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LEADING BUSINESS ORGANIZATIONS IN THE GLOBAL ERA: DECISION MAKING IN CHAOS AND CRISIS SITUATIONS

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ABSTRACT

Chaos is an inescapable part of modern day reality in business organizations across the world. In the midst of globalization, business leaders are constantly confronted with chaos due to various political, economic and social issues. Chaos introduces uncertainty, unpredictability, irregularity and randomness in organizations; and it challenges the conventional leadership theories, models and philosophies. The main objective of this research paper is to explore the concept of chaos in business organizations and how it affects the leadership capacity. It is a literature review based study focusing on the broader definition of chaos; application of chaos in business organizations; how chaos emerges; consequences of chaos; factors influencing and shaping chaos; and how leaders manage business organizations in the presence of chaos. This essay explores also the connection of chaos and crises faced by leaders and the role of decision-making indicating that as world slowly inches deeper into the global era business must slowly adapt and change to successfully fit in. The work concludes by stating the type of leadership needed and decision-making style needed for a business to thrive. It also concludes that complexities and uncertainty associated with chaos are often ignored when business models, practices, strategies and policies are formulated in most organizations, and as a result it becomes challenging for business leaders to deal with chaos when it arises. Application of chaos theory in business organizations provides a promising and pragmatic remedy to business challenges.

Keywords: Chaos, crisis, leadership, business, decision making, organizations

JEL Classification: M0

Introduction

There has been an increasing scientific interest regarding management and leadership in business organizations nowadays. In the midst of globalization, business leaders are constantly confronted with chaos due to various political, economic and social issues. Business organizations are a series of systems characterised by irregularity, non-linear dynamics, disorder, complete mayhem, randomness, uncertainty and chaos. It becomes critical for leaders to understand these patterns in order to lead organizations effectively (Parker and Stace, 2007).

Most traditional business organization systems are assumptions of controlled growth, known rules, linear processes, and trends. When organizations confront with uncertainty, instability and randomness, these systems crumble and fail to deliver expected outcome. This creates a new set of challenges for business leaders in terms of how they lead companies, manage resources, craft strategies and create profitable and sustainable companies (BEF, 2011). It becomes necessary to find systems, theories and models that can simplify complexity and chaos so that they can be easily managed in a company. One way of developing a different way of thinking is to borrow concepts from other disciplines to study the complexity of business organizations and factors that affect leadership, management capacity and decision machining in companies. Theories from other fields are used to explain and elaborate the underlying principles and behavioral patterns in business organizations. The main objective of the research paper was to explore the concept of chaos in business organizations and how it affects the leadership.

In order to respond effectively in today's highly dynamic environment, companies need leaders that can perceive, comprehend and effectively work with complex, turbulent and chaotic systems and address the organizational needs. The emotional and cognitive capacity of the leaders coupled with proper organizational structures is important to effectively manage organizations into sustainable, competitive and profitable entities in the midst of chaos (Fitch, 2009).

Globalization & decision making

Nester (2010) defines globalization as the ever more complex economic, cultural, legal, social, psycho- logical, technological, environmental, and, thus, political interdependence of the world community. This brings to the fore the many different aspects of globalization. Nester's (2010) definition though precise, makes it difficult to measure when globalization began and when the world truly entered the global era. This is because it refers to globalization as continuing process without a true end point and a vague starting point. Giddens (1991) defines globalization as the intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa. This definition allows for some distinction between contact between different people from various spatial locations and the true form of globalization. Thus if two countries have contact with each other but have no influence on each other the definition safely allows for exclusion. Also the definition states that there must be intense world wide social relations. Thus it is important to note that there is a difference between bilateral relations of countries and globalization.

Giddens (1991) definition though fails to explain what these intense social relations are. This leaves a level of ambiguity that detracts from a true comprehension of the term. Held (1991) within his work clarifies this ambiguity. He agrees that globalization refers to the widening, deepening and speeding up of global interconnectedness. Held (1991) puts forth that globalization occurs within a continuum with three main levels of national, regional and finally global interconnectedness. He goes on further to explain that this interconnectedness must be underpinned by the transformation of organization of human affairs. He further explains that these interconnectedness must stem across continents and have an effect on human activity. Thus he states that the criteria to decide on what truly defines the global era are a high degree of extensity, intensity, velocity and impact.

