

# MANAGEMENT AND LEADERSHIP IN GLOBAL COVID-19 ECONOMY

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***Abstract:** The global world economy has been characterized by the global epidemic of coronavirus and significant slowdowns of wide range of economic activities. In such environment, companies' management and leadership deal with more obstacles and more difficult working conditions than usual. Therefore the goal of the paper is to highlight the behavior and activities of managers and leaders in guidance of their companies, either large or medium and small companies, in current health and economic crisis conditions. Using the methods of analysis, comparison, deduction and synthesis, the paper researches the activities and measures taken by the managers and leaders in the present crisis conditions. Findings show the role and significance of managers and leaders in crisis and the importance of their appropriate behaviour and activities in running and recovering their companies in critical conditions. Therefore the paper might be useful for managers and leaders as well as all researchers in this and related fields.*

**Keywords:** management, managers, leaders, COVID-19, crisis.

## 1. INTRODUCTION

The global world economy has been characterized by the global epidemic of coronavirus (COVID-19) and significant slowdowns of wide range of economic activities. The first pandemic (global COVID-19 epidemic) in over a hundred years began as a health crisis and soon escalated into an economic crisis (COVID-19 crisis) spreading at an unprecedented rate. The economic disruptions induced by the COVID-19 crisis are enormous. World production, trade, air traffic, oil consumption, foreign direct investment (FDI), tourism, employment and living standard fell drastically seeing record drops the sharpest in six decades. The COVID-19 crisis is predicted to cause the worst global recession since 1945-1946 and more than twice as deep as the recession associated with the 2007-09 global financial crisis.

With the spread of the pandemic, some of the existing global risks have intensified while some new risks have emerged. Prolonged recession of the global economy is estimated to be the highest COVID-19 risk that companies face. This risk is followed by other economic risks as well as societal (another global outbreak of COVID-19 or different infectious disease), technological (cyberattacks and data fraud due to a sustained shift in working patterns as well as breakdown of IT infrastructure and networks) and geopolitical (tighter restrictions on the cross-border movement of people and goods) risks. Beside prolonged global recession as a top concern for business, the greatest economic risks in terms of the most worrisome for the companies are bankruptcies and industry consolidation, failure of industries to recover and a protracted disruption of supply chains. As the pandemic includes huge application and reliance on technology in both everyday and business life and increased working from home and other remote locations among the most worrisome for companies is the technological risk of cyberattacks and data fraud as well as the related risk of breakdown of IT infrastructure and networks [1].

In the current business environment of global health and economic crisis, companies deal with more obstacles and more difficult working conditions than usual. Each crisis highlights the vulnerable side of the affected subjects, in this context the companies. In such conditions, the roles of managers and leaders come to the fore. Therefore the paper researches the behavior and activities of managers and leaders in guidance of their companies, either large or medium and small companies, in current health and economic crisis conditions and highlights the importance of their appropriate behaviour and activities in running and recovering their companies in critical conditions.

## 2. MANAGEMENT AND LEADERSHIP IN THE CRISIS

There are differences between leaders and managers. Leaders make sure that what is done is right, while managers make sure that what is done is done in the right way [2]. Leaders are focused on vision, mission, general and specific goals, while managers are focused on productivity and efficiency. Managers see themselves as guardians of the status quo, while leaders see themselves as advocates of change and opponents of the status quo. Accordingly, leaders

encourage creativity and risk-taking. Another difference is that managers are oriented towards a relatively short-term perspective, while leaders are oriented towards a long-term perspective. Managers are also more focused on the ways of work, on how the job should be done, while leaders are more focused on the outcomes of the work, on what needs to be done [3]. Finally, managers solve problems so that others can do their job, while leaders inspire and motivate others to find solutions on their own.

Organizations need both leaders and managers, despite their differences. Managers have a key role to play in the day-to-day operations, and a key role for leaders is to inspire employees and determine the long-term direction of their organization's development. The key issue for any organization is the degree of proper leadership and proper management [4].

