Empathetic Leadership – Key Element for Inspiring Strategic Management and a Visionary Effective Corporate Governance

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Abstract

The strategic management principles may provide a rich and flexible framework for the analysis of the key elements that underlie an effective corporate governance within companies. However, little focus is put on the analysis of deeper aspects of leadership – such as the empathetic leadership. In this context, this paper seeks to advance an alternative approach by examining the most commonly functional definitions and other features of empathetic leadership, along with its accompanying strategic managerial leadership abilities with the purpose of achieving a visionary, yet effective corporate governance. Soft skills (cognitive capacities and personality traits) – in general, and empathy – in particular provide a prototype of how leader understanding and support improves follower behaviours and, ultimately, creates the premises of an effective corporate governance in companies. Empathy is a construct, a critical skill that is vital to leadership, many leadership theories considering the capability to possess and exhibit empathy a key feature of leadership, especially for authentic, transformational leaders. We explored the connection between empathetic leadership, follower performance and the key components of a visionary effective corporate governance. Therefore, we aim to present a model able to explain the synchronization of a strategic managements and an effective corporate governance under the impact of empathetic leadership. The paper adopted a descriptive methodology in outlining the influence of empathetic leadership for an effective corporate governance. Precisely, we tested the causal processes by which empathetic language and behaviour influences follower attitude (these processes including follower job satisfaction and innovation). Moreover, this paper is concentrated not only on presenting the effects of empathetic leadership on the corporate governance principles, but also on providing a qualitative investigation on the current advances in the international management framework. Our findings point the fact that empathetic leadership entails that for effective corporate governance, companies have to grow emotional capital to handle issues of low morale, organizational stress, high staff turnover and lack of work/life balance. Supplementary, we find that the daily practice of putting the well-being of others first has a reciprocal effect in business relationships, in the way employees, clients, colleagues and partners are treated. We reached the conclusion that empathy enables the leader to discern whether the people he's trying to reach are actually reached, allowing him to foretell the effect of his actions will have on core audiences (and strategize accordingly!). The paper propose that further research efforts could empirically assess the extent to which empathetic leadership can influence managerial competence in diverse cultures.

Keywords: empathy, transformational leadership, strategic management, corporate governance.

JEL classification: L26, G34.

1.   Introduction

Leadership has become quite a catchword lately, encompassing a grander scope of influence and guidance, requiring less detail orientation and more vision, while *management* focuses more on day-to-day implementations of pre-formulated guidelines. Conversely, often misunderstood, or underrated as a "soft skill", *empathy* can be the decisive feature between adequate and exceptional leadership.

Research has shown that the difference between outstanding and average leaders lies in the emotional determinants, and not intellectual shrewdness. Even so, there's still very little value (and investment!) placed on developing these skills, most often bucketed as emotional intelligence. "Soft skills" are invaluable within leadership, and may only become fundamental in years to come. Emotional intelligence (in general) and empathy (in particular) can uplift the

management within a company (and, implicitly, the company's performance) from good to outstanding, also conducting to an effective corporate governance.

This paper emphasis on *empathy in leadership* and outlines the findings in literature reviews on the concept of transformational leadership and current perception on the influence of empathy on corporate leadership and corporate governance.

When someone is perceived as a leader, it is because not only the *capability to accomplish complex tasks* is easily observed (**Humphrey, 1985**; **Humphrey & Berthiaume, 1993**; **Humphrey et al., 2000**), but also his/her *mental abilities* and *soft skills* (**Atwater et al.**; **Atwater & Yammario, 1993**; **Lord et al., 1986**). However, empirical research in management and leadership has fundamentally overlooked the role of emotions. Yet, it is certain that the leader's *emotional abilities* also count and, indeed, recent writings (**George, 2000**) suggest that *emotional intelligence* is, undeniably, "a key determinant of effective leadership".

