

# THE ROLE OF LEADERSHIP IN THE MANAGEMENT OF CRISIS SITUATIONS

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## Abstract

*Crisis situations are inherent in the activity of any modern organization, regardless its type – public, military or private – and they affect the efficiency of human resource or even organization's excellence. For nearly two years, the organizational environment has been marked by the effects of the latest economical and financial crisis, which amplified the organizational tensions, highlighting, in the absence of leadership, dysfunctions or organizational issues. In crisis situations, leadership can make the difference between organizational success and failure, having a strong motivating and organizational effect. The European statistics indicate that in recent economic crisis, the countries with a culture of leadership, an organizational environment orientated to own human resources and managerial competence exceeded more easily social, economic and financial problems. So, leadership becomes a savior for organizations and even for state, if it is manifesting in many public, military and private organizations.*

**Keywords:** organization management, leadership, managerial motivation, human capital, professional performance.

**JEL Classification:** M 2; M51; M54; O15.

## 1. Introduction

*Leadership* means to integrate all the values and principles of the organization in employees' daily routine, to communicate periodically the outlook and back each employee in achieving professional and organizational excellence. So that leadership can be functional it requires beside emotional intelligence (EQ), beside the specifications in the job description, as leadership implies interpersonal relationships based on: encouragement of sincerity, appreciation of initiatives, proof of availability to subordinates, manifestation of emphatic attitude and lacking favoritism, representation of subordinates and stimulation of fair competition.

Concurrently, the management or coordination of the human resource is mainly defined by the direct relation established by manager with his

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subordinates, a relation which represents expertise transfer and trust investment, which become essential in crisis situations.

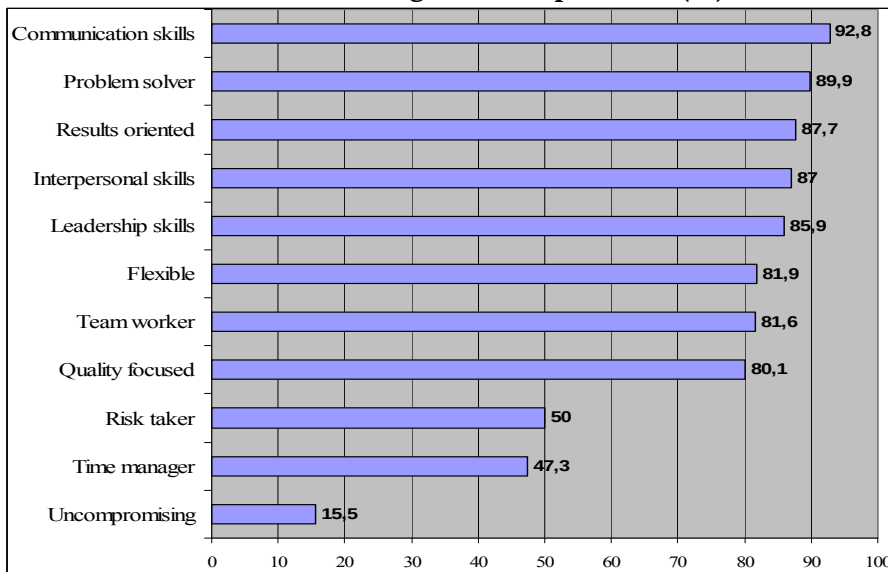
## 2. Manifestation of leadership in organization, society and modern market economy

The human resource is the only non – preservable, unstorable organizational resource, with potential for growth and development, with capacity to accumulate knowledge and overcome boundaries, characteristics that set it apart from other organizational resources. Regardless organization's type and structure, not using this resource when offered means unrecoverable loss in terms of competitiveness. In times of crisis or risk of occupational diseases, in the context of labor migration, of low birth rate and aging population, the surest way for organization's profitability is the efficiency of the available staff. In this respect, the management decision requires leadership and it must be (Deaconu, Podgoreanu & Rasca, 2004, p. 100):

- *Grounded* - choosing the best alternative relies on as many elements as possible described in realistic terms;
- *Made in due time* – by proper organization of the reporting activity and with the support of a proper information system;
- *Consistent with other decisions of the organization* – aspect which presupposes interdepartmental cohesion;
- *Clearly stated* – decision's notification is as important as choosing the best solution.

