Navigating the Challenges of the Modern Era: Leadership in Times of Crisis

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Abstract: This article presents a comprehensive research approach that investigates the influence of digitalization on leadership styles. The study employs mixed methods, utilizing literature review and survey methodologies. By analysing data from leaders and employees in IT, shared services, and banking sectors, the research identifies prevailing leadership styles and assesses adaptation to digitalization. It delves into challenges faced by leaders, necessary skills, and preferred leadership styles. The article also explores crisis leadership dynamics, emphasizing adaptive behaviours and the importance of aligning leadership styles with rapidly changing environments. Additionally, it discusses the concept of an intelligent economy and its intersection with leadership, innovation, sustainability, and regulatory challenges. The study aims to bridge the gap between crisis-induced expectations and leadership approaches, shedding light on leadership styles best suited for a digitally transformed future.

Keywords: Leadership; leader; leadership styles; crises; working environment.

1. INTRODUCTION

The world has changed immensely in less than five years, while a series of unprecedented events have impacted all aspects of our lives. The COVID-19 pandemic, followed by the Ruso-Ukrainian war have prompted an economic crisis and changed the focus and expectations of each of us regarding our working environment. While the pandemic has managed to redesign the business and working environment with an unprecedented speed, teleworking becoming the new norm in most companies in a hybrid system, the unstable environment produced by the war and the economic instability brought forward have changed the expectations with a focus on economical safety and stability. In the middle of all this sits the leader, who sees its role also changing and evolving in order to integrate the followers' requirements.

The main objective of this paper is to analyze the impact of the COVID-19 crisis and the new war prone reality on the leadership styles as well as to answer the question as well as to draw the portrait of a new leader, capable of meeting the expectations of the new followers.

2. MATERIALS AND METHODS

Aligned with the research objectives and research questions, the authors considered the following two research methodologies that could be used to study the impact of the new digitalized reality on leadership styles:

- Literature Review: A thorough review of the existing literature provided a comprehensive understanding of the concepts, theories, and research findings related to the impact of the digitalized reality on leadership styles. The literature review involves analyzing academic articles, books, reports, and other relevant sources and material, that helped the authors to identify gaps in knowledge and inform the research design.

- Survey and Questionnaire: This quantitative research method involved collecting data from 260 leaders and employees through the structured survey (as per the annex). The survey included questions about their perceptions of the impact of the digitalized reality on leadership styles, the challenges faced, and the necessary skills and competencies. The data collected was analyzed using statistical techniques to identify patterns and correlations.
Therefore, the authors had a mixed-methods approach as they combined quantitative and qualitative methods that offered a more comprehensive understanding of the impact of the digitalized reality on leadership styles. The survey was used to collect quantitative data on the prevalence of different leadership styles, while at the same time it provided qualitative insights into the underlying factors and experiences. The integration of both approaches enhanced the validity and reliability of the findings. It is important to note that the choice of research methodology aligned with the research objectives, research questions, and available resources. The authors considered ethical considerations, such as obtaining informed consent from participants and ensuring data privacy and confidentiality.

The survey used in the context of studying leadership styles in the digitalized reality, was designed to gather insights into leaders' and employees' perceptions, experiences, and attitudes related to the impact of digitalization on leadership. In order to develop the survey, the authors needed to define the research objectives and construct relevant questions. The survey included a combination of closed-ended questions and open-ended questions to capture both quantitative and qualitative data.

The survey questions covered various aspects, such as:

1. Perceptions of digitalization: Participants were asked to rate their agreement or disagreement with statements related to the influence of digitalization on leadership styles, such as rating the extent to which they believe digitalization has led to changes in leadership behaviors, decision-making processes, and communication styles.

2. Challenges faced by leaders: The survey inquired more on the specific challenges that leaders encounter in the digitalized reality. These included issues related to managing remote teams, adapting to new communication technologies, fostering collaboration in virtual environments, or dealing with information overload.