Research shows that emotional abilities, such as ***empathy***, "contribute to positive interpersonal relationships and successful outcomes" (**Goldstein & Michaels, 1985**). Considering the emphasis on leader–follower relationships in current conceptualizations of leadership (**Gerstner & Day, 1997**; **Graen & Uhl-Bien, 1998**; **House & Aditya, 1997**; **Klein & House, 1995**), it is reasonable to investigate whether or not emotional abilities – such as empathy – benefit leadership and, subsequently, organizational culture and corporate governance in the workplace.

This is why, in our opinion, it's extremely beneficial for managers to understand how they rank and what skills are needed to improve their chances of success, since one of those skills, perhaps unexpectedly, is, indeed, ***empathy***.

We believe corporate governance and leadership can find opportunity in the challenges they face (coping with volatility, compliance and an over-emphasis on quarterly results).

Corporate codes of governance have continuously developed, most of them in the wake of various corporate scandals of the 90s. With over 100 international codes and regulations that often focus on issues of shareholder rights, financial transparency, accuracy of disclosure, and accountability of the board, their interpretation varies from one country to another. With the assertion that businesses have to make profit in order to create wealth, the way in which businesses are governed and the relationships within a company (between management, the board, shareholders and outside stakeholders) impact on many of the challenges faced by society as a whole. The biggest test of corporate governance in any culture has been when things go wrong – such as bankruptcy or takeovers and the subsequent conflicts of interest between the board, management, creditors and shareholders. *So how can businesses limit those conflicts of interest?* Our suggestion is that governance should pursue an integrative approach, demonstrating empathy, encouraging people to work more closely together (managers discussing with employees, shareholders collaborating with the board) to take into consideration all points of view, not only financial ones.

Therefore, we strongly believe that a good, effective and visionary governance is not about rules, but about people. In this light, effective empathetic leadership must anchor its conduct in standards (of integrity, transparency and accountability) that set example and provide stability in times of crisis.

This conceptual paper comments on the various concepts and dimensions of empathy in leadership, strategic management and corporate governance that have been proposed in the specialty literature by providing an alternative conceptualisation that seems better suited to corporate governance and how leaders should perform.

2. Research methodology

Most of this paper is dedicated to **fundamental research**, comprising numerous debates about *empathy* as a fundamental concept, respectively *its impact on leadership theories and practices* and *its contributions to an effective visionary corporate governance*, and also standpoints about the *ongoing dispute on the effects of leaders lacking emotional intelligence on company performance*.

By its nature, this paper is part of the **positivist research trend** with extensive *interpretative approaches* (regarding *current perception on empathy in corporate leadership*) and with a number of *critical elements* and many *personal opinions*, which intertwine harmoniously and give the article a touch of originality and professionalism. In terms of generated information, this research focuses on a **qualitative research** (most investigated items being of qualitative nature).

The research follows a *transverse direction* through the used *observation, comparison* and *conceptual analysis* techniques. Thus, the qualitative research valued specialist literature by processing it with various *methods specific to socio-human sciences*, such as *document analysis*, *non-participating observation* and *comparison*. The non-participating approach is due to the research field and the current state of knowledge in the field of interest, although comparisons made and opinions and conclusions expressed show certain participating aspects of the research, respectively the relevance of transmitted information.

A future research will be reserved for the **applied research**, where we will intend to put face to face the perceptions of the two groups: leaders and followers in respect to the 21st century leadership trends.

In our opinion, the dynamics of analysing scientific literature is extremely relevant in the analysis of management trends and leadership evolution, and consequently for increasing complexity of tasks and responsibilities attached to those charged with governance within a company, the more that we talk about periods of socio-economic or financial crises. The sources used are mostly research papers published in scientific journals in the field of corporate governance, management and psychology.

3. Emotional intelligence = Empathy = Empathetic transformational leadership?

The concept of **emotional intelligence** was first presented by **Salovey & Mayer (1990)**, who were influenced by previous theories of **social and multiple intelligence** (**Thorndike, 1920**; **Gardner, 1983**). In this context, we must draw attention to a book that became a bestseller, igniting public and academic interest (**Goleman, 1995**). Emotional intelligence is labelled as dissimilar from general intelligence (**Mayer et al., 2000a, 2000b**; **McCrae, 2000**), recent research suggesting that emotional intelligence's determinants may relate abstemiously (but not redundantly) to verbal intelligence, openness to experience, agreeableness, and emotional stability (**Mayer et al., 2000a**; **Schutte et al., 1998**).

