Leadership during turbulent times: Survey results and some best practices

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"Financial crisis unprecedented since 1930s"[1]

~ Supachai Panitchpakdi
Secretary-general, U.N. Conference on Trade and Development

"Never before in modern times has so much of the world been simultaneously hit by a confluence of economic and financial turmoil such as we are now living through."[2]

~ Timothy Geithner
Treasury Secretary, United States

"The general reaction has been to deal with the short term first and worry about the longer term later." "In the process of climbing out of the hole that we dug ourselves into, we have put off some of the pain for the future. As difficult as it has been getting through this crisis, I think the reality is that a lot more adjustment will have to come."[3]

~ Eswar Prasad
Cornell University and the Brookings Institution

Introduction

This white paper will investigate and outline successful approaches that employers can take with respect to leadership during a crisis. The main thesis will consider the dual objectives of both surviving the crisis (short-term) and coming out of the crisis as a healthy organization fit for the future (long-term). Specifically, after many discussions with leaders and employees during the recent financial crisis, I started to become concerned that many organizations had switched to or intensified leadership styles that would get them through the immediate crisis but at a major cost to the overall strength of the organization for the future. In particular, I began to get the sense that leaders had switched to a short-term results-oriented approach that involved cutting back on the more interesting and challenging work of their employees. In general, this shift in emphasis was understood by the employees however, there was an underlying feeling of being treated less as part of the solution and more as part of the problem. In other words, much of the good faith and positive aspects of the previous psychological contracts were broken and many employees felt taken advantage of and were "sitting on their CVs" just waiting for the market to improve so they could start looking for new jobs.

If the current financial crisis is really "unprecedented since 1930s" and is new to modern times, then what are employers to do? That is, if the last time the world saw such a crisis was at a time when scientific management (aka, Taylorism) was the dominant management theory and Elton Mayo was only beginning the groundbreaking Hawthorne studies, then where can today's managers look to learn from experience?

From an international or global perspective, the crisis may indeed challenge those responsible for national and industry-wide policies and practices in unprecedented ways. However, from the individual employee's point of view, the circumstances and consequences of the crisis are quite similar to other more common "crisis" situations. Specifically, I suggest that from the employees' point of view, much of what was/is experienced during the global crisis is quite similar to the real or perceived "crisis" that often accompanies mergers and acquisitions (M&As) and that much of what has been learned from the many studies of M&As can be applied to understanding and predicting reactions and behavior within organizations during a market crisis.

[1] IPS News on-line http://www.ipsnews.net/news.asp?idnews=47321
[2] Associated Press, Martin Crutsinger (2009-04-22)
[3] http://www.npr.org/templates/story/story.php?storyId=112902420&ft=1&f=112578215

Sources of employee distress and disengagement in Mergers and Acquisitions

In 2005, Seo and Hill published a paper on what they call the human side of mergers and acquisitions. That is, after reviewing over 100 books and articles published in both academic and practitioner literature about M&As, they found six theories that identify distinct sources of frequent employee-centric problems during M&As. Moreover, these theories predict the psychological and behavioral effects on employees (e.g., low motivation, disengagement, quitting, etc.) and suggest relevant prescriptions to address the problems. The six theories are anxiety theory, role conflict theory, job characteristics theory, organizational justice theory, social identity theory and acculturation theory. Each of these is briefly described below and the degree of applicability of each to the current crisis is considered[4].

Anxiety theory contributes to the reactions of employees to M&As in that a perceived threat of job loss can lead to increased worry and feelings of distress (Brockner, Grover, Reed, & Dewitt, 1992). That is employees react to the unknown during the M&A process and this anxiety is particularly acute with respect to the unknowns regarding keeping or losing one's job and such anxiety can result in self-survival instincts in which employees engage in political maneuvering to protect their status, power, and prestige (Schweiger, Ivancevich, & Power, 1987). In addition, separation anxiety can also result from seeing coworkers terminated (Astrachan, 1995). Separation anxiety not only occurs during and after separation, but also before separation actually takes place, or even when it is simply implied, for example, in the face of rumors about employees being terminated. One of the major concerns of employees during the recent financial crisis has been directly related with distress over threats to employment and, given that there were a high number of actual layoffs, separation anxiety also likely played a role.

Role conflict theory predicts psychological tension when employees are required to play multiple and incompatible roles or when there is uncertainty about the roles that are required (role ambiguity). During the M&A process, role conflict and ambiguity occur due to the new or altered job demands related to the merger as well as conflict between remaining loyal to old customers or coworkers while implementing the changes required by the new situation. This same conflict and ambiguity was evident during the recent crisis due to the high degree of "adjusting to the new reality" required within many industries as well as the new or multiple roles required from remaining employees after layoffs. That is, many organizations laid-off employees that, at least in part, played roles that needed to be incorporated into the jobs of the remaining employees. Other companies, in order to keep key employees when production slowed brought everything, even "non-essential" work, "in house" to save jobs and cut costs. For example, Hypertherm, one of the top manufacturers of plasma cutting tools, did not fire any of their employees because they are highly skilled (and hard to replace). Instead, as an extreme example, some employees from the production floor took over the work of maintaining the building and grounds. Sure these employees were paid much more than the average grounds keepers but the organization saved by not paying an outside company to do this work and they kept skilled employees busy (and hopefully loyal) during uncertain times. "Once you have a highly skilled workforce, the last thing you want to do is lay them off," says Dick Couch, the company's founder and chief executive officer. "This isn't altruism. It's good business" (Greenberg, 2009)[5]. However, such changes while addressing job security would still lead to role conflict and ambiguity within the employee with respect to doing what needs to be done versus doing what one has been educated or trained to do.

