Chapter 39
The Effect of Crises on Leadership

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ABSTRACT

Crises can be regarded as the nursery of leadership in a way. They have both created new leaders and have also proved to be a testing ground for the existing leaders, as well as a filter where the inefficient have been eliminated. Man-made crises have been classified as social, economical, and political crises up to recent times. With the development of modern markets, new financial tools have emerged. Those financial tools have the function of regulating the modern economy, but also they have the handicap of propagating their own crises from the economic field to social and political areas. In this context, crises give way to radical changes in the management paradigm. In such an environment, the leadership virtues of the previous paradigm period turn out to be insufficient. Institutions used to survive during the crisis periods by employing their crisis management plans. However, crises gain a permanent nature during the modern times and tactical crisis management becomes insufficient in the new environment. The phenomenon of permanent crisis forces leadership to have some special virtues. Therefore, it becomes necessary to define a new type of leadership, namely "strategic crisis leadership." The aim of this chapter is to examine the impact of crises on leadership virtues and express reflections on the new type of leadership in the new paradigmal period.

INTRODUCTION: CRISIS, EXTRAORDINARY TIME FOR MANAGEMENT

Crisis is any event that is, or expected to lead to, an unstable and dangerous situation affecting an individual, group, community, or whole society. Crises are deemed to be negative changes in the security, economic, political, societal or environmental affairs, especially when they occur abruptly, with little or no warning. Crisis has several defining characteristics. Seeger, Sellnow, and Ulmer (1998) define crisis "specific, unexpected, and non-routine events or series of events that [create] high levels of uncertainty and threat or perceived threat to an organization's high priority goals." Thus the first three characteristics of crises are that the event is; (1) unexpected (i.e., a surprise), (2) creates uncertainty, and (3) is seen as a threat to important goals. On the other hand, Venette (2003) argues that "crisis is a process of transformation where the old system can no longer be maintained." Therefore, the fourth defining quality is "the need for change".

This definition is in concordance with the process of "paradigm shift" proposed by Kuhn (2000, pp. 24–25). The old paradigm, which does not answer the changing requirements collapses and the transition to the era of a new paradigm, shall be agonizing. According to this view, crises are periods of chaos. This era shall necessarily come to an end and a new era of paradigm shall start. The related problem is how agonizing the chaotic period shall be and how long it will last. The institutions shall withstand this process or collapse depending on the severity of the crisis and the length of the period of crisis.

This article is a study in which the general requirements of a leadership as it appears in the literature and the enforcing effects of crises on leadership, together with a conceptual study of leadership properties for the permanent crisis period.

BACKGROUND

Crises can be classified into two main groups according to their origins or triggers, such as natural crises and manmade crises. Financial crisis—as a manmade crisis—creates an unexpected power shift (Friedman, 2011).

The survival of an institution during the crisis and its transition to conform the changing environment will doubtlessly require the properties of leadership.

Leadership can be inferred automatically or deliberatively when important events are observed (Fischbein, 2005, p. 12). Nothing tests a leader like a crisis. The highly charged, dramatic events surrounding a crisis profoundly affect the people in an organization and can even threaten the organization's survival. But there are actions a leader can take before, during, and after a crisis to effectively reduce the duration and impact of these extremely difficult situations (Klann, 2003).

Schoenberg (2004) argues that "Many articles have been written on leadership, crisis preparation, crisis management and the tactical elements involved in addressing a crisis scenario, but very little research exists on the skills and expertise to succeed as a crisis leader". He mentioned about a search in google.com performed on April 28, 2004 and noted that "crisis leadership" as a theory or concept is still very much untested. Four years later Arslan (2008) followed same route and noted figures. Referring same headings, figures searched from google.com and tabulated together with the previous ones on Table 1. It is noticeable that, the studies on the subjects of "Leadership," "Crisis," and "Crisis leadership" have meaningfully increased during the last seven years and the most meaningful increase is on the subject of "Crisis leadership."

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