

Challenges of Executive Leaders in the Context of the COVID-19 Crisis. Aspects from the International and Romanian Environment

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Abstract

The effects of the pandemic crisis are complex, affecting all areas of activity, from global to individual

The health crisis is changing the dynamics of the market, the structures, processes and internal procedures of organizations. In the face of these new situations, leaders are forced to find ways to manage the changes that have taken place.

Starting from the context of leadership as a combination between the vision and the clear strategy that a leader has on his business, together with his ability to communicate it correctly and clearly to his employees and those who follow him, we consider that leaders have never been more stimulated to demonstrate their visionary talent and charisma, as in the new conjuncture.

The qualities of a leader are to build something new. How and in what way, the leaders overcame the obstacles of the pandemic, giving a new impetus to their business, the practical reality shows us. The study is meant to bring a better understanding of the challenges facing executive leaders in the international and Romanian environment.

Key words: leader, leadership, vision, challenge, crisis

J.E.L. classification: M10, M12, M14

1. Introduction

The COVID-19 pandemic, exceeding the limits of a global health crisis, causes unparalleled economic and social implications. It poses a threat to the global, national and organizational economy by default. In this context, at national and international level, economic and social trends have changed their trajectory.

The responsibility of the leader of an organization is significant. The leader of the organization must ensure a mix of wishes of all stakeholders. Investors want to increase profitability, employees want higher and higher salaries, along with job security, and business partners want to strengthen collaborations both upstream and downstream.

The pandemic crisis has brought a new economic context, with major differences on all levels: from the management of the organization, to the management of human resources policy and the integration of anti-virus solutions.

The challenges of business leaders, generated by changes in business models, in this exceptional context, make their mission increasingly complicated.

2. Theoretical background

In recent years, the importance of leadership in the management of organizations has increased. While the prerogative of managers remains to achieve results in a systematic, predictable, repeatable and scalable way, leaders are the ones who lead through influence, inspiration and motivation.

Successful leaders know that: vision, purpose and values are the motivational impetus for successful leadership. Under the pressure of the tumultuous changes imposed by the coronavirus crisis, organization leaders must test their limits.

Challenges of executive leaders

The entire activity of the business leader is constantly challenged.

From the very definition of the leader, some of the most important challenges frequently encountered by business leaders at all times can be outlined:

- Capitalizing on the potential of employees: the most important resource of an organization, the active and determined factor, and at the same time the productive force, is its employees; the way in which they are used, distributed, involved in the activity processes of the organization, depends on its success;
- Strengthening employee confidence;
- Creating a business culture: "a system of material elements, values, norms and beliefs shared by members of an organization" to facilitate better cohesion of members of the organization in order to achieve objectives;
- Creating and implementing a business plan: for any business it is vital to be guided by an achievable plan and perspective in the future;
- Communication with business partners: good positioning and relationships with partners both upstream and downstream is essential to obtain mutual benefits.

The challenges of a leader can be grouped, depending on the influencing factors, in three categories: external, generated by people and situations; internal, determined by the personality and qualities of the leader; and contextual challenges specific to the leadership role:

- a. External challenges - are part of the daily work of an executive leader, such as: providing resources and funds, easing the opposition of community forces, various interpersonal problems of members of the organization, and the influence of social, economic and global policies. The ability of a leader to manage the continuous succession of small crises and disruptions that jeopardize the fulfillment of the mission and the objectives set, is in itself an undesirable challenge to the leader.
- b. Internal challenges - leaders are human beings, who have a baggage of personality traits and qualities, some innate, others cultivated through learning. In general, they stand out as strong, charismatic, bold people. The innate qualities of a person shape him as a social being. The way of manifestation, of the personal and professional qualities of a leader, materializes in the formation of a vision on the world and of the internal perception. The development of personal qualities are the result of the interference of life processes and the type of activity of individuals. Therefore, the characteristics of behavior, communication, attitude towards people, objects, work, things denote the character traits that an individual possesses. It depends on them to build the relationships, so necessary in the good functioning of the partnership leader-members of the organization, leaders-business partners, leaders-community. The real challenge is the ability of leaders to make a difference and adapt their behavior to the situation.
- c. Contextual challenges specific to the leadership role. Depending on the behavior towards business and employees, there are several types of leaders, as follows: the entrepreneur leader - oriented towards action and innovation, initiates or implements new projects and pursues them simultaneously; the strategist leader - emphasizes the process and innovative ideas, has an overview, is long-term oriented, develops a vision and implementation strategies; the professional leader is focused on innovation and people, he is the best in his field of expertise, his main quality is to mobilize the people around him.

