

MANAGERIAL COMPETENCIES IN TIME OF THE CRISIS

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Abstract

Since the last quarter of 2007, countries throughout the world have been facing a deep economic crisis. Crises are common both in organizations and in their environment – they have become a characteristic feature of the operation in the current market conditions. The effectiveness of management in times of the crisis depends largely on organizational competences of managers. Given the escalation of the crisis, crisis management has become an important skill of managers and the crisis is a test of leadership skills. The paper presents selected behaviours of managers and attempts to clarify what managerial competences are necessary during the crisis.

Keywords: competencies, managerial behaviours, managerial competencies, management in times of the crisis.

1. Introduction

Since the last quarter of 2007, countries throughout the world have been facing a deep economic crisis and the related changes, and it has been estimated that crisis repercussions will be in effect until 2014, or even longer in certain industries. An economic slowdown is the least desirable but still inevitable condition, which brings along many negative consequences as far as business survival, development, further growth, and profitability are concerned. In such circumstances of economic crises, managers turn to the so-called quick reactive strategies aimed at retaining previous profit levels, in an attempt to protect their business from the downfall – thus securing its survival. The primary task of managers is to enforce various

business decisions, mainly cost-inspired, in order to keep their organizations afloat. The effectiveness of management in times of the crisis depends largely on organizational competences of managers. Given the escalation of the crisis, crisis management has become an important skill of managers and the crisis is a test of leadership skills. The key competence in this situation is the ability to adapt to change. But the question arises whether in a globalized economy, compared to similar phenomena, responses to the crisis should be different or the same? To what extent are the decisions taken by managers autonomous, and when and in which areas are they “designed” by global managerial education, similar legal systems and standards of business, the media and the global language used in management? Is management in a crisis significantly different from the everyday, normal work of a manager, performed in stable organizations and stable environment or does it require other specific competences?

2. Organization during a crisis – a crisis in the organization

Crises are common both in organizations and in their environment, they have become a characteristic feature of the operation in the current market conditions. The economic crisis which started in 2007 in the United States is neither the first nor the last global crisis. The dynamic character of the modern world indicates that such crises will occur, and their course will be more difficult to predict. Central and Eastern Europe countries experienced a financial crisis with varying intensity: it quite strongly affected Hungary, Romania and the Baltic countries, while its impact on other countries in the region such as the Czech Republic and Slovakia, was not so strong, though not without significance. In Poland, the symptoms of the recession are clear and multidimensional. A symptom of the economic slowdown is the declining condition of businesses. The research shows that the economic crisis is perceived by most companies (nearly 75%) as a factor negatively affecting their economic condition (Czerwińska-Lubczyk, Michna 2013: 26). With the change of the economic situation, barriers to the development of companies are being transformed. The economic downturn has substantially changed the conditions for companies: entrepreneurs are struggling with a significant decrease in global demand, both for products and services, competition between companies has become fiercer, financial liquidity of many companies has been impaired, which in turn has resulted in delays in payments, access to foreign capital is also restricted – such changes have also increased uncertainty about the future. According to Siuta-Tokarska

(2011: 14), the consequences of the crisis for the company sector include: reduction of revenue, suspending investment, making workers redundant or restructuring working time and places of work, rising unemployment, development of the grey economy, as well as an increase in organized crime (including the economic one) and in the number of companies announcing bankruptcy in comparison with the period before the crisis.

The crisis is often not accidental and usually, before it explodes, the symptoms of the possibility of its occurrence can be observed. This situation applies to both a company (Knap -Stefaniuk 2007: 2), as well as national economies, including the national, international or global crises (Mazurek 2009). One can talk about two approaches – the first approach treats a crisis as an inevitable event, and the second one promotes active crisis prevention. The concept of a crisis as inevitability was developed based on the Perrow's (1984) concept of "normal accidents" (system accident) by Coombs (1999), who believed that a crisis is unpredictable but not unexpected. In his opinion, reasonable organizations know that they will face a crisis, but they just do not know when. Developing a similar approach, Hearit and Courtright (2003) argued that strategists should assume that crises are not just inevitable but unavoidable. The opposite approach presents crisis management as a continuum of management actions undertaken in order to identify potential crisis and preventing it as well as long-term post-crisis management (Jaques 2010: 469).

Every crisis specifically affects the way and standard of life, behaviour, decision-making process, it also directly affects all management processes; it is a threat to people and their property, it evokes a sense of uncertainty and fear, threatens the function of systems in the organization, creates the need to solve problems urgently, may spur unexpected people's behaviour, panic, chaos; it creates the growing need for cooperation of teams of employees and information from inside and outside the organization (Herrera 2011). The crisis becomes a reason for thinking and acting differently than previously. New conditions revise erroneous views, previously regarded as correct. It is therefore necessary to search for new solutions in the area of organization and company management.

