

LEADERSHIP CHANGES IN ORGANIZATIONS DURING CRISIS SARS-CoV-2 2020 CASE

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Abstract

The main purpose of the paper is to have a thorough analysis on the development and effects of SARS-CoV-2. From both a business environment perspective as well as from within different organizations, in the context of existing and new leadership behavior, values and competences.

We will test different premises about leadership driven decisions, human behavior changes during crisis situations and do an exercise of discovery of different correlations between actions and effects during high stressful and extreme isolation situations.

We will go through a timeline of adaptive leadership changes in approach before and during the SARS-CoV-2 crisis.

Finally, based on the information gathered and the insights generated, the authors will also make a projection of possible leadership directions after the crisis has ended.

Keywords

Leadership, Competences, Team, Personal Development, Crisis Management, SARS-CoV-2

JEL Classification

M1, M10, M19

Introduction

Many articles and books have been written along the time on the topics of leadership types, leadership values and competences; during recent years many concepts have been updated and views have been changed in relation to how economy and trends evolve and how different generations traits impact leadership best practices.

A deep dive into the current SARS-CoV-2 outbreak will give us a sense of how human behavior changes during periods of stress and human connection deprivation.

As there has been numerous studies indicating that we as humans cannot easily make a separation between work life and personal life, to the extent of impossibility as described by

Jarrett (2014), then it becomes clearer that managers and leaders need to facture in new perimeters into the management style and behavior, so that employees can continue to be operating at their fullest potential from their own homes.

Working from remote locations or working from home, has been tested and integrated in the normal schedule of many modern companies especially for the jobs and activities where to deliver value, the only necessary tools they need is a personal computer and connection to internet.

The authors will try to assess, how much does human connection weights in the performance output and what is the cost of maintaining that productive level; also, what are the main development changes in both employees and leadership style as we move around the different stages of the crises.

The setup before the SARS-CoV-2 Crisis

Let us start by looking into what were the effects of SARS-CoV-2 pandemic from a business environment perspective and inside company perspective and what were the different leadership approaches even before the outbreak.

Since 2008 Economic Crisis, we can see that the economy has continued to grow according to the European Commission Report (European Economic Forecast, 2019): unemployment in the EU, US and other countries were at a long time low and also boosting households purchasing power, positive growth outlooks on emerging markets, stock markets and equity indices in advanced economies have been hitting record highs.

Also, since 2008, there have been more than 400 unicorns (companies valued over 1 billion \$) out of which over 60% of them are of Chinese or US origin origin as published recently by the CB Insights report (The Global Unicorn Club, 2020) so we can see a concentration of wealth especially connected with technology innovation.

In these trends of growth and prosperity we could see different movements and green agendas such as sustainability, environment care, climate change awareness which can be considered higher desired values and needs that can be achieved once other basic and psychological needs are met according to Maslow's Hierarchy Pyramid if we consider a collective employee and leadership conscience.

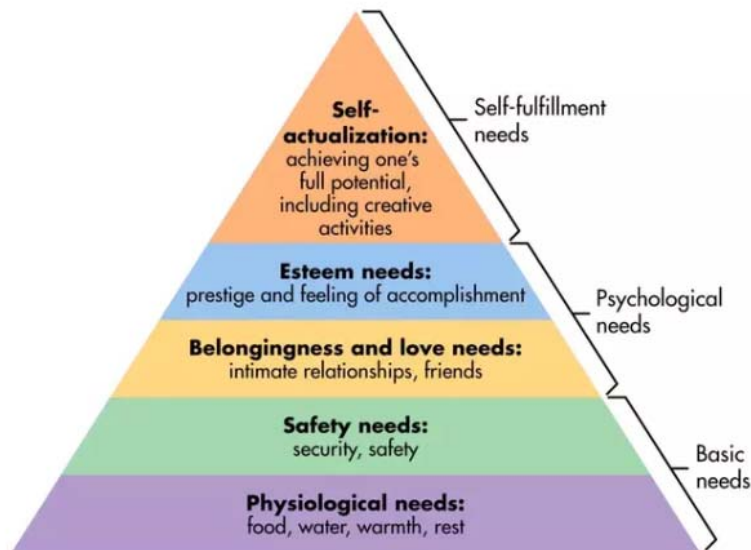


Fig. no. 1 Maslow's Hierarchy Pyramid

Source: <https://www.simplypsychology.org/maslow.html>

The increasing fast development of business environment, which resulted in both emerging technologies and applying tech to traditional businesses, has also had the effect to underline the value and focus of business models and leadership styles connected to agile organizations and agile mindsets, as we can also see from the Gartner research (van der Meulen, 2018).

