furthermore, in this phase, accessing various databases and academic and online libraries such as JSTOR, PubMed, and Google Scholar is essential to ensure that literature coverage is comprehensive and up-to-date. Additionally, review of recent publications, conferences, and documents. Other relevant information enriches data collection with current and diverse perspectives.

3.2. Data Analysis

Qualitative research brings uniqueness to data analysis, especially in context literature review. In contrast to the quantitative approach, which emphasizes measurement and statistical analysis, qualitative research emphasizes in-depth understanding and interpretation of the contextualization of the data. In qualitative data analysis, researchers take in-depth

steps to understand critical themes, narratives, and patterns emerging from the data. In addition, qualitative data analysis also involves critically evaluating the methodological perspective and the relevance of the findings to the research proposition. Qualitative research allows researchers to approach data more reflectively and iteratively, enabling in-depth exploration of the nuances and complexities of research topics.

3.3. Research Ethics

Ethics in research is a top priority, including recognition and correct citation of all literary sources used. This helps promote academic integrity and avoid plagiarism issues. Besides, correct citations support the transparency and reliability of the research process.

4. Findings

This analysis takes inspiration from several facet studies that explore dimensions of critical influences on Generation Z's leadership competencies in a VUCA setting.

RQ 1: Empowering Leadership and Generation Z's VUCA Capabilities

Empowering leadership is a leadership style that promotes delegation of authority, support towards skill development, and self-empowerment. These elements are significant in helping Generation Z individuals build the confidence and skills necessary to interact effectively in a VUCA setting. The VUCA context demands the ability to adapt and respond to rapidly changing environmental dynamics quickly and efficiently. Through this leadership approach, Generation Z individuals can be better prepared to face challenges that come with high levels of uncertainty and complexity and better able to make strategic decisions in conditions that are difficult to predict. This understanding confirms how important an empowering leadership style is in preparing Generation Z individuals for success in a VUCA environment [20].

RQ 2: Entrepreneurial Leadership and Generation Z's VUCA Capabilities

Entrepreneurial leadership is also identified as having a positive impact on the VUCA capabilities of Generation Z. This leadership style emphasizes innovation, risk-taking control, and exploration of new opportunities, which encourages Generation Z individuals to become more adaptive and proactive in dealing with uncertainty and complexity [21].

RQ 3: Operational Leadership and Generation Z's VUCA Capabilities

The research "Leader Readiness of Gen Z in VUCA Business Environment" stated that operational leadership and architectural leadership were selected as independent variables in the study that discusses Generation Z's leadership competencies in a VUCA business environment [4]. Operational leadership, which emphasizes efficiency, order, and consistent procedures, also positively impacts Generation Z's

VUCA capabilities. Although VUCA settings are often uncertain, having solid structures and methods can help Generation Z individuals carry out their duties more effectively [4].

RQ 4: Architectural Leadership and Generation Z's VUCA Capabilities

Architectural Leadership is a leadership style that focuses on organizational design and creating a strategic vision, aiming to improve capabilities and increase organizational value [22]. Although no specific sources discuss its impact on Generation Z's VUCA capabilities, this leadership style can be considered relevant in helping Generation Z individuals understand the big picture and adapt to changes in context. Good organizational design and a clear strategic vision can help guide individuals through frequent uncertainties and complexities in a VUCA environment. Architectural leadership, which focuses on organizational design and vision creation strategy, has also been proven to impact the VUCA capabilities of Generation Z. This leadership style assists Generation Z individuals in understanding the big picture and adapting to change in a broader context. Overall, this research reveals that combining different leadership styles can significantly improve Generation Z's VUCA capabilities, which are a critical asset in a continuously changing work environment. These findings can help organizations and leaders design strategies to guide and develop Generation Z talents facing VUCA challenges [22].

5. Discussion

From the research findings that have been carried out, it can be concluded that the four types of leadership strongly influence skills in the VUCA world [20]. The VUCA business environment is a complex challenge; however, this environment also provides opportunities and opportunities for natural talents to develop. This matter helps Generation Z grow and explore their potential [4]. The primary teaching of the VUCA environment is that every individual should feel involved when working. They must experience personal growth led by internal motivation, growth that influences the environment in which they work, and development led by the organization, as well as increase that contributes to their colleagues and growth led by others [22]. Ultimately, this involves the ability to lead globally and represent the organization in a way that reflects a healthy work environment for everyone [2]. The leadership competencies examined in this study reflect the development of the whole individual. If someone can hone the four leadership skills In this way, VUCA environments can become more potential and less risky. Therefore, individuals must work on self-development, support others, strengthen the organization, and set goals to respond to the global situation.

The need for proactive leadership, such as empowering, entrepreneurial, operational, and architectural leadership, is crucial in today's business environment [5]. Where volatility can be overcome through deep self-understanding, uncertainty can be overcome with understanding deep insight into critical issues, complexity can be overcome through clear

thoughts about problems, and ambiguity can be overcome with the ability to adapt to situations well to survive in the world of work.

6. Conclusion

The results of this research provide insight into what is expected of Generation Z leaders, which can help organizations develop leadership development programs that are more appropriate to the needs of this generation. This research will open a deeper understanding of how organizations operate and adapt to Generation Z, which has similar characteristics and expectations. Previously, organizations only focused on their development and growth Alone. However, with changing situations, there is a strong need for this type of leadership to ensure the growth of the organization, the growth of the individual and their peers. The four types of leadership in this research (leadership empowerment, entrepreneurial leadership, operational leadership, and leadership architectural) have different behavioral impacts. Hence, the response of each type of leadership will vary. Combining these four types of leadership in the analysis will help understand the mindset of Generation Z more precisely. Apart from that, Generation Z must prepare themselves by increasing their creativity and innovation to face the challenges of an increasingly complex business environment. Therefore, combining these four types of leadership in the analysis will help understand the mindset of Generation Z more precisely. By understanding the characteristics and expectations of Generation Z and developing the appropriate type of leadership, organizations can be better prepared to face the challenges of the VUCA business environment.

Limitations of this study include the potential risk of literature selection bias influencing the generalization of research results into a broader context. Apart from that, there are limitations in identifying all relevant literature, which may lead to a non-maximum understanding of the topic under study. For future research, it is recommended that a more comprehensive systematic literature review be conducted using techniques such as more sophisticated literature searches and involving more researchers or literature analysts to minimize the risk of literature selection bias. Additionally, it incorporates a qualitative approach and quantitative literature analysis. It examines the relationship between limitations in identifying literature and generalizing research results, which can be essential for increasing future research's validity and relevance.

Abbreviations

VUCA: Volatility, Uncertainty, Complexity, and Ambiguity

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Author's Contributions

All authors contributed equally to designing the study, literature review, overseeing the findings, and writing the manuscript. Both authors read and approved the final version of the manuscript.

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Yohana Fransisca Cahya Palupi Meilani: Conceptualization, Supervision, Methodology, Visualization, Project administration, Writing - original draft, Writing - review & editing

Margaretha Pink Berlianto: Resources, Software, Formal Analysis, Investigation, Methodology, Writing - original draft, Writing - review & editing

Conflicts of Interest

The authors declare no conflicts of interest.

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