Challenges of executive leaders before the COVID-19 pandemic

In the run-up to the COVID-19 pandemic, one of the biggest challenges for company leaders was how to attract and retain qualified, creative, intelligent people with superior digital skills. According to the CEO Survey (conducted by the audit and tax consulting firm PwC Romania in 2018), almost seven out of ten (68%) of leaders in Romanian organizations were concerned about the availability of people with digital skills in the industry in which they operate, and a percentage (64%) identified this as a source of anxiety among employees. Globally, three-quarters (75%) of executive leaders worldwide find it difficult to find candidates with digital skills in their industry, while a similar percentage (76%) are concerned that their employees do not have enough well developed such skills.

Challenges of executive leaders during the COVID-19 pandemic

The spread of the COVID-19 pandemic, the measures imposed by the authorities to prevent the effects on the citizens, the complete interruption of the activity, the modification of the modalities of their development, the long-term remote work, the activation of the economic crisis generated by the sanitary crisis, make quick and high-impact decisions.

1. Money management, the first and most impactful challenge in the pandemic, as a result of the lockdown, telework, the considerable reduction of the workload, all these considerably affected the budgets of the organizations and implicitly imposed drastic measures to reduce costs, in order to balance with declining revenues.

2. The health and safety of employees has become the second major challenge. This doubles the obligation to ensure employees, in addition to the conditions provided by the law on protection and safety at work by Law 319 of 2006 (Law on Safety and Health at Work - OSH) updated in 2015 and the Labor Code, reorganization of processes according to restrictions distance aiming at the protection of employees within the organization.

3. Customer dependency. Businesses depend on their customers. The pandemic has affected the value creation chain by eliminating some partners, by reducing the client portfolio. The leaders being forced to face the pressure exerted by the reduction of the activity, to quickly find solutions to cover the breaches appeared in the supply-sales chain.

4. Working from home generates a double challenge for leaders. One is related to the feeling of losing control and lack of access to employees by the leader, an aspect so necessary to inspire and support them. The second challenge is to find a new discipline for collaboration within and with other teams, so as to maintain enthusiasm, passion and motivation for work and to avoid routine, fatigue and impairment of work capacity.

5. Digitization. The pandemic accelerated the process of digitizing the way of working, necessary for the continuation of the activity and the exchange of information. The problem is that some organizations have not been prepared to incorporate the new systems in the work process in a short time, on the one hand, and on the other hand, employees do not have the necessary skills to use digitized tools. Leaders are forced to make changes along the way, because the future of the organization depends on these decisions.

6. Investing in people. Training and development programs have become vital in the post-crisis period, as people need emotional support, they need to learn new work habits, collaboration and communication, the acquisition of digital skills, support in the use of training platforms, work in the virtual environment. In this context, executive leaders are faced with a double challenge: both supporting and encouraging employees to take training and professional training courses, as well as their own training in remote management, personal development, decision-making methods and management of risk in situations of uncertainty.

7. Communication culture. The virtual work environment has imposed new ways of communication. Thus, it is necessary to improve and adapt the channels, communication and information exchange processes in the organization. The way of connecting, the way of verifying and validating information and decisions need a different culture of communication, which falls within the responsibility of the executive leader to facilitate the exchange of information and create the right environment for communication within the organization, and from the organization to its exterior.

8. Keeping direction. The medium and long term vision, the strategic directions assumed, must be consolidated and calibrated according to the ongoing events. Due to the fact that it is going through a period full of uncertainty and ambiguity, it is necessary for leaders to define short-term visions, easily achievable and adaptable to all changes. We must not forget the human component, respectively the insertion within it, of the individual desires and aspirations of the employees, even if many companies are struggling to survive.