Decision making is a cognitive process resulting in the selection of a belief or a course of action amongst several alternative possibilities (Reason,1990). The new global era presents a challenge to decision makers. As the world of business becomes increasingly integrated, decisions become more difficult yet more crucial (Fielder, 1974).

There are three main levels of analysing decision making. These are psychological, cognitive and normative (Tversky, 2000). The present era of business dictates that decision-making evolves into strategic decision making (Kirkwood,1996). Strategic decision-making is a continuous set of processes that encapsulates creating strategies to achieve goals and altering strategies based on observed outcomes. Boyle (1993) explains the need for strategic planning stems directly from the failures of traditional planning processes. He explains that the traditional corporate model only works within relatively stable environment in which most variables such as competition and technology are known at the onset.

March (1989) explains decision-making usually works on three main values. Firstly he expects that the decision maker knows the goal he wishes to achieve, the decision maker also expects a consistency of effects and results and finally he expects a primacy of rationality in which actors will always take the most rational decisions.

Logan (1976) explains that these presumptions are flawed since the modern era is characterized by change. He explains that a key factor of globalization often misunderstood is its dynamic nature; the only thing assured by the world system is change. Thus these assumptions are fated to fail. Logan (1976) states that companies must survive and the only way possible to survive is through prediction. Logan(1976) states that it is impossible to forecast all events in the near future thus business strategy should occupy itself with three major areas. A) Identifying crucial aspects of the environment

B) Selecting a forecast method and making continues frequent forecasts for each aspect especially in technological, social and political areas.

C) Making sure that these forecasts are utilized properly

Chaos & Chaos Theory

What is Chaos?

Chaos is a scientific theory that describes the unpredictability and turbulence of systems (Mason, 2014). The chaos principle operates under the premise that most systems are non-liner and resides in chaos, randomly generating energy without any of predictability or direction. It has been developed in the mid-to-late 1980s from various disciplines such as mathematics, philosophy, meteorology and computer science. It stems from earlier work of a number of mathematicians such as Poincare (1880s), Hadamard (1898), and Mandelbrot (1960s), among others (Gleick, 1987). The research studies around chaos evolved over the years through work of Poincaré and other theorists. The authors, however, did not clearly define the term and despite its popularity the word 'chaos' still remains without a widely accepted definition (Business Dictionary, 2014).

Wheatly (1999) defined the chaos as the changes in the nature of a functioning system over a period of time in a very unpredictable manner with small deviations. From a classical science perspective, it appears that these small deviations average out over a long period of time, and predictions are difficult to make. Chaotic system is assumed to have an ability to restructure itself through a series of events that appear randomly and unrelated, yet over time exhibit distinct, complex and interrelated patterns (Middleton, 2011).

These systems can take different forms such as the stock markets, weather patterns, water flows, ecosystems or business organizations. When these chaotic systems are constantly dislodged from a stable state (equilibrium position), they tend to go through a period of oscillation, swinging back and forth between order and disorder (chaos). According to research work conducted by Wheatley (1999), chaos is the final state in a movement of the system away from a position of order (Business Dictionary and Mason, 2014).

Chaos relates to crisis aschaos results from an ineffective management of a crisis. Crisis occurs in complex systems, and it can be part of a larger process (Roux-Dufort, 2007). Vennette (2003) describes crisis as a break down of the system. Fink (2002) takes on a slightly different view. He describes a crisis for as an unstable time or state of affairs in which decisive change is impending (Fink, 2002). This places the term in a neutral tone disengaging it from a necessary existence within a system and allowing an also positive translation of events. Selmon and Umar (1998) define some key characteristics that all events must possess to be described as a crisis. Firstly a crisis by definition must have very little to no warning time. Secondly it must create uncertainty and thirdly it must by definition cause a threat to already set goal. The systems perspective of crisis would disagree with Selmon and Umar's(1998) character since they believe that a crisis is caused by an accumulation of faults within the system (Roux-Dufort, 2007). Thus it should be possible to occur even within unrelated systems or simplistic systems.

