

Effective Leadership in a Turbulent Organisational Environment

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Abstract - Any organization may experience unwanted situations that lead to chaos, a downturn, or even a crisis. Because of this, leaders who are not prepared for managing a crisis situation or are leading an organization in a turbulent organisational environment will have a negative impact on the organization. Thus, the purpose of this paper is to discuss effective leadership in turbulent times. Among the approaches are the Michigan Model of Leadership and the Mindful Engagement. These frameworks act as guidance for leaders in facing today's complex and dynamic world. This paper also presents a modified framework that suggests steps to be taken by an individual into a credible leader towards future uncertainties as well as researchers for further research purposes.

Keywords: leadership, organization, turbulent

1. Introduction

Leadership is the inspiration and mobilization of others to undertake collective action to achieve a common good [4]. In today's organizations, there are many turbulent conditions such as economic crisis, oil price fluctuations, financial crisis, migration issue, terrorism, and political instability. The last in particular has occurred in many parts of the world such as China, Brazil and some Southeast Asian countries. These have various negative impacts on organizations, such as insufficient income, employee retrenchment, reduction of productivity as a result of low demand, higher cost of production, serious delays in workflows and so on. For example, during the UK's recession, the unemployment rate increased from 877,000 in April 2008 to 2.49 million in October 2009. Not only had that, in the UK, manufacturing productivity dropped by 14 percent and the economy shrunk by 5 percent in 2009 and public borrowing increased to 178bn pounds [19]. In June 2016 there have been 16,269 unemployed men and women in the EU countries [7].

These issues have led to chaotic situations in which everyone in an organization will be forced to deal with sudden complex tasks and changes [19]. In such a situation, effective leadership is crucial in order to ensure business sustainability and to avoid any severe problems that can affect the performance of the organisation [9,14]. Therefore it

is important to understand and establish a framework for effective leadership that can be applied by organisational leaders in facing uncertainty business environment.

Ref. [6] and Ref. [12] made several assumptions about leadership. First, leadership is not only a position or title but also consists of actions that can be performed by anyone regardless of whether they are in the top, medium, or bottom level of the organizational hierarchy. Being a leader is a choice that anyone can choose to become at any time. Second, effective leaders do not command others for their compliance. Instead, effective leaders empower, guide, and support the team to achieve common goals. This is seen by leaders who work through other people to achieve success. Third, effective leaders acknowledge their personal strengths and are smart in utilizing those strengths to draw out the best outcome in themselves and others. Every leader has his or her own weaknesses, but what differentiates effective leaders is that they are able to understand how to complement those weaknesses to turn them into strengths for the organization as a whole.

Fourth, leadership is contextual and is influenced by culture. Therefore, leadership changes according to context and time, which is the underpinning assumption of situational theory of leadership. Fifth, leadership competence and can be learned and developed even though some are born leaders. Sixth, leadership development is a lifelong process, which is in line with learning organization concept by Peter Senge [5]. Seventh, leadership is inclusive which promotes participation of members of organization in leading the organization by cultivating the culture of leadership thinking. Eighth, understanding the civic and global dimensions of leadership is essential which referring to understand future responsibility, diversity and the role of individual in solving community problems. The last one is leadership is ethical and value driven. Meaning all the actions of leadership based on positive values and ethics. These assumptions should be understood correctly in preparing or being a leader in any organisation.

Angela Merkel is a unique example of effective leader who managed to address many issues in

turbulent organisational environment. She has been received a great deal of recognition from various organisations and has been noted as the most powerful woman on the planet by The Guardian [4] on the grounds that she is able to maintain her leadership to a third term despite many challenges. She was also known as "The Decider" during the Euro crisis. Her bold decision to open the door to the war refugees proved her ability and courage to face strong challenges in the country from various parties. She also managed to flourish during the European financial crisis by "introducing economic stimulus packages and shortening working hours, whereby workers worked less but had their earnings topped up by the government rather than business "[3].

Another admired leader is Tony Fernandes, CEO of Air Asia, who successful turned around a falling airline company to be one the best low-cost carriers in Asia and one of the best in the world. His recent experience in handling the crisis of 162 people missing on a flight from Indonesia to Singapore proved his capability in facing challenges in turbulent organisational environment. His approach to the crisis mirrored the hands-on philosophy in reacting with quick compassion in resolving the case and transparency in information, which impressed everyone [22].

