

LEADERSHIP IN TIMES OF CRISIS

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Abstract: Leadership encircles the capability of an individual, group or organization to guide others (individuals, teams, or whole organizations). True leadership requires a personality that attracts other people, constant development of relationships with team members, possessing professional and practical knowledge and skills, experience, self-confidence, intuition and empathy. Strong leaders continuously empower other people, because they believe in their team members. Leadership skills are continuously learned and improved not only during professional development, but throughout person's life. Crises are inevitable events, that occur sooner or later in all the organizations. They can be triggered by different internal or external factors. Each crisis is specific and unique and requires different approaches for finding solutions. When a crisis occurs, ignoring or avoiding it, is one of the biggest mistakes for the organization. It should be accepted, resolved and used to initiate change, which is necessary for organizations' survival and further development and growth. Having an organized, planned and structured approach to crisis management can help in damage reduction, restraining the company losses and discover inventive mechanisms to maintain the workforce's productivity. Crisis leadership is a process that resolves the unforeseeable events that happen unexpectedly and have the ability to diminish the organizational structure, to cease growth and development and lead to catastrophic outcomes. Whether the crisis will be successfully resolved, depends on how the leadership will deal with the situation. A positive approach to crisis is to accept it as an opportunity, to take responsibility, manifest confidence and implement changes which will strengthen the organization and empower the employees to perform better and become stronger people in future. If leaders are bold and act, if they are decisive and willing to adapt their decision to the occurring conditions, they are going to have more success in resolving the crisis, compared to leaders that choose to wait and not take any action. Leadership is a vital process at all times, but when a crisis strikes, a strong leader has cardinal importance for the organization.

Key words: leadership, organization crisis, crisis management, leadership during crisis

Field: Social sciences

1. INTRODUCTION

1.1. Leadership

Leadership is defined as a capacity of an individual or a group of individuals to guide the members of a group or an organization. One of the crucial characteristics which every true leader must possess, is the power of influence. It is not enough only to obtain the leader title in an organization, because the person's position has nothing to do with their capability to be a true leader. Each time the true leader speaks, other people listen and pay attention, and he/she is the one everyone expects an answer from, for every question asked. If one cannot influence other people, they will not follow him/her.

Intuition is a distinction between extraordinary and good leaders. Extraordinary leader instinctively knows how to maintain leadership in different situations and crisis, and intuitively determines if the goals are achievable with the available resources. Some people are gifted with intuition during birth, while others can develop it through training.

Trust is the bedrock of leadership. Capability, liaison and character, are the three attributes a leader must have, in order to earn the teams' trust. Every leader must be aware that when choosing that position, he/she must stop thinking about himself/herself, so in practice, having a good character prevails over the other two characteristics, because one gains people's trust if behaves in an altruistic manner - by putting what is best for his/her team and the organization first, before himself/herself. People need to feel secure and know they can count on their leader at any moment. Trust creates respect- people will follow one

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person if they respect him/her.

Great leaders know that emotion is a force that motivates people to act. Emotional connections are built and developed through personal (face to face) and group interactions. One must always have in mind that must connect to each person individually, because every individual is different and unique. Leader's responsibility is to initiate and maintain these connections as a foundation of an exceptional communication, loyalty and work ethic, which is necessary for organizations' success. Strong leader encourages his/her team members to develop their knowledge and skills, because he/she has faith in them. Brené Brown wrote: "I define a leader as anyone who takes responsibility for finding the potential in people and processes, and who has the courage to develop that potential." This kind of empowerment brings change, but confident people know that they can always adapt to the new circumstances. Therefore, a confident leader is not afraid of this process, because the more power he/she gives, the more he/she receives.

Each leader must implement changes in the organization and find the perfect timing to do so. Change should start with small steps; through preparation and motivation. Team members should obtain the necessary skills and be motivated to want to make change. These two steps initiate and accelerates the change implementation.

Timing is everything, not only during organizational change, but during all the processes and actions. According to John C. Maxwell: "Each action can be with four possible outcomes: the wrong action at the wrong time leads to disaster; the right action at the wrong time leads to resistance; the wrong action at the right time is a mistake; and the right action at the right time brings success."

Development of the leadership skills is a continuous process, which requires constant learning. According to John Wooden: "The best leaders are lifelong learners; they take measures to create organizations that foster and inspire learning throughout." Through formal education people obtain vocational knowledge and skills, but we learn the best lessons from our daily life experience-mainly from our failures in order not to repeat the same mistakes, and from other people with whom we interact in our personal and professional life. One must always be aware that he/she can learn from everyone and everything.