Job characteristics theory says that the psychological state of employees (e.g., satisfaction and motivation) is influenced by changes to the jobs in which the employee does. Specifically, during M&As, employees often become concerned about the future of their jobs with respect to the scope, importance and autonomy of their new jobs. Additionally, the authors include broader job characteristics affected by M&As to include career paths, work relationships, support networks, status difference, geographic transfers and job security. While not all of these job characteristics were equally affected during the recent crisis, many employees did find that their jobs changed in scope, importance and autonomy (e.g., back to the basics, focus only on income generating business) as well as disruptions to their career paths, work relationships, support networks and job security

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[4] The following section is a summary of some of the findings by Seo, M-G and Hill, N. S. (2005) in their article Understanding the Human Side of Merger and Acquisition: An Integrative Framework. The Journal of Applied Behavioral Science. Only the links to the recent financial crisis are added by the current author.

[5] Greenberg, 2009; listen to the story at www.npr.org/templates/story/story.php?storyId=120097251)

Organizational justice theory focuses on the perceived fairness of decisions made by management. During M&As there are daily decisions that affect the employees and how they do their jobs (e.g., these decisions include the changes to the job characteristic described above as well as displacement and firing of employees). In M&As, research has shown that when the employees feel that decisions have been made fairly, then they are more likely to support the changes, even under adversity and loss (Cobb, Wooten, & Folger, 1995). The decisions made during the recent crisis with respect to restructuring, refocusing, displacement and layoffs are very similar to the decisions made during a merger or acquisition and employees would be expected to be equally influenced by their perceptions about the fairness of how these decisions were made and communicated.

The four theories presented above that are important to understanding employee reactions to M&As seem to also fit reasonably well to the most recent crisis. On the other hand, the remaining two theories related to M&As, social identity theory and acculturation theory, are probably less related to the crisis at hand. That is, social identity theory is focused on the loss of (organizational) identity that employees often feel when being acquired by another organization. While this may play part in the reactions of some employees to the recent crisis, it is most likely only felt when the organizational changes during the crisis were so fundamental and widespread that the organization felt radically different after the changes. The majority of organizations did not respond to the crisis with such radical or fundamental changes. Similarly, acculturation theory predicts that employees will react negatively or become stressed by the cultural differences introduced by an acquisition. In layman terms this is called culture clashes. As with identity theory, cultural clashes are not likely to translate to the recent crisis situations, except in the few organizations that reacted by making fundamental cultural changes within the organization.

In summary, the set of stressors or concerns felt during the typical M&A situation are quite similar to the set of stressors for employees in the crisis. One major difference is the scope of the situation. That is, in the typical M&A situation, the employees are affected by the circumstances but there are others from outside the organization (e.g., family and friends) that are unaffected by the changes. And, importantly, there are other organizations within the employees' industry or related industries that are not affected. Therefore, the employees have places to look for hope and support. In a major financial crisis, the number of unaffected people and organizations is seriously limited. While this is a big difference from the typical M&A situation, it is a difference in scope and not a fundamental psychological difference in experience as perceived at the employee level.

The benefit gained from finding links between the rare financial crisis situation and the much more common M&A process is identifying the best practices learned from the latter that can be applied to the former. This is not a "cut and paste" exercise where what works in an M&A process will be exactly what is needed in a broader financial crisis. Instead, what has been learned from M&A situations (and is presented in the following section) should be seen as a set of warning signs and tools for dealing with the more general and increasingly frequent "turbulent" times in which we must lead.

Tools for leading during turbulent times

As clichéd as it might sound, poor communication remains one of the leading sources of employee dissatisfaction, stress and disengagement. During turbulent times, top-down, formal communication that provides timely and accurate information about what will happen to the organization and employees' jobs is critical. Often this means communicating that there are "unknowns" at specific times in the crisis. That is, many times, when employees are hearing nothing from their leaders, they assume that upper management knows something that the leaders are unwilling to share (bad news), thus decreasing trust and increasing anxiety. When, in actuality, the leadership does not have the answers either. In which case, it is often better to communicate that there are unknowns rather keeping employees in the dark.[6]

[6] Note that informing employees that upper management does not have all of the answers can increase trust but does not necessarily decrease anxiety. However, it does open the opportunity for employees to participate in problem solving which may increase sources of information as well as increase the probability of employee buy-in later. Importantly, the power distance of the culture (national and/or organization) should also be considered. Cultures with lower power distance will be more accepting and appreciative of hearing that leaders have unknowns with which they are struggling and, in these cultures, the employees are more likely to become the "additional information source" that helps with problem solving. On the other hand, such revelations by leaders in higher power distance cultures may decrease the trust and confidence in the leadership of the organization.