Salovey & Mayer (1990) suggest that *empathy* may be "a central characteristic of emotionally intelligent behaviour". In this context, they delineate empathy as "the ability to comprehend another's feelings and to re-experience them oneself". **Plutchik (1987)** writes that "empathy is not a separate emotion by itself, but a kind of induction process by which emotions, both positive and negative, are shared, and which increase the chance of similar behaviour in the participants" [Plutchik, R. (1987). Evolutionary Bases of Empathy. (in N. Eisenberg, & J. Strayer (Eds.), Empathy and its Development (pp. 38–46). New York: Cambridge Univ. Press), pp. 43]. As follows, we believe that he wished to emphasize the fact that empathy serves to bond people together. **Rogers (1951)** also highlights the importance of empathy in a certain context – and that is creating an "ideal relationship" between a psychotherapist and a client. Years after, **Rogers (1975)**, alternatively, also follow-ups research proof that "points strongly

to the conclusion that a high degree of empathy in a relationship is possibly the most potent and certainly one of the most potent factors in bringing about change and learning" [Rogers, C. R. (1975). Empathic: An Unappreciated Way of Being. The Counseling Psychologist, 5(2), pp. 3]. Without a doubt, empathy has a long-lasting history as an important feature, especially (but not exclusively) for counselling and psychotherapy. **Katz (1963)** states: "when we experience empathy, we feel as if we were experiencing someone else's feelings as our own. We see, we feel, we respond, and we understand as if we were, in fact, the other person" [Katz, R. L. (1963). Empathy: Its Nature and Uses. London: Free Press of Glencoe, pp. 3]. He also clarifies that "it is not required for the empathizer to experience physical sensations". Nevertheless, empathy is more than an intellectual exercise, since it comprises personal connection, involvement and imagination.

We agree to the fact that an employee who is fortunate enough to encounter an empathic superior feels reassured, recognized and accepted. An empathetic reaction is "triggered by cues in the conversation or by impressions we receive of the state of mind or feeling of the other person. We assimilate this information without being aware of doing so. We pick up the signals through a kind of inner radar and certain changes in our own emotional states make themselves felt. We mimic the other person and in the excitement of our spontaneous response our attention is almost completely absorbed" [Ibidem, pp. 5]. **Katz (1963)** sustains that individuals vary in empathic skill. He defines the active empathizer as someone who thrives in aiding people to change and who is "capable to balance involvement with appropriate detachment, walking a narrow ridge between excessive empathy and myopic objectivity" [Ibidem, pp. 161].

Even though empathy has frolicked a significant role for decades in many spheres of psychology, its measurement still remains a trial to researchers. **Batson (1987)** notes that "self-reported measures of empathy are deficient because respondents are either unaware of or are unwilling to relate their empathic experiences". Potential alternative approaches include ability measures such as the Multifactor Emotional Intelligence Scale (**Mayer et al., 2000b**) or ratings by external observers (**Mayer & Geher, 1996**). **Yukl (1998)**. Without a doubt, empathic abilities may underlie relations-oriented leader behaviour – such as showing consideration, which is a friendly, supportive, and concerned approach towards employees, as **Stogdill (1965)** notices.

Transformational leadership was initially introduced by **Burns (1978)** and developed further by **Bass & Avolio (1994)** and had been very influential over the years, it is built upon some ideas of leadership and supposed to respond to the fast-paced high-change environment where there is a need for a set of different styles of leadership.

Burns **(1978)** considers that transformational leadership has 4 primary elements:

• **Idealised Influence – the leader has a "**walk the talk" approach, employees within a company idealising him as a role model and following him blindly;

• **Inspirational Motivation –** that leader has an astute ability to inspire and motivate his/her team through charisma;

• **Individualized Consideration (Empathy) –** the leader is genuinely concerned about team members' feelings, working with each one of them in order to comprehend their personal prerequisites;

• **Intellectual Stimulation –** the leader uses his/her instinctive emotional intelligence to inspire his/her team to innovate and create so that change becomes visible and actionable.

