

# Change Leadership and the Worldwide Crisis

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## *Abstract*

*Crisis is a normal status in every field, at a certain moment. It's a natural status that follows a period of growth, of expansion one. It is even "announced" by certain signs that good leaders could "hear" or "feel".*

*Core purpose orientation is something that should not miss to any good leading person since it ensures resisting to any type of "storm". The article is about challenges determined by changes, how leadership models can be followed during changes period, specificities of change and relation to the crisis status worldwide.*

**Keywords:** *crisis, leadership, leader, change, competitive*

**JEL classification:** M10; M14

## **1. Introduction**

Nowadays, the „change” concept can be met everywhere, since it reflects best the contemporary reality and surroundings, be them economic, social, cultural. Innovation also leads to a continuous change, driving to have continuous challenges, one of the competitive advantage sources. The world is in a continuous change, sustainable development is one of the most important concerns, and people, companies and world states are trying to keep the pace with the numerous challenges in a general context, full of dynamism like never before! The development of new economy: knowledge based economy! A new strategy for European Union is debated! And more than this ...it is still the crisis time!!! One of the actual challenges and... part of the change, of course!

We all live and work in a period in which knowledge revolution is taking place and in which the main insights are related to the intellectual capital, knowledge management, knowledge based economy, knowledge based company and learning organizations. The new society and economy is characterized by

anarchy but at the same time by offering a large number of business opportunities and also a crisis context. How is this possible? That's the idea: complexity. Modern leaders have to face more and more the opportunities and threats that are created by a complex environment that force them to be able to act faster and better.

To this concept, companies should understand that the only thing that makes them resist and even win is adapting to change (Boin, Hart, Stern, Sundelius, 2006). Or better said, anticipating and even provoking change! Success companies are and will be the ones in which the organizational culture is putting an emphasis on change, even if at the beginning, change means fear and discomfort to people.

Even if change is everywhere, a lot of organization and managers react in delay to the challenges appeared, this behavior being one that generates low results. Change means complex processes, uncertainty, anxiety and taking risks. Managing organization "on change paths" means understanding, discipline, creativity and ingenuity.

In these times managers and leaders should pass from the status when they were looking behind at past successes and should attain their attention towards ways of going out of crisis, reaching stability and innovation. All these are needed especially now when crisis proved that old success is not a guaranty for future success.

## **2. Challenges determined by change**

The tendency is to have change driven towards following:

- Less and less companies that own the whole chain of activities (vertical integration);
- Companies being focused on activities that add value (key activities);
- Externalization of certain activities (non-core ones);
- Passing from preference for giant-companies to preference for companies organized as group of activities with distinct capacities.

Some persons agree that classic type organizations are on the way to extinction. Other persons do not agree with this opinion. What is certain is that the traditional organization forms, the techniques, the methods and the systems used in the past have been replaced by newer ones that are more elaborated and productive. Their appearance has been determined by the information technology and the pressures of global competitiveness.

In other words, everything is happening very fast, and leaders, regardless the dimension of the organization in which they are working should take into account all these parts of information, should take part into the change, should adapt to it and at the same time should determine new changes since survival wish of the companies of XXI-st century does not allow a passive behavior. Crisis has made this even clearer.

Even if no one knows for certain what will be into the future, everyone agrees that the following years will differ radically as compared to the period before the crisis begun. Companies should be very adaptable and flexible since the main characteristic of the environment now is not certainty anymore but is risk and uncertainty.

In the future there will be more and more learning organizations. The learning organization means a company in which the leaders, the employees, the values and the systems are reunited and mobilized in such a way that allows permanent change and continuous improvement of performances based on its knowledge, experience and signals came from the environment (George, 2009). Generation of new knowledge is also a specific part of learning organizations. Leaders start to develop particular abilities in facing with a tougher environment that requires better qualities and faster replies. The conflicting issues have to be appropriately managed, in order to avoid major disfunctionalities and waste of resources, especially in the human resources field (Nastase, 2009).