Managers have a significant and additional responsibility to manage their companies in time of recession and crisis. Responses to the crisis must be sought and obtained at all levels. The sooner the analysis of the crisis' effects is approached, the greater are the chances that it will be prevented or at least mitigated. Recognizing threats and reacting to them early in order to reduce their negative impact on the company is the basic task of today's managers. In order to survive, companies have to use the best management practices, strategies and tools.

It is important that managers differentiate the three time frames through which a typical crisis plays out, and they are: (1) respond, in which a company deals with the present situation and manages continuity; (2) recover, during which a company learns and emerges stronger; and (3) thrive, where the company prepares for and shapes the 'next normal' [5]. Managers have responsibility to consider all three frames, to identify where their organization is and to allocate resources accordingly.

They are also responsible to choose the strategy which their company would implement: retreat, resilience or agility. The first one, retreat strategy, implies that companies are forced to exercise caution and withdraw from circumstances that can not change. The second one, resilience strategy, includes adaptive approach to the existing circumstances. And the third one, agility strategy, implies constructive reaction and adaptation to situation and risk, including creation of new products and services and business models.

Resilience of different business aspects is very important in crisis condition. Resilience requires companies to engage in two somewhat contradictory activities: one is bouncing back from the collapse of markets, the breaking of supply chains, and the depletion of workforce capacity. The other is learning how to leap forward into markets, supply chains and talent markets where the rules for survival and success are unclear and changing [6].

Leaders of companies must focus on five key areas of resilience across leadership, revenues, the organization, finances and operations:

- leadership resilience requires fortifying an entire network of relationships, taking in all stakeholders, from customers and suppliers to the community;
- revenue resilience requires preparation in advance for market shifts by initiating and nurturing resilient relationships with the customers;
- organizational resilience requires establishment of robust organization that will allow surviving shifts and also strength the culture and revealing hidden depths;
- finance resilience requires having a firm grasp on how money moves through the company, including the cash flow forecast as the most important tool for doing this;
- operational resilience requires mapping out the supply chain from raw materials to the end customer, and identifying all potential vulnerabilities, including the determination of primary and secondary suppliers for all critical inputs, minimizing the possibility of them having overlapping vulnerabilities [6].

### 3. FINDINGS

The research of management and leadership practice in the COVID-19 crisis conditions shows that at the beginning of the pandemic companies' management around the world responded in similar ways. Their companies informed customers whether the business would be suspended and accordingly took measures to protect employees and customers from infection. Furthermore many of them have sought support from business support organizations, government and other supporting entities. However, beyond this common reaction, there were differences between companies' management practice.

Regarding the adopted strategies, the research shows that some of managers implemented retreating strategy, some implemented resilient strategy, which, in the current pandemic context, included shifting the sales mix towards online channels, sourcing from new suppliers or learning to telework, while some managers implemented notably agile strategy which, in the pandemic conditions, included creation of new products such as designer masks and rapid testing technologies or business models in which employees are lent to other active businesses in essential industries.

Many managers decided to reduce employment, sell assets or take on new debt to cope with COVID-19 crisis. Managers of small companies that exported were significantly less likely to adopt this kind of approach than those that sold only domestically [7].

The most common practice applied by managers was a temporarily reduction in employment. Furthermore management of smaller companies increased online sales, while management of medium and large companies increased teleworking as they are generally more capable of working from home than smaller companies (Table 1).

**Table 1:** The ways in which companies' management cope with the current pandemic

Micro companies	Small companies	Medium companies	Large companies
Temporarily reduced employment 34%	Temporarily reduced employment 42%	Temporarily reduced employment 40%	Teleworking 58%
Online sales 31%	Online sales 25%	Teleworking 38%	Temporarily reduced employment 42%
Customized / new products 20%	Teleworking 25%	Increased marketing efforts 26%	Increased marketing efforts 26%

Source: [7].

The pandemic conditions also have had huge effects on management of international business operations which immediately reduced undertaking of direct investments abroad (FDI). It is predicted that the pandemic conditions will cause a dramatic drop of FDI in 2020 with a further deterioration in 2021. It is estimated that global FDI flows will decrease by up to 40% in 2020, from their 2019 value, what would bring FDI below \$1 trillion for the first time since 2005. This decline is assessed as worse than the one that occurred in the two years following the global financial crisis. FDI is further expected to decline by 5% to 10% in 2021 [8].

