Technical Briefing

CIMA

DEVELOPING AND PROMOTING STRATEGY

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Emotional Intelligence

IN THIS BRIEFING...

Emotional intelligence (EI) has been the executive training buzzword for the last few years yet many managers still have little idea of what it entails and how it could benefit both their own management technique and their organisation as a whole.

The aim of this briefing is to outline the basic concepts, introduce some of the main themes and controversies of EI research and discuss their relevance in the modern workplace. It also attempts to provide some initial guidance in how to be emotionally intelligent but acknowledges that learning EI is a long process which can not be achieved by simply reading about the topic.

This briefing paints a balanced picture of emotional intelligence – it does not aspire to persuade companies that every employee needs EI testing but neither does it simply dismiss it as the latest management fad. Because it is built on empathy, trust and understanding, emotional intelligence is essentially about sound management. Its main tenets can only be of benefit to organisations interested in nurturing their staff and their organisational culture.

It is hoped that those interested in the subject will follow up some of the suggestions in the final section covering further reading and bibliography.

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Part 1 – Accounting and emotional intelligence

Profession in transition

The world of business has changed irrevocably. E-business, the knowledge economy, outsourcing and so on have all profoundly altered the way we work. Unsurprisingly, the finance function has not escaped the change. How many times in the last two years have we been told that accounting will never be the same? On the one hand, the predictions about its future have included expectations of a bright New World where finance professionals are playing a fuller role on the board of organisations and no one is stuck in the back office processing invoices. On the other, there were warnings about the ultimate disappearance of the profession as we know it, precipitated by the death of a beancounter.

What was fascinating about the acres of newsprint devoted to the subject was that no one remembered to tell accountants precisely how they should go about fitting into this new order. If companies and their staff expect it to be plain-sailing, they are probably wrong. Admittedly, some people may find it easy to shift their priorities and adapt to a new way of working. However, many are likely to be left behind, unable to shake off old habits and modes of behaviour.

The 21st century finance function

So what should they do? The obvious starting point, considering the nature of the change, is to become proactive. In other words – if the boundary between the finance function and the rest of the company is getting blurred, it is imperative to learn more about operations, marketing, sales and so on. This does not mean that you should suddenly become a marketing genius but you should find out how your knowledge and expertise fits into the whole of your organisation. More importantly, you need to determine how you are going to add value, especially important if the finance function is going to be outsourced. The Anglo-Saxon model of business is generally about making profit and ensuring good return to shareholders, which is why far-sighted finance professionals are best placed to drive it forward. But the threats are coming from all sides – some start-ups have even appointed non-accountants to the roles of financial directors. This is not because they do not need financial expertise – they are desperate for it – but because these people are capable of thinking about figures laterally and leading a team.

The sceptics may say that accountants are far too boring to take on anything as exciting as formulating and implementing a strategy. Last year's speech at the American Psychological Association where a clinical psychologist, Sally Edman, concluded that their dullness is innate may have been hyped up by the media but perhaps the nature of the profession demanded a certain amount of tediousness. Routine processing requires accuracy, not creativity. However, what this particular speech showed is that, out of all professions, accountants had the lowest 'emotional intelligence'. Even computer 'techies' had higher EQ scores. If the accountants want to survive, this will have to change. High EQ will become crucial in the new economy.

Emotional intelligence (EI)

What is emotional intelligence? One definition of it is that it is 'an ability to recognise the meanings of emotions and their relationships and to reason and problem-solve on the basis of them. Emotional intelligence is involved in the capacity to perceive emotions, assimilate emotion-related feelings, understand the information of those emotions and manage them' (Mayer et al 1999). Recent research has confirmed that emotional intelligence does actually meet the traditional standards of intelligence. For example, it reflects mental performance rather than just preferred ways of behaviour or non-intellectual achievements. Plus, the abilities it describes are related to – but distinct from – those of already established intelligencies.

Part 2 – Neurological evidence: the amygdala

We may not realise it but emotions play a significant role in our everyday decision-making. There is now a wealth of scientific evidence to support this theory. As far back as 1955, Paul Maclean, a neurologist, introduced the idea of a limbic system as the brain's emotional centre. Joseph LeDoux was the first to discover the role of amygdala. Amygdala is a small, almond-shaped structure that is essentially the centre of our emotional brain. Its position deep within the brain suggests that it has been present in humans for a long time.