3. Skills and competencies: Participants were asked to identify the skills and competencies they perceive as essential for effective leadership in the digitalized reality. This included abilities such as digital literacy, adaptability, virtual communication skills, and the capacity to leverage technology for strategic purposes.

4. Preferred leadership styles: the survey explored participants' preferences for different leadership styles in the digitalized reality, to indicate which leadership style they believe would be most effective in each situation.

Once the survey was designed, it was administered to a targeted sample of leaders and employees in the IT, shared services and bank industries. Data analysis was a crucial step in this survey research. Quantitative data collected through the survey was analyzed using statistical techniques. Starting with descriptive statistics (means, frequencies) used to summarize the responses and identify trends. Inferential statistics (correlation analysis, regression analysis) in order to examine the relationships between variables and test hypotheses. The findings obtained from the survey provided valuable insights into the impact of the digitalized reality on leadership styles described in the results below. The authors identified prevailing leadership styles, assessed the level of adaptation to digitalization, and understood the challenges and opportunities associated with the changing landscape.

The authors strived for a representative sample and ensured that the survey is well-designed, valid, and reliable. Additionally, the interpretation of the survey results was done cautiously, considering the context and limitations of the methodology. Overall, through this research the authors gathered quantitative data on leaders' and employees' perceptions and experiences, provided insights into the impact of the digitalized reality on leadership styles in a systematic and structured manner.

3. Literature Review

3.1. Context of the Major Crises

In 2020 the COVID-19 pandemic was considered an event so shocking that managed to change the world (Taleb, 2008, quoted by He et al, 2020, pp. 176). In just a few months, the pandemic has almost dissipated the previous separation between the economic and social issues (Zahra et al., 2021). The previous existent work/home space barrier disappeared in most of the cases overnight, the digital and technological platforms had to be created or improved, and a major change appeared even in the companies that already had the teleworking culture: it ceased to be a choice and it started to be a
requirement. And while it started as a social responsibility initiative having as its main scope to protect employees and ensure a safe environment, for many of the companies a return to full-time office work is not planned in the near future. Confirming the idea that any crisis brings the potential of big opportunity through innovative solutions brought forward to solve new type of problems (Ebersberger et al., 2021), both companies and employees have quickly understood the potential of this new type of working, and although definitely it cannot be described as a “fits all” solution, it is considered preferred in a hybrid type of work by most of the companies in the future.

A second wave of shock has hit the world two years later, in 2022 when Russia has attacked Ukraine and another type of safety has been shaken thoroughly. As Vorbrugg et al. (2022) have stated the public attention and media coverage regarding Ukraine has skyrocketed, caused mainly by personal identification, fear and curiosity.

The consequences of the war have touched human, social, economic, and environmental levels, not only for Europeans, but also at a global level. The disruptions caused by the war had an impact on the already increased raw materials prices, bringing forward even more rises that led to unprecedented prices. The market turbulence and the recession has brought forward reducing investment rates, high unemployment rates, and decreased market power. While the salaries continue to stand still, the economic collapse has started to become a possibility difficult to face (AlQershi et al., 2023).

The instability brought forward by the crisis context has created the need of a new leadership focus – on new skills, new attention points and tools that are able to entwine the crisis prevention and solving with the future developments and technology requirements.

3.2. Crisis Leadership

Leaders find themselves at the core of the organization, being both appraised for success as well as considered directly responsible for any unsuccess, becoming a subject of great interest in the last two decades, especially in relation with their manifested styles that were thoroughly explored by scholars in relation with organizational and employee’s effectiveness (Abbas et al., 2021).

After the pandemic began, the accent on the leader increased even more as in times of crisis, the customers, the media, the business partners and employees tend to focus on the leader’s direct reaction as a representative of the company’s attitude towards the event (Muethel et al., 2013). Defined as high-impact events that threaten the viability of organizations (Pearson & Clair, 1998 pp. 336 in Carrington et al, 2019), organizational crises challenge leaders to formulate and direct the vision to resolve or overpass the issue. While at the beginning their first task is to make sense of the context of ambiguity, sensemaking is the base needed for a vision to form.

