LEADERSHIP IN TIMES OF CRISIS - WHAT DOES IT MEAN TO BE AN EMPATHETIC LEADER IN THE CRUCIAL MOMENTS OF THE COMPANY? – A REVIEW

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Abstract: Empathy refers to the recognition and personal experience of emotions felt by individuals experiencing emotional pressure. This attribute proves useful for a business leader as it encourages employees to voice their concerns to an empathetic leader who is more receptive to their needs.

What qualities should a leader/manager have in general?

This paper analyzes the strategies that an empathetic leader should practice during economic or other crises and also the characteristics necessary for the development of empathy towards employees.

A leader is required to possess the power to mitigate the negative effects of bankruptcy on their personnel and other stakeholders, utilizing empathy. Additionally, it is necessary for leaders to promote a culture of trust and respect within the organization they manage.

It's important for leaders to make the same sacrifices, to live the same experiences as their team members, to build trust, which is incredibly important for achieving team performance and loyalty.

Keywords: leader, crisis, empathy, employees, company

INTRODUCTION

A crisis situation can be defined as a complex phenomenon consisting of an unforeseen situation which may call into question the accountability of an institution to public opinion, which may threaten the institution's ability to carry out its normal work and which may damage the public image of the institution through negative symbolic effects.

In most cases, crises of any nature within a company arise unexpectedly, without warning signs of such an occurrence.

Economic crises or crises of any kind, though they may initially appear to threaten companies, can, in fact, prove to be effective by acting as a 'stress test' for these entities. We can learn a lot simply by analyzing the situation of companies that have survived and those that have not been able to overcome this crisis.

In the 1961-1981 period, the leader was someone who told people what to do in a relatively convincing way, led in a directive manner, disregarded the opinions of employees, was chosen from a small group that had worked its way through the organizational maze, and sat in the "top" offices. While there were exceptions, usually for this generation the established perceptual model of leadership broadly fits this pattern.

In the 21st century, people are looking for and need a leadership role model who demonstrates other skills. Visionary establishment of business strategies, analysis of financial modeling, experience in project management, or efficient coordination of the management team are important, but understanding the behaviors of team members is becoming increasingly important for a leader. Even with a managerial or simple employee role, everyone has the opportunity to be a formal or informal leader.

For each leader to realize their potential, bringing a model of courage, moral integrity, and solidarity, especially now in the pandemic-affected economy, the following five essential skills are necessary: empathy, humility, active listening, vulnerability, and honesty.

Nowadays, leaders are often regarded as heroes tasked with overcoming economic or other crises and navigating their organizations through any circumstances. However, difficulties arise when leaders are expected to maintain close relationships with their employees, who are crucial to success in both good and bad times.

It is imperative for a company to employ a competent leader. Leaders should possess the skill to communicate efficiently with their teams, offer and maintain transparency, provide support, work in conjunction with their subordinates, and exhibit empathy.

Thus, a leader can be sure that his employees feel at home, in a favorable work environment, resonate with other team members and organizational culture, company goals become personal goals, and in some crisis, the leader will know that he has people to rely on to overcome that negative wave that tries the company.

We are still faced with the question of how a leader should behave in a company in times of economic or any other kind of crisis and how he/she would be able to master them, even though we have behind us a series of researches carried out by various leadership specialists.

The research conducted and considered in this paper has applicability in the majority of fields.

The analysis in this paper covers a recent period, examining works from the past two decades, with particular focus on the last 7-8 years, during which attention was given to the pandemic and major economic crises.

Significant emphasis was placed on scientific papers that targeted surveys applied to various organizations/their leaders, focusing on the resolution methods in crisis situations of any nature, emphasizing the leaders' behavior in managing the actions to overcome deadlock, the way they convey confidence to employees, and the leaders' manner of efficiently coordinating employees in bringing the organization out of difficulty.

THE CHARACTERISTICS OF THE EMPATHIC LEADER IN TIMES OF CRISIS

Various researchers, analyzing the qualities that a leader must have, have come to the conclusion that a good leader in any period of time must have vision, empathy and emotional intelligence, dedication, firmness and strength of character, must be a fighter and last but not least, must trust himself and his team.

Vision is one of the characteristics we often come across when talking to business representatives and is a particularly important characteristic among leaders.

In order to achieve the goals, a leader's vision should also include employees, i.e. new working arrangements dedicated to them, the leader adapting to new trends in the labour market, one of them being the shift to *remote or hybrid working*.

Empathy and emotional intelligence are also indispensable qualities in a leader's "portfolio".

Dedication, another quality of the leader, is seen as working side by side with employees, and the pandemic effectively put this quality of leaders to the test.