Latest theorizing regarding emotions and transformational leadership (**Bass & Avolio, 1990; Ashkanasy & Tse, 2000**) advocates that the capability of apprehending others' emotions facilitates a leader to empathize and conducts to effectiveness. According to **Goleman (1998a)**, empathy is "particularly important today as a component of leadership for at least three reasons: the increasing use of teams, the rapid pace of globalization, and the growing need to retain

talent" [Goleman, D. (1998a, November–December). What Makes a Leader? Harvard Business Review, pp. 100]. It means "thoughtfully considering employees' feelings – along with other factors – in the process of making intelligent decisions".

In our opinion, transformational leadership is observed when leaders and followers make each other progress to a higher level of morality and motivation.

Through the strength of their vision and personality, transformational leaders are able to inspire followers to change expectations, perceptions, and motivations in order to work towards common goals, as we can depict from the Figure below:
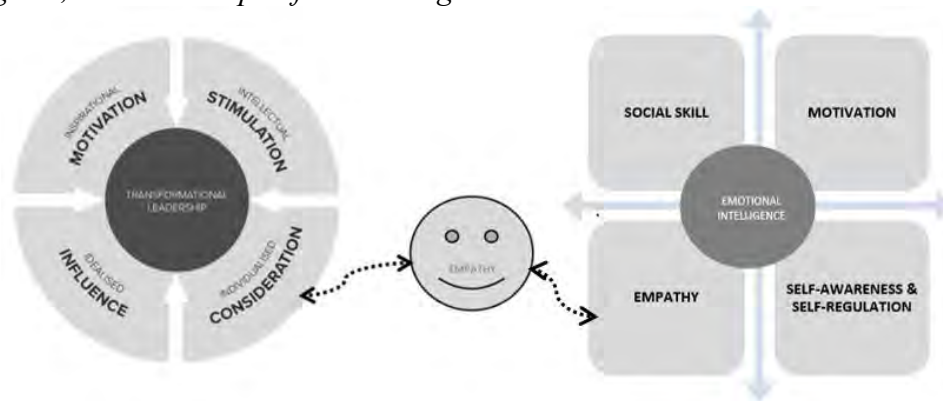

Figure 1. The elements of transformational leadership in conjunction with the dimensions of emotional intelligence
Source: own projection, after Burns (1978) and Kumar (2014)

Therefore, we believe that *emotional intelligence attributes* (of empathy, social skill, motivation, self-awareness and self-regulation) have a direct correlation to *transformational leadership traits* (of intellectual stimulation, individualized consideration, individual influence and inspirational motivation). Basically, leaders who have tried to upsurge their emotional intelligence are more capable to impact their followers, motivate them, and offer individualized consideration – and all these through *empathy*.

Scientists (**McCrae & Costa, 1997**; **Yukl, 1998**) have explored empathy's dissimilarity from other constructs, personality traits and relations-oriented leadership behaviour, starting from the idea that empathy is an ability that conglomerates thinking and feeling.

Most researchers (**Cooper & Sawaf, 1997**; **Goleman, 1998b**; **Yukl, 1998**) agree in organizations empathy is interrelated abstractly to effective leadership behaviour. For instance, in their analysis on leadership effectiveness, **House & Podsakoff (1994)** detected that excellent leaders, unlike less effective leaders, have a higher attention and thoughtfulness to the prerequisites of their followers. Likewise, **Cooper & Sawaf (1997)** highlight that leadership is, indeed, a relationship and "emotional relationships are the lifeblood of any business". In this context, it is obvious that people like and care about their leaders for the reason that they make them feel in a certain way.

