

LEADERSHIP* AND ENTREPRENEURSHIP DURING THE CRISIS PERIOD

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Abstract:

We assist today to interesting and challenging times for everyone, regardless of his hierarchical position or his field of activity. The globalization process that have brought a lot of positive effects at international, national and regional level, proved to be one of the most important carrier for an unexpected and unwished economic phenomenon: the economic crisis.

It's important to understand that for SME's sector the leadership is a crucial variable that has to be carefully managed under these circumstances. Leadership is a hot subject, from the boardroom to the shop floor, throughout the organization, influencing to a large extent the performances and evolution of any company.

Key words: leadership, entrepreneurship, SME's sector, economic crisis

JEL Classification: M12

THE GENERAL CONTEXT

Some specialists have the opinion that economic downturn at the world level can be compared with that of 1930 and that's not all! Even if some countries as USA and Germany send optimistic signals for recovery, most countries struggle still to face the negative consequences of this threat.

The explanations can wear a wide range of clothes from a too much emphasize on profit, bad risk management, bankers greed, population enthusiasm for spending, bad real estate investments a.s.o.

The fact is that all the sectors of the economy and public sector are strongly affected, with direct and indirect impact over societies' stability and level of living standards. It's easily to notice that we passed pretty fast from a huge availability of the money, both for companies and population spending, to a stage where the financial resource is seen as critical one and the bankers are very reluctant in offering it for different operations.

The difficulties for accessing the money create high difficulties for the companies to fund their activities, to carry out their economic cycle at the same or closer parameters as before.

Due to this cause, the possibility for modernizing the technologies and equipment is pretty low, thing that will be reflected in lower quality and productivity. The fall of population buying power attracted a contraction of the supply and the diminishing of production automatically created a pressure on the companies' managers for dismissing a lot of employees.

CHANGE AND LEADERSHIP

Organizations are subject to the change process with a higher frequency and intensity. The environment's complexity, the dynamics of its components, all of these force the organizations to permanently assess their position related to the context and to anticipate or to react to challenges they face.

Under the new conditions the leaders around the world who understand that face the same challenges, to a certain extent, began pushing authority downward and horizontally in order to experiment the empowerment management. But, for most cases, the reality demands more basic reforms first to take place within companies. For working with the stakeholders in the new conditions, the specialists consider that developing company-wide leadership without new models could become an almost "for sure" failure for the typical organization.

Of course, many people have still the tendency to describe good leadership, as 'charismatic' considering this quality on the top of their list. During the tough periods as the crises, people have

almost a need to think that somebody has a miraculous quality that will be able to solve all the problems that they face.

But the profound economic crisis has created a real challenge for leaders. But also for their followers! Many employees see their entrepreneurs as charismatic! People who have a lot of initiative and know how to manage. And for sure, they are going to find solutions for the present situation, too!

Such approach is often met in the SME's sector where, for a lot of time, the entrepreneur as the leader of community, involved in all aspects of the organization, making the most of the decisions.

But, the pressures that the entrepreneur is subject to, the need for speed and the complexity of his environment place a lot of pressure on him, in order to start trusting more his employees and if he wants to get people to listen to him, he has to be also prepared for the vice-versa.

There is a real need for the professionals who are able to assist him and who can stand beside him in order to attain the objective proposed for these difficult times.

Innovation and change become attributes that are now stronger connected to the knowledge based leadership as actions that are more often associated with a leader's decision in order to assure that competitive advantage will be reached. Building an organizational knowledge map is one of the most difficult action for a leader, as he has to thoroughly assess the knowledge potential of the organization and how it can be better valued.

Learning organization can be developed only when the leader succeeds to transform the organization and himself in both sender and receiver of information, building a climate of trust and embedding it within the organizational culture (N stase, 2008).

It's not possible to set and achieve challenging objectives without creating a team of capable, creative and committed employees. The communication process get new value, regardless of the fact that we talk about horizontal, vertical or oblical communications. Permanent monitoring of the environment, meeting the stakeholders' needs means to be able to connect with a solid informational system, able to provide the raw materials for decision making process.

Attaining the organizational objectives is a process that imposes a better cooperation among the people from inside and outside of organization and finding the right balance between internal conditions and external requirements.

CHALLENGES FOR ROMANIAN SME'S

The specialists demonstrated that the level and particularities of the business environment vary from one country to another. The entrepreneurship is a social and economic phenomenon that is influenced by economic and non-economic conditions. The economic conditions comprise : access to profit, the existance of some groups with a leaders position, opportunities, chances and capital.

The non-economic factor can be grouped in non-economic motivators, the insatisfaction generated by the present job, values or by factors regarding the business environment.

After a period of powerful economic growth Romania knows a deep crisis with major negative effects in all the society's fields.

Till now the SME's sector proved to be one of the most dynamic sector from the Romanian economy, generating over 80% of GDP. But, at the same time, it proves to be the most affected by the economic crisis.

The present financial crisis has a negative impact over the most part of SME's sector, contributing dramatically to the increase of failures; the most exposed being the starts-up. It is normally, if we think that they don't yet have the required resources for resisting and surviving.

The negative impact is easily noticed over the SME's in the fields of real estate, trade and services. The diminishing of exports, the crash of investment and the the financial blockage generate more pressures on the entrepreneurs. It is estimated that at least 90% of 600.000 SME's are affected and 1/3 face the spectrum of closing.

The number of failing SME's is almost double comparative with the period of 2008, due to the fact that the possibility for getting credit or other forms of funding diminished substantially at the level of 2010.