The firmness and strength of character of a leader are also essential. ***The leader must be a fighter*** , although he has the right to show his human side, his worries and concerns, he must have a positive, optimistic attitude, have the power to encourage his team to overcome the respective crisis and achieve their goals.

Confidence in oneself and in the team complements the other characteristics of the leader. Such a leader has the ability to coordinate teams to achieve goals, knows how to communicate effectively, when and how to ask for results, how to bring teams closer together, in their ability to guide them through the crisis situations that arise, offering them the same confidence they need, the assurance that they will overcome that moment of crisis of any nature.

Empathy, the main characteristic particularly emphasized in this paper, is defined as a person's trait of connecting with people to recognize and understand their thoughts, opinions and feelings and to express understanding in an intentional, caring and concerned way. A workplace built on empathy is resilient and has strong connections between colleagues. The results show that empathy is essential for success in the workplace, even though it is often underestimated as a business skill. [4]

It is difficult to measure empathy, but it has been shown that leaders who are empathetic are much more capable of guiding their teams through difficult situations. Empathy allows leaders to truly understand how their choices will affect every employee in the organization. Also, empathetic leaders are able to strategize, inspire and encourage staff members to be generally motivated, which has an impact on their levels of engagement and productivity. [5]

Organizational empathy concerns a company's ability to understand the thoughts, feelings, motives and circumstances of others, especially its employees and, to a lesser extent, its customers. In other words, empathy is the power to put yourself in another person's place, to recognize their feelings and to understand and respect their needs. [6]

Research has shown that organizations with leadership teams that lack empathy have high employee turnover rates. No one wants to work for a company that doesn't understand how their team feels or can't support their needs. According to research by Businessolver, 82% of employees are considering leaving their current job for a more empathetic organization, and 78% of employees would work longer hours for an empathetic leader. [7]

According to various researches, it has been shown that there are four benefits of empathic leadership [8]:
- ✓ *It increases productivity*, which means that the team will perform better if they are aware of how their work benefits others. It also fosters closer bonds and solidified bonds with others, which leads to their productivity at work.
- ✓ *Promotes corporate expansion* . Businesses these days are more focused on sales and revenue than relationships and people. When employees feel valued, respected and heard, it shows in their work productivity. An empathetic leader bridges the empathy gap within their organization, increasing team performance and driving company expansion.
- ✓ *It promotes cooperation* . The empathetic leader is able to interpret non-verbal cues and gain access to people's emotions. As a result, they are able to deal with issues that affect their team's performance. That's why it promotes collaboration, improves teamwork, morale and engagement. Active listening, which promotes greater conversation and the exchange of fresh ideas, is another component of empathic leadership.
- ✓ *Unleash the power of diversity.* Empathy allows people to more fully accept the different thoughts and behaviors of their peers. They are aware of their distinctions and can use them to their advantage. They are also more likely to discover common interests that can bring them together to work toward a common

goal.

Figure 1. Leadership in times of crisis [17]

Empathy is intended to be a leader's primary driving force, because, regardless of department, training, field of activity or industry, the human relations component is fundamental. A leader works for and with people.

An empathetic leader must be able to help and uplift others around him by understanding and feeling their feelings. These qualities are crucial in a crisis to maintain team cohesion and cope with difficult circumstances. Some of the characteristics of an empathetic leader during a crisis are [9]:

> *Clear and direct communication* - a must-have skill for all team members to understand the issue and feel connected.
> *Confidence* - must instill confidence and provide security to the team in times of crisis.
> *Decision-making ability* - must be able to make decisions quickly and effectively during a crisis, while also taking into account the feelings of legal stakeholders
> *Flexibility* - an effective leader must be adaptable and open to the unforeseen changes that occur in times of crisis.

PRACTICAL IMPLICATIONS FOR CRISIS PREVENTION AND RESOLUTION

The literature on crisis management includes a variety of definitions of a crisis, but most of them agree that it is an event or series of unexpected and unusual events that disrupt the normal functioning of an organization and create uncertainty.

When we speak of an economic or any other kind of crisis in a company, we refer to a complex phenomenon that includes unforeseen events that could call into question a company's responsibility towards the public, could jeopardize the institution's ability to carry out normal activities, and could affect the institution's reputation through negative symbolic effects. A crisis situation can also be caused by poorly coordinated exchanges of information between representatives of different institutions or system specialists or between institutions and the public through the mass-media. [1]

Moments of crisis in a company are difficult moments that test both the leadership skills of the leaders and the company's ability to react and adapt. Crisis periods present difficulties, they require taking a position, one the other hand, leadership is one of the most important aspects of managing them. Change is the key to resolving crises, as crises are characterized by change.