Therefore, we highlight the fact that the capability to spread empathy is, truly, the most protuberant difference between successful and unsuccessful leaders, the importance of leading with empathy being undeniable:

> *"Empathy and compassion connect us with others through the shared language of feelings and experience, one heart to the next, beneath the words, behind the posturing and gestures. Through feelings of empathy and compassion we help ourselves learn and grow, and we also enable others to begin to feel safe enough to talk about what is really going on in their lives—to tell their stories—without fear of being judged, criticized, or abandoned. It is then that we begin to empathize with them, and extend compassion and support to them, rather than remaining distant or unaffected, or sympathizing about them. And, more often than not, such empathy and compassion are, sooner or later, returned to us in kind" [Cooper, R. K., Sawaf, A. (1997). Executive EQ: Emotional Intelligence in Leadership and Organizations. New York: Grosset/Putman, pp. 48].*

In conclusion, **Cooper & Sawaf (1997)** indicate that "nationwide surveys indicate that people are made to feel more worthy and valued as a result of interactions with leaders they admire and respect" [Ibidem, pp. 50]. **Dansereau et al. (1995)**, in their well-known theory of individualized leadership, maintain that "support for feelings of self-worth reasons a being to be viewed as a leader, advocating that leaders may deliver sustenance for an employee's sense of self-worth in exchange for adequate performance". Consequently, emotions that are shared through empathy might have a balancing outcome on perceptions of status dissimilarities and diminish relationship barriers – and this is because "high quality relationships stemming from empathy are likely to enhance perceptions of a leader's integrity, or credibility, and engender cooperation and trust" (**George, 2000**; **Lewis, 2000**).

Henceforth, "the knowledge and understanding that leaders assemble from their sense of empathy with followers may enable leaders to influence followers' emotions and attitudes in support of corporate goals and objectives including feelings of excitement, enthusiasm, and optimism" (**George, 2000**; **Lewis, 2000**).

4. Empathy – The Most Critical Trait in Conducting an Inspiring Strategic Management

After this thorough literature review, we can sum up and say that ***empathy*** is the capability to experience, relate and share the views, beliefs, emotions and experience of other individuals. We believe that empathy (being able to put himself/herself into someone's shoes) is *more than simple **sympathy*** (being able to understand from his/her own perspective and sustain others with sympathy, kindliness and compassion).

Empathy is, indeed, a construct that is vital to leadership, numerous theories and models advising the capacity to possess and exhibit empathy is a significant segment of leadership. We, therefore, extract the three dimensions of empathy:

- ***Cognitive empathy*** – when the leader *senses* how the other person *thinks* about the world, this meaning he/she can put what he/she has to say in terms the follower will understand (*the ability to understand another person's perspective, on a conceptual level ⇔ becoming better communicators, conveying information in a way that bonds with the person*);

- ***Emotional empathy*** – when the leader instantly *resonates* with how the person *feels* (*the ability to feel what another person feels, sharing and connecting with the feelings of another on an emotional level ⇔ building and nurturing emotional connections*);

- ***Compassionate empathy (empathic concern)*** – when the leader expresses the ways he/she *cares* about the person by helping with what he/she senses they *need* (*the ability to sense what another person needs, sharing another's experience ⇔ taking action and helping*).

For several years, researchers (**Bass, 1985**; **Salovey & Mayer, 1990**; **Goleman, 1995**; **Bar-On & Parker, 2000**; **George, 2000**; **Walumbwa et al., 2008**) have emphasized that empathy is, indeed, a key part of emotional intelligence that is vital to being an *authentic, effective transformational leader*, for him/her to be able to recognize the value of others and in order to display the care he/she has for their followers' prerequisites and accomplishment.

Research has also revealed that the nature of leadership is ever-changing, assigning a grander importance on constructing and preserving interactions, since leaders nowadays must be more person-focused and need to lead people, collaborate with others, be able to cross organizational and cultural boundaries – with the purpose of creating shared direction, alignment and commitment between social groups with very different backgrounds, views, beliefs, values and cultures.

But we must draw attention to the fact that, in our opinion, *having empathy* (possessing and acquiring ***transformational leadership skills***) is not the same thing as *demonstrating empathy* (proving and implementing an ***inspiring strategic management***).

In this context, carrying empathic emotion is described as the ability of managers to comprehend what employees are feeling (**Duan, 2000**; **Duan & Hill, 1996**; **Goleman, 2006**), the ability to keenly share emotions with them and experiencing their feelings (**Kellett et al., 2006**) in order to be effective.