In crisis leaders use sensemaking, that refers to the approach used to understand and translate the environment, especially a fast changing one, and motivate future action (Medeiros et al. 2022). Their own central role makes them responsible for sensemaking and facilitating the reaction to a changing and complex environment. The researchers have argued that two of the most often used answers are ideological sensemaking, that takes into account past reactions in order to shape current response and pragmatic sensemaking that relies on an objective analysis of the current situation and existing options.

While indeed organizations tend to rely on their leaders to help them move through crisis, not all of them are successful, many times due to lack of preparation as well as applying the ill-fitted leadership style. As proposed by Bowers et al. (2017) leaders should (1) allocate time and additional resources in response to crisis, (2) they shouldn’t focus on PR (denying, pretending that things are going well) but communicate an action plan to help stakeholders manage expectations and (3) position their leadership style based on the crisis environment and organizational culture. In such times, leaders need to show adaptive/flexible leadership behaviors as well as the modification of leadership style in response to unpredictable circumstances (Oluwafemi et al, 2020).

It is because of this central role that leaders have within the organization that crisis leadership has become a major focus, being proposed as a part core of the curricula of every accredited MBA program (Hertelendy et al., 2021) aiming to provide a set of competencies useful in an unstable environment. The crisis leadership competencies count: the self-management competencies that allow them to reach for stability in an unspecific environment and adapt to rapidly changing environment,
the business management competencies, that include strategic thinking and planning and creative problem solving, as well as the people management competencies like collaboration and teamwork, conflict management and empowering others.

The answer of the leader in front of a crisis is considered even more influential as the leader has the capacity to impact other people’s reactions through their own contextual cues. Bandura (1977 quoted by Ilyas et al., 2020, pp 197) has proposed the Social Learning Theory that noted the fact that people tend to observe, interpret and emulate those figures that are considered as “distinctive” or “more important” in their environment. Banks et al. (2020) have argued through the Signaling Theory that leaders could send ethical signals through their behaviors to followers and stakeholders that trigger the social influence processes implied by leadership. Therefore, their role goes beyond the organizational function and work-related expectations and influences the attitude and behavior of followers in the social context.

However, Carrington et al. (2019) argued that the consensus, or the agreement on the system of beliefs considered critical to organizational adaptation in crisis, appears over time both in leader and followers, but in reality, the mental models form initially as a convergence of the follower’s mentality, and then it is adopted by the leader. This is considered as true in case of a slow-developing crisis when the followers have the time to form and express their opinion.

Therefore, both in slow or fast developing crisis, leader’s role is essential and the expectation to solve or help overcome the impending crisis is implied.

3.3. The Leadership Styles of the New Reality

Oluwafemi et al. (2020) has noted that leaders need to demonstrate “adaptive/flexible leadership behaviors, the modification of leadership style in response to unpredictable circumstances”. Some of the most studied and recent leadership styles include transformational leadership, transactional leadership, ethical leadership, distributed or shared leadership. In order to understand the most fitted leadership styles post Covid, an analysis of each style will be performed in correlation with the competencies required by the new reality.

Taking into account a new digitalized reality, Chamakiotis et al (2021) has argued that transformational leadership is a more suitable option for virtual teams as it is characterized by inspirational motivation and individualized attention. It can facilitate trust building and individual identification and involvement can promote an innovative atmosphere (Xie et al., 2018). Innovation has been positively linked to the capacity of organizations to overpass crises (Omar et al, 2021) as well as to the digitalization process so needed in the virtual environment.