Leaders are the ones targeted to face the complicated problems generated by the crisis and also the ones who determine change. [2]

According to llan Bonner, a "crisis is generally defined as an unexpected and unstable incident that brings about radical and rapid change. Its causes seem more often than not to be beyond the control of managers, its occurrences are spontaneous, and its results capable of producing decisive deviations from the norm. The possible consequences for the company can be both positive and negative, considering that a crisis is a turning point for better or worse."[3]

There is a necessity for every organization to prepare in advance to face crises: to eliminate any element within the company that could lead to such a situation; to build a healthy organizational culture that allows the implementation of crisis strategies, and when these have erupted, to have a resolution prepared. That is, each member of the organization should be able to be "the right person in the right place."

Katleen Fearn-Banks argues that a corporate culture strongly oriented towards people, rather than profit, can be a prevention tool. It is advocated that this culture should be "established in such a way that honest, open communication is a basic value. The creation of a healthy corporate culture, as well as the establishment of an efficient communication process through which people understand what is expected of them during events that could endanger the very existence of the organization, are some of the most effective prevention tools."

The organization must have the ability to analyze both its internal and external environment. Internal elements and external events must be recorded, analyzed, and evaluated in the context of their potential implications for the organization.

Developing an efficient communication climate allows for the flow of both formal and informal information across all possible levels, as well as motivating staff to transmit information further.

To mitigate the effects of a crisis, prompt action must be taken to minimize damage. This involves efforts to limit the duration of the crisis or to control its spread.

The advice that Patrick Lagadec offers us is that "from the very beginning, the efforts of leaders must be directed towards locating and minimizing the damage caused within and outside the organization when faced with a critical situation. The organization must protect its own personnel, ensure as much as possible the continuation of normal activities, and avoid the impact of the crisis on the environment, customers or partners".[18]

As a leader in a company, it is necessary for them to be transparent and honest with all people/employees, to convey trust and confidence.

If one were to make a list of the characteristics needed to be a successful leader, empathy would not be one of them, although it should and that's because, perhaps because it is considered to be a sign of weakness. In reality, an empathetic leader is able to build a better and more cohesive team and thus improve productivity. [10]

In times of crisis, having a leader show empathy for the company's staff and the world at large will help unite the staff in the firm as a very cohesive team and make the leader feel able to get through the crisis together. Empathy helps to relate to each other on a personal level, showing deep interest in each other as human beings. Thus, successfully overcoming a crisis together can dramatically increase trust and unity. [11]

Among the strategies that a leader can apply in moments of crisis, we could list:
  ➢ *Emotional connection*
  ➢ *Encouraging people to express their emotions*
  ➢ *Appropriation of those who are detained.*
  ➢ *Vulnerability Presentation.*
  ➢ *Assessing the challenges faced by employees*

In crisis situations, decisions need to be taken much faster. Promptness is required. There is a need to set short deadlines for decision-making. Also, ongoing transactions need to be closed quickly.
Strategies need to be redefined for each division, for each business line.

In crisis situations there is a need for much greater control through a system of reporting and accountability of results, development of the reporting and tracking system through automation, close monitoring of logistics and transport.

It is necessary for a leader to consider and evaluate the changes they can make while achieving their organizational goals, and these changes could consist of [12]:
  • ***Making adjustments significant*** enough to have an impact but modest enough to be adopted by the organisation as a whole. A good *example* we could give in this case would be *introducing wellness opportunities throughout the day*.
  • ***Changing working hours during the day*** to accommodate other personal tasks employees need to perform. Here we could give as *examples*: *looking after children and other family members*, *carrying out any personal chores.*
  • ***Normalising the behaviour*** that will be maintained following a crisis.
  • ***Making self-care a priority*** so that people can perform at the highest level.
  • ***Understanding the values shared by each team member***.
  • ***Prioritising employee communication.***

The COVID-19 virus has triggered a worldwide economic crisis and, as it worsened, most companies in Romania were hit harder than before.

Working from home was at the beginning of the pandemic period a challenge both on a personal level and for the entire system of a company. Setting clear, results-based targets is vital for remote working. These goals keep employees motivated.

On the financial side, a thorough analysis of available resources needs to be carried out. Liquidity is particularly important in times of economic crisis. Contracts with suppliers need to be renegotiated to obtain discounts and longer payment terms. All subscriptions and recurrent costs need to be reviewed and non-urgent payments deferred. A concrete plan must be drawn up to increase revenue and reduce expenditure that is not absolutely necessary. Expenditure should be divided into 3 categories according to its importance: collateral, important and critical.

The real needs that customers have in this period must be identified, the demands for products and services must be analysed in the context of the crisis.

