

Emotional Intelligence and the Business Advantage

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Abstract

During the last 15 years, there has been rapidly growing and widespread interest in the concept of Emotional Intelligence (EI). Emotional Intelligence is the "capacity for recognizing our own feelings and those of others, for motivating ourselves, and for managing emotions well in ourselves and in our relationships" Goleman (1998: 317). Emotional competence is a set of learned capabilities or behaviours, based on Emotional Intelligence, that contribute to effective performance at work, outstanding leadership and deeply satisfying relationships in life. The Emotional Competence Inventory (ECI) is an instrument designed to assess emotional competence, identify business leaders and assist in driving performance. Various case studies have been published on the bottom-line benefits of using EI-based interventions in business organisations. It has been acknowledged that EI skills are critical for the success of the accounting profession.

Purpose

This paper addresses the following five questions about Emotional Intelligence (EI):

1. What is it?
2. How the theory applies in real life
3. How to identify business leaders through EI measures
4. How to use EI measures to drive performance
5. How EI applies to the world of finance and business

Introduction and background

During the last 15 years, there has been rapidly growing and widespread interest in the concept of EI within the academic community, popular culture and the business world. Inevitably, this wave of interest has also generated some controversy.

In fact, surprising as it may seem to many, there are several theories or prevailing competing models of EI. The most popular ones include: Bar-On (2000); Goleman (1995, 1998); and Mayer & Salovey (1997). Outlining, exploring and/or comparing the differences between each model is beyond the scope of this paper, which will focus on Daniel Goleman's model of EI.

1. What is Emotional Intelligence?

Emotional intelligence is the "capacity for recognizing our own feelings and those of others, for motivating ourselves, and for managing emotions well in ourselves and in our relationships" Goleman (1998: 317).

Research conducted with over 500 organisations (and across all levels – that is, from entry-level jobs to top executive positions) indicates that the elements that distinguish outstanding performers in every field are not IQ, academic degrees or technical expertise. In fact, the single most important factor is EI or EQ (Emotional Quotient).

More specifically, research indicates the following:

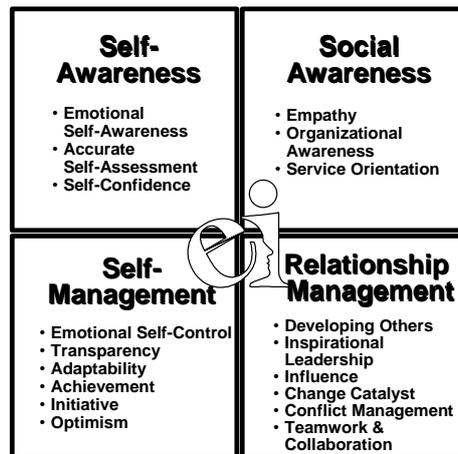
- 80% of the competencies that distinguish outstanding from average leaders are linked to EQ.
- EQ is twice as important in leadership as IQ and technical expertise combined.
- EQ is four times as important as other factors in terms of overall success.

In other words, while intellectual capability, knowledge and technical expertise are needed for entry in a field, they do not make you an outstanding performer. EI is the differentiating factor for success.

What is emotional competence?

Emotional competence is a set of learned capabilities or behaviours, based on EI, that contribute to effective performance at work, outstanding leadership and deeply satisfying relationships in life. The Emotional Intelligence Services model comprises 18 competencies organised into four clusters: Self-Awareness, Self-Management, Social Awareness and Relationship Management (see figure below). The development and exercise of these competencies have a positive impact on our lives and those of others.

The Competency Framework



HayGroup (reproduced with permission)

2. How the theory applies in real life

Why is emotional competence important in the workplace?

Emotional competence is particularly relevant to leadership and management. A leader's role is to motivate others to do their jobs effectively. Successful leaders establish trust and rapport, are good listeners, manage conflict and influence others in positive ways.

Emotional competence makes the crucial difference between mediocre and outstanding managers. Outstanding leaders show significantly greater strengths in a range of emotional competencies, including influence, team leadership, political awareness, self-confidence and achievement drive. Close to 90% of success in leadership is attributable to EQ.