In addition, two-way communication is important from all levels of the organization, Specifically, listening carefully to employees while keeping the sources of stress listed above in mind. For example, with respect to the inevitable job and role changes that arise during turbulent times, it is an essential part of a leader's job to develop and clarify the new roles with employees. This may require that managers hold one-on-one discussions with employees to negotiate, prioritize and clarify role expectations. However, the challenge here for the leader is to balance role clarity with autonomy. That is, too much clarification about what and how things need to be done can become micro-management and thus backfire with respect to employee motivation. The best leaders are able to evaluate how much detail that specific employees need at given times and deliver that instruction without coming across as dictating or micro-managing.

If one-on-one meetings are not practical or as a "pre-meeting" prior to one-on-one meetings by line managers, senior management can conduct "town meetings" where employees can voice their views, listen to others, and take solace in the fact that others are experiencing the same emotions. One strategy by senior management could be to highlight a common "out group" or competitor (common enemy = the crisis and/or competitors) to unite and focus the employees on a single, high-priority goal or outcome.

Additionally, while making critical decisions, leaders must consider the perceived fairness of how the decision is made and communicated. In particular, the following should be considered: consistency or degree to which the allocation procedures are consistent across persons and over time; bias-suppression or the degree to which personal self-interests of decision-makers are excluded from the decision making process; accuracy or the degree to which the highest quality of the information is in the decision making process; correctability or the opportunities for employees to change or, at a minimum, have their "voice" heard about perceived unfair decisions; representativeness or degree to which the needs, values, and outlooks of all the parties affected by the process are represented in the process; and ethicality or the degree to which the allocation process is compatible with fundamental moral and ethical values of the perceiver.

The recommendations above have been shown by research to reduce stress and increase employee participation during change and crisis. However, getting through the turbulent times is only half of the challenge. Coming out of the difficult times as a stronger organization is the ultimate goal. As I heard one manager put it, "we want to own the upturn." And, to that end, a crisis, almost by definition, is a burning platform or sense of urgency that organizations can use to implement improvements that might otherwise have been ignored or marginalized during "normal" times. For example, encouraging employees to participate in job redesign processes has two benefits. First, by tapping into the knowledge of those most familiar to the issues, management is likely to find ideas and perspectives that might otherwise have been overlooked. And second, at the time when employees are feeling uncertainty due to the crisis, participating in decision-making can reduce possible resistance and maintain a positive attitude during the transition. For example, work groups or project teams can analyze operations across functions to identify inefficiencies in structures/performance and recommend changes for a more efficient organization. Specifically, a genuine crisis situation, like the recent financial crisis, is an opportune time for organizations to unite the silos within an organization. During "good times" many organizations see that they could increase profits if the different departments or regions of the organization would work together. However, initiatives to "break down silos" usually fail and this money remains "left on the table" because it is difficult for employees to see the advantage of putting effort into changing their attitudes and behaviors simply to make more money while plenty of money is already being made. Alert leaders will use the crisis to transform this "left money" that employees see as optional "icing on the cake" into the make or break foundation for the survival of the organization and, in doing so, the crisis can act as a catalyst for changes in the organization's structure and culture for the long term.

In addition, job redesign or role changes that often coincide with crisis situations can be used to actually lead to increased employee satisfaction and motivation after the crisis has passed and the dust has settled. That is, instead of haphazard changes meant to simply put out today's fires, the careful redesign of jobs can in a way that sustain or increase employees' job satisfaction and organizational commitment. In particular, research shows that for many employees greater satisfaction and commitment comes by increasing the skill/task variety of jobs (within limits); by developing employees' understanding of how their jobs fits into the bigger picture; by increasing awareness of the importance of their jobs; by increasing their autonomy (without significantly increasing role ambiguity) and by building into the system clear and helpful feedback about job performance.