According to the researches carried out by specialists, almost 25% of SME's have the risk to close down this year and 90% of the managers have in plans to dismiss more than 10% of their personnel for 2010.

Most of the SME's entrepreneurs think that they will have negative results for 2010 and they intend to survive by restraining their activities, searching for new investors and firing a large percentage of their workforce.

At the same time the leaders of employers associations claim that the delay in resuming the crediting process will have disastrous consequences over the remaining SME's, as they are placed in the impossibility of financing their economic cycle.

The Romanian entrepreneurs have to face also the higher competition from the part of companies with tradition in European and international market and to be able to adapt to the more sophisticated demands from their stakeholder.

It's really a necessity to be able to develop new competencies that will provide the Romanian entrepreneurs and leaders from SME's sector, with the necessary managerial tools for survival and development.

LEADERSHIP WITHIN SME'S

It's not too much to say that the leadership development is at a crossroads in our days. As we live a time of crisis, the temptation for the employees is higher and higher to place all our hopes in the hands of a few charismatic persons who, we believe, could be able to discover those tools that will bring the required success.

But we have to be aware that leadership is also powerfully connected to the entrepreneurial culture that, in a way, led to some of the crises faces that we see today.

While we testimony periods of rapid change in technologies, markets and competitive conditions, the globalization increase the range and the depth of challenges that we face.

Consequently, the progress depends on entrepreneurial initiative and leadership competencies that we develop at individual and company's level.

Today the SME's environment becomes too complex for a single "heroic" individual to cope with! It requires a more collective effort for bringing in, sharing and applying the knowledge that could lead us to achieving our strategic objectives.

Conflicts sources analysis helps leaders to understand which is the provenience of the pressures that are exerted over them and their group. The identification, even if it happens a little bit later, because of the causes that generate the tensed situation could place the leaders in the position to adopt decisions that could cease the conflict in a starting stage.

At the same time, they have the opportunity to make a decision to what extent there is a problem that deals directly with us or are targeted to other components of our groups.

The leader's competency in the change process means that he succeeds to see beyond the boundaries of the routine activities and classical settings and to create a fluid organization where the knowledge is flowing rapidly and people are networking intensively.

Coping with change means to have abilities to lead the process since the perception of the need for change and untill the changes are not only in place, but they are interanlized by most of the personnel.

Credibility and leaders commitment are important as, still, for many organizations, knowledge sharing is regarded as a threat, as an exposure of the employee, who reveals the knowledge, to the attack of those around him.

But, the leaders offer the possibility as the personnel, to the large extent, to find itself, to identify with the promoted elements. They promote the dialogue and they are under permanent interaction with the organization's members.

Now, the emphasize will be placed on leader's abilities for convincing the employees to expand and use their knowledge. Knowing how to do the things becomes a day-by-day preoccupation for employees at all level, in their race for survival and development.

Some of leaders appreciate the conflict, search or provoke them as we consider them as a source for stimulating and assessment. Others prefer to ignore them, to avoid them, in order to reach a high social comfort.

Regardless of the initial approach, the leaders will be involved, with or without their will within a range of conflicts of different nature and dimensions. Solving conflict is an important part of the leaders activity, it is part of a learning process and contributes to the leadership development, adding an important component to the leaders' competencies.

It is important to be able to develop an organizational culture that supports the idea of change and where the people are stimulated to permanently learn.

Developing and posting the new values, attitudes and mechanisms that are required by changes will not be possible without a continuous learning process that has to take place at all organizational levels.

CONCLUSIONS

The field of responsibility for today's knowledge based leaders as entrepreneurs, due to globalization, but also for the high interconnectivity, reshapes their challenges. We can talk about the required information, about workforce diversity, the emotional intensity that the leaders have to deal with, make us easier to understand the complexity of their task.

This complexity is amplified by the characteristics of crisis, especially for the Romanian economic environment. We don't have to think to any individual entrepreneur, no matter how smart or capable or successful he is, but to think that we have a whole sector of SME's that is struggling to find out solutions and the decisions makers from the management, legal and juridical fields have to support in this journey.

We are aware that there isn't only one solution and then persuade others of its soundness. We need tailored solutions adapted to each case, but this is indeed the responsibility of each entrepreneur, of each leader that acts in this real "backbone" of the Romanian economy.

But the policy makers can really contribute to build up a favorable framework for SME's sector, to assist them in finding alternative funding solutions as, for example, the European funds, to support the development of a training structure, able to provide the up-to-date competencies need for a entrepreneur to survive in the knowledge based economy. Proceeding in this way, we assure the premises for Romanian companies to expand across the globe, to be part of the world business culture.

The entrepreneurship development means that the entrepreneurs and the other leaders within SME's sector have the task of knowing much more than their own job in the organization, as they did it till now.

They have to invest in developing the body of knowledge that they master and to create the necessary premises for their counterparts to be an active part in a knowledge based network. It means knowing the job and challenges of those whom they serve, it means leading with sincerity and devotion and, especially trusting the others.

Even if it seems that you understand the challenges, and customers better than your rivals, you have to be able to keep a strong contact with your stakeholders. Evolution is not the task only of top management, but it involves more and more the whole organization.

Today's knowledge based entrepreneurs have to rely in implementing strategies, on quality and customer, but also with a special emphasis on the employees' leadership abilities. They have to be able to master decision making at every organization level. Lonely individuals at the SME's top cannot implement themselves a successfully business strategy, but there is the need for a team and a competitive organizational culture.

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