Coordination, motivation and effective human resource crisis situations depend on the relationship the manager establishes with subordinates, this relationship's functionality being influenced by leadership through: *managerial competence, promotion of confidence, proper motivation, objective assessment of subordinates work results and communication.*

*Managerial competence* – ability to work with subordinated people, to motivate, mobilize and train them to achieve organizational objectives and tasks. Regardless manager's hierarchic level, fairness, correctness, honesty, good faith, objectivity are minimum conditions for an effective and competent leadership. Survey data released in 2000 (with 277 organizations) by State University of New York indicate that managerial competence is evaluated by: good oral / written communication skills, problem solver, results oriented, interpersonal skills, leadership skills, customer focus, flexible, team worker, dependable, quality focused, technical expertise, business expertise, hard worker, staff developer, safety conscious, imaginative, risk taker, time manager, purposeful, professional dress, uncompromising, proficiency in foreign language and experience in living / working in foreign country (Abraham et al., 2001, p. 846).

**Chart 1 – Manifestation of managerial competences (%)**

Source: adapted from Abraham et al. (2001), p. 846

Also, manifestation of managerial competence depends on the job hierarchic level. Thus, the low and middle management type coordination requires empathy, operational planning ability, resource allocation, organization of work, motivation, delegation, management of subordinates and development of personal skills. The strategic management competence (top management) requires, beside the above-mentioned skills, decision-making capacity, strategic planning, negotiation capability and allocation of human, material, financial resources, etc. The higher the hierarchical level of the position, the more prevailing strategic managerial competence should be.

**Promotion of confidence** – is the basis of the manager - subordinate relationship, essential in achieving long-term performance or in consolidating working group cohesion. Confidence is influenced by:

- asserting and proving manager's or leader' confidence in subordinates, as confidence is earned through confidence and it generates reciprocity;
- the trust of subordinates in leader's professional ability, fairness and team spirit, which requires a model of professionalism and ethical conduct.

The manifestation of leader's disbelief in subordinates originates in the erroneous assumption that employees are not capable of taking responsibility, of showing creativity and initiative and that achieving objectives requires coercion. Such an attitude creates professional tension, negatively affects the manager - subordinate relationship and group performance, being recommended expression and encouragement of a confidence-based attitude.

The leader must prove empathic capacity, listen to subordinates, encourage them and interact with their needs because this is the only way to truly rely on the staff, on subordinates' expertise, participation and initiative, and, only with such an attitude, the request for professional performance becomes legitimate. A confidence-based attitude means encouragement of subordinates' independence and initiative, their training to acknowledge and be aware of the necessity of the carried professional activity.

*Proper motivation* – is the main condition that determines employees to work, be responsible, creative and enterprising. For the motivation to be effective, subordinates must get involved in the creation, definition and implementation of the motivational program. The financial reward based on objective criteria, known to subordinates and respected by managers strengthens leadership and influences the proactive attitude. In addition, non-financial motivation is an attribute of leadership, being influenced by: communication, management through objectives, delegation, and participative management. In the motivation process, the manager should know his subordinates, know their needs and expectations, hobbies and passions.

*Objective assessment of subordinates work results* – influences competitiveness and employees' desire to excel professionally. Non-recognition of personal merit, unfair criticism, giving underserved credits or accidentally - stated unfavorable words destroy subordinates' ambitions and motivation. However, constructive criticism is welcome as long as it respects employee's dignity, by encouraging and convincing him that he can act by himself in the interest of the organization. Every employee has negative attitude and positive attitudes, a management approach which shows that some have only the positive parts (reward, frequent praise and encouragement), and others have only other negative parts (criticism, punishment or no reward) demonstrates side-taking, subjective evaluation and lack of leadership. In addition, manager's admittance of his own mistakes proves leadership, the attitude of admitting errors is directly proportional to the possibilities of overcoming them, without affecting management authority.