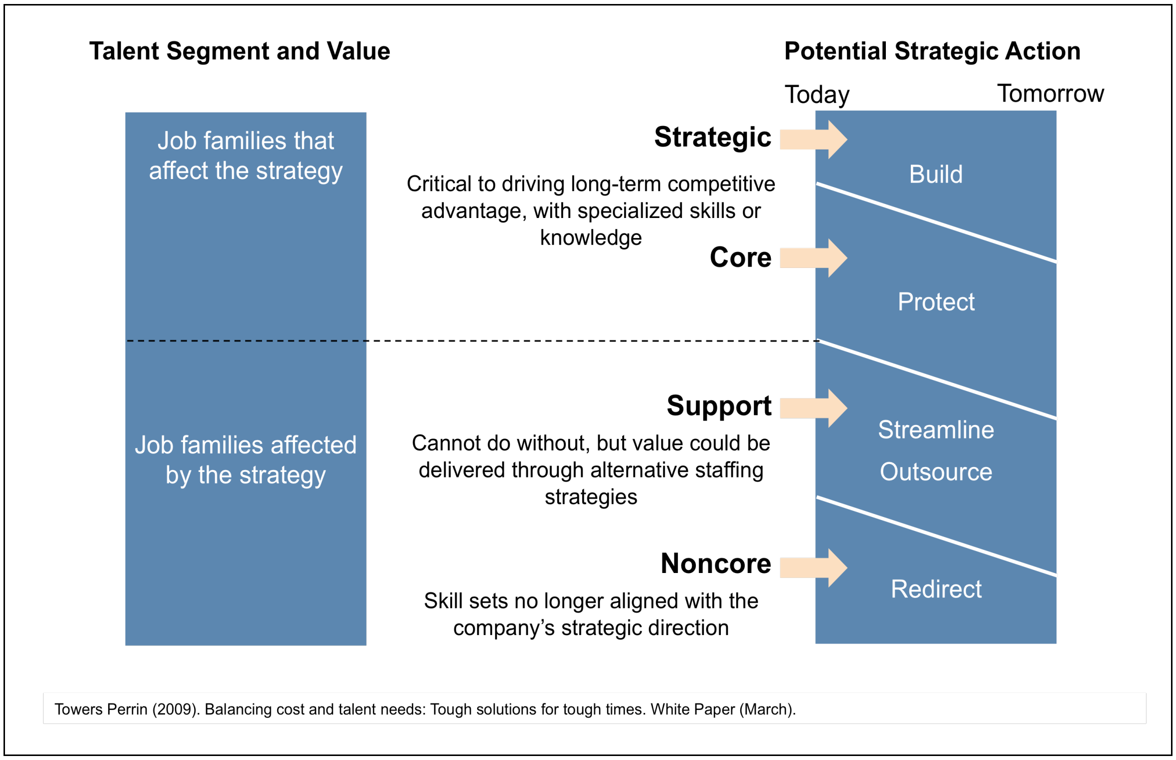

Figure 1: Pivotal Role of Analysis in Strengthening Talent Management Decisions

Finally, even the dreaded task of laying off employees should be seen as a strategic issue and not as something that simply needs to be done quickly and then forgotten about. That is, an organization can use a crisis as an opportunity to upgrade the average talent within the organization. However, like all of the recommendations above, this requires thoughtful effort and even courage on the part of leaders rather than simply following normal operating procedures. Specifically, Towers Perrin (2008) recommends that before organizations begin to fire employees, the leadership should first define the relative importance of different roles in meeting key financial or strategic goals (see Figure 1). Additionally, leaders should identify the strongest performers and those that demonstrate the greatest potential. Then, and only then, should an organization begin to lay-off employees in a systematic manner that pays attention to fair dismissal as well as security and opportunity for those identified as high potentials.

The Leadership Challenge in turbulent times

As alluded to above, the main challenge of leadership during turbulent times (e.g., mergers, acquisitions, unexpected fierce competition, financial crisis, etc.) is to succeed at two levels simultaneously: surviving in the short-term and creating the healthiest organization possible in the long-term. With respect to M&As, this was exactly the conclusion of a study by Newman and Krzystofiak (1993) when they wrote that one of the observed outcomes of acquisitions is that managers become overly involved with details or become self-absorbed and that the result is often feelings of abandonment by employees. However, the authors emphasize that the exact opposite behaviors are needed from leaders. Turmoil requires leaders to remain visible and more interactive with employees. Employees need to feel that loyalty is not a devalued commodity.

This is precisely what Towers Perrin (2008) termed "the power of 'AND' – addressing short-term issues and also maintaining a strong foundation for the future." Specifically, they stress that in the recent volatile and uncertain environment, it's never been more important for leaders to "find ways to conserve cash now without sacrificing strategic investments in talent, technology, marketing and R&D."

In leadership theory, this translates into the ability for leaders to be able to tackle the short-term, predictable needs using effective transactional leadership to create incremental improvements but, at the same time, maintaining or creating a healthy and vibrant organization that will flourish following the recovery by means of transformational leadership. That is, to the degree that getting through a crisis requires getting back to the basics, focusing on delivering what you already do best and increasing the security of the organizations position in the market, then this will involve transactional leadership with its focus on exchange of rewards for effort and performance, recognition for accomplishments and monitoring performance based on set standards. On the other hand, to the degree that continued success after the crisis requires breaking new ground, exploration, expansion and experimentation then this will involve transformational leadership with its focus on inspiration, unlearning past routines, developing creative solutions to ambiguous problems, and respond appropriately to new environments (Nemanich & Keller, 2007).

Leadership during the recent crisis: The survey

The research presented below was conducted to investigate the leadership approaches that were adopted during the recent financial crisis. An understanding of the leadership styles within organizations was derived by asking employees to reflect on the communication by leaders in response to the growing crisis. The change in the frequency of specific messages associated with transactional leadership versus transformational leadership is used to determine if leaders increased or decreased their reliance on specific leadership styles during the crisis. As stated above, the transactional leadership style is likely to have been increased because of its focus on short-term and explicit results. However, the concern is that a switch to transactional leadership at that expense of transformational leadership will lead to organizations that are not prepared to thrive when the turbulence has subsided. That is, many organizations may survive the short-term crisis but will come out less healthy and weaker due to the single-minded focus on short-term survival. For example, one danger is that employees that once felt excited about their work, jobs and roles will become frustrated and less loyal in response to the nature of transactional leadership. That is, the commitment and engagement from employees that was gradually developed through leadership focusing on autonomy and creativity is at risk of being lost. Employees may understand the need to refocus during the crisis. However, to do so in a manner that seems to take advantage of the situation or that shows an underlying loyalty to the bottom-line at the expense of the employees may lead to survival during the crisis but will also result in a post-crisis performance level well below pre-turbulence levels.[7]