Recent neurological research has shown that the brain architecture actually gives the amygdala a privileged position. Cell-staining procedures have been used to trace neurological responses to incoming sensory signals. What was discovered was a dual pathway – from the thalamus (which acts as an interpreter into the brain 'language'), a signal can travel either straight to the amygdala or it can go to the neocortex. The former triggers some of our most primitive responses – it is the seat of the fight-or-flight mechanism as well as our deepest emotional memories, while the latter does the sophisticated processing and analysis. In other words, amygdala is allowed to act as emotional 'sentry' and can 'hijack' the brain before any cognitive reasoning has taken place

(Goleman 1997). Its initial response may be crude but it has the advantage of being very quick. This clearly overthrows the notion that the emotional response depends on the signals from our rational brain.

What this essentially means is that every decision we make has emotional content. Indeed, studies of people with physiological brain damage have shown that those with amygdala lesions are incapable of attaching any emotional significance to events or situations. They are, therefore, likely to make decisions that can be harmful to themselves and others. Interestingly, those with neocortex damage have difficulty dealing with conflict situations but have no trouble learning simple associations with emotions.

Part 3 – EI competencies

For Mayer and Salovey, widely credited as being the first to define the term 'emotional intelligence', 'the emotionally intelligent person is skilled in four areas: identifying emotions, using emotions, understanding emotions and regulating emotions.' Daniel Goleman, who popularised the notion of EI with two incredibly successful books (see bibliography), breaks it down further into personal and social competencies as shown below.

Reuven Bar-On, another EI researcher, devised a model of EI which consists of:

- intrapersonal factors:
  self regard, emotional self-awareness, assertiveness, independence and self-actualisation;
- interpersonal factors:
  empathy, social responsibility, intrapersonal relationship, adaptability scales, reality testing, flexibility, problem solving;
- stress management factors:
  stress tolerance, impulse control;
- general mood factors:
  optimism, happiness.

EI tests

Many researchers and companies have developed their own assessment techniques for EI. There is a Bar-On Emotional Quotient Inventory (EQ-i(™)), Emotional Competence Inventory(™), Multifactor Emotional Intelligence Scale(™) and so on. The jury is still out as to how effective these are and there are some obvious flaws in all of them (for example, people might have a skewed sense of their own personality and answer accordingly). However, most of them are based on significant research – EQ-i(™), for example, has been tested on more than 48,000 individuals worldwide.

Personal competence	Social competence
Self awareness (of internal states, resources and intuitions)	*Empathy* (awareness of others' feelings, needs and concerns)
Self-regulation (of internal impulses and resources)	*Social skills* (adept at inducing desirable responses in others)
Motivation (tendencies that facilitate reaching goals)	

Part 4 – EI in practice

Most of us, when we think of intelligence, actually mean IQ. We are suspicious of anything that involves emotions as, traditionally, the world of business requires sound intellect and a rational mind. However, the research has proved the common wisdom that intellect and technical expertise only go so far in predicting your future success. We can all remember the academically brilliant kid at school who never got anywhere in life or the one that failed every subject but is now running a profitable business. EI counts for a big chunk of your performance and it seems that the higher you go up the corporate ladder, the more it matters. Memorable managers and leaders are usually inspirational, motivational, trustworthy and approachable. On the other side are those who think that training 'soft' skills is a complete waste of time and that companies are better off spending money on technical courses. They are unlikely to make good bosses. Even if their bottom line is healthy, their staff probably aren't.

Emotional intelligence is not about being emotional or letting it all hang out. It certainly isn't about not using your IQ. As the above lists of competencies show, it is about knowing how to manage inter- and intra-personal relationships successfully. In order to get on in the workplace, you need to know your own strengths and weaknesses, your own true beliefs and then you need to know those of other people in order to get on with them and motivate them to produce the best work they possibly can. You need to know how they perceive you and they need to be able to trust you.

Of course, there is no point in being emotionally intelligent at work for its own sake. It might make you a nicer person but that has never been the main premise of any business. The bottom line is that emotionally intelligent people make more money