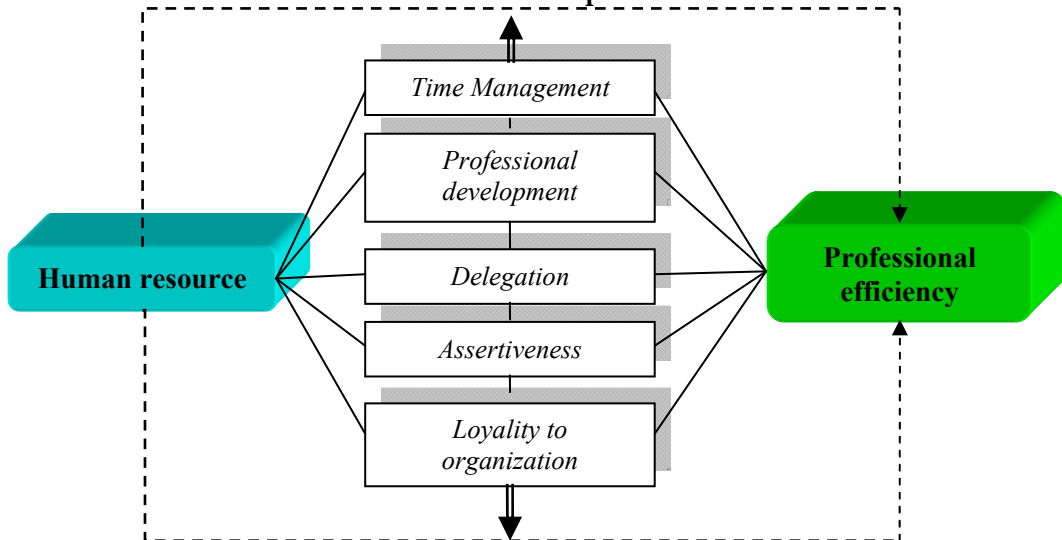
*Communication* – is key-element of leadership, with positive effects in influencing employees' attitude towards the right direction. In any organizational environment there are several forms of leader - subordinate communication: ignorance, feigned listening, selective listening, empathic listening, empathic listening being advisable in any organizational situation as it inspires and encourages the speaker to freely and openly express. Empathic listening does not reduce leader's authority and it does not involve subordinate's approving attitude, but a more profound intellectual and social

comprehension. The cases problematic individuals, with poor results or disciplinary acts, are often caused by ineffective communication and less by intellectual limitations or lack of skills. Empathic listening can solve the organizational problematic situations if it is not manipulative, which triggers interlocutor's insecurity.

### 3. Effectiveness of human resource through leadership during crisis situations

During crisis situations, leadership becomes a true driver of organizational profitability, with the ability to substitute lack the financial, economic or organizational means, to maintain functional work environment of the organization, to raise employees' moral and even determine an increase in their professional efficiency. Regardless the intrinsic or extrinsic type of the crisis, managers who understand that profit and organizational success are directly proportional to employees' efficiency and know to maximize their capabilities, provide competitive advantages on medium and long-term to the organization. In normal economic and financial situations, but especially in crisis situations, the manifestation of leadership is reflected by: *time managing and prioritizing activities, development of own skills and emphasis on training, task and responsibilities delegation, development of assertiveness and loyalty to the organization.*

Chart 2 – Manifestations of leadership on human resources



*Time Management* or *effective time administration* is one of the most commonly used methods to reduce occupational tensions and boost work efficiency of employees, especially those with dynamic profession. The modern

employee can barely share his time between family, work environment and own aspirations. Every person has 168 hours per week to generally use as follows: 40 hours for professional activities, 56 hours for sleep and 72 hours for various personal activities. But in the EU the most employees work between 34 and 41 hours / weekly. (EU OSHA, 2009, p. 15).

**Table 1 – Weekly working hours in EU**

| Working hours         | Percentage (employees in EU) |
|-----------------------|------------------------------|
| <i>less than 20 h</i> | <i>10,9%</i>                 |
| <i>21 – 34 h</i>      | <i>10,5%</i>                 |
| <i>35 – 38 h</i>      | <i>21,3%</i>                 |
| <i>39 – 41 h</i>      | <i>32,5%</i>                 |
| <i>42 – 48 h</i>      | <i>11%</i>                   |
| <i>More than 48 h</i> | <i>13,8%</i>                 |

Source: adapted from EU OSHA (2005), p. 23

During the hours dedicated to professional activity, each employee takes into account the three aspects of time management: planning, organization and control (Deaconu, Podgoreanu & Rasca, 2004, p. 148), using time wisely - productively in accordance with its personnel pace and available resources. Thus, leadership is manifested by objective assessment of time required to achieve professional activities (*planning*), carrying out work through all possible efforts (*organization*) and constant evaluation of the results (*control*). In any professional environment time management is affected by:

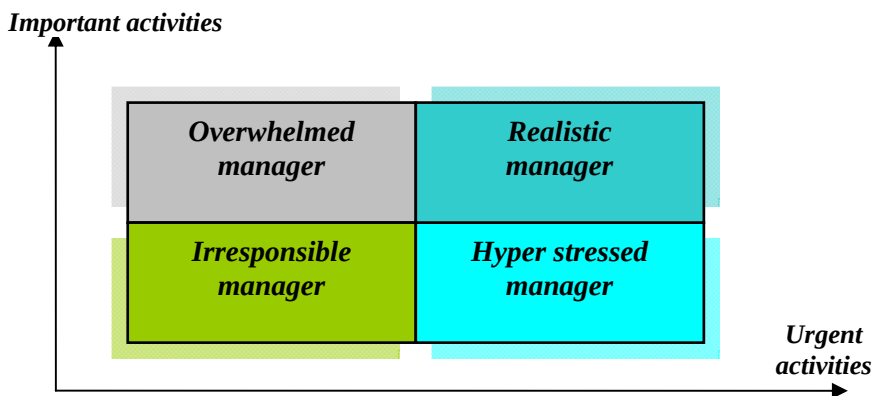
- The level of organizational stress level or the psycho-physical condition of the employee, which adversely affect the action, work capacity, work efficiency and results orientation. Professional effects of stress correlate with employee's ability to control and professional coercion, with disorganization and nonproductive behavior (Karasek, 1990, p.89), lack of leadership affecting employee's organizational and working capacity;

- *Interruptions* caused by visits, unannounced phone calls or various emergencies, the attitude towards these situations ranging from one individual to another depending on the position in the organization, on the type of organization or social environment. Thus, an employee in India will react to professional disruptions in one way and another is the attitude of an employee in Germany. Similarly, a manager's reaction will be different from the reaction of an executive or the reaction of a member of a military organization will differ from that of an employee in the constructions.

• *Meetings* usually have an incontestable utility, but there are situations when they end up being a waste of time, especially when: they are too frequent and inadequately prepared, they are too long, do not comply with the agenda or do not solve all problems, are not held in appropriate locations or debate parasitic objective usually detected and sanctioned by participants (flattering of a person, avoiding responsibility for a decision, direct and indirect control of team's attitude, meeting a method, a justification of a subjective decision, etc.).

Time management is a managerial challenge involving decisions-making according to the importance and urgency of actions. Considering these two criteria for time management, specialized literature describes four types of managers: hyper stressed, irresponsible, overwhelmed and realistic (Stanciu, 2001, p. 60), leadership being only specific to the last mentioned category.

**Chart 3 – Correlation of importance - emergency in management activities**



Source: Stanciu (2001), p. 60

The *overwhelmed manager* knows which are important activities and acts to solve them, but he does not pay proper attention to secondary activities, thus losing important opportunities and benefits for the organization.

The *irresponsible manager* organizes activity but is unable to predict the effects of the coordinated activities, which triggers lack of efficiency on all organization levels as subordinates will not be optimally represented, and the shareholders / heads will not be able to implement large projects with such manager.

The *hyper stressed manager* pays attention to the activities which require fast completion, to the detriment of the postponed activities, although important, which highlights a poor prioritization of tasks, equivalent non-performance on medium and long term.

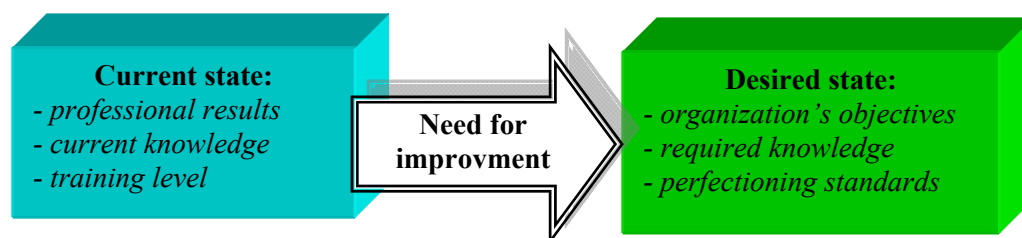
The *realistic manager* is the effective manager who succeeds in properly prioritizing and ranking main and secondary activities, both urgent and less urgent, depending on the available resources available. He has the capacity and capability to increase efficiency through human resources by: permanently identifying time waste, setting clear priorities, making optimal decisions, exploitation of subordinate staff's skills, motivation and determination of all subordinated employees, enhancing group cohesion and focusing on relevant activities. Such a manager proves leadership, avoids tense situations or even conflicts and manages best both his time and the time of subordinates irrespective of the crisis situation.