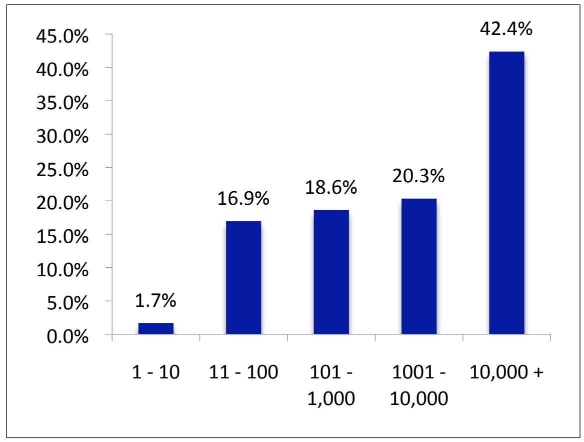

Figure 2: Organization size

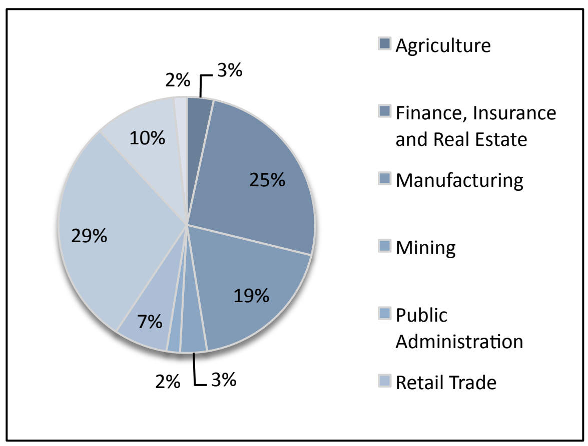

Figure 3: Industries represented by survey participants

In October of 2009, responses were collected from 59 representatives from organizations in and around the Netherlands. Figure 2 shows the distribution of the organizations with respect to organizational size and industry. The fundamental question of the survey was to determine if the leaders within organizations had altered their leadership messages in reaction to the financial crisis. This was accomplished by presenting 20 words to the respondents and requesting them while "thinking about the past year" to indicate whether each word or phrase was used less or more frequently by the leaders in their organizations (see Figure 3). Ten of the phrases were selected to represent messages more likely associated with transformational leadership and ten phrases were selected to

[7] Note that the current paper focuses on data collected about the shift in leadership styles during the crisis. A second white paper on commitment and engagement will more thoroughly explore the relationships between leadership, commitment, engagement and performance that are outlined here.

represent message more likely associated with transactional leadership. It was expected that the phrases related to transactional leadership would be more frequently used during the crisis period and that the phrases related to transformational leadership would be less frequently used during the same period.

The results of the survey support the expectations with respect to the transactional phrases. Nine of the ten phrases related to transactional leadership increased in use during the crisis period.[8] The results with respect to the transformational phrases are mixed. Specifically, four phrases increased in frequency (opportunity, culture, values and vision), four phrases had no significant change (investment, risk-taking, break new ground and exploration) and two phrases decreased in frequency (expansion and experimentation). Therefore, the frequency of transactional messages from leaders clearly increased during the crisis. Moreover, a consistent message of focusing on cost cutting and budgets seems to have been the biggest shift in communications during the crisis.[9]

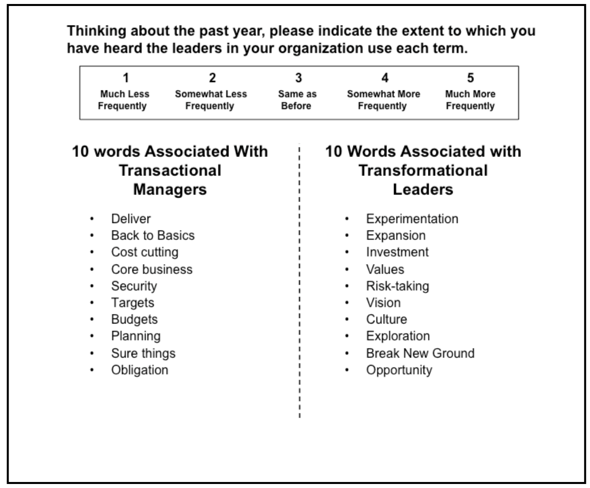

Figure 4: Summary of 20 words presented. Words were presented individually and in random order.

It is interesting to note that the four "transformational terms" that increased in frequency (i.e., opportunity, culture, values and vision) are related to the context in which actions are taken rather than to specific actions. On the other hand, all of the transformational items that did not increase (or that decreased) in frequency are more prescriptive and action-oriented (i.e., investment, risk-taking, expansion, experimentation, etc.). That is to say, the "transformational terms" that increased in frequency are general enough that they could have been used in conjunction with the increased frequency of transactional messages being sent by leaders. Specifically, it is likely that the increased use of terms like "culture" and "values" is due to leaders adopting these terms to buffer, soften and/or justify the prescriptive and specific transactional messages regarding such things as cost-cutting and meeting targets.