One of the main logics behind it is that it doesn't matter if you had the best product too late, it matters more to have a good enough product first, capture the market early and continue to develop and improve that product iteratively.

As a result of this new logic and trend, the mindset, behavior and competences of businesses and employees had to adapt and transform accord to the new mindset and ways of working thus the leadership style, values and competences had to be improved along with them.

There are numerous researches such as from the McKinsey&Company Leading agile transformation report (de Smet, Kurie and St George, 2018) that offer different views on modern agile organization and we can connect the following leadership competences, values and behaviors:

- **Creativity** – encouraging team members to explore and think differently by challenging status quo and resulting into innovation and disruptive technologies
- **Empathy** – seeing through the eyes of the company's customers
- **Taking fast decisions** – speed of decision and execution with good enough information at hand, put it to the test and use as a learning for future decisions and experiments
- **Encourage collaboration and partnership** – focus on team performance and collective ownership above individual expertise and experts seeking, both within the team and outside of it
- **Stewardship** – rather than being the person who tells people what they need to do, the leader is empowering them to take own decisions and take ownership and guide along the way

The setup during the SARS-CoV-2 Crisis

Ever since the first report of SARS-CoV-2infection in December 2019 to the exponential growth and closure of Wuhan, the quick spread into Europe in countries such as Italy and Spain, and finally becoming a truly worldwide pandemic, we have been witness to heavy businesses losses, industries, raise of unemployment and huge market volatility.

It seems that a good indication on whether industries and companies can be better prepared during a highly infectious global pandemic, is the ability to carry on the day to day activities independently from their work premises. A recent report from USA Today (Suneson, 2020) describes the effects of the SARS-CoV-2 on the economy, industries and companies.

Many global companies have integrated work from policies in their standard employee offer for many years now especially where the activity and results could be delivered online through means of computer and internet. On the other side there are a lot of industries where most of the value producing workforce needs to be outside the office such as agriculture, heavy industries, different transportation industries and other similar services. On top of that, because of how easy the viruses spreads, one safe measure to protect people was to keep distance from crowds and limit travel ; this in turn had another wave of negative impact on business sectors such as events and entertainment (conferences, awards, music festivals, sports, movie theaters), tourism (hotels, cruises), auto market, retail, restaurants, wellness facilities and other services.

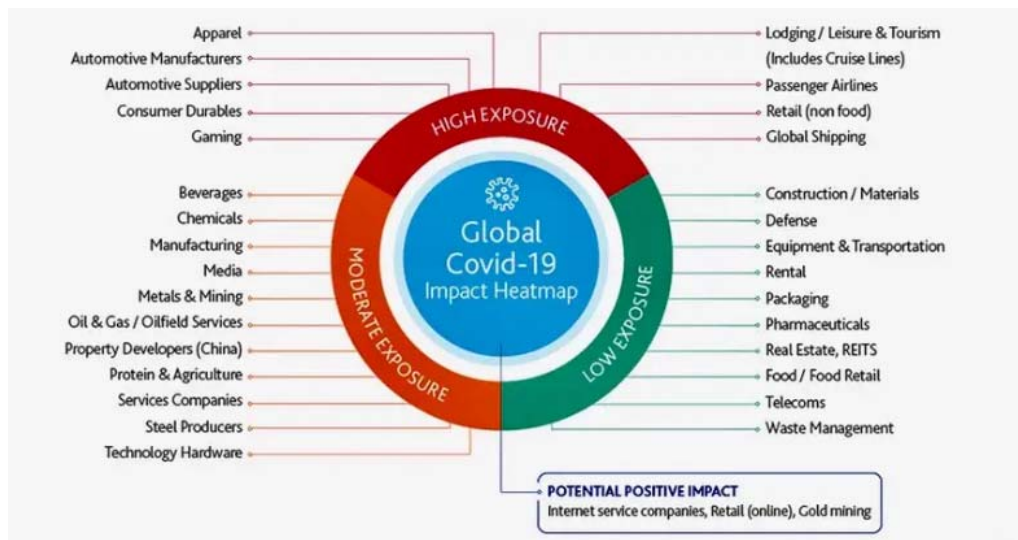


Fig. no. 2 Heat map shows industries hit hardest and least by the SARS-CoV-2 crisis - Moody's Investors Service

Source: <https://www.businessinsider.com/coronavirus-recession-industries-hit-chart-2020-3?r=US&IR=T>

As a result of the heavy uncertainty and fear over losing jobs and getting infected by the virus, employees process information and as such, different leadership behaviors and competences are needed when leading in times of stress and anxiety.