This has a big impact on the style of managing since organizational learning means using on a large scale participative management style, using empowering very often and delegating, using quality circles method, having creative teams and others, all these being part of the development of the employees. In this way, leaders should take into account that the ego part of every employee should be cherished and challenged in order to make possible that it turns into an adding value and creativity input.

For a company to become a knowledge based one it should pass through a process of six steps: recognizing knowledge, reengineering of knowledge, knowledge networking, knowledge based motivation, intensification of knowledge and company growth, becoming a knowledge based one. Companies will resist into the future only if they will keep the competitive advantage as compared to other similar companies, this meaning being characterized of a unique combination of attributes that will make it hard to copy and make it be ahead of competitors.

The upper described situation is a real challenge of strategic leadership. This concept defines the capacity and ability to anticipate events that will take place into the future, to have big visions, to be flexible, to think strategic and to cooperate with others in order to initiate changes which to ensure a glowing and sustainable future of that organization (Schermerhorn, John, 2002).

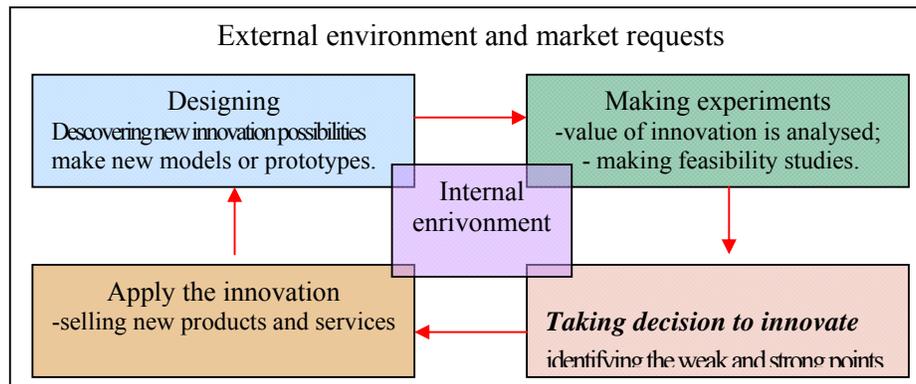
The strategic leaders are change leaders. They drive organizations that learn and lead in such a way which to make them maintain the competitiveness level even in most difficult times. Their goal is to succeed in having the capacity of profitable continuous adaptation to changes as one of the organization's key competence. This doesn't mean change for the sake of change since change has value for the organization that makes it only if it is strategic and oriented towards the client. The organization has to change itself and reinvent itself taking into account consumer's needs and the peculiarities of the destination market.

The strategic leadership has six components, as follows: establish the goal and the vision of the organization; exploitation, maintenance and development of the fundamental competencies of the organization; organization's human capital development, development of an effective organizational culture; using ethical practices and balanced lead of the organization.

Innovation means the process of turning new ideas into practical use. Peter Drucker thinks that innovation represents the effort to make decisive changes regarding the economic or social potential of an organization in order to reach certain goals. In other words, innovation refers to the process of transformation of new ideas into useful applications with positive consequences of social and economic nature.

Within organizations, innovation appears in two forms: process innovation and products innovation, both needing material and moral stimulus for discovering the invention and applying it. In this idea, leaders should take into account ensuring certain workspaces which to stimulate the creativity of the employees, teamwork and continuous ideas change. Leaders should ensure the maximum exploitation of innovations and the correct implementation of them.

Along the entire innovation process (see Figure no. 1) the organization's goals should be considered and also the clients.



**Figure 1 Innovation process within an organization – the case of developing a new product**

The innovations ensure the transformation of the ideas into processes and products that allow obtaining high profits due to the possibilities of practicing low costs and selling large quantities.