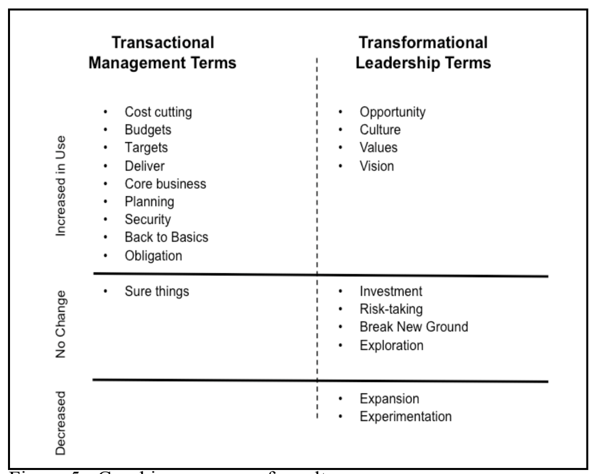

Figure 5: Graphic summary of results.

<u>Leader messages and employee attitudes</u>

While it is interesting to note that there was a significant and consistent increase in the use of transactional terms during the crisis, it does not mean that all participants reported an increase. For example, even the phrase "cost cutting", which had the highest percentage of increase, had about 20% of respondents that said that their leaders had not increased or had, in fact, decreased the use of the term "cost cutting" during the crisis. Therefore, the more interesting question becomes whether the change in use terms was related to changes in attitudes of employees. That is, as leaders changed their messages to employees during the crisis, was there a relationship with changes in important work-related attitudes.

In order to test this, the survey also asked the participants to answer how the employees in their organization felt at the time of the survey compared to a year before with respect to the following: anxious, stressed, hopeful, committed, engaged, united, focused, and in-control. The results showed that the respondents perceived that employees were

[8] Only the phrase "sure things" did not increase in frequency. During discussions of the results, several non-native English speakers suggested that this phrase is not as clear or common as the other terms in the research.
[9] When all 20 terms are rank ordered by increased frequency, the use of the two phrases, cost-cutting and budgets, increased significantly when statistically compared to the other 18 items.

significantly more stressed, anxious and focused; they were less hopeful and felt less in-control; and that there had been no change in levels of commitment, engagement and feelings of unity.

Particularly interestingly to thesis of this paper, is that, on average, commitment and engagement was not perceived to have either increased or decreased during the crisis. But that is not to say that changes in commitment and engagement were not reported. Instead, it was nearly evenly split between people reporting that employees seemed more committed and engaged (i.e., 30% and 35% respectively) and reporting they seemed less committed and engaged (i.e., 20% and 35%). With about 30% of respondents reporting increases and about 30% reporting decreases, the question becomes whether the different changes in perceived commitment and engagement are related to the messages that leaders were sending.

Table 1. *Averages, standard deviations and correlations of phrases with employee attitudes*

Variable	Average	SD	Anxious	Stressed	Hopeful	Committed	Engaged	United	Focused	In Control	*count*
Transactional phrases											
1. Deliver	3.77	1.04	.015	.167	-.031	-.188	**-.332****	**-.286***	-.195	-.050	*2*
2. Back to basics	3.50	1.21	.188	**.264***	-.258	-.165	-.216	-.198	-.044	-.233	*1*
3. Cost cutting	4.48	1.01	.169	.217	-.105	-.051	.021	-.089	-.010	-.080	*0*
4. Core business	3.73	1.01	-.034	.168	-.112	-.164	-.151	-.121	-.099	-.064	*0*
5. Security	3.55	1.05	-.098	-.243	.195	.185	-.033	-.020	-.129	-.115	*0*
6. Targets	4.02	0.96	.067	.076	-.030	-.056	-.080	-.035	-.073	.153	*0*
7. Budgets	4.31	0.90	-.123	.031	-.048	-.024	.061	-.061	-.090	.060	*0*
8. Planning	3.70	1.02	-.118	.090	.134	.055	-.068	-.015	.060	.159	*0*
9. Sure things	2.64	1.27	.083	-.014	.067	.097	.111	.096	-.047	.019	*0*
10. Obligation	3.46	0.99	.050	-.086	.119	**.313***	.133	.124	.219	.127	*1*
Transformational phrases											
1. Experimentation	2.12	1.10	-.052	-.282	.240	.173	**.409****	**.418****	**.375***	**.373***	*4*
2. Expansion	2.68	1.14	**-.326***	**-.261***	.203	**.390****	**.336***	**.425****	.169	**.349****	*6*
3. Investment	3.18	1.08	-.229	-.213	.242	**.448****	**.449****	**.406****	**.292***	.205	*4*
4. Values	3.61	1.22	-.102	-.083	-.099	.044	.078	.133	-.031	-.020	*0*
5. Risk-taking	3.02	1.08	-.090	-.088	.057	.084	.136	.154	.090	.109	*0*
6. Vision	3.52	1.20	-.122	-.047	.096	**.354****	**.264***	.246	**.267***	.193	*3*
7. Culture	3.64	1.13	-.071	-.010	.142	.023	.088	.080	.169	.049	*0*
8. Exploration	2.78	1.17	-.204	-.201	.213	**.331***	**.392****	**.419****	**.307***	.262	*4*
9. Break new ground	2.83	1.30	-.145	-.127	**.318***	**.389***	**.437****	**.430****	.294	.261	*4*
10. Opportunity	3.79	1.04	-.190	-.193	**.298***	**.338****	.165	**.435****	**.292***	**.294***	*5*
count of significant correlations			*1*	*2*	*2*	*7*	*7*	*7*	*5*	*3*	

* = correlation is significant at p < .05; ** = correlation is significant at p < .01

In order to test the general question of whether there were relationships between the leader messages and changes in perceived employee attitudes, correlations were calculated. As shown in the top half of Table 1, there were three of the ten transactional messages (i.e., deliver, back to basics and obligation) that correlated with employee attitudes. The message to "deliver" was negatively related to engagement and to feelings of being united. The message of "obligation" was positively related with increased commitment.

