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Empathetic leadership: building trust and business benefits

In 2021, empathy is emerging as a key leadership trait, offering a route to more productive, innovative business. And while different cultures have different approaches to empathetic leadership, there are practical steps any business can take to grow empathy within their teams.

Over the last 18 months, we have all had reason to be more empathetic, in our home lives, with our colleagues, and towards our communities. Business leaders have faced imperatives to be empathetic in their roles, as physical collaboration has been replaced with virtual interaction, and staff have been placed under unprecedented stresses, calling for an altered, more flexible leadership skillset.

In the wake of the COVID-19 outbreak, organizations across the world have recognized the importance of empathy in the workplace. The results of Grant Thornton's 2021 International Business Report (IBR) research reflect the emergence of empathy as a valued leadership trait, with 22% of global mid-market leaders citing it among the most important for 2021 and beyond.

"We know that a happy and healthy workforce is a productive and profitable workforce. We also know that pre-COVID-19, one in four of us would have been affected by a mental health condition at some point. This has accelerated," points out one of the human capital advisory directors of the Grant Thornton network. "Empathetic leaders will be aware of how their people are feeling as a result of the unprecedented changes that businesses and their people have gone through, and actively supporting them."

But while empathy in personal relationships is often instinctive, how it manifests in a business environment is less apparent. An extension of emotional intelligence, empathetic leadership is the ability to be compassionate and to connect deeply through a demonstration of sincere interest. This can be achieved through being present, listening, and taking time to become aware of the feelings and thoughts of another person.



Crucially, being empathetic does not mean you always need to agree with another viewpoint. The key to empathetic leadership is being willing to understand how another person may experience an event or situation without passing judgment or making assumptions, allowing them to feel safe and understood.

To be truly empathetic, people must, in addition to understanding others, respond appropriately to the feelings of others. Those able to do both will show a natural predisposition for high demand skills, such as leadership, teamwork, negotiation skills and good customer service.

Encouraging empathy in leaders requires a visible shift in business culture away from a sole focus on key performance indicators and deliverables and investing in relationship building that promotes the wellbeing of employees. Empathetic leadership requires that you step outside your own emotions to view things from the perspectives of others.

Empathetic leadership also means expressing your understanding of the contexts, experiences and feelings of others.

Empathy in leadership – the skill or capacity to understand another’s frame of reference – is absolutely a distinguishing factor between a good and a great leader.

Better business through empathy



Though empathy is hard to quantify in itself, the business benefits of empathetic leadership are tangible. Among mid-market business leaders who grew their staff numbers by at least 5% in 2020, empathy was more consistently important than the global average, with 25% citing it as a key leadership skill. It also scored well with those who grew exports and revenues during the height of the pandemic.

At work, empathy always generates a benefit. If everyone in the company complies with the rules of coexistence, productivity increases. It will not be necessary to invest time and effort in mediations, and each worker will look after both their own interests and those of the rest and, therefore, those of the company.

Those businesses with a culture that treats their people as the most important asset are likely to have more empathetic leaders. This is reflected in their corporate values and how they do their business. Those that fail in this will see a decline in engagement, motivation and performance, and indeed ultimately the bottom line.

Empathy directly correlates to managers’ job performance, according to the Center for Creative Leadership report, *Empathy in the Workplace: A Tool for Effective Leadership*, with empathic emotion, as rated by a leader’s subordinates, consistently predicting positive performance ratings from that leader’s boss. Conversely, lack of empathy in senior management can result in negative business outcomes. Research by Singapore Management University found middle and lower management showed less company loyalty and less job investment when senior managers failed to demonstrate empathy.

Among the outcomes of an empathetic environment is increased innovation. People feel more able to experiment when supported by leaders who allow them to test and learn without fear of failure.

Leading by example, rather than always leading from the front, helps people to feel more empowered to freely share their ideas, recognizing that they are heard, seen and appreciated for their contributions.

Empathy also generates a shared sense of purpose, making employees more invested in the goals of the business. As empathetic leaders listen more to their teams and acknowledge their needs and contributions, they motivate them to produce optimal performances and cultivate a shared vision.

Empathetic leadership is key to attracting, nurturing, and retaining talent. Empathy must be promoted if you want to attract and keep the best and brightest. Let's not forget, you don't get to be a leader if nobody is willing to follow you.

Business culture - A world of differences



Empathy also has a powerful role in cultures with a flatter leadership structure. In the UK, recent high-profile examples have demonstrated the pitfalls for leaders who are viewed to lack empathy and be out of touch. Business leaders are held to account publicly, so it's important they're authentic in the way they speak about issues important to their people.

Despite these benefits, local business culture has a significant impact on the weight that empathetic leadership carries. In Grant Thornton's regional research, 10% of respondents in Africa cited empathy as one of the most important leadership traits, while in APAC and North America, that figure rose to 21%. Some 26% of senior managers in the EU rated empathy as most important, while Latin America had the highest positive response rate at 32%.

With the impact of the pandemic and broader social shifts, skills traditionally perceived as 'softer' are coming to the fore. Given the social shifts taking place in our culture and social issues moving to the forefront across the globe, being empathetic is simply a leadership requirement. It's crucial for retaining talent, dealing with the ever-changing uncertainties of each day, and caring for the various needs of our stakeholders, teammates, coaches and cohorts.

Empathy in the workplace, which surveyed leaders in 38 countries, found that the relationship between empathy and leadership performance is more marked in cultures with a traditional business hierarchy, where stratified power underpins social order. China, Egypt, Poland and New Zealand all follow this model.

In these countries, the ability to bridge the rigid hierarchy with empathy creates a climate of protection and support, resulting in better job performance.

Even in those regions where softer managerial skills have been less valued, empathy is being recognized as fundamental to overcoming the challenges presented by the pandemic. Empathetic leadership is the need of the hour. In Africa, it is seen that empathy is coming to the fore, to support the campaign for a transformational style of leadership that encourages team spirit and social connections.

Size matters when it comes to empathetic leadership



The size of the business also impacts its approach to empathetic leadership. The IBR research showed that larger businesses are placing more emphasis on the need for empathy, perhaps because it is harder to maintain as teams and business units increase in size, and interactions with direct reports become distant or irregular. As businesses scale up, there will be a need to encourage team spirit rather than focus solely on output. Leaders must recognize that the performance of a team is largely dependent on the attitude of its members. Empathy helps management redirect their focus by encouraging collaborations, boosting morale, productivity, and retention. A high empathy index would be a powerful KPI in dynamic organizations.

Trying to foster a consistent employee experience in a larger organization is more complex because as a business scales up, the size of the leadership team will naturally grow. Training and support for people managers in how to be empathetic leaders is key, as they have the most influence over the day-to-day experience of employees.

While the business grows, the need to retain a connection between leaders and their people also increases. The value of our workforce lies in our teams, in our people, and in fostering authentic relationships guided by the company's values.

What does empathy mean in practice? It is being an empathetic leader is about taking the time to listen, playing back what you've heard, acting on feedback, providing support and communicating this across your organisation to clearly define your values and expectations.

We hope you find this information helpful in giving you some insights for your organization. If you would like to discuss any of the points above, get in touch with your local Grant Thornton contact or email us via info@bq.gt.com



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