Since empathy is clearly related to job performance, we believe managers who show more empathy are viewed as better performers in their job by their superiors. In order to increase their effectiveness, leaders may need to develop the ability to exhibit empathy, since empathy is not a fixed trait, and, therefore it can be developed, educated and enhanced (**Shapiro, 2002**) by means of coaching or training. Hence, companies should embolden a more empathetic workplace and assist managers to boost their empathy skills in order to enhance a *visionary strategic management* within a corporation, the capability to be empathetic being particularly significant for managers working in multinationals, across cultural boundaries (**Alon & Higgins, 2005**; **Harris & Moran, 1987**; **Jokinen, 2005**; **Mendez-Russell, 2001**).

This leads to the conclusion that empathy creates attentiveness and appreciation for others, opening the way to more fruitful working relationships. When managers upsurge their awareness and apprehension of empathy (particularly in their cultural context), they can recognise behaviours they can improve and identify circumstances where displaying their empathy could have made a difference. As managers improve their empathy skills through listening, consideration and compassion, they are honing their leadership effectiveness and, subsequently, they increase the chances of success in the job.

Initial theories depict that strategic management has five fundamental stages: "defining the business, establishing objectives, formulating the strategy, strategy implementation and execution, and evaluating performance" (**Nedelfa & Paun, 2009**). However, recent progresses, emerging trends, changing behaviours, new complex rules of competition and the multifaceted patterns of nowadays business environment ought to be taking into consideration to classic management systems – especially the strategic management process, since new-fangled elements, such as innovation, should be added.

Accordingly, we believe that a strategic management process should comprise five mandatory steps – *leadership, formulation, execution, integration and innovation* – as illustrated below. We consider that strategic management begins with a visionary leadership, but only outstanding companies, with empathetic leaders, are truly innovative. And that is why viable innovation obliges effective planning, implementation and measurement of results, but also empathy.
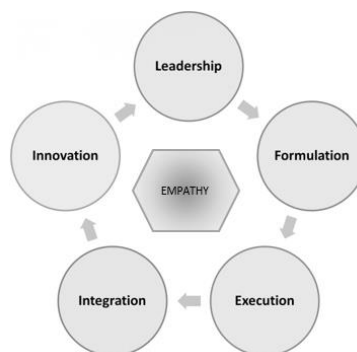

Figure 2. Determinants of an inspiring strategic management process
Source: own projection

Therefore, we believe that empathy is a determinant of an inspiring strategic management on its own, mainly because any strategy development practice must be relied on noticeable commitment from the executive team. Leaders deliver the vision, establish the long-term goals

and create unique standards and values that distinguish the business and generate sustainable progress.

This leads us to the idea that strategic leadership begins with a comprehensive and holistic approach, since leaders who have a clear vision, but are also charismatic and empathetic, and possess resilient managerial skills, can provide the glue to bring people together and foster effective teamwork for common goals.

Understandably, strategic management cannot thrive without prevailing empathetic leadership and bursting sustenance of top management.

In conclusion, in relation to conducting an inspiring strategic management, we believe that, principally, empathy is a unbiased data gathering tool that enables managers to understand the human environment within they are operating in business and, consequently, make better predictions, craft better tactics, communicate clearly and inspire loyalty.

5.   Empathy & its Influence on Achieving a Visionary Effective Corporate Governance

Increasing attention has been paid in recent years to the issue of **corporate governance** in emerging economies. The global corporate governance failures of organizations have kept governance issues on the front burner of academics, economists, boards and the policy makers.

Corporate governance, according to the **Organisation for Economic Co-operation and Development (OECD)** is "a set of relations between a company's management, its board, its shareholders and other stakeholders, providing the structure through which the objectives of a company are set and the means of attaining those objectives and monitoring performance are determined" [http://www.oecd.org/corporate/].

The cardinal objective of corporate governance is to promote the efficient and equitable use of resources, as well as share accountability for the stewardship of resources in a manner that aligns the interests of individuals, the company and society at large. However, only good leadership can make these happen.