*Professional development* is diminished or even ignored in crisis situations because of poor specific conditions, although most organizations realize that the training of employees is one of the most profitable investments with a positive effect on reducing organizational stress and increasing professional performance.

Personal development is yet inefficient in the context of a shortage of financial resources, impoverishment of the population, of moral crisis, of economic or social disorder and indiscipline.

The planning of human resource training is usually determined by factors such as: low productivity, occupational injuries, occupational test results, the need to achieve higher standards and objectives. Regardless of the situation, the need to improve human resource is identified according to the report between the current situation and desired status of the organizational performance (Stanciu, 2001, p. 190).

**Chart 4 – Need for improvement**



Source: adapted from Stanciu (2001), p. 190

Skill development or personal development are achieved through personal *strategies* (courses in the public sector or in universities), through *training* (internal or external courses focused on thematic knowledge and skills) and experiential learning (learning by performing professional activities under the guidance of superiors and / or colleagues).

The European survey data indicated that higher education is influencing labor market force and organizations' efficiency. In 2009 (crisis year), personal strategies had a good ratio and these correlated with labor force participation (The World Bank, 2011).

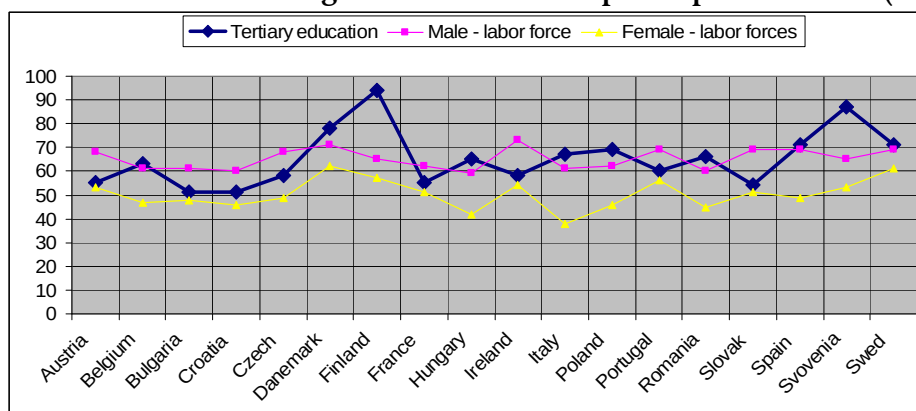
**Table 2 – Implication in work and study in EU (2009)**

| <i>EU<br/>Countries</i> | <i>Tertiary<br/>education<br/>(%)</i> | <i>Male<br/>labor<br/>(%)</i> | <i>Female<br/>labor<br/>(%)</i> | <i>force<br/>force</i> |
|-------------------------|---------------------------------------|-------------------------------|---------------------------------|------------------------|
| Austria                 | 55                                    | 68                            | 53                              |                        |
| Belgium                 | 63                                    | 61                            | 47                              |                        |
| Bulgaria                | 51                                    | 61                            | 48                              |                        |
| Croatia                 | 51                                    | 60                            | 46                              |                        |
| Czech                   | 58                                    | 68                            | 49                              |                        |
| Denmark                 | 78                                    | 71                            | 62                              |                        |
| Finland                 | 94                                    | 65                            | 57                              |                        |
| France                  | 55                                    | 62                            | 51                              |                        |
| Hungary                 | 65                                    | 59                            | 42                              |                        |
| Ireland                 | 58                                    | 73                            | 54                              |                        |
| Italy                   | 67                                    | 61                            | 38                              |                        |
| Poland                  | 69                                    | 62                            | 46                              |                        |
| Portugal                | 60                                    | 69                            | 56                              |                        |
| Romania                 | 66                                    | 60                            | 45                              |                        |
| Slovak                  | 54                                    | 69                            | 51                              |                        |
| Spain                   | 71                                    | 69                            | 49                              |                        |
| Slovenia                | 87                                    | 65                            | 53                              |                        |
| Swede                   | 71                                    | 69                            | 61                              |                        |

*Source:* adapted from The World Bank (2011), pp. 80 – 82, pp. 40 – 42

In the table, *tertiary education* is percent of the total enrollment to the population and *labor force participation (male and female)* is proportion of the population age 15 and older engages actively and the labor market, either by working and looking working.