Practical Application of the Chaos Theory – Business Organizations

Chaos theory is used by various theorists and practitioners to explain the randomness, unpredictability and irregularity of conditions and issues in academia, governments, business organizations, and so forth. As stated by James Gleick (1987), chaos is a scientific method, theory or set of belief that crosses multiple disciplines; and it is constantly applied in business organizations. Application of the chaos theory to organizations allows theorists and practitioners to gain a deeper understanding of the behavioral patterns, dynamics and complexities of the organizational functions. A business organization is a good example of a non-linear system (i.e. a system in which small events have the potential to create chain reactions and major changes can result in little or no effect on the system). According to the chaos theory, a system is better analysed by looking for organizational patterns that can lead to certain types of behaviors within the organization. Organizational expectations for acceptable behavior influences the manner in which the company's problems and challenges are treated by its employees and leaders (Mason, 2014).

Applying chaos theory to organizational practice tends to go against the normal paradigm of formal management patterns in a business company. Convectional business systems have traditional management approach that does not account for chaos in strategic plans. Most organizations are rooted in solid linear structure and design that does not take into account for disorder. Complexities and uncertainty are often ignored when business models, practices, strategies and policies and as a result it becomes challenging for business leaders to deal with them when they arise. In this respect, chaos theory is used to underpin these missing links and shows the need for effective leadership, management systems, a guiding vision, proper decision making, effective communication and strong values in a business organization (Mason, 2014).

During early 1980s, chaos theory began to transform decision-making processes in business organizations. One of the most influential business writers of the 1980s and 1990s, Tom Peters (1987) , theorized a strategy rooted in chaotic theory to assist companies deal with the uncertainty of competitive markets through innovation, customer responsiveness, empowering personnel, and most importantly, learning to work within a dynamic environment (Mason, 2014).

How Chaos Emerges in Business Organizations

Chaos emerges in corporations due to a number of factors that can be either internal or external to the organization. Internally, it arises due following reasons: disengaged employees, poor leadership, shifting priorities, unclear strategic direction, unhappy clients and poor management systems. Depending on the industry, it can emerge in various degrees and forms on the value chain of the organization (Martin, 2012).

For example, the technical segment of the mining value chain in the mineral sector can give rise to chaos due to equipment used to mine, operational processes, attitude of the workforce and working conditions in the mine. Chaos can also transcend in an organization between different levels of management, from the bottom (operational managers) to all the way to the top (strategic/tactical managers). According to Martin (2002), most organizations have become so accustomed to chaos in such a way that they don't even recognise it and when they do acknowledge it, they don't believe there's anything they can do about it. The organization has to a large degree the power to eliminate and manage the self-inflicted chaos that can potentially cause loss, confusion and disorder in the company (Martin, 2012).

Depending on the business sector, chaos can also be energised by external drivers to the organization such as fluctuating commodity prices, political landscape in the country, economic policies, competitors, technological advancement and regulatory framework. Chaos due to external factors is very difficult to manage and predict unlike the one due to internal influences. It can also have a comparatively large detrimental impact on the organization. Leaders are constantly challenged to forecast chaos that might arise, develop a vision to overcome chaos and influence employees to achieve the organization goals. Currently, there's no strategic framework that allows leaders to accurately predict and manage chaos (Martin, 2012).

There conflicting theories on whether the emergence of chaos in an organization is a good thing or not. According to Marin (2012), chaos sabotages the ability of the organization to provide value to your customers, meet shareholder stakeholder needs, and maximise shareholder value. Left unchecked, chaos can potentially destroy company's credibility (Martin, 2012).

Chaos can also bring along desirable effects in an organization that will advance business objective and strengthen the organization. It has the ability to stimulate innovation, reduce complacency and inspire employees/leaders to reach new heights in a company (Martin, 2012).

Good leadership and decision making are required to manage chaos in such a way that solid foundation on which business excellence is established and help the company to be able to deal with unforeseen circumstances that can affect the company negatively (Martin, 2012).

What Factors Influence and Shape Chaos ?