3. (Stereo) typical behaviours of managers in times of the crisis

The fundamental strategy to which managers of all companies resort to in times of the crisis is a cost reduction strategy (Hart 2009). Surprised by unexpected declines, reduced income of cash flow and revenue, pressed by

deadlines and the need to respond quickly, they see the only way to rescue the company in reducing costs. The most common areas affected by cost reduction in times of the crisis in the years 2008/2010 included (Milić 2011) reduction of unlimited costs such as training and education, overheads, IT costs, freezing and/or reducing salaries, bonuses, insurance, etc. downsizing, delaying and/or cancelling capital investment and/or other investments, reducing marketing costs, product sales and development, expenditure on research and improving quality, business trips, advertising and events.

These strategies result from the so-called reactive approach to the crisis, when an immediate need to cut costs in order to allow the survival of the company is the highest priority for management staff. This is a case of the classic upside-down cost reduction approach, where top managers decide about the amount of money by which the costs should be limited, they assess the major cost categories and provide guidelines to lower managers on specific reductions to achieve savings, which have been determined as necessary (Milić 2013: 81-82).

However, a question arises about the benefits that organizations achieve by implementing cost reduction strategies. Typically, the cost reduction strategies implemented in such situations give only short-term positive effects. As far as the long-term perspective is concerned, however, these organizations will face serious damage to different areas of the organization. It results from the deficiency of necessary resources, especially human resources, skilled specialists, and as a consequence, lower productivity of existing employees, their insufficient and not very innovative knowledge and lost enthusiasm. It is also a negative effect of falling way behind technological development, undeveloped or even lost market position and reduced revenue profitability (Milić 2011). The longer the crisis, the greater the negative long-term consequences of the above strategy are. Adopting the cost reduction strategy as the only strategy of managing the organization in times of the crisis is undoubtedly a sign of short-sightedness of managers, which may be due to the lack of formal education and experience that prepare for management in times of the crisis. One has to remember that a crisis is not only a dangerous and undesirable phenomenon. For many companies, a crisis provides an opportunity to implement positive changes and develop. In his speech of 12 April 1959, John F. Kennedy said that “when written in Chinese, the word *crisis* is compounded of two characters - one represents danger, and the other represents opportunity”. Crises are a test of leadership skills (Buffet-Willett, Kruse see: Rakowska 2009: 8). The key competence in this situation is the ability to adjust the organization to change.

4. Necessary managerial competences in times of the crisis

In the ontological sense, a crisis is the accumulation of adverse events and conflicts in various areas of social and economic life. This implies, therefore, making choices, decisions, struggling and fighting, where there is the need to work under time pressure.

According to Herrera (2011), there are several key competences a manager needs during the crisis. They are both functional and personal. Functional competencies mean that the manager has mastered various aspects of organization management and his or her role in the organization and responsibility. These include: the ability to create strategies, to evaluate the set objectives, operational management skills, information management skills, and resources management skills (especially human resources). Personal competencies combine understanding of his or her internal capabilities, the potential with mental and physical strength (self-awareness, self-evaluation, physical conditions, mental conditions). Based on the findings of studies conducted among managers of the U.S. companies, Herrera presents a set of competencies that managers need to have in times of crisis: leadership skills, skills to manage, control and help employees, the ability to quickly resolve unexpected problems, resistance to a long-term physical and mental effort as well as to stress, the ability to recognize in unusual situations what is the most appropriate in a given situation, independence, decisiveness and responsibility, professional competence and knowledge of specific issues in crisis management, the ability to organize and coordinate tasks and activities of team members, management skills, ability to use information, knowledge of database systems, the ability to use them to the full extent, knowledge of law, regulations and other standards that restrict tasks and activities, communication skills, listening skills, understanding information and signals, negotiation skills, influencing and persuasion skills, the ability to take feedback, to formulate decisions and commands clearly and concisely, and experience in handling non-standard situations.

Management in times of the crisis is an ongoing process that requires the development of reflective thinking, adaptation and learning, gaining experience to function in the difficult time. This requires the ability to strategically examine, explore, and “scan” the environment to acquire knowledge. However, to effectively operate and use his or her knowledge, a manager has to make quick and ethical decisions and build the trust of his or her stakeholders. Knowledge combined with the trust of stakeholders allows the manager to notice and embrace opportunities that arise as a consequence

of the crisis (James Wooten, 2010). Observing the behaviour of managers of the U.S. companies during the crisis, James and Wooten identified the following managerial competences as necessary:

- an ability to reflect, learn and adapt-in times of the crisis, a learning process of the leader should be simultaneous with the process of organizational learning. At the core of this learning is the skill set for acquiring knowledge and implementing a behavioral change as a result. Learning orientation includes a tendency to seek knowledge and to use it in the process of adapting to new conditions. Civilization changes verify the existing models and learning strategies, offering new patterns of action. This process is permanent (Morańska 2012: 80; Dacko-Pikiewicz 2005). If during the crisis willingness to learn is promoted, leaders and their organizations can reduce the negative impact of the crisis, getting to know its “roots “ and using the knowledge acquired in the process of decision-making. Learning in times of the crisis gives a certain “resistance” to other difficult situations, promotes a positive attitude to dealing with problems, and the ability to recover from the crisis;
- the ability to seek opportunities – a "by-product " in the learning process is the ability to take advantage of the crisis to develop the organization (searching for knowledge – observation and getting to know the environment – taking advantage of the emerging opportunities). The information obtained from a variety of sources, integrated in a broader context is useful both at the strategic and tactical level;
- the ability of quick and ethical decision-making – the ability to make quick decisions under pressure becomes a core competence to effectively cope in times of the crisis. However, a manager has to avoid emotional approach to the crisis, and the impact of the characteristics of the crisis itself (limited information, time pressure, the pressure to change), which contribute to difficulties in making decisions, and also making decisions based on a single source of information or the tendency to make decisions that justify past choices or investments;
- a belief that the crisis can be an opportunity - managers often focus on the negative aspects of the crisis and do not recognize the opportunity, the possibilities in a given situation. The crisis is an opportunity for organizational change, behavioural change, as it draws attention of managers to the situations that have been neglected and to the current opportunities for innovation and improvement