The transactional leadership style, based on the reward-punishment system has been linked with closing leadership behaviors, identified by (Oluwafemi et al., 2020) as sanctioning errors, establishing routines, monitoring and controlling goal attainment, taking corrective action and paying attention to uniform task accomplishment. Although the virtual environment can provide the tools for micro-management, the rising of a new, more independent generation rejects this behavior. Furthermore, the human factor that already suffers due to the virtual environment and the instability of a crisis can dissipate even more due to the transactional style, considered ill-fitting from theoretical point of view.

Another leadership style that has gained attention lately is the ethical style, that refers to doing ethical things by taking into account the impact of any decision on all stakeholders and sending moral queues to followers for them to emulate (Banks et al., 2020). It involves important follower attitudes and behaviors beyond the area of ethics, such as: job satisfaction, voice behavior, personal initiative, trust in leader, organizational commitment, work engagement, in-role performance, work withdrawal behaviors, deviant behaviors and employee emotions (drawn from previous literature, Velez et al., 2017). It is a fitted option during crisis in order to answer the needs of employees and other stakeholders as well as promote the trust needed for creative problem solving and a safe environment. Related to e-leadership, ethical style offers the capacity to promote work engagement and promote respectful boundaries.

As Chamakiotos et al (2021) has noted, virtual teams’ central leadership styles work best when combined with other styles, that promote empowerment and distribution, such as shared leadership. Shared leadership promotes different levels of performance on specific tasks and is willing to assume
reliance on robust and interconnected infrastructure. Researchers emphasize the importance of intelligent transportation systems, smart cities, and digital platforms in fostering economic development. For example, Brynjolfsson et al. (2018) highlight how smart cities, which utilize data and connectivity to enhance urban living, can create a conducive environment for innovation, entrepreneurship, and economic competitiveness.

### 3.4. Intelligent Economy as an Answer to Future Requirements

The concept of the intelligent economy has gained significant attention in recent years due to the rapid advancements in technologies such as artificial intelligence, machine learning, and big data analytics. The intelligent economy refers to an economic system that leverages intelligent technologies to drive productivity, innovation, and sustainable growth. Intelligent technologies and economic transformation were explored through numerous studies highlighting the transformative impact of intelligent technologies on the economy. For instance, Brynjolfsson and McAfee (2014) discuss how advances in automation and cognitive technologies can lead to significant improvements in productivity and economic performance. They argue that these technologies enable tasks to be performed more efficiently, leading to increased output and enhanced economic growth. However, the intelligent economy relies heavily on robust and interconnected infrastructure. Researchers emphasize the importance of intelligent transportation systems, smart cities, and digital platforms in fostering economic development. For example, Brynjolfsson et al. (2018) highlight how smart cities, which utilize data and connectivity to enhance urban living, can create a conducive environment for innovation, entrepreneurship, and economic competitiveness.
When it comes to intelligent entrepreneurship and innovation, the intelligent economy promotes entrepreneurship and innovation as key drivers of economic growth. Studies explore how intelligent technologies empower entrepreneurs and foster innovation ecosystems. For instance, Arora et al. (2019) examines the role of artificial intelligence in entrepreneurial ventures, highlighting its potential to enhance decision-making, optimize operations, and create new market opportunities. The intelligent economy necessitates a skilled workforce capable of adapting to technological advancements. Researchers emphasize the need for upskilling and reskilling programs to equip individuals with the necessary skills for the intelligent economy. Acemoglu and Restrepo (2019) discuss the potential impact of automation on labor markets and suggest that investing in human capital and supporting lifelong learning initiatives can mitigate job displacement and promote economic inclusivity.

Another diverse dimension related to intelligent economy is through intelligent governance as it poses new challenges for governance and policy frameworks. Researchers emphasize the importance of proactive policies that promote innovation, protect data privacy, and ensure ethical use of intelligent technologies. Many studies focus on the regulatory aspects of the intelligent economy, such as data governance, cybersecurity, and intellectual property rights. For instance, Yu (2020) examines the legal and regulatory challenges associated with artificial intelligence, emphasizing the need for adaptive and forward-thinking policies.