The message of "back to basics" was positively related with stress, thus an increase in this message was related to increased stress. This might seem like an "undesired outcome" however, the relationship of employee performance with stress and anxiety is not straightforward. That is, stress is not necessarily an undesired outcome and, for all jobs, there is a "good level" of stress. Specifically, the Yerkes-Dodson Law from 1908 states that too little stress (or arousal) as well as too much stress can both lead to poor performance. Too little arousal leads to boredom and inattention while too much arousal leads to overload and burnout. In the current context, during the current crisis, the purpose of the transactional messages is to communicate that things are not good and therefore employees should be a bit more worried, stressed, aroused and anxious to perform. Only if the stress reaches a level of overload or burnout should it be considered an undesired outcome.

As shown in lower half of Table 1, seven of the ten transformational messages (i.e., experimentation, expansion, investment, vision, exploration, break new ground and opportunity) correlated with employee attitudes. From a simple "count" perspective, the leader messages of "expansion" and "opportunity" had desired relationships with the greatest number of employee attitudes (i.e., 6 and 5 respectively).

Focusing again on commitment and engagement, Tables 1 shows that there were many leader messages related with increased commitment and engagement. In the case of increasing engagement, there were six of the important transformational messages (i.e., experimentation, expansion, investment, vision, exploration, and break new ground). In addition, there was one transactional message related to decreased engagement (i.e., deliver). For increased commitment, there was one important transactional message (i.e., obligation) and six important transformational messages (i.e., expansion, investment, vision, exploration, break new ground, and opportunity).

The results for commitment and engagement are good news because they suggest that, during a crisis, the necessary results-oriented messages (transactional) have only a weak link to the undesired outcomes of lowering commitment and engagement. Only the message to "deliver" had a relationship with the undesired outcome of decreased engagement. These results support the idea that, during a crisis, employees understand the necessity of becoming more results-oriented and short-term focused and that leadership messages along those lines do not correlate with immediate negative employee attitude changes. At the same time, the results indicate that there are actually several messages that are related to increasing commitment and engagement during the crisis period. This is particularly good news because it supports the idea that it is possible to use a crisis as a time to affect employee attitudes in a positive rather than negative manner.

Table 2. *Factor analysis of the works and phrases*

Factor and Name	Variable	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	Factor 6	Factor 7
Factor 1: Finding new possibilities	Break new ground	0.784						
	Experimentation	0.772						
	Exploration	0.612						
	Opportunity	0.502						
Factor 2: Streamlining to core business	Back to basics		0.710					
	Cost cutting		0.680					
	Core business		0.666					
	Investment (–)		- 0.594					
	Expansion (–)		- 0.506					
Factor 3: Big picture context	Vision			0.812				
	Culture			0.720				
	Values			0.684				
Factor 4: Results-orientation	Deliver				0.832			
	Targets				0.695			
Factor 5: Budgets	Budgets					0.885		
Factor 6: Meeting requirements	Obligation						0.875	
	Planning						0.466	
Factor 7: Security and certainty	Security							0.722
	Risk-taking (–)							- 0.505

To better understand the overall pattern of how the messages are related to employee attitudes, the list of phrases were combined to create a shorter list of aggregate "common terms" that are conceptually related to each other.[10] These groups (referred to as "factors") were created using the statistical process called factor analysis and are shown in Table 2. The result is seven factors representing different themes in leader communication. For example, Factor 1 is made up of the following four terms that all seem to be related to finding new possibilities: break new ground, experimentation, exploration and opportunity. In addition to factor "finding new possibilities", the other six factors are "streamlining to core business", "big picture concept", "results-orientation", "budgets", "meeting requirements" and "security and certainty."

As was done with the separate 20 phrases, the seven factors were correlated with the employee attitudes to determine if there were significant links between the factors and changing employee attitudes. As Table 3 shows, the first factor or theme had significant relationship with six of the eight employee attitudes. That is, an increase in the overall message of "finding new possibilities" during the crisis was significantly related to increases in hopeful, committed, engaged, united, focused and in control. In addition, an increase in the overall message of "streamlining

[10] The phrase "sure things" was not included in the factor analysis because over a third of the respondents (22 of 61) did not answer questions related to this phrase. As stated in an earlier footnote, during discussions of the results, several non-native English speakers suggested that this phrase is not as clear or common as the other terms in the research.

to core business" during the crisis was significantly related to increases in stress and decreases in committed and united.