1.2. Organizational crisis and crisis management

An organizational crisis is a low-possibility event with high negative impact, that jeopardizes the organization's existence. It happens suddenly, and it is hazardous for the organization's operations, finances and reputation. Crises can cause a financial loss by deranging operations, create a market share loss, as well as related lawsuits. The worst-case scenario is if the organization decides to ignore crisis, because it will not vanish if you choose not to act.

Every organization must be prepared to deal with potential crises, in order to survive. According to Robert C. Chandler, there are six stages within every crisis: warning, risk assessment, response, management, resolution and recovery. Commonly, organizational crisis occurs unexpectedly, but the organization should foresee this event, and prepare crisis management guidelines which would be applied if and when crisis starts.

When the organization experience crisis, it should be handled with a crisis management plan and coordinated activities in order to overcome the difficulties. Crisis management plan can include financial activities, PR, social media marketing etc. Also, the organization must form crisis management team that will take fast action with precise focus, primarily to rescue the company's reputation. During these situations it is very important to hear the opinion of each crisis management team member, because the managers cannot always think clear during stressful situations.

As soon as the crisis management plan and focal points are defined, crisis management team must begin to handle crisis in practice on internal and external level. Very important part of dealing with a crisis process is communication with the employees, explain honestly the problems and risks and ensure them that the company has the strength to overcome the crisis.

After the crisis is resolved, the company should do a post-crises analyses in order to be prepared for the future.

1.3. Leadership during crisis

Latin writer's Publilius Syrus famous quote states: "Anyone can hold the helm when the sea is calm." When everything functions smoothly, almost anyone who has professional competences, skills

and experience can lead. Crisis is one of the greatest tests for leaders. Actions and behavior during crisis distinguish good from bad leaders. Effective leadership is necessary for surviving during crisis. Usually crisis is so unpredictable, that the leader does not have time to prepare. Also, no one can predict how long the crisis will last.

Communication between leaders and employees is an essential skill. Open communication on principal information, expectations, and support contributes to building trust and enables the company to navigate in the times of crisis.

It is extremely important to be honest towards the employees about the crisis magnitude. Honesty must always be combined with confidence. Crisis can create chaos in the organization due to intense emotions caused by uncertainty. Very often, when crisis strike, the very first thing a leader must do is take control, stop the panic and ensure that everyone is determined to complete the activities according to crisis management plan. The leader must never manifest fear, because the employees need to rely on him/her in every step of the way.

Leaders must be able to adapt to every situation. It is not enough to have crisis management plan during crisis the strong leader adapts and changes the plan according to the circumstances.

Crisis is a situation where leader must make hard decisions. It demands quick response, but the decisions must be measured. In fact, the leader must quickly evaluate all the available data and decide the best way to act. This is a skill that can be developed.

Leader must keep positive attitude during crisis, that is easier said than done. This does not mean that a person should be a blind optimist, when the facts implicate negative outcome. The leader creates a positive team environment when he/she empathizes with the employees. Sometimes it is enough just to listen to the suggestions and other thoughts of team members, because that creates sense of affiliation. The most important is to always have in mind that all crises pass sooner or later, and we should accept them and do our best to find solutions.

2. MATERIALS AND METHODS

For the purpose of the paper, a case analysis has been conducted in the Representative office (RO) of a foreign company, which was established in the Macedonian market twenty years ago. Main responsibilities of the RO are obtaining market authorizations and planning and conducting sales and marketing activities for company's products. Total number of employees during the research was seven: six representatives and RO's director. The RO experienced a specific crisis, due to the bank account blockade, which started at the beginning of May 2022 and lasted until the mid-February 2023. Reason for blockade was the annual Update of registration of the bank account, which is legally required for non-resident customers, based on the rulebook of National Bank of the Republic of Macedonia. Company's headquarters failed in obtaining the necessary documentation during the bank deadline, which lead to banning all bank transactions during above stated period of 10 months.

Research method used during the case analyses was individual interview with all the RO's employees.

3. RESULTS AND DISCUSSIONS

At the beginning of the crisis the RO director honestly informed the RO employees about the situation and explained the reasons that lead to the bank account blockade, as well all the potential risks of losing clients, market authorizations and negative impact on sales, market share and reputation. (100% of the interviewed employees answered that they were aware and informed).