The intelligent economy also intersects with sustainability and resilience concerns, so necessary in crisis situations. Researchers explore how intelligent technologies can contribute to environmental sustainability and address societal challenges. For example, Li et al. (2020) investigates the role of intelligent systems in energy management, highlighting how data analytics and optimization algorithms can optimize energy consumption, reduce waste, and promote sustainable practices.

Finally, from a finance and fintech perspective, the intelligent economy has significant implications for the financial sector. Researchers examine the impact of fintech innovations such as blockchain, robo-advisors, and digital currencies on financial markets and services. For instance, Gomber et al. (2018) discusses the potential of blockchain technology to transform financial intermediation, enhance transparency, and reduce transaction costs. Furthermore, the literature review underscores the need for strategic policies and investments to maximize the benefits of the intelligent economy while addressing potential challenges such as workforce disruption and ethical considerations. As technology continues to advance, further research and collaboration among academia, industry, and policymakers are crucial to navigate the complexities of the intelligent economy and ensure its inclusiveness.

Considering the above-mentioned leadership styles and the expectations regarding crisis situations, a study has been performed in order to identify which of these fit the expectations of the followers, by correlating them with the turmoil stricken business and social environment, and with the expectations that the future requires. In order to bridge these expectations a double-maintained study has been performed, having as objectives:

O1: To identify the correlations between the behavioral model within the crisis and those characteristics identified as positive and willing to be applied to the “future leader”.

O2: To identify the leadership style most able to sustain business development during and post crisis.

4. SURVEY Results

Regarding the demographical and background information of the respondents within the sample, it should be noted that 63% of respondents are females, only 29.5% are having leadership positions.

The age clusters of the respondents are shown in the graphic below and show the preference of corporations (where the survey was conducted) for young employees as opposed to very experienced ones.
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Related to the impact of the pandemic and subsequent crises on the leaders’ styles, 71.2% of the respondents have declared that the leadership style has been impacted and therefore modified during post crises. The correlation analyses below strive to identify those aspects influenced by the ever-changing environment that could be of utmost importance for future leaders.

A positive correlation of over 0.5 was also identified between the leader showing adapting behavior within the crisis (Q9) and the action of empowering others (Q8), as well as communicating more with the team during and post crisis (Q10) and showing organizational skills (Q11). The correlation stands for logical interpretation as communicating, empowering others and showing organizational skills have been observed as major leaders’ adaptive behaviors implemented in order to tackle the challenges raised from the crisis situation. However, out of the three behaviors, improving their organizational skills followed by empowering others have been considered as the most noticed changed behaviors, compared to the pre-crisis situation. This translates into an evolution of management skills when faced with a crisis, prompted by the distance way of working that stimulated transformation.
A well represented correlation (0.61) was identified between having organizational skills (Q11) and communicating with the team (Q10). Considering the context of the pandemic and teleworking being the norm, it can be stated that communication with the team was and remains a tool used in order to organize the activities and team tasks. In fact, communicational skills are related to the process of giving and receiving information within the working environment, while the organizational skills are related to task allocation, correctly relying on the existing skills and tools in order to promote efficiency and increase results (Whittington et al., 2006). It is therefore well understood that in order to show organizational skills, a leader should efficiently communicate and rely on the correct use of information. Moreover, both organizational and communicational skills have been identified as part of the mandatory managerial skills, that translate also into the leadership skills.