Table 3. *Correlations of the factors (communication themes) with employee attitudes*

Factor and Name	Anxious	Stressed	Hopeful	Committed	Engaged	United	Focused	In Control	*count*
Factor 1: Finding new possibilities	-.135	.169	**.253***	**.296***	**.416****	**.441****	**.348****	**.307***	*6*
Factor 2: Streamlining to core	-.226	**.228***	-.207	**-.297***	-.218	**-.255***	-.078	-.196	*3*
Factor 3: Big picture context	-.117	-.020	.037	.112	.090	.116	.114	.032	*0*
Factor 4: Results-orientation	-.049	.094	.076	-.024	-.193	-.069	-.061	.158	*0*
Factor 5: Budgets	-.112	.002	-.067	.001	.117	.006	-.113	.052	*0*
Factor 6: Meeting requirements	.079	-.043	.076	.192	.069	.091	.194	.084	*0*
Factor 7: Security and certainty	-.106	-.130	.088	.075	-.083	-.025	-.169	-.069	*0*
count of significant correlations	*0*	*1*	*1*	*2*	*1*	*2*	*1*	*1*	

The correlations of the separate factors shown in Table 3 demonstrate that there are two themes that are related to changes in commitment (i.e., finding new possibilities and streamlining to core business) and one theme related to engagement (i.e., finding new possibilities). Notice that the relationship of finding new possibilities is a positive relationship with desired outcomes while the relationship of streamlining to core business is a negative relationship with commitment. This result supports the earlier discussion about the dual nature of the messages during turbulent times. Specifically, during the crisis, the "necessary" message of cutting back and refocusing business, while important for increasing stress to ensure short-term survival, was related with decreases in long-term employee commitment.

The correlations shown in Table 3 demonstrate the relationships of the factors or themes as if they are communicated separately (i.e., as if only one of the messages was communicated but not the others). However, in reality, it is likely that more than one theme is being communicated at one time. Therefore, a regression analysis was performed which simulates the situation when all of the factors are communicated at the same time. In doing this, the regression analysis will find those factors or themes that when *communicated together* have the strongest relationship with commitment and engagement.

The regression analysis for the seven themes to commitment found that there were two themes that together had the strongest relationship with increased commitment: finding new possibilities and streamlining to core business. When communicated together, these three messages predicted about 15% of the variance in perceived employee commitment (adjusted $R^2 = 0.147$, $p < .001$). That is, in those organizations where the message of finding new possibilities increased in frequency and the message of streamlining to core business decreased in frequency, there was the largest increase in the level of perceived commitment within the organizations. For engagement, there was only one factor that had a relationship with increased engagement: finding new possibilities. This message predicted a little over 15% of the variance in perceived employee engagement (adjusted $R^2 = 0.159$, $p < .001$). That is, in those organizations where the message of finding new possibilities increased in frequency, there was also a significant increase in the level of perceived engagement within the organizations.

Finally, the survey participants rated their perception of the current situation and the six-month outlook for their organizations. Using regression analysis, it was found that from the eight employee attitudes and seven message themes (i.e., the seven factors), employee engagement had the strongest relationship with both the current and future outlook for organizations. That is, increases in employee engagement were positively related to the feeling that companies were currently doing better than competitors (adjusted R2 = 0.132, $p < .001$) and positively related to feeling that companies in six months would be stronger and in a better position compared to competitors/the market (adjusted R2 = 0.115, $p < .001$).

Conclusions

The results of the survey show that there are several important relationships between the messages that leaders communicate during turbulent times and the attitudes of employees. The main question of the research was to see how result-oriented transactional messages that are related to meeting short-term goals during a crisis compared to longer term transformational messages.

The results showed that, not surprisingly, transactional messages increased in frequency during the crisis. However, the results of the transformational were much more mixed. In addition, increases in the transactional messages were only infrequently related to changes in perceived employee attitudes. In total, there were only four significant relationships between the transactional messages and employee attitudes. On the other hand, increases in the transformational messages resulted in 30 significant relationships with perceive employee attitudes. Therefore, as discussed in the introduction, it seems that the two different types of messages have differing links to changes in employee attitudes. First, the short-term transactional messages that are more frequent during a crisis do not have a strong link to employee attitudes. It is likely that this is because, during a crisis, it is understood by employees that it is necessary to focus on the short-term survival of the organization. That is, the impact of these messages on employee attitudes is discounted against the fact that the organization is in real trouble. However, the long-term transformational messages, which do not consistently increase during a crisis, have many significant links to changes in employee attitudes during the crisis. This is likely the case because, during the crisis, employees are encouraged by messages about longer term, positive and perhaps even unexpected outcomes such as opportunities and breaking new ground.

These findings have been supported by the experiences and stories shared during discussions of these results in recent consulting and teaching sessions. That is, as one mid-level manager put it, “it feels as if employees are doing what is required of them during the crisis but, at the same time, they are working on their CVs just waiting for the crisis to pass.” That is, there is a feeling that employees understand the need to focus on results during the crisis. However, at that same time, many are feeling that they are being taken advantage of and are simply waiting for the job market to improve so that they can switch jobs.

Another example is the story told by a department head from a large Spanish company. In this case, the organization had brought in a new CEO at the initial stages of the crisis and, like most leaders during the crisis, he brought with him a message of cost cutting which included head count reductions throughout the organization. However, he had a second message that was just as strong. He saw that one of the weaknesses of the organization was the previous CEO’s focus on internal competition as a strategy. Therefore, while sending the message of cost cutting, the new CEO also brought a new message about the opportunities for growth through breaking down the silos within the organization. He encouraged the different departments to experiment with information sharing and cross-selling. In this case, it was reported that at the same time that there were clear short-term transactional results-oriented messages, there was a positive change in the attitudes of employees. That is, by focusing the employees on the opportunities that the changes had for new ways of doing business, the employees were actually more excited about their work and the future of the organization.

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