Chart 4 – Personal strategies and labor force participation in UE (2009)



Training and guidance involves experiential learning through discovery: an employee supports another employee and a manager supports a subordinate or another manager to become effective professionally, which requires leadership.

In crisis situations, experiential learning is preferred by most modern organizations because it is less expensive and focuses exclusively on developing skills, but a good manager uses all these professional development strategies to knows, select and train employees.

*Delegation* understood as "sequence of activities from total control to total failure" (Armstrong, 2004, p. 67), the temporary assignment of duties and responsibilities, accompanied by the appropriate authority in their performance is a useful tool in any social and economic conditions if it is not practiced in excess. However, in crisis situations when it comes to strategic task or activities which may have major consequences for the organization, and when subordinates are not sufficiently trained, task delegation is not recommended.

The delegation is appropriate when a manager may not allot sufficient time to the specific work, due to the busy schedule, when motivation or evaluation of a member of the organization are intended or when testing the ability of employees who seek relative independence to prove certain competences and capabilities. In carrying out the delegation, a manager is not absolved of responsibility, bearing the responsibility for the results of the delegated person and, manager's confidence in the delegated subordinate is essential and requires reciprocity in crisis situations.

*Assertiveness* involves expressing ideas, opinions and feelings openly and directly without neglecting or offending the other members of the organization, driving them towards better performance, for professional development, improve cooperation, building relationships of trust and mutual respect. Assertiveness is an effect of manager's assuming leadership,

communication with employees, earning their confidence, providing explanations on organizational changes and work concepts. Manager's credibility is very difficult to obtain in crisis situations when organization's strategy is based on staff downsizing, restructuring or job re-positioning, measures which attract discontent and disgust. Such measures may however be viewed with confidence by employees if they felt their manager's assertive attitude in the past. To be assertive, a manager must know how to listen to employees, leaving aside criticism and fears as this is the only way to achieve high performance. Manager's ability to discern the times when to be authoritative from the moments when to make any compromises or his ability to express an intelligent feedback which that does not destroy, but helps the employee, supports organization's performance and excellence, offering possibility to assert by respecting others and recognition of their achievements and capabilities (Saunier, 2007, p. 157).

***Loyalty to the organization*** is a cause and a way to streamline the human resource, as it creates a source of valuable and useful intellectual capital for the organization. Loyalty means total trust and commitment to the organization, being the exclusive effect of leadership manifested by: encouraging employees to participate in decision making, objectively and unbiased distribution of bonuses for excellent results, importance given to career development, support in employee's training and the appeal to *face to face* communication.

Low attachment to the organization generates: non-performance, increased staff fluctuation and absenteeism and lack of loyalty in crisis situations is equivalent to employees' and lack of involvement, lack of bonuses and harassment for disloyal attitude. The effects of low attachment are similar at both the individual and the organization level with those generated by organizational stress, even being a mutual influence between stress and lack of loyalty. At the opposite, encouraging a high level of loyalty risks effects such as: low creativity, overload, stress, professional resistance to change, inability to find balance between personal and professional life. Also, excessively loyal employees can develop predisposition to adopt an illegal or unethical behavior "to the good of the organization".

***Proper motivation*** aims to boost employee's satisfaction at workplace, being responsible for human resource efficiency or lack of efficiency. Satisfaction generates performance and performance generates satisfaction provided it is admitted and rewarded. The efforts laid by the human resource to achieve own satisfaction is a function dependent on possible rewards and on the possibility that additional effort be additionally rewarded.