Into the present, innovations are costing more and more because they are more and more complex. Also, large research studies are needed before starting to make expenditures for reaching a new “something”. Lots of managers considered that research, development, market share and client satisfaction are more important in times of crisis than long term development of their company. Crisis is a time when leaders act differently and thus it is a time when differences in results can say a lot about their leading style and their ability to manage difficult situations and times. A crisis can put people in competition and can awaken their fighting spirit, drawing them closer together.

### 3. Change leadership models

Innovation process and creativity are closely linked to change concept. The creativity allows obtaining innovations and innovation means changes which bring economic and social positive results. The problem appears when it comes about employees since change scares people, these becoming fearful and adapting with difficulties. In many organizations lack of real change agents is felt. In those cases there are only managers that prefer giving orders instead of having initiatives in direction of change.

If we refer to managers that are real leaders, than they should keep in mind even more key hints. Leaders should be visible, calm and have and communicate crucial information for that moment and for the future. For leaders, during organizational changes and during crisis time it is very important that his/her message is the moral compass for the entire group and along with praise ensures creation and maintaining of order, credibility and productivity (Ehrich, Knight, 1999). Praise is meant for all employees that prove good behavior and solidarism to the new situation. This will also encourage the other ones (the resistant to change ones) to tend to have a more cooperative attitude.

Anyhow, leaders that went through difficult times are for sure more prepared to be skilled in facing and overcoming crisis times than the ones that knew only "soft" situations, as an old English saying says: "A smooth sea never made a skilled mariner". In this idea, a crisis that impacts some organizational changes to a company could even get out the best of one leader by putting him into the position of acting fast and effective, something that could improve his position due to good managing of the situation. Crisis is a time when both opportunity and danger are present and therefore leaders should be good in transforming danger into opportunities in order to value the situations at their best.

In the latest time the concept of change agent is more and more used. This is referred to a person or group of persons that take leading responsibilities in order to modify the behavior of other persons or of a social system. Change agents make everything that must be done and that is possible in order to make the vision and goals become true. This means change agents are always aware of everything that is happening inside and outside organization in order to be able to identify the situations or persons that need changes. Also, they should be open to everything new, attentive to other's valuable opinions and capable of helping in implementing new ideas and ease the practical application of the new ideas. The change leaders always look ahead, anticipate some of the changes, are proactive, are open to new ideas and dedicated towards changing into the improvement direction for the sake of people. Traditional managers look too much into the past analyzing previous results and based on this they are reactive, not open to change and delighted by everything that means repeating old steps.

These models of change leadership (three: top-down change, bottom-up change and integrated model) differentiate themselves by taking into account the way in which the leading responsibilities regarding changes are shared between high-level employees.

### ***3.1 Top-down change***

In case of this model, strategic changes are implemented with the goal of having a strong impact on the organization and on its performances. This model is linked to strategic leadership. Although change should be present in all organizations, in 70% of the cases in which there have been made substantial efforts to make important changes there have been met also failures. In all cases, the reason of the failures has been the improper implementation and the incapacity of the managers to transmit to the employees that changes should be applied as soon as possible.

The success of top-down approach in case of change can be explained by the fact that the employees on the middle and down levels are willing to contribute to applying the initiatives taken by the management. This aspect is extremely important since without the proper support of the regular workers, the implementation of changes would be basically impossible. Thus, the initiation of changes through the top-down approach should be accompanied also by a corresponding effective change leadership.

### ***3.2 Bottom-up change***

In case of this mode, the change initiative comes from a part of the employees and is sustained by the medium level leaders that have the role of agents of change. According to this approach, the operations and the technologies are adapted to work requirements that are in a continuous change. The emphasis is put on empowerment and proactive participation.

Within the organizations that apply this model the highlight is put on appreciating employees' ideas, opinions and proposal. The process is gradual, being made through experiments and continuous evaluation and inspires the trust of the employees by the fact that their implication into the very important processes of the organizations is allowed.