of the system. It is necessary, however, that managers change their thinking from the feeling of anger, fear, guilt to long-term and optimistic thinking. Using the crisis as an opportunity requires their radical approach, a vision that will inspire members of the organization to search the organization's strengths and opportunities in its environment, and to use these strengths as resources.

As the research done in the crisis periods indicates, the following factors are important: intuitive decision-making, experience, and hidden knowledge (Sayegh et al. 2004).

Polish managers believe that in a crisis the most important qualities of a manager are: flexibility in the approach to the problem (65%), the ability to manage people (64%), creativity (51%), experience (51%) and the ability to take risk (45%). They also think that despite a difficult situation, the manager should not act ruthlessly, in an authoritarian way, manipulate and ruthlessly pursue the objective (Rakowska 2011: 11).

In the research conducted by Copp 75% of the surveyed managers indicated that interpersonal competences are the most important when dealing with a conflict situation. In this research 50% of the surveyed managers indicated that the most important is to be able to solve problems (Copp 2011). Lis (2012) highlights the importance of competences related to quality management in companies.

Similar results were obtained in the author's research: 58.3% of the surveyed managers found experience, knowledge of economy (60%) and knowledge of the latest trends in organization and management (40%) vital during the crisis, as well as the following skills: problem solving and decision making (about 95%), interpersonal skills (networking, not alienating people, empathy – almost 80% of the respondents believe that this skill is necessary, only 4% that it is not), the ability to work in a group (approximately 75% and 2% respectively).

At the same time, the findings of the research of 400 Polish managers, presented by Jadczyk (2009) show that even 68% of the Polish managers are not mentally strong and resistant enough to safely take their business through a period of major change. Only 7% of the managers claimed that they had big strength and mental toughness, resulting from the previous professional experience, from the skills gained in the past (those who are best prepared for the challenges did sport in childhood and they constantly competed with others). In addition, the managers tend to deceive themselves. They believe that crises do happen, but not to them, only to competitors. And when they affect their company, they apply a strategy of the ostrich – they bury their head in the sand and try to wait until the worst is over. Such approach results in financial image losses and in the worst case,

company's bankruptcy. Moreover, the managers often believe that it is not them that bear the blame for the crisis situation in the company, but, as they say, the business environment.

5. Conclusion

Times of the crisis and economic slowdown are a period of destabilization for businesses. Competences useful in the daily work of managers in stable market conditions may be insufficient during the crisis. Undoubtedly, in times of the crisis managers are required to be more stress-resistant, to have the ability to make quick and non-standard decisions, often under conditions of information uncertainty, as well as the ability to take risks. Universal competences characteristic of all managers, regardless of the market or industry, certainly include:

- the ability to detect and interpret weak signals. Crises occur at a certain pace, they have their own dynamics and can often be predicted by analyzing the signals coming from the environment. Many experienced managers intuitively sense the signs of disturbance, others deliberately try to identify and attempt to interpret the first symptoms of the crisis;
- the ability to maintain the necessary organizational reserves, including financial and functional reserves, giving the organization flexibility, necessary in times of the crisis, as well as reserves of ideas and solutions. It may be difficult or even impossible to introduce some of them in times of stabilization, however in the crisis conditions they are acceptable;
- the ability to identify and monitor such segments of the organization and its environment that are most vulnerable to crises. Areas that may be a source of the crisis should be a key area of the managerial control;
- the ability to identify and protect such resources that will determine the future of the organization. The crisis creates favourable conditions for the concentration on activities that have a direct impact on the financial performance. In practice, this often means the domination of savings and making decisions that quickly and clearly reduce the costs of the organization operation. In such situations, it is particularly important to define the “core of the business” - such resources that should not be reduced as part of the restructuring, as they determine the future of the organization;
- the ability to seek support and alliances. The crisis is a period when certain rules of action are redefined. This refers to the

organizations themselves as well as to their institutional and legal environment. Finding the resources necessary for survival encourages managers to consider the possibility of cooperation or even integration with partners, who were previously perceived as rivals. The crisis may also be an opportunity for some to change their relationship with the institutions in the environment-local authorities, regulators, or supporting institutions.

However, regardless of the consequences of the crisis for the operation of companies, it is essential to take action not only related to the current situation, but also taking into account the long-term perspective as the crisis is of temporary nature.

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