A recent article by Bain & Company assesses the leadership needs to be adapted to current crisis (Slagt, Michels and Burke, 2020): during high stress times, the ability to process information is reduced by 80% on average and attention spans to maximum 12 minutes, as a result when communication is being done throughout the organization by the leaders, it's necessary to be short and crisp and to be enhanced by additional visual aids, metaphors and compensate the lack of face to face interaction with being more enthusiastic and expressive on the camera.

As the possibility of making new unpopular business decisions for the organization to survive, such as unpaid leaves, salary drops or laying of employees, then it becomes extremely important how these decisions are communicated and justified as well as who does it.

These decisions are always hard to swallow, so the business leader who delivers it, needs to have a good level of trust and a perceived steering wisdom among the employees. As studies have shown (Heathfield, 2019), trust is being built by having an open and transparent communication and by demonstrating emphatic and compassionate understanding of the employees.

When it comes to different business working structure and principles, companies that have been incorporating agile principles and ways of working in their activity had an advantage over traditional-run businesses, as they have been accustomed to pivoting their operations and efforts and having the changing customer needs as their guiding star (Ferry, 2020). As a result, we could see companies changing their business and production focus.

As the ways of working have been changed from sometimes working from own premise (or never never working remotely) towards what is in most cases, full time working from home, we can see then, how leaders need to focus on slightly different competences while being guided by values and principles:

• **Coached Creativity** - evolving from mere creativity and fast decisions exercises where every idea generated was a potential good idea to try out, the role of the leader has evolved more towards guiding the employees with questions that can help generate possible solutions in the current context of challenges and opportunities. While before the outbreak everything was possible, we find now that there are constraints that employees need to be aware such as budget constraints, product and demand changes and the liberty of thinking needs to be so adjusted.

• **Virtual Communicator** – as we discover from the classic book *Silent Messages* (Mehrabian, 1971), we have 55% of communication done through the body language while only 37% by voice and tone and merely 7% spoken words; it's becoming increasingly difficult to communicate when there is no video camera share in video calls or even worse, when we're using only emails or instant chats. In order to counter that, leaders need to integrate remote communication tactics such as voice modulation, hand gestures and face expression, while also regularly enquiring and making sure the message has been understood. When sending out email communications, they should be short and crisp to avoid confusion and alignment check-ins should be more frequent.

• **Focus on human connection needs** – evolving from empathy, collaboration and inclusion we can see that because human direct interaction is now limited and there is no longer a physical workplace, challenges such as organizing the day between private and personal time, sign-offs, breaks, 24/7 childcare responsibility and so on, are things the employees need to navigate through in the new order. As a result, leaders need to increase their human and personal interactions with their employees even more at the expense of business discussions. Only when people have a stable relationship with themselves, they can operate and even surpass previous work output conditions seen before the crisis.

• **Stricter Guidelines** – as we have already witness, human behaviour alters in period of crisis and uncertainty in order for employees not to feel alienated and hopeless, leaders should help them by providing templates and guidelines on how to better operate and navigate with as much negative impact as possible on the operations during remote work.

• **Emerging leaders** – in times of normal business environments and prosperity, the tendency is to have leadership positions covered by people who have very good management skills, are organized and efficient with the drive to constantly improve an existing solution or service. In times of crisis and change, the whole organization, its activities, solutions and services can be extremely affected; as a result, we will see a different type of leaders emerging and thriving in these times, most likely employees without the official "leadership position" and so, existing leaders should pay close attention to when that happens to listen to and promote them.

The scenario post SARS-CoV-2 Crisis

At the present day in April 2020, we are still in the peak of SARS-CoV-2 outbreak. While the total number of cases is raising, the day to day new cases worldwide growth has flattened in certain days of April even slightly decreasing in comparison with previous days.