In order to achieve organizational goals and objectives, for the management of the failing company, without speaking here of bankruptcy, strategic leaders must be able to assume the goals, vision and purpose of the organization and develop the appropriate strategies (for example: marketing, finance and economics, internal systems and development, value creation) [13].

A study by Charlotte Förster, Caroline Paparella, Stephanie Duchek and Wolfgang H. Güttel, analysing overcoming crisis situations in companies, highlighted six pairs of paradoxical leadership behaviours, including emotional distance with empathy.

Therefore, it is necessary to keep calm and analyze the situation. The researchers also emphasized staying reasonable by suppressing the emotional parts of the crisis in order to cope with the situation, while serving as an example to their staff. In other words, participants stated that acting firmly and accordingly, as well as increasing pressure in front of employees, helped them maintain control.

Interviewees emphasized the need to build trust in times of crisis by designing for reliability. In this regard, although they did not know what to expect, leaders emphasized the value of transferring confidence and security to their staff. Participants also mentioned the obligation to provide for their employees by alleviating worries about job loss and the future.

Unlike emotional distance, which is also necessary, it requires a certain level of empathy. Leaders specified that open communication with their staff was essential to succeed in a difficult crisis scenario, although building trust was a key behavior. Study participants helped guide their team and encourage them to persevere by talking openly and, for example, outlining the rationale behind certain actions. [14]

Although bankruptcy is a clearly defined process, few people truly understand and are able to appreciate what it takes to help the company through this difficult period.

By being able to understand and experience the emotional effects that a crisis can have on employees and other stakeholders, an empathetic leader can better manage a company's failure. Some strategies of empathetic leaders facing a financial crisis would be:
   ♦ *Open and honest communication with employees:* open and honest communication is essential. An empathetic leader must be prepared to talk to their employees and detail the company's financial situation and potential solutions. [15]
   ♦ *Ensuring that employees have access to the tools they need*. During a bankruptcy, employees may be forced to adapt to new circumstances and/or look for new jobs. Employees who need access to resources such as counseling, job search assistance or job training need to be guided by empathetic leaders. [16]
   ♦ *Encouraging employees to express their feelings:* supporting employees' emotional needs and encouraging them to communicate their emotions is essential. Throughout this challenging process, an empathetic leader must be present to listen and offer assistance. [14]
   ♦ *Planning an ethical exit strategy:* it is essential to have an ethical and responsible exit strategy in case of bankruptcy. During this process, an empathetic leader must consider the effect on creditors, employees and other stakeholders. [16]

After the crisis concludes, it is crucial for the organization to assess both the successful and problematic aspects throughout the entire period. External experts may be consulted to ensure accuracy in the investigation's results. Based on the gathered information, it is recommended to revise the crisis management strategies and try to prevent the recurrence of the same errors. [18]

CONCLUSIONS

Through this paper, our research has led us to the conclusion that true leaders become most apparent during crisis situations. They stand out thanks to their determination and perseverance, and people follow them almost instinctively due to their self-assurance and confidence. Leaders are strong and serve as guiding lights for everyone else, as their main task is to provide direction and certainty where there is none. People follow them because they are a solid foundation, a rock on which they can build their actions and plans for the future.

He has in his hands the power to keep his people motivated, to guide them and to set the tone for his teammates' experiences in these situations. If a leader doesn't focus on this aspect, the whole organisation is at a loss. This is about time, resources and of course money.

In difficult situations, an empathetic leader can help minimise losses, increase company finances and boost morale. Being an open and honest leader with employees during a corporate bankruptcy and giving them a clear picture of the financial position and available solutions are essential to being an empathetic leader, employees need access to resources such as counseling, assistance in finding a job and vocational training as well as emotional support.
Every crisis is a chance to become stronger. This dark state of existence has created an unavoidable context that forces us to innovate and reinvent ourselves in order to survive.

While it may not be possible to avoid a crisis completely, it is within our power to use consistent efforts to work the circumstances to our advantage. Managing a crisis internally can often be more economical than engaging a specialized firm. Nevertheless, if the need for a specialized firm arises, the organization is ready to make this investment during peaceful times.

While the existence of a 'user manual' for leaders encountering a variety of crises within an organization may seem plausible, it is crucial to acknowledge that even when certain crises display common elements across different corporations, these situations cannot be addressed in uniform ways. Consequently, preventative measures are essential to be incorporated as the organization progresses, facilitated through crisis management strategies embedded within its cultural fabric.

Through this work, an analysis of several scientific studies of real value is conducted, which provides a few solutions for future business leaders to prevent crises and act during their occurrence. This analysis underscores the importance of empathy and efficiency in crisis management.

Potential future research directions include identifying crisis management strategies for leaders, exploring factors contributing to low trust in business leaders, and conducting an in-depth comparative study between empathetic and toxic leadership styles.

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