In project management, chaos theory can be mainly influenced by the dynamics of the project. Cooper et al. (2002) outlines three interrelated factors related to the dynamics of a project that can potentially influence the existence of chaos, namely: the feedback effects on productivity and quality impacts; rework cycle; and knock-on effects between the upstream phases to downstream phases (Bertelsen and Koskela, 2005).

One of the most contributory cause of chaos, discussed by Dörner (1996), is the cognitive limitation of human decision-making. Dörner (1996) also outlines the most common mistakes that can potentially influence and affect chaotic systems when leaders are dealing complex situation, namely: tendency to protect the sense of competence, using inadequate information to make a decision, slowness of thinking levels, limited inflow capacity of the memory, and tendency to focus on the immediately pressing problems. The cognitive ability of leaders dealing with chaos can affect how they manage, predict and perceive chaos (Bertelsen and Koskela, 2005).

Consequences of Chaos versus Management of Business Organizations

Business strategies are rendered less useful in the midst of chaos when corporations are forced to deviate from initial plans. Chaos in business organizations is usually associated with (or can result in) the following: missed deadlines, understaffing, runaway costs, and similar situations that are generally considered negative. Chaos can potentially make the strategic goals of a corporation unachievable and therefor the outcome becomes unpredictable, random, non-linear and often undesirable (Hübler, Foster and Phelps, 2007).

A small deviation from the initial strategic plan can lead to different outcome and this pattern of behaviour is called deterministic chaos. Without proper leadership capacity in a company, deterministic chaos can result in negative outcomes that can affect profitability, operational efficiency and sustainability of the business. If the management of a company properly prioritise its ideas for implementation, the outcome can end up being positive. This method is often used in research facilities and academic institutions as a recipe for success (Hübler, Foster and Phelps, 2007).

How Leaders Manage Business Organizations in the Midst of Chaos

Middleton (2011) research work revealed that chaos in organizations challenges conventional leadership strategies and interrupts stability of the business operations

(Middleton, 2011). Traditional decision-making and leadership models, philosophies and style fail to deeply deal, underpin and manage the complexity and dynamics of chaotic situations. Most leaders in business organizations are also trained to deal with linear challenges and conditions that are predictable and often stable. Traditional leadership models, philosophies and styles underestimates the level of pressure that chaos can exert on leaders in various levels of the business organizations. They also do not take into account the need for support systems and decision-making approaches that enhance the leadership capacity necessary to work in a turbulent conditions (Fitch, 2009). According to Glor's study (2007), most leaders subconsciously believe that complex change in a company (that can breed chaos) occurs in a traditional linear dimension. They fail to recognise chaos or its causes in their business organizations. This type of behavioral pattern can become habitual and potentially harmful to the organization striving to be outstanding (Martin, 2012). Organizations usually cling on inflexible policies and structures that tend to fail in the midst of chaos. The application of chaos theory to management looks at organizations as complex, irregular and unpredictable systems that cannot be led with one leadership style and philosophies (Middleton, 2011).

Research work of Keene (2000) outlined that in a complex and chaotic system, leaders are called upon to influence employees to achieve organizational goals. Kurtz and Snowden (2003) further explored this issue validating the value of the interaction between order and disorder in an organization while distinguishing between efficiency and effectiveness. The leadership capacity should ensure that employees are effective and orginsational structures are efficient. Such human effectiveness and structural efficiency, is a foundation of transformational leadership that is required to manage organizations in the midst of chaos (Middleton, 2011).

Leading chaotic systems requires a more advanced "people and process" skills to cope with unpredictable challenges that can arise. It also entails the following: Developing the human and cultural dynamics to manage chaos; building a support base by engaging stakeholders; setting realistic timelines for dealing with chaos based on the organizational capacity; confronting reality while embracing perseverance; maintaining focus on the shared vision; translating policies in ways that maintain the congruence between vision and practice; and creating accountability systems at all levels of management. (Anderson, 2013 and Middleton, 2011)

Murphy (2002) stipulated that maximization of knowledge of assets is essential to deal with chaos and uncertainty when a crisis arises in an organization. This calls for a new leadership theory that can deal the chaotic situation while prioritizing on the main business objectives. According to Wheatley (2006) such type of leadership capacity is best thought of as a behavior, not a role (Middleton, 2011).