The most obvious correlation (0.72) identified is between the affirmation “Not everyone can be a leader” and “Not everyone should be a leader”. The two affirmations could be related to Henry Mintzberg theories that see leadership closer to craftsmanship, and therefore art, and less strategy and organization. Within the ten roles identified by Mintzberg for managerial roles can be counted figurehead, leader, liaison, monitor, disseminator, spokesman, negotiator, disturbance handler, entrepreneur and resource allocator. The skills needed to cover these roles can be acquired, but a part of them (leader, liaison, spokesman, negotiator) are arguably mostly innate. In fact, as Chen Tang Jin et al, 2014 pp 159 quoted by Bagheri (2017) have argued, leadership has been constantly marked as the inspiring and enabling element that influences different aspects of employee work behavior and performance. The answers of the respondents are mirroring both the importance of the leader and the “innate qualities” that some scholars consider them to have, that differentiate them from those that do not reach leadership positions.

Therefore O1: To identify the correlations between the behavioral model within the crisis and those characteristics identified as positive and willing to be applied to the “future leader” has been successfully answered within the present paper.

**Fig4. Survey results related to “Not everybody can be a leader” and “Not everybody should be a leader” affirmations**

**Source:** developed by the authors

Related to the leadership styles identified most often by the respondents, transformational and ethical leaders have been the two most preeminent groups, a positive aspect considering that both styles have been connected to crisis leadership as well as with future trends regarding sustainable development, and intelligent economy.

**Fig5. Survey results related to the respondents leaders’ style**

**Source:** developed by the authors
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Three correlations have been identified within the transformational leader (Q12.1) and leadership behaviors such as empowerment (Q8), showing adaptive behaviors (Q9) and communication (Q10). As Oluwafemi et al stated (2020), the transformational type of leader is most often the one that demonstrates adaptive/flexible leadership behaviors, the modification of leadership style in response to unpredictable circumstances. Therefore, the correlation (0.4) demonstrates the relation between the transformational leaders and their capacity to demonstrate adaptive behaviors in case of a crisis.

Xie et al (2018) have also noted that the transformational leadership style can facilitate build trust and individual identification. Both trust and identification can be achieved through a high level of communication. The correlation of 0.44 between the two is validated and explained through the identification of what a transformational leader is.

Maybe the most impactful and closer to the transformational leadership definition is the correlation found between the transformational leader and the empowerment behavior demonstrated in and after the crisis (0.48), that demonstrates the fact that the transformational style represents the answer for increasing the chances of successfully cruising crises periods.

Therefore, O2: To identify the leadership style most able to sustain business development during and post crisis, has been answered by identifying the transformational leadership style as an answer to the question.

5. CONCLUSIONS

In conclusion, this research provides valuable insights into the evolving landscape of leadership styles within the context of digitalization and crises. By employing a mixed-methods approach, encompassing literature review and surveys, the study offers a multifaceted understanding of how leadership dynamics have adapted. The findings underline the necessity of flexible and adaptive leadership styles during crises, demonstrating the crucial role leaders play in sensemaking and guiding organizations through ambiguity.

The analysis of different leadership styles in the digital era underscores the importance of aligning leadership approaches with the demands of a virtual and technologically advanced environment. Transformational leadership emerges as a fitting choice for fostering innovation and trust in virtual teams. Additionally, the ethical leadership style is highlighted for its ability to promote employee engagement, ethical decision-making, and organizational well-being, especially in times of uncertainty.

Furthermore, the exploration of the intelligent economy's implications on leadership, innovation, and sustainability underscores the interconnected nature of technological advancements and economic growth. The study underscores the significance of proactive policy frameworks and adaptive strategies to harness the potential benefits while addressing ethical and regulatory challenges.

Overall, this research underscores that effective leadership is not only about reacting to crises but also proactively adapting to dynamic contexts. As organizations navigate the complexities of digital transformation, crisis management, and economic shifts, the insights provided here serve as a roadmap for leaders seeking to cultivate adaptable, ethical, and innovative leadership styles. This work contributes to the broader understanding of how leadership can navigate the challenges and opportunities presented by the digitalized reality, ensuring sustainable growth and resilient organizations in the intelligent economy.

ACKNOWLEDGMENTS

“This paper was co-financed by The Bucharest University of Economic Studies during the PhD program.”

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