9. Strengthening the personal resilience of the leader. In addition to the responsibility that derives from the position that an executive leader has, during this period he must also focus on his own person. Physical and mental health, self-discipline, a balanced lifestyle are vital, all in order to maintain their ability to work in optimal conditions, so as to fulfill their personal desires and those of the position of executive leader.

3. Research methodology

The objective of this research is to identify the main issues related to the challenges of executive leaders in the context of the COVID-19 crisis, in a comparative approach between international and Romanian leaders.

In order to capture in the deepest possible way the different problems that the executive leaders face in this context, we used the qualitative research method. As a form of reasoning for the formulation of conclusions, starting from specific observations to generalization, we applied the principles of the inductive method.

The facts were examined in a logical order. The starting point was the main challenges that executive leaders faced in their daily work. Then, we identified real concerns and worries in the run-up to the pandemic, which turned into new challenges. After the effects of the Covid-19 crisis, we found that the priorities and implicitly the challenges of the executive leaders have changed. All these relevant aspects are complemented by a comparative analysis between the challenges of the executive leaders from the international and the Romanian environment.

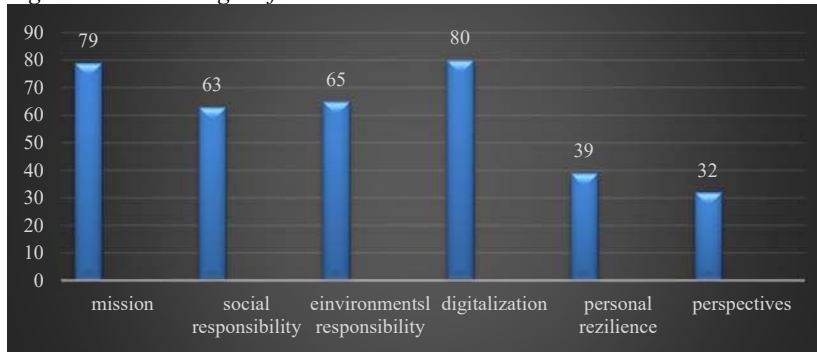
4. Findings

For a better picture on the changing challenges of executive leaders in the pandemic period, I draw attention to the results of two studies. One internationally, conducted by KPMG CEO Outlook during 2020 and which assesses changes in the priorities of executive leaders in international companies during the pandemic. A local one, conducted by Trend Consult, between July and September 2020, in order to identify the problems faced by the executive leaders of Romanian companies during this period.

The results of the KPMG study are a mix, two researches with the same purpose, conducted at the beginning of the pandemic on a sample of 1,300 executive leaders in January-February 2020, and in the midst of the rising pandemic, July 6-5 August of the same year, on a number of 315 respondents. International executives face the following challenges:

- Focus on the mission. The current situation has led executive leaders to analyze whether the company's objectives meet the expectations of stakeholders, thus (79%) re-evaluated the goals of the organization in the context of the COVID-19 pandemic. Also, (79%) have a stronger emotional connection with the company's goals;
- Social responsibility. During this period of uncertainty (63%) of the respondents paid more attention to the social component of the organization. A majority (76%) agree that leaders are personally responsible for change in social challenges;
- Environmental responsibility. As a result of the significant increase in the risks generated by climate change, (65%) of the interviewed leaders consider that only through a better management of this risk, the future survival of the business and the protection of jobs for employees can be ensured;
- Talent for business. After the onset of the pandemic, the leader's business talent became the biggest risk for coordinating a business, being considered a top priority;
- Digitization. For most respondents (80%) the digital transformation of their business accelerated during the pandemic, especially in the digital transformation of operations. It is expected that in the coming years to invest heavily in technology (67%);
- Personal resilience. The pandemic affected the health of executive leaders or their family members (39%). At the financial level (63%) they had to change their level of compensation;
- Growth prospects in the next 3 years. Low optimism among executive leaders (32%) regarding growth prospects in the next three years.