The role of leader's vision in firm's reaction during economic slowdown

Vision is one of the basic characteristics that differs a leader form a manager. A leader's vision is actually a future image of his company and it basically reflects his comprehension of the present situation and the future aimed situation. It is not a dream or wishful thinking, it his image of how the company should be organized and by what means the desired future situation could be realized. As Thompson and Strickland (1999) emphasize, strategic vision ought to be realistic about the market, competitive, technological, economic, regulatory, and societal conditions the company is likely to encounter, and it ought to be realistic about the company's resources and capabilities. A strategic vision has got to be compelling enough to shape the company's actions and energize its strategy.

A visionary leader specifies his goals and objectives to his employees, providing them with a healthy plan for the future and a long term perspective. A leader's vision provides motivation for workers, and synergy for the organization. If the future vision is a well-specified and shared vision, it attracts its workers to itself, like a magnet and during economic crisis can help them feel secure and trust that their leader's plan will help them exit from the economic slowdown. Since vision can significantly affect a company, it should be shared by all workers (Altioka 2011 as cited in Middleton, 2011).

Luffman, Lea, Sanderson and Kenny (1996) characteristically say that 'If you don't know where you are going, you cannot get lost. Change management can be achieved only by determining the current and the future visions. A leader's vision should clarify the direction in which his organization needs to move. Even in an economic crisis, the leaders should think creatively about how to prepare a company for the future (Thompson and Strickland, 1999).

During an economic crisis, leader's vision can strengthen human beings and focus them on their objectives while turning the difficult economic situation as an opportunity for innovation and changes. During an economic crisis a company needs to make plans for change and reorganization and vision can help on the organization of company's performance, job-creating capacities and provision of motivation and synergy for the organization and the management. When many personnel of an organization collectively share and strongly support the awareness, information and understanding of the vision and mission of their organization, they realize their vision and mission objectives much faster than organizations that have not yet achieved these (Altioka 2011 as cited in Middleton, 2011).

The opportunities uncovered in crisis periods can turn into common acquisitions through the sense of trust among all shareholders of the company. At this point, the strongest base of the company will be its values, principles, vision and mission. Synergy is the key during economic crisis (Altioka 2011 as cited in Middleton, 2011). The total efficiency of interactive parts within a company will be more than the total of their separated efforts. In other words, the whole is more than the mere total of the separate parts. As the benefit gained through united movement will be greater than the separate sum of individual efforts, then it is inevitable that companies will affect their most valuable instruments, human resources, towards triggering team spirit and motivation, through an "applicable vision". A leader's vision that values synergy can promote and foster values such a personnel quality, harmony, efficiency of organizational structure.

Synergic management is especially useful for the company in developing flexibility against external effects in periods of crisis and providing coherency within the company (Altioka 2011 as cited in Middleton, 2011).

Effective Business Leadership and Crisis in the Global Era

A key feature of the global era is the shift from traditional business practices to a more global focus. As businesses grow in new dimensions and truly absorbed into a greater international community. They open up themselves to new variables that forces changes (Mendenhall and Oddou, 2000). It is important to note that globalization and the corporate international culture does not only affect multinational organizations but also how local firms operate (Martin, 2006). The business environment is filled with new ideas and so called "best practices" from different sides of the globe that often businesses and business leaders struggle in which ideas to pursue. For instance the period of the 1970s to 1980s leading companies often adopted US best practice policies and incorporated it directly into their local environment. This was done even though the US companies are considered reluctant globalizers due difficulty in adapting to local environment (Whittington, 2000).

Martin (2006) pointed out some criteria in which businesses needed to consider if they were to compete and survive in the global era. In his work he insinuates that these areas serve as critical points of crisis for business development. He argues out that businesses must strike balance between being local and being international. He also looks at how business in itself has changed due to the global era. Hittel and co.

(2002) argues that the best way to deal with the uncertainty of the global environment is to create flexible strategies. They do allow that the flexibility of strategy is very dependent on the resources of the corporation with a positive correlation between resources and flexibility.