Both, personal and social competencies are vital for a healthy and productive life. Self-awareness, optimism and empathy, for example, can enhance satisfaction and productivity at work and in other aspects of life. The work place is the ideal setting for the promotion of these competencies in adults because work plays a central role in our lives. Not only do most of us spend the largest portion of our waking time at work, but our identity, self-esteem and well-being are strongly affected by our work experiences.

The work place is also an ideal area for promoting social and emotional competencies because it is often in the work context people feel the absence of those competencies most keenly. When people realise that social and emotional abilities hold the key to greater career success, they become eager to develop those abilities.

Similarly, once employers recognise that their productivity depends on the EI of their employees, they become amenable to developing and offering programs to promote it.

EI seems to be largely learned, and continues to develop as we go through life. The good news is that we learn from our experience and our competence, and our EQ can keep growing.

There are currently thousands of consultants and human resource professionals engaged in efforts to promote social and emotional competencies in employees within organisations. These efforts often occur under a number of different names (eg: management and executive development, stress management, conflict resolution, customer service, managing diversity).

Perhaps the simplest way to illustrate how the theory of EI applies in real life is by presenting a short case study.

Bob Brown is a middle manager of a medium-sized accounting firm. He has a highly authoritative and pace-setting working style. Bob works long and hard to get a job done. He has very high standards and if anyone doesn't meet them, he gets exasperated and often reprimands them. When stressed, he flies off the handle.

Bob is highly skilled and motivated, but his behaviour affects his team negatively. The team has a high turnover, as most people are not comfortable working with him. They say he's unpredictable.

Although Bob is less temperamental with his clients, one has complained that he 'simply doesn't listen'. The senior partner recognises Bob's skills, and knows there is no-one like him in terms of sector knowledge and understanding his clients' businesses, but also recognises the need for him to develop better communication skills to stop him losing team members and clients. To that end, Bob undergoes coaching with an EI coach. The first

step is to do a 360 degree evaluation (a diagnosis stage where Bob obtains feedback on himself from multiple viewpoints - that is, from his manager and his team). This allows Bob to identify some of his blind spots by highlighting the discrepancy between his view of himself, and his team's view of him.

Although initially, Bob resents the feedback, he understands that he has to improve if he wants to stay within the firm. Once the areas he needs to improve on are established, such as his ability to build bonds and collaborate with his team (social skills) and empathize with other people's emotions and perspectives (social awareness), Bob learns how to defuse his flare-ups by talking and listening to his team members, rather than getting hostile.

Six months later, the climate has improved sharply, and his team's results are creeping upward. Bob's client management skills have also improved; he can now cope with the client management imperative of really listening to his clients' needs.

3. How to identify business leaders through EI measures

The Emotional Competence Inventory (ECI) is a multi-rater instrument designed to assess Emotional Intelligence. The ECI is based on the seminal work of Dr. Daniel Goleman and Dr. Richard Boyatzis and builds on Hay Group's 35 years of competency research (research begun and initially carried out by McBer and Company), and as well as field-proven assessment technology. The result is an assessment and development tool of unmatched precision and authenticity.

More specifically, the three sources of knowledge on Emotional Intelligence spanning 35 years of research are:

- **Competencies:** David McClelland has shown that every competency has a "tipping point" of proficiency that separates high performers from others. For each key behaviour, the tipping point provides an attainable development goal.
- **Development:** Richard Boyatzis of Case Western Reserve University has demonstrated how to significantly improve competencies that are sustained in three-year follow-up evaluations.
- **Emotional Intelligence:** Daniel Goleman has identified 18 EI-based competencies that, in total, account for 67 percent of measured high performance across 181 job-specific competency models.

Who can administer the ECI?

The ECI is designed to be administered and delivered by qualified professionals. To ensure that ECI consultants meet Hay Group's strict quality standards, internal and external consultants must be accredited in its use. The Hay Group offers independent consultants and executive coaches the opportunity to become accredited to use the ECI.

4. How to use EI measures to drive performance

How can the ECI be used?