The employees were informed that all the financial operations will be delayed until the company's headquarters deliver the required documents, but also encouraged by the director, to be honest with clients and to maintain the communication with them. All the employees agreed that clients should be openly informed about the current problem and the cause of the crisis, so the RO team created a communication plan. (100% of the interviewed employees confirmed this information).

According to the communication plan, the RO director informed the key clients (state institutions, wholesale companies, marketing agencies etc.) about the frozen account, offered debts payment through cession agreements as a possible solution, and maintained communication during the crisis. (100% of the interviewed employees confirmed this information).

Employees informed all the other clients (retail companies and consultants), maintained a constant

communication with them and ensured them that all the marketing activities fees based on the signed contracts will be payed, as soon as the company's headquarters sends the required documents and the bank allows the financial operations. Retail companies and consultants were also offered cession agreements, if decided not to wait for debts payment. (100% of the interviewed employees confirmed this information).

RO succeeded in keeping all the market authorizations, due to good communication and long-term collaboration with state institution. These institutions did not agree on cession agreements, but they accepted all the legal procedures concerning market authorizations to remain on hold, because the crisis occurred due to objective reasons (100% of the interviewed employees confirmed this information).

All the planned marketing activities based on the signed contracts were realized. 80% of the marketing agencies accepted the cession agreements, while the rest (20%), decided to wait payment. (100% of the interviewed employees confirmed this information).

Wholesale companies did not accept cession agreements, and decided to wait payment, due to the long-term cooperation and trust that had been built between these companies and the RO. All the wholesale companies distributed company's products without any delay to the retail companies during the crisis. (100% of the interviewed employees confirmed this information).

Most of the retail companies and consultants (50%) decided to wait for payments and even tried to help the RO through maintaining and raising sales (none of the RO employees did not expect such level of understanding and empathy, when crisis begun). 35% of the retail companies and consultants accepted cession agreements. However, part of retail companies and consultants (15%) did not accept cession agreements and additionally decided to stop the cooperation until they receive invoice's payment. (100% of the interviewed employees confirmed this information).

In cooperation with RO's legal advisor, the RO director found a solution for salary payment for the employees through state institutions, so all the employees, received their monthly salaries during the crisis. (100% of the interviewed employees confirmed this information).

Company's headquarters did not have a way to finance the RO, so the RO director payed part of the business expenses using her money, that was necessary to maintain the basic functioning of the office and to ensure that the contact with clients will be persevered. (100% of the interviewed employees confirmed this information).

During the entire crisis, the RO director managed to keep the positive attitude, encouraging the employees to believe that if they stay strong together as team, they can move mountains. They even organized a small internal New Year's party, although as all agree, at that time, they felt they had nothing to celebrate. (100% of the interviewed employees confirmed this information).

All the 6 representatives decided to keep their work positions in the RO, although the crisis lasted for 10 months, and during crisis no one could anticipate when the problem will be solved. When questioned what the reason was no one seek employment in another company, the answers were unanimous: because of their leader, who stood behind them, gave them confidence and encouraged them never to give up.

The RO office director also decided not to leave the RO and stated that the reason for that decision were the employees, their perseverance and courage to face the problems and try to find solutions.

Crisis did not have negative impact on sales- on the contrary the RO during 2022 achieved the greatest sales results for company's product, since its establishment and significant market share growth. However, the crisis had negative impact on company's reputation at the market, so the employees are now facing a new challenge- to renew relations with part of the lost clients and to regain their confidence.

4. CONCLUSIONS

One of the most important hallmarks of leading in times of a crisis is controlling what appears to be uncontrollable.

The essential leadership skills during crisis are open communication, honesty, adaptability, capability to coordinate with team members, empathy, seeking and finding solutions. Through manifesting these abilities, the leader shows his team members a vision of the future, which will enable the organization to effectively function and even progress in times of crisis.

Every crisis can be handled if the leader has courage to face the problem and take responsibility, ensures his/her team that problems can and will be solved and conduct activities according to crisis management plan.

Each leader must always find a way to bring triumph to the team. Each organization is different, and

each crisis has unique characteristics, but all good leaders have one thing in common: they never give up. If they fail, they do not allow to be discouraged- on the contrary, they stand up and move forward. Great leaders are different from other people - they glow during difficult times.

The true leader always has in mind that great percent of employees in fact do not leave the company - they leave their managers. Leadership skills can and should be developed through continuous learning and training, but one must always remember that the true leadership comes from the heart.

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