### ***3.3 The integrated model***

The most valuable change leadership model is the one that succeeds to combine and exploit the advantages offered by the first two models presented. The top down initiatives are necessary in case renouncing to old traditional models and implementation of new ones is desired. Bottom-up initiatives are necessary in order to ensure the capacities and conditions necessary for continuous change and organizational learning. The way changes are implemented is that there are meetings organized between employees and leaders in which the leaders listen to the employees' proposals regarding the possibilities to overpass the obstacles that rise in front of reaching high performances and possibilities to improve different activities. After listening to employees' opinions, the leader has to say its own word regarding the suggestions received and encourage the initiatives that he found interesting and possible to be applied.

The planned changes represent a special interest since they take place following the special efforts done by a change agent. Planned change represents a direct response of a person that perceives a lack of performance or a discrepancy between the desired status and the actual status of the company. Leaders should notice the discrepancies from early times in order to be able to act such as to prevent and not to repair.

At the same time, the changes that are not planned are also very important since they appear spontaneous when no change agent is specially focused on it. This type of changes can have positive or negative effects. In case of these changes, the action should be immediate in order to minimize the negative consequences and maximize the potential benefits.

The need of organizational change can be determined by internal factors as well as by external ones such as: global economy, competitiveness, local economic conditions, laws in place, technology development, the tendencies registered on different markets, the social characteristics and others. Currently, the worldwide crisis is having a major role as determinant of organizations' life. Within organizations, the elements that will suffer changes will be: tasks, objectives, strategy, positions engineering, employees (as competences and structure), organizational culture, technology, information flow, structure (including informational system and decisional one).

In order to determine employees to accept a certain change, leaders put in practice strategies. There are three types of strategies that can be used in this context: constrain strategies, convincing strategies and participative strategies. Constrain strategies are based on formal authority, using rewards and punishment in order to facilitate implementation of change. Change agents that put into practice this strategy think that people are motivated by personal interests and earnings or losses that could get. Following this strategy, fast adaption of the employees to the respective requests is visible, but it is not a sustainable behavior. This strategy can be implemented easy and fast but people change only because of fear of being punished and of pleasure of being rewarded. Convince strategies have as main characteristic the fact that change agents try to make the change by presenting specific information and logical arguments to the ideas sustained in front of the employees. These types of leaders think that employees are in the first place rational beings. Following this strategy, full dedication of employees is reached. The sustainability is medium. Applying this kind of strategy takes longer than the constrain one but the results are also on a longer run.

Participative strategies refer to the fact that the employees are implied within a process for identifying values, needs, targets and roles. The process takes long but the results are on a long run too. This strategy is based on empowerment and its nature is participative. The change agent shares power with the employees and collaborates with them in order to reach a common way to change. A high focus is put on teamwork in this case. The changes within organization do not refer only to knowledge, information or types of actions but also to attitude, values, abilities and interpersonal relations. As a following of these facts, a change (improvement) of methods, processes and employees behavior is desired.

In case of any strategy the point is to know how to approach the changes since this is a complex concept, especially in these crisis times.

All changes should be implemented following three steps:

- ➔ “unfreezing” the actual system (preparing company for changes that will be done in order to adapt to external changes);
- ➔ making the intended changes (implementation);
- ➔ “Re-freezing” the company system.

Development of an organization means a structured activity meant to bring change. These activities can be individual (such as managerial preparation, positions’ reengineering, career planning), or teamwork (such as team development, processes analysis, inter-group relationships development) or general (applicable into the whole organization).

#### **4. Resistance to change**

In general, resistance to change is considered to be a negative element. This is not totally true because even if it isn’t a positive element, resistance to change can be useful in the way that it consist in some kind of feedback that can help the change agent to make the necessary modifications such that a certain planned change to be adapted as good as possible to the organization’s specifics. As an example, if an organization wants to adopt a new working schedule the best way to do this is to establish it by consulting the employees. In case this is not respected, most probably the employees will feel neglected and threatened and they will not cooperate but resist to the change.