2.The Meaning of Turbulence in Organizational Environment

Before discussing the approach of effective leadership in turbulent organizational environment, it is important to really understand the meaning of turbulence in organisation. Barrow and Neely [1] mentioned that many researchers in management use the word turbulence for 'High velocity environments', 'fast-moving industries' and 'hypercompetitive setting'. However, Barrow and Neely [1] defined turbulence as volatilities or difficult to predict discontinuities in environment. He also states that there are three different dimensions that determine the level of turbulence that are dynamism, complexity and munificence [1]. The following describe the three dimensions.

1. Dynamism - The degree of change or the rate of change that is occurring in key elements of underlying environment
2. Complexity - The number, the configuration and interrelationship of environmental variables that organisations encounter in its operation
3. Munificence - The degree to which he environment can accommodate sustain growth

3. Approach to Effective Leadership in Turbulent Organizational Environment

3.1 The Michigan Model of Leadership

The Michigan Model (MMoL) was the result of research by Daniel Katz, Robert Kahn, and Rensis Likert scholars from University of Michigan, USA in 1950s [6]. This research is said to be the starting point of the human relation movement, which emphasizes on human needs (Employee Oriented leadership Style) in leading an organisation or in other words a less job-oriented leadership style.

The Michigan Model (MMoL) is internationally applied in various organizations, as it enables leaders to identify and effectively manage competing tensions in the organization. This model illustrates how to be an effective leader during complex and dynamic situations, thus making a positive difference in the organization with courage, drive, empathy and integrity [6].



Figure 1 : The Michigan Model of Leadership
Source: DeRue et al., [6].

Based on figure 2, the centre of the MMoL is the core purpose, which is to make a positive difference by creating a significant impact and leaving the organization in a better condition. The outer ring represents the four main strategies: creative change, robust results, strategic structures, and collaborative community. Surrounding the core purpose are values of how to achieve the core purpose. The values that effective leaders must acquire are as follows:

- 1) Empathetic and committed to seeing the world through other's eyes
- 2) Driven and regularly strained to accomplish challenging goals
- 3) Integrity and committed to doing the right things
- 4) Courageous and reflect failures to be essential for innovation

This model also designates actions for facing turbulent times. Robust Results (blue) symbolizes

the actions that leaders must take to stimulate competition, perform under pressure, and deliver short-term results. It is in direct contrast with Collaborative Communities (yellow), which symbolize the actions involved in building relationships, empowerment and enhancing trust and solidarity among team members. Strategic Structures (red) symbolize the actions that leaders make to achieve accountability, efficiency and reliability in processes. This is further in direct contrast with Creative Change (green), which symbolizes the actions needed to create change, innovation and new opportunities. This model also enables leaders to picture the positive impact of their work and utilize it to lead the teams to attain greater performance.

3.2 The Mindful Engagement Model

The Mindful Engagement is a process for developing leaders to balance tensions in today's complex environments. This model is an extension of the University of Michigan Model [6]. It stresses that leadership skills are developed from experiences. The three basic principles of this process are ready for growth, taking actions to learn, and reflecting to retain.

This approach shows that applying structured practices into actual situations is one way of learning through experimentation that moulds leaders to succeed in turbulent times. The three principles are explained below.

3.2.1 Ready for growth

Effective leaders must make preparations for learning in complex and dynamic situations. There are three steps to being ready for growth. First, leaders must understand how to maximize the utilization of their own strengths. This awareness can be built by going through strength-based assessments such as Reflect Best Self to assist in identifying strengths and potential as a leader. In order to be an effective leader in turbulent times, the leader must leverage the strengths while avoiding it to become a singular focus. Second, they should develop specific learning goals from four different aspects which are in terms of balancing a collaborative community, creative change, strategic structures and robust results. Third, it is important to develop a learning mind-set to practice experimentation and stepping out of comfort zones to explore new things.

3.2.2. Taking actions to learn

Effective leaders must proactively experiment with new methods of leading and taking steps to learn from those experiences regardless successful or not. Leaders should experience the competing forces and make their own experimentation on different ways of handling cases in order to learn for their actions. Leaders

must also seek for feedbacks. Learning will only happen when leaders understand how their actions affect the readiness and capability of others to achieve organizational goals.

3.2.3. Reflecting to retain

Effective leaders must be able to apply the lessons learnt to improve current skills and abilities and prepare for unexpected future complex situations. Reflection is not only done by answering questions such as how did the team do and what was learnt. Reflection should also be practiced by asking leaders to describe their experience, explain their reactions, discuss "what if" scenarios by explaining alternative actions, and identify new behaviours and cultures that would improve organization performance in the future.