The ECI can evaluate individuals within an organisation (individual feedback reports), a team (eg: executive team report) or the organisation as a whole (work force audit). These audits can provide an organisational profile for groups of any size within the company.

The ECI is used to provide clients with precise and focused feedback on their strengths and limits. Based on the feedback from a variety of rater groups (i.e. self, manager, direct reports, peers, others), the ECI indicates the specific emotional competencies where development is needed to enhance the individual's EI.

Organisations can use the ECI to diagnose an entire unit or team, profiling its overall strengths and development opportunities. Pooling the individual assessments of an entire work unit provides a comprehensive profile of the organisation's EI. This work force audit can reveal key emotional gaps that may be limiting performance effectiveness.

5. How EI applies to the world of finance and business

Various case studies have been published on the benefits of using EI-based interventions in business organisations. Seven selected cases are outlined below.

Financial advisors at American Express whose managers completed the Emotional Competence training program were compared to an equal number whose managers had not. During the year following training, the advisors of trained managers grew their businesses by 18.1% compared to 16.2% for those whose managers were untrained. That is, the trained group outperformed the control group by 10% adding significantly to the American Express bottom line.

At L'Oreal, sales agents selected on the basis of certain emotional competencies significantly outsold salespeople selected using the company's

old selection procedure. On an annual basis, salespeople selected on the basis of Emotional Competence sold \$91,370 more than other salespeople, for a net revenue increase of \$2,558,360. Salespeople selected on the basis of Emotional Competence also had 63% less turnover during the first year than those selected in the typical way (Spencer & Spencer, 1993; Spencer, McClelland, & Kelner, 1997).

Senior partners in a USA multinational consulting firm were assessed on EI competencies plus three others. Partners who scored above the median on 9 or more of the 20 competencies delivered \$1.2 million more profit from their accounts than did other partners – a 139 percent incremental gain (Boyatzis, 1999).

A manufacturing plant provided supervisors with training in emotional competencies (eg: how to listen better and help employees resolve problems on their own). As a result of the training, lost-time accidents were reduced by 50 percent, formal grievances were reduced from an average of 15 per year to 3 per year, and the plant exceeded productivity goals by \$250,000 (Pesuric & Byham, 1996). In another manufacturing plant where supervisors received similar training, production increased 17 percent. There was no such increase in production for a group of matched supervisors who were not trained (Porras & Anderson, 1981).

A study was conducted on three hundred and fifty-eight Managers across the Johnson & Johnson Consumer & Personal Care Group (JJC&PC Group) globally to assess whether there are specific leadership competencies that distinguish high performers from average performers. Participants were randomly selected, then coded for performance rating, potential, gender, functional group and regional area. More than fourteen hundred employees took part in a one hundred and eighty three question multi-rater survey that measured a variety of competencies associated with leadership performance, including those commonly referred to as Emotional Intelligence. Results showed that the highest performing managers have significantly more “emotional competence” than other managers. There was strong inter-rater agreement among Supervisors, Peers and Subordinates that the competencies of Self-Confidence, Achievement Orientation, Initiative, Leadership, Influence and Change Catalyst differentiate superior performers. Some gender difference was found, with Supervisors rating Females higher in Adaptability and Service Orientation, while Peers rated Females higher on Emotional Self-Awareness, Conscientiousness, Developing Others, Service Orientation, and Communication. Direct reports scored Males higher in the Change Catalyst area.

Metropolitan Life (Metlife ®) had problems in keeping sales staff. It cost them \$30,000 per person to recruit and train a new representative and they recruited around 5,000 per year! Half of these would leave within one year and 80% would be gone in four years. Metropolitan Life decided to look at

the EI aspect of optimism (optimism is an emotional competence) in their prospective recruits, since this quality had been shown to equate with success. They recruited people who scored highly on this EI scale. The test paid off. The optimists outsold the pessimists by 21% in their first year and by 57% in their second. They stayed because they were doing well and could easily ride the rejections that are part of the job. In short, new salesmen at Met Life who scored highly on a test of “learned optimism” sold 36 percent more life insurance in their first two years than pessimists (Seligman, 1990).

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