These two distinct views can be seen in Walmart within the1997 to 1998 it attempted to enter into the German market. It practiced a business strategy closely oriented to American "exceptionalism". Wal-mart had successfully entered into Canada, Mexico and Britain rarely adapting its culture thus giving it some experience in foreign markets though it must be noted that these countries necessarily had ties with the US either being close neighbors or very similar cultures. Walmart's entry into ″Germany failed for two main reasons. It failed to localize within the German market refusing to acknowledge differences such as a relatively strong union and deeply embedded social oriented values of the inhabitants. It also refused to use a new strategy but rather kept to its flawed internationalization plan (Anodt and co, 2002).

This demonstrates both Martin (2006) and Hittel and co.(2002) ideas gone wrong. This case is remarkable since Walmart had considerable resource yet failed to utilized and enter the German capital. Also Wal mart did not seek to find a balance between local and internationalization or what is commonly called glocalization (Sharma, 2009). These lack of glocalization may be a direct product of the pragmatic economies of scale model that many multinational enterprises (MNE) use. This will have the advantage of cutting cost remarkably but as seen in Walmart may cause disaster. A scenario based planning approach may have suited the local German extension better rather than sticking to the traditional planning process (Boyle, 1993; Shoemaker,1995).

McDonald's sudden growth in France in 2006 gives a good example of Martin (2006) and Hittel and co.(2002) successfully implemented ideas. McDonalds quickly grew to dominate the fast food industry in France since 1979 by implementing firstly a balance of global-local/ization. They incorporated majority of their international menu into the French market but allowed an inclusion of popular French meals such as the exclusive 'Mcdo'. He also created a local research center separate from the global research group to create "funky" designs for Restaurant's. He also introduced a greater selection of salads since final consumers demanded the product. It is also important to note that McDonald's headquarters also reversed the company strategy in 2006 when it took its first quarterly loss since 1965. It changed its strategy to one based on core business and cut out the drive to growing organically. This exemplifies the need to change an adapt to the business environment. *The Economist 15, April 2004*

Another issue of concern is how business has been affected by the global era. For instance a core component of globalization is the interconnectedness of different parts and sectors into the global system. Thus issues from one sector or country quickly cut across to all areas. This is exemplified by the recent financial crisis. The credit crunch represented one of the largest crisis faced by the global economy in recent years. The credit crunch is often caused by a growth period of reckless and inappropriate lending which results in losses for lending institutions and investors make high losses (Wall street Journal, 2007) The 2008 financial crises was sparked by the American house crisis which was a period of quick increases in the market values of houses. This encouraged cheap credit to be used to buy homes. The bubble grew to unsustainable levels finally drastically dropping in 2006 triggering the financial crisis (*Bloomberg*. 2009-12-31). This crisis demonstrated the dangers of working within the global economy and how the

global era can wreak havoc on businesses. It is also interesting to that the financial crisis occurred in a systematic process and only peaked and was recognized as a crisis only at the peak moment (Fink,2002). Also another issue of interest is that the crisis would have gone with little concern if the institutions that were created to solve the issue operated more smoothly. This is in line with Quarantelli (1989, 1999) who believes the source of pnic usually originates with the institution handling the crises, the US federal reserve in this incident.
Also it is important to note the change leadership within the crisis period. During the period President Obama was placed into power and pursued strategies very closely inline with (Boin et al, 2005). He first and foremost made sense of the problem, this can be seen in his state of the nation address 2008, Led the federal reserve to drop the lending rate and interest rates thus making a decision to deal with it, explained the crises and actions he had taken to all relevant stakeholders here being his immediate constituency and indirectly the world, finally terminating the crises by ending the recession albeit marginally and encouraging growth of the economy steering it away from the disaster.

Another effect of the global era is the emergence of corporate governance which greatly influences decision making. It refers to the system of structures, rights, duties, and obligations by which corporations are directed and controlled. The governance structure specifies the distribution of rights and responsibilities among different participants in the corporation (OECD,2013). This system has directed the way business operate greatly influencing the means and ways they achieve their goals. Thus a growing convergence is occurring within the global era as multinational slowly become more homogenous and operate on principals of social corporate responsibility, global reputation building and lastly behaving ethically (Tricker, 2009).