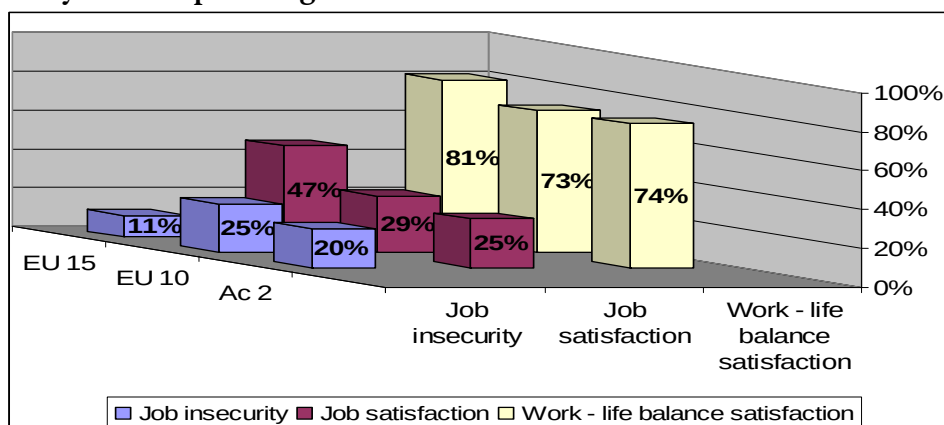
Proper motivation, assertiveness and loyalty are influenced by job satisfaction, work – life balance and perception of job security which involve leadership. In 2005, European survey data indicated that in *UE 15 (states of the UE before may 2004)* 47% of the employees declared that they had been well paid for the work they had done and they believed that their jobs offers good prospects for career advancement. Also, 81% of employees said that they are happy with the way in which their working hours fitted with family or social commitment. About job insecurity, in *EU 15*, 11% of employees considered that *they lose the job in next 6 month*. Compared to *EU 15*, in *EU 10 (countries which joined the EU in may 2004)* and *AC 2 (acceding countries in 2007 – Romania and Bulgaria)* feeling of job insecurity, job dissatisfaction and work life balance dissatisfaction are more prevalent (EU OSHA, 2009, p. 25), which shows lack of leadership.

**Table 3 – Job satisfaction, work life balance satisfaction and job insecurity in EU 15, EU 10 and AC 2**

| EU           | Job satisfaction | Work - life balance satisfaction | Job insecurity |
|--------------|------------------|----------------------------------|----------------|
| <i>EU 15</i> | 47%              | 81%                              | 11%            |
| <i>EU 10</i> | 29%              | 73%                              | 25%            |
| <i>Ac 2</i>  | 25%              | 74%                              | 20%            |

Source: adapted from EU OSHA (2009), p. 25

**Chart 5 – Job satisfaction, work life balance satisfaction and job insecurity in European organizations**



In a crisis situation, when additional rewards or bonuses of additional effort are not achievable the use motivational strategies is advisable, achievable through leadership, namely:

- *Direct influence* – strategy which refers to direct interaction between the manager and human resources. Depending on the organizational climate, the manager may choose to implement a series of methods to reward human resources by: providing a training course chosen by employee or organization, purchase of books or tickets to an event paid from the fund of the organization, taking over a part of employee's responsibilities for a short period, providing a meaningful gift for employees, etc. Such a strategy has a beneficial effect on the employee if his needs were properly analyzed, only requiring managerial creativity.

- *Situational adaptation* – strategy relating to human resource's adaptation to the work environment in view of influencing situation from inside the organization: feedback, management by objectives competitiveness boost.

The first salary bonuses are the easiest form of motivation of the human resource, but there are situations when such bonuses cannot be awarded by organizations (low yield, loss of competitiveness of the organization), situations when any form of bonus inefficient (high inflation) or situations which affect organizational communication, management style and professional performance, which is why manager's leadership and his ability to work with people definitely influence the conduct of human resource and organizational success.

## **Conclusions**

In modern organizations, indicators relating to time management, work-life balance, professional education or training, job satisfaction, job security vary from country to country and from organization to organization. In this context, leadership makes difference and influences productivity / competitiveness of the organization or the state.

In the current organizational society, characterized by the fast pace of changes, by continuous technological learning and elimination of communication barriers, any team, group or organization needs leadership to be more efficient, more competitive and more effective. The organization which lack leadership is vulnerable and lacks insight into crisis situations, risking loss of control over human resources, loss of competitiveness and even lost off efficient employee, which equals to organizational failure.

The idea that "leadership is not learnt, you are born with it" is difficult to prove, but it is certain that the manager who is aware and understands, at least

in theory, the role and organizational significance of leadership, who invests time and effort into practicing empathy, in the control of his own pulses and in analyzing the opportunities of moments when to be authoritative, offering his effort of will, can create competitive solutions for his subordinates even in organizational crisis.

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