The factors that determine resistance to change are: fear of unknown – the employees do not know what will follow or do not understand what is going on; lost of trust – the employees feel not capable of facing the new working methods; lost of self-control – the employees feel they are to respect change and not key elements that actively participated to the change process; employees being overwhelmed by tasks – lack of physical or psychological energy in order to adapt to change; lack of objective – the employees do not see the reason for which change has been done and do not understand which are the positive results that could be brought.

The ways that can be used for diminishing resistance to change are the following: talks with employees, presentation and demonstrations regarding a certain change; active participation of employees to implementing the most suitable change; support offered by the leader to the employees (encouragement, preparation, active listening of problems and complaints); explicit and default constraints and offering stimulus to all employees that accept and promote change; placing future directions in clear terms.

The technological changes are an usual aspect that is specific to the organizations that exist now, but it also represent a continuous challenge of change leaders. Leaders should ensure that there is a correlation between technologies used, employees’ needs and the methods of working. This means that leaders

should be permanently informed about these aspects since the advantages obtained after using certain technologies could be high. The technological changes must be approached as regular processes that need improvements along their implementation. The problem is that in most of the cases, the new technologies are designed outside the company that uses them so that using means adapting. Change leaders should minimize the resistance to change of employees and permanently analyze the situation referring to the state of implementation of change in order to initiate best technological movements taking into account the particular characteristics of their organization.

Thinking in advance is something that should be present in everyday activity of every leader in general and in times of crisis especially. The days of having just one business strategy are over. Leaders should plan with contingencies in order to be one step ahead of events. They should think about what will happen if a major supplier goes bankrupt, or if a competitor puts bargain prices. All major risks and opportunities should be taken into consideration before any decision taken. During crisis time especially, one of the riskiest things is short term thinking.

Leaders should foresee as much as possible and be a proactive one not reactive style. Technology and not only made from success something desirable but not very easy to reach as long as the pace is not kept with the continuous movement from the respective domain, economy, country and international environment.

## **5. Concluding remarks**

Crisis is a time when it is really needed for the leaders to be visible inside and outside of their company since this offers stability, which will mean seriousness, will offer high productivity ground and therefore turnover in the end. Especially during crisis, leaders should communicate very much with employees about the economic situation in general and of their company in particular. During these times, there are two things to keep in mind and apply: leaders should communicate as much as possible and to act according to their verbal messages, in order to strengthen their credibility and offer clear examples for their co-workers. If they say that they will take measures so that crisis is over passed and then these sayings are contradictory to the real facts then those are real cases of undermining their own credibility. The people who run our government and financial institutions have violated both.

What you can do if you are a leader or at least a manager is try to learn from other's mistakes related to crisis approach and do your best in managing it. Crisis as any other economic "movement" it can also be perceived as an opportunity.

During a crisis, the leader should analyze everything not only from its own personal perspectives, but also to objectively understand the crisis consequences on other stakeholders, having a holistic view and approach. This is necessary because there is a risk, when you are surrounded by people from the same company or

industry, with similar style of thinking. Sometimes is better to go out of your company's boundaries, in order to better understand what affect your long term results. Otherwise you stop looking at the entire situation and lose perspective. You can end up making decisions that look fine on a short run but are really bad in the long run. In a crisis, managers can face successfully day to day decisions, but real success requires leadership, which means having a wider view, offers hope to employees, lifts the situation beyond and that is paying attention to everything that means future. This also includes learning from mistakes, supporting them to be creative, to take risks, to really use their potential. Learning should be a continuous process and inspire all activities.

The idea is acting today in a manner that allows positive results for present and future in order to overcome the crisis and be stable in times of crisis or expansion.

Leaders and not only should keep in mind the most important thing that is: world is in continuous change and whether there is crisis or not, things are, all the time, changing. Even after the current crisis, after the economy will recover, things will continue to evolve to different speed, the interactions among different variables will build up new systems of references, completion will increase and new opportunities and threats are building. That's a challenging world for the modern change leader!

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