Managers have reduced international business operations of their companies all over the world. It is evident across all groups of countries: developed, developing and transition economies. According to UNCTAD projections, developed economies will see negative annual FDI growth rate in 2020 of between -25% and -40%, while developing and transition economies will see larger decline of between -45% and -30% [8].

Managers have also reduced international business operations of their companies across all industries. The average growth rate of number of announced greenfield projects as well as the average growth rate of number of announced cross-border mergers and acquisitions deals has been negative in all sectors: primary, manufacturing and services. In the first months of 2020, all industries experienced an average decline of more than 20% in the number of newly announced greenfield projects. The same situation is with the number of newly announced cross-border M&A deals except in primary sector where the average decline was 9 per cent [8].

Managers have canceled a significant number of announced greenfield projects and cross-border mergers and acquisitions deals of their companies in the first months of 2020 compared to 2019. The numbers of announced greenfield projects in March and cross-border mergers and acquisitions deals in April decreased by over 50% compared to the 2019 monthly average [8].

Beyond the previous, the important aspect that companies' managers and leaders must keep in mind is digitalization of business. It is not a new request for business, and pandemic will only force companies to speed up their digital transformations. Updating business models, especially adopting and updating digital business models, is now an imperative for almost every company in order to survive and compete. According to [9] "successful leaders will now seize the opportunity to advance a new trajectory for digital transformation that aligns with the changing role of business: to be a powerful enabler of long-term value creation for all its stakeholders".

There are believes that, with the right approach, the COVID-19 crisis can become an opportunity for companies' management and leaders "to create even more value and positive societal impact, rather than just bounce back to the status quo" [10].

Resilience of different business aspects, including leadership, revenue, organizational, financial and operational resilience, is very important in the crisis conditions. As already stated, leadership resilience should imply strengthening entire network of relationships, including all stakeholders, from customers and suppliers to community [6]. In the context of a global COVID-19 epidemic, this aspect additionally gained in importance.

It can be distinguished five fundamental qualities of resilient leadership which should help executives to ensure their companies emerge stronger from the impact of coronavirus, which imply:

- "design from the heart ... and the head", what implies that resilient leaders are sincerely empathetic with their employees, customers and their broader ecosystems while they must simultaneously take a hard, rational line to protect financial performance of the company;
- "put the mission first", what implies that resilient leaders are skilled in triage, able to stabilize their organizations to cope with the current crisis while finding opportunities despite the limitations;
- "aim for speed over elegance", what implies that resilient leaders take decisive action bravely based on imperfect information;
- "own the narrative", what implies that resilient leaders seize the narrative at the outset. They are transparent about current situation including unknowns while at the same time they provide a convincing picture of the future that inspires others to persevere;
- "embrace the long view" what implies that resilient leaders are long-run oriented anticipating the new business models and innovations that will shape future [11].

Regarding the research issue it is also important to highlight the significance of strategic leadership in this context. Strategic leadership implies the ability to anticipate reason, maintain flexibility, think strategically and collaborate with others to initiate change that will provide a positive future for the organization [12]. Thus, strategic leadership means

that leaders inspire their companies to change and their followers to make an extraordinary effort to achieve organizational goals.

#### 4. CONCLUSION

It can be concluded that there is the far-reaching impact of COVID-19 crisis on the activities of management and leaders. The pandemic crisis has brought a new wave of business behavior. Although at the beginning of the global epidemic of coronavirus companies' management responded in similar ways, later there were differences between companies' management practice. The different behavior characterized the companies' management. Their activities and measures varied. The future will show which managers' activities and strategies will enable to cope with this kind of crisis and to allow businesses to survive or, better yet, to progress.

In the global COVID-19 economy full of uncertainty and declining trends of almost all economic indicators, managers and leaders have a huge responsibility to consider everything previously stated as well as other and act accordingly making possibilities to mitigate the effects of a pandemic and to get through it as fast and painless as it can be.

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