Figure no. 1 Challenges of international leaders

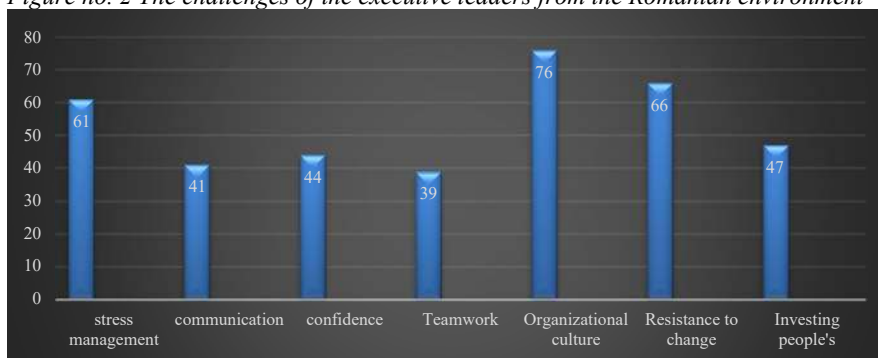


Source: made by author

The executive leaders from the Romanian environment face the following challenges generated by the pandemic crisis, as it results from the study carried out by Trend Consult by questioning 96 leaders of medium and large companies (number of employees between 50-5000), a turnover between RON 2-10 million, from various sectors of activity:

- Stress management and focus on people. Maintaining the high level of employees is considered a priority for executive leaders, considers a significant percentage of (61%);
- Increasing the authenticity of communication between managers and the team. One percent (41%) appreciate an improvement in genuine communication between leaders and the team;
- Employees' confidence in the organization's management increased during the crisis, according to (44%) of respondents;
- Teamwork and spirituality have improved in the opinion of (39%) of those interviewed, but even in these conditions a percentage of (24%) appreciate that things in this direction still require a lot of effort;
- Organizational culture based on initiative. Improving the initiative and creating a framework for implementing an organizational culture that encourages initiative should be one of the priorities of executive leaders, he said (76%);
- Resistance to change. A significant percentage (66%) of respondents consider resistance to change a major difficulty for future development;
- Investing in developing and maximizing people's potential should be another priority for the organization, estimates (47%) of those surveyed.

Figure no. 2 The challenges of the executive leaders from the Romanian environment



Source: made by author

5. Conclusions

The COVID-19 pandemic poses a crucial threat to human health and well-being, but also to the economy and business implicitly. The spread of the virus, but also the measures imposed to counteract its effects, have generated substantial changes in the way of conducting business. Being an unprecedented situation, for which there are no manuals to offer possible solutions, makes leaders

subject to new vulnerabilities and unanticipated challenges, difficult to manage. This, given that company leaders reconfigure and adjust their reactions in real time, given the rapid evolution of events.

The changes in the priorities of the executive leaders are a clear indicator that businesses have had to change their strategy very quickly to meet the challenges posed by the pandemic. The main priority in these conditions must be to protect human health and take all necessary measures to reduce the effects of the pandemic. Human capital is by far and perhaps the most affected part of this pandemic, and in this regard, it is essential that business leaders focus on measures to maintain the health and financial stability of employees. Any business exists and functions, with the help of the human factor, the original factor, active and determined on the other factors of production. Leadership is about people and their development, therefore, in these conditions the main challenges of company leaders will be the well-being of employees and job retention.

From a financial point of view, the most visible effects of the COVID-19 pandemic on business are the reduction in turnover and the impact produced by the suspension of activities. For most executives, the impact on revenue and profitability made it necessary to rethink the entire functioning mechanism of the organization.

In conditions of uncertainty, planning for the future has become more difficult, especially in terms of the future of work and problem solving, so that in order to overcome difficult times, executive leaders have to think in the short term. To support and grow business in the future, leaders focus on the importance of talent.

The impact of technology, as a support for homework absolutely necessary to ensure the continuation of activity, has redefined the way of communication in companies, creating more agile, flexible and resilient processes, and leaders are forced to adjust their means of communication, motivation and support of "remote" employees.

As a final conclusion, I would like to conclude with the assent of Bill Thomas, Global President and CEO of KPMG, I quote: "The COVID-19 crisis redefines corporate governance these elements as a guide for business decisions in unpredictable times".

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