Empathy may be the missing puzzle piece in an organization, in order to achieve an *effective corporate governance*, since it surges trust, motivates employees and delivers profit-making results.

We consider that empathy cannot be underrated as a leadership and business tool. If a manager can delegate, communicate and accomplish against a long-term strategy, then he's got what it takes to be a good leader, but If he can do all this and truly understand the idiosyncratic needs of his team members, this leads not only to an inspiring strategic management, but also to achieving a visionary effective corporate governance.

Underlying social mechanisms appear to be the crucial interactions that occur between directors when they work together in order to perform these tasks effectively and thus activate the organisational level mechanism. If directors do not possess the suggested qualities or they do not express them and, by omission, the social mechanisms are not activated, then the important strategic management tasks identified here are unlikely to be completed effectively. Consequently, the company-level mechanism will not be activated and the board's influence over business performance will be minimal.

This proposal suggests that corporate governance is neither a structure, a process nor a set of policies. Rather, it may be more effectively conceptualised as a company-level mechanism—to be activated by boards and from which to better pursue business performance outcomes. The primary components of the corporate governance mechanism are suggested to be strategic management tasks, lower-order social mechanisms and underlying qualities possessed by directors (as shown below). The hierarchical expression of these components suggests that corporate governance is, in effect, a multi-faceted and multi-functional

mechanism that can be activated by boards to develop strategy, make strategic decisions, monitor strategy implementation and, verify business performance, all in the context of both the stated long-term purpose of the company and the wider operating context.

Thus, the figure below describes not only the fact that corporate governance is, indeed, a stratified company-level mechanism, but also depicts the link between empathy, leadership, strategic management and corporate governance:
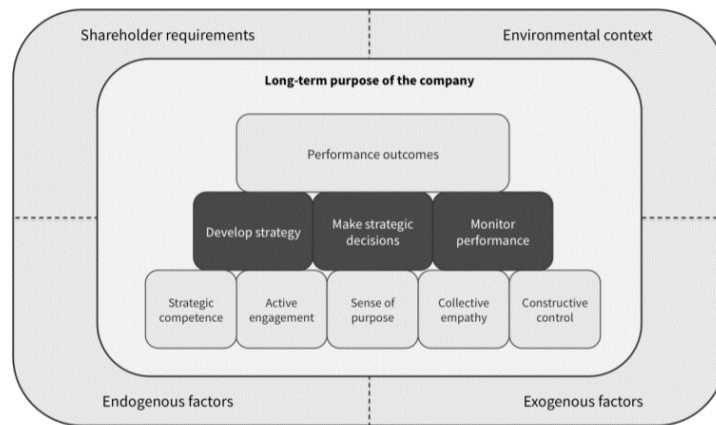

Figure 3. Corporate governance: A stratified company-level mechanism
Source: own projection

This reconceptualization of corporate governance, as a stratified company-level mechanism, appears to provide a seemingly adequate explanation of the observed board–business performance relationship, and of how boards influence the achievement of business performance outcomes under specific conditions. It offers an alternative view to empiricist conceptualisations of corporate governance (a structure, or process or policy framework) that have been depicted in the literature and are frequently applied in practice.

The board's active involvement in the strategic management process appears to be crucial if the board is to exert any meaningful influence. More specifically, when directors possess strategic competence and collective empathy and express those qualities as they work together, and they activate the identified social mechanisms (active engagement, sense of purpose and constructive control) and perform strategic management tasks together in the boardroom, changes in business performance can follow.

While a theoretical explanation has been provided in this paper, the explanation itself should not be interpreted to be a grand theory applicable to all boards and board situations. Neither should it be interpreted to be a predictive theory. Rather, the mechanism-based conceptualisation of corporate governance presented here seeks to provide guidance towards a contextual understanding of the underlying qualities of directors (like empathy!) and social mechanisms that, when activated by directors in board meetings, appear to be necessary if boards are to exert an influence on business performance.