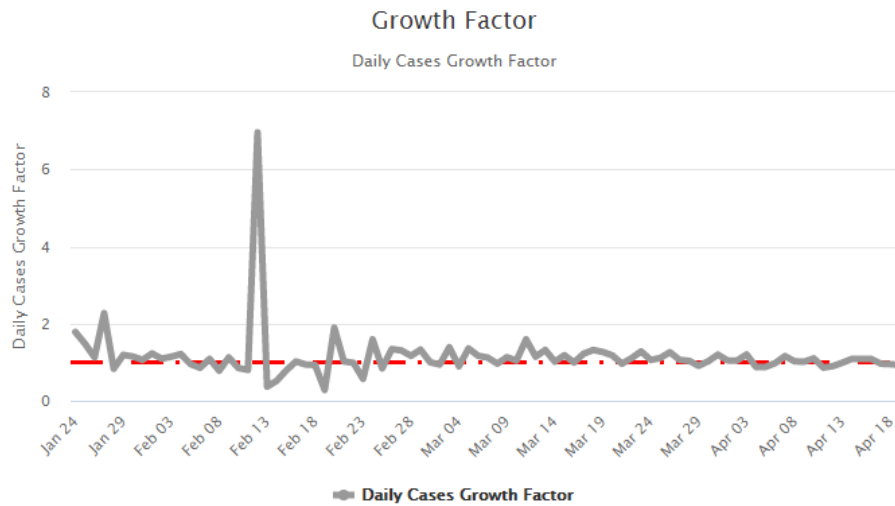


Fig. no. 3 Growth Factor of Daily New Cases - Worldometer

Source: <https://www.worldometers.info/coronavirus/coronavirus-cases>

While most countries are still on lockdown effect and many businesses continue to be closed, we will most likely see the economical and psychological effects in the second half of 2020 even continuing to 2021.

The level of uncertainty is still high, and the ripples of the pandemic are still to be revealed, however there are already signs of some possible future changes:

- If the working remotely exercise has no major impact on operations, then by continuing to work in this manner, even after restrictions are lifted, means that it could potentially save a lot of costs that was otherwise spent on office leases and facility expenditure;
- Business supply chains have also taken a huge toll following China's situation, as a result many companies might be looking for alternative channels preferably in the same country of where the business headquarter is established;
- There will be a high level of people who will lose their job and need to reapply, therefore upskilling and reskilling becomes even more urgent, in order to have a chance to get back in the business environment;
- As businesses will die to lack of activity and cash flow as well as employees that no longer have a job cannot contribute to the budget of the country, this in turn will add additional burden for government pensions and unemployment payouts.

As we will continue to plunge in what could be an entirely different business environment where some companies will disappear, other will pivot and finally some will emerge and thrive, the same thing will happen to the leaders that are now navigating through the SARS-CoV-2 crisis.

In the author's view, the following competences, values and behaviors will be highly valuable for leaders as they move away from today's crisis challenges towards tomorrow's uncertainty:

- **Competence enabler** – whether the changes will happen inside companies or at entire industry level, it is becoming clearer that changes are inevitable to survive and thrive through the crisis. As a result, leaders will need to be quick on their feet and adjust the development needs of their organization and employees by upskilling and reskilling especially associated with limited real-life human interaction.

- **Humanness and mindfulness** – as humans are generally regarded as “social animals”, the negative effects of social distancing can lead to disconnect with the team and the company, anxiety, burnout and even worse depression. In order for this to be avoided as much as

possible, leaders will need to develop a collection of human care awareness skills to the extent of therapeutically conversations, where they can come with practical mindful discussion and practices that will help their employees to stay at ease and composed.

- **Tech Savvy** – another important focus of the leaders emerging of the crisis is that they will need to be a lot more literate when it comes to technology and how to integrate it in day to day activities or strategic directions. Skills related to artificial intelligence, big data and cloud are becoming the norm and will be an even greater role to take us out of the crisis as well as were we'll go from there once that happens.

- **Talent seekers** – as we will come out from the unemployment disaster, leaders will have a great chance to attract and retain high potential employees from both the organization and especially outside it. The pool of people looking for jobs will be the best time to rebuild and strengthen a leader's dream team.

Conclusions

The year 2020 has begun with a major negative disruptive crisis as a result of the SARS-CoV-2 outbreak.

This had already produced major effects on the global economy, traditional business environment, changes in employee's day to day operations, as well as changes to leadership styles, competences and values.

The authors have tried to analyses a complex development of events and their effects, before and during the crisis as well as how different companies and their leaders changed in order to cope with the new world order.

The projections and outlook of how world economy, businesses and leaders will emerge after the crisis ends, are still clouded in a fog of uncertainly and such the authors have proposed a few examples of transformational leadership directions that will have a higher change of success once it is over.

On the other hand, it should be clear that major changes are still expected to happen, as we are still what seems to be the peak of the crisis. so the authors recommendations are subject to further documentation and analysis as new data will emerge and be made available.

Acknowledgement

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