Conclusion

The application of chaos theory to management looks at organizations as complex, irregular and unpredictable systems that cannot be led with one leadership style and philosophies. It can be concluded that application of the chaos theory to organizations allows business leaders to gain a deeper understanding of the behavioral patterns, dynamics and complexities of the organizational functions. Chaos emerges in corporations due to a number of factors that can be either internal or external to the organization. There are conflicting theories on whether the emergence of chaos in business organizations is a good thing or not. On one side of the spectrum, Chaos can sabotages the ability of the organization to provide value to its customers, meet shareholder stakeholder needs, and maximise shareholder value. It can also create a platform that stimulates innovation and allows leaders to reach new heights.

When organizations face uncertainty, instability and randomness, they crumble and fail to deliver expected outcome. This creates a new set of challenges for business leaders in terms of how they lead companies, manage resources, craft strategies and create profitable and sustainable companies. It can be concluded that leaders need a new concluded complexities and uncertainty associated with are often ignored when business models, practices, strategies and policies formulated in most organizations, and as a result it becomes challenging for business leaders to deal with it when they arise. Application of chaos theory in business organizations provides a promising and pragmatic remedy to business challenges.

To encourage business development in the global era there is a need for strong leadership. Decisions must be made through a clear cut strategy and leadership itself must adopt a strategic orientation. Miller (2002) states that the greatest determinate of organizational performance is strategic leadership. In the global era with much changes there is a core need for strategy to be responsive to deal with the world (Gower,1993). Also businesses should concentrate on building its resources especially the quality of its human resource since that may serve as its most vital resource in the coming years (Harrow, Brewster and Sparrow, 2004). Thus it is core for a leader to be able to identify the tacit knowledge required, the personnel needed and the be able to build these individuals into great players.

A good team with a good leader will create a strong team to withstand the coming years. Also with such a team of quality personnel created it is possible to practice a participatory decision making system thus drawing from the wealth of knowledge within the business (Morgan,1997).

Decision making and leadership is in crisis within the global age. This crisis is caused by the necessity for change that can no longer be tolerated. Venette (2003) believes a crisis is a breakdown of the system; actually this may be true since all paradigms need to be changed. Business will grow adapting to the global size and complexity eventually becoming synonymous with the global era. Machiavelli in his book, presents the ‘prince’ encouraging his followers to take advantage of a crisis.

In the present global economy and as international interactions increase in frequency and importance, there is a growing need to know how leaders make their decisions under economic crisis. Leaders and senior managers very often cope with crisis decision situations. Especially during the last decades the dynamic nature of the global economy and the unpredictable, uncertain nature of today’s business environments, as also the explosion of the speed and amount of information transferred through the Internet and other electronic media, require from leaders to make quick decisions.

Organizations’ decision makers are asked to make decisions that significantly affect their organizations. When organizations are under an economic crisis,

leaders respond according to their socialization and the business environment. Rowe and Boulgarides (1994) assert that: “Knowing an individual's decision style pattern, we can predict how he or she will react to various situations” (p. 28).
From the above presented literature review a major component of practicing sound decision-making under crisis involves leaders’ awareness of how they perceive the crisis event. More specifically if they perceive it as a threat, challenge, or loss.
Leadership is critically important for organizations facing difficult circumstances such as economic crisis that affect the consumers behaviour, lead to high unemployment rates, increase of taxes and employees insecurity for their future. The personal characteristics of leaders may play an important role in their reactions to performance decline. For example, a leader's attitude toward risk and self-centredness were often associated with organizational decline which, in turn, led to layoffs of employees.
There is mixed evidence about the need for retrenchment in order to improve poor financial performance at declining organizations. Retrenchment disrupts innovative processes, leads to turnover of valuable human resources sullies corporate reputation and enacts hardships on employees .
Especially in the present economic climate of economic crisis, ongoing war conflicts and strict competiveness is critical to understand how individuals in leadership positions respond to these problems. Under these uncertain consequences for the firms that are being negatively affected by the economic crisis it is important to understand why some leaders emphasize on retrenchment or decide to perceive it as a chance and adopt new strategies to address the situation.

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