The actual business performance achieved by companies ultimately remains dependent on managers to implement the decisions made by the board; the board's effective monitoring of managers and management activity; and, numerous other internal and external factors. A variety of patterns of human agency can and do influence both decisions made in boardrooms and subsequent business performance outcomes. Many directors cannot predict their own performance, let alone that of the board they sit on or the company.

Consequently, the conceptual contribution emerging from this research is, and should remain, tentative.

The members of the board of directors make up the top leadership of any organization and it is their responsibility to make decisions that create value for the organization and also

manage risk. They should therefore foster good corporate governance as a way of life in their organization rather than a code. Research has proven that the personality of corporate leaders plays significant roles in the determination of an organisation success or failures, (**Judge et al., 1999**), the personality of CEOs being highly correlated with an organisation's long term success or failure.

Leadership is now almost universally viewed as a change process with the leader as the primary catalyst for change that at least sets out to be transformational and inspiring, thus exciting followers to higher or extraordinary levels of performance through shared vision, in contrast to effectiveness inspired by reward and punishment as the mechanisms employed to motivate subordinate efforts.

Conclusions

This study's main objective was examining the role empathy plays in effective leadership. We ascertained that the ability to understand what others are feeling is a skill that evidently contributes to effective, outstanding and visionary leadership.

The reasons behind the strong correlation of empathy and effectiveness were not evaluated in this study; we presume, however, that empathetic leaders are "assets" because they are capable to effectually build and nurture relationships – a critical part of leading organizations anywhere in the world.

Outstanding leaders should be proficient in proper management skills, while outstanding managers should be able to lead when expected to. When it comes to the defining qualities of leaders nowadays, while there is general consensus about qualities such as intelligence, charisma, responsibility, vision, and passion, there are some "softer", more emotion-driven skills, such as compassion, and ***empathy***, that, still, have not been widely accepted as befitting leadership execution.

Thus, this paper focused on the trait of *empathy* in organizational leadership. The debate on ethics and leadership without empathy has been very vivid in the past decade or two. The multiple dimensions in leadership qualities as presented in the specialty literature form a fertile foundation to review a critical leadership quality that has thus far encountered resistance in being accepted in business performance: *empathy*.

There is a need for more empirical work to determine the degree of association between emotional abilities and mental abilities since motional abilities, such as empathy, involve feelings, while mental abilities involve verbal fluency, logic, analytical problem-solving, memory, and abstract thinking.

Nevertheless, empathy is a key variable, and is consistent with a small but growing body of conceptual work linking emotional abilities with effective leadership. Indeed, perceiving others' feelings and empathizing with them is likely to establish an affective bond or relationship that offers benefits for leadership.

The findings indicate the need for a paradigm shift in corporations in regards to leaders' required skills, and suggest a proactive approach from business entrepreneurs in the process fo strategic management in order to change the current paradigm.

Also, in relation to ***corporate governance*** – *it is not just about playing "watchdog" "over management*, it is more about augmenting corporate strategic selections, acknowledging and responding to the interests and concerns of stakeholders, developing and boosting managerial competencies and skills, and, ultimately guarding and maximizing shareholder wealth; *it is about leadership*."

The proposal that emerged from this research challenges the conception that corporate governance is a structure (that is, the board) or a process (that is, a sequences of activities), or policy framework (of rules and regulations), or some combination of the three. Rather, the

contention of the proposal is that corporate governance is a company-level mechanism that is activated by competent, engaged, empathetic boards in the pursuit of business performance outcomes, via strategic management.

Commitment to integrity, honesty, fairness and transparency should be for leaders who want to create value and succeed in running organizations that are highly rated in corporate governance. Boards must take responsibility for the integrity of their organizations and directors must see their organization's integrity as an extension of their own integrity. There should be a great pledge of company leadership to having policies, procedures, rules and regulations that are well specified and strictly adhered to by all employees.

Leadership and corporate governance, indeed, go hand in hand and neither exists in a vacuum:

> *"Leaders today care about corporate governance because it aims to secure not just what the company does, but also how it acts."* (Werner Brandt)

The above literature-based reflections have presented a clear message: empathy is an essential aspect of 21st century leadership and can no longer be ignored if we want to prevent continuation of ethical disasters in the business world.

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