3.3 Other Approaches of Leaderships

Both models have led to various guidelines and tips by many scholars and management consultants on effective leadership in facing turbulent times. For example, Lorange [11] listed nine lessons of leadership in turbulent times as follows:

1. The members of organisation can be aligned with the organisation's core values if those values are well defined and understood.
2. Members of an organisation should recognise the importance of 'me' and 'we'.
3. Only total commitment is good enough.
4. New leaders have to work twice as to demonstrate their commitment.
5. Set a clear agenda focused on revenue during times of crisis
6. Keep an eye on the future, especially future customer's needs, if you are to stay aligned with the power base.
7. Build a relationship with a broad set of stakeholders
8. Choose your key associate, those who you will be working most closely with yourself. Don't delegate this task if you are to ensure best fit with the organisation's value.
9. Effective leaders have both professional credibility and administrative capabilities.

Meanwhile, Ref. [17] mentioned that leaders face the task of restoring confidence towards their organisations in turbulent times. He suggested leaders to have vision, which means their ability to implement preventive and far-sighted strategies. A leader is able to look beyond the current situation and sense an impending recession. Secondly, a leader must have a sense of how to achieve the vision or target and do not plan beyond reality. They also must be able to determine which decisions have to be made by when and how to 'buy time' when uncertainty might be have benefit. Thirdly, a leader must demonstrate high emotional

intelligence. They can easily admit their limitation and recognize the strength of others.

Ref. [17] also provides a guideline in making effective decision during turbulent times. First is to make snap decision or a kneejerk reaction. This means making a fast decision, which is normally based on behavioral approach of decision-making that relies on intuition.

Table1: Spectrum of Challenges Facing Top Managers in Crisis Situation

Spectrum of challenges facing top managers in crisis situations	
Self-assurance To question everything	Corporate purpose To ensure necessary continuity
Detailed knowledge To make well-founded decisions	View of the big picture To prioritise in context
Personal responsibility To seek success with resolution	Well-developed team spirit To let others perform their duties
Active shaping and moulding To give meaning and direction	Ability to learn quickly To take account of new developments
Consistency in delegation To systematically break down goals	Upward management To influence conditions for success

Source: [17]

Secondly, the leader must be tough and daring in making difficult or unpleasant decision and it should be done quickly. At the same time, the leader and their team should emphasize on sense of responsibility, building on sense of self-assurance, inner calm, and focus on execution [17].

Ref. [17] stresses the importance to handle the situation in-group or teamwork instead of trying to be a Lone Ranger-style hero. Leaders must apply effective communication and be open minded and willing to accept ideas.

He also promotes the concept of balance personality as it very essential to have in handling crisis. Table 1 shows five elements of leadership

that a leader needs to demonstrate with regards to a balanced personality.

Ref. [2] suggests four ways of leaderships in handling crisis in turbulent times. First is acknowledging the facts by taking a pause or hiatus to think or reflect and come out with new idea to overcome the issue. Ref. [2], p. 2 says, "Leaders must learn to use the platform of momentary shock to create a break in their operational tempo and acknowledge the facts, however unpleasant."

Being visible is another way of leadership, which means a leader must quickly show new behaviour of leadership on the front lines, so the employees and customers aware that this is not business as usual. Ref. [2] gave the example of Ed Vick, the outgoing CEO of Young & Rubicam Advertising, shaking hands with employees as they entered the firm's headquarters in midtown Manhattan on the Monday following the September 11 terror attacks in NYC.

Often the organization's aims or target will be affected by the uncertainty condition. Thus, the leaders must be able to act symbiotically by acknowledging and at the same time to rebuild the purpose of vision of the organization in order to maintain the sustainability. Leaders need to think of new direction and inform others that it will make a significant difference [2]. This is important, as it can inform the stakeholders that the organization is able to handle and influence the situation rather than be passive in the face of uncertainties. Ref. [2] also stressed that in rebuilding purpose, a leader must take these three actions as follows:

1. Reaffirming the vision and strategy for the business
2. Setting realistic short-term goals
3. Making what really matters really clear

Lastly, [2] also suggested affected organizations to look for new talents of leadership. Often new leaders emerge in turbulent times. Thus, management should be able to recognize the new talents who can continue to lead the organization by empowering subordinates across all fronts by giving them broad opportunities so they can sharpen their leadership talent.

4. Proposed Theoretical Framework of Leadership in Turbulent Times

In this section the authors propose a modified models of leadership in turbulent times by developing as a theoretical framework that is based on the two leadership models and also the guidelines or tips proposed by the scholars and the practitioners discussed earlier. The theoretical

framework not only can be used by leaders or managers in facing turbulent time but also researchers to test a framework or model and the effects of the framework.

The Michigan Model lists four important factors which can be treated as independent variables that are collaborative community, creative change, robust results and strategic structure. Each independent variable is measured by three dimensions, forming the rectangular boxes on the left of independent variables. Based on AMOS (Analysis of Moments Structures) analysis these four independent variables are known as latent variables [27] as they are measured by several items (The items that measure each dimension). Collaborative variable is measured by empowerment, teamwork, and relationships. Creative change is measured by innovation, change, and opportunities, while robust results are referred to as good judgement, healthy competition, and performance under pressure. The last latent variable, which is strategic structures, is measured by reliable system, accountability, and optimised efficiency.

The effect of these four latent variables (Exogenous variables / Independent variables in Ordinary Least Squares Regression (OLS) analysis) towards the endogenous variables, which is positive difference in the organisation, is moderated by four moderating variables that are empathy, courage, drive and integrity. This means that these moderating variables are expected to enhance the influence of the four exogenous variables towards positive difference in the organisation during turbulent times.

Concerning the models, guidelines and tips provided by [17], [2] and scholars from University of Michigan, all the guidelines and tips are embedded in the four latent variables. But there is one important factor, which is that the emphasis on developing human capital competency is not considered in the Michigan leadership model and the mindful engagement model. For example, [2] stresses recognising new leaders by inculcating empowerment to create wide opportunities for the staff to involve in leading their organisation. Similarly, [11] stresses on credibility and capability of the leaders in handling turbulent times. Therefore, the proposed framework of leadership will include talent development as one additional of latent variable. This is also one of the major findings of [8] research on managing leadership in turbulent times when they found many successful companies emphasized on building global and ready local talent pools. This variable will be measured by three dimensions derived from the guidelines and tips, namely

promoting enhance leadership skills, balance personality and learning organisation. In total the proposed framework consists of five latent variables. Figure 3 clearly depicts the proposed framework of effective leadership approach in turbulent times.

The model suggests that a leader in leading an organisation in turbulent times should promote collaborative community [16] by emphasizing on empowering people, encourage teamwork and building relationships with employees and stakeholders. The leader also should initiate change [18] by inspiring innovation,

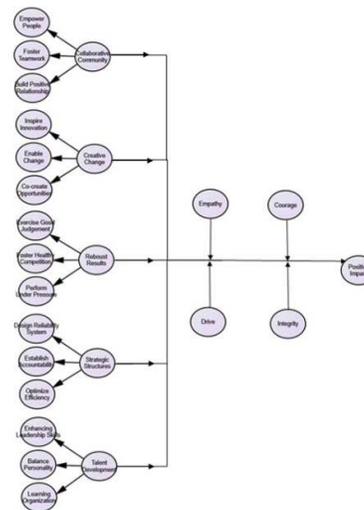


Figure 3: Theoretical Framework of Effective Leadership Approach

enabling change, creating opportunity, product quality improvement, and cost reduction. Apart from that, a leader should target robust results, which can be achieved through exercising good judgement, fostering healthy competition and managing to perform under pressure. The leader also should focus on organisation itself, which are strategic structures [15] that are determined by designing reliable systems and optimising efficacy. The leaders also must keep on developing their talents [24,23] through enhancing leadership skills, balance personality, and learning the organisation.

These five latent variables would lead to greater results if a leader were to apply or emphasize the four moderating variables of empathy, courage, drive, and integrity. So, moderation serves as a prerequisite to the greater impact of the positive difference in overcoming a turbulent environment in an organisation.

5. CONCLUSION

A leader always has the freedom to decide which model is workable in a given context because each organisation has its own unique characteristics and nature as a result of many factors such as the nature of the business, organisational structure, culture, and stakeholders. The proposed framework is a comprehensive model, which cover all the important variables that the literature has proven to contribute towards positive performance of an organisation. Nonetheless, the proposed theoretical framework has yet to be tested. Further testing by researchers would be able to prove the impact of the framework on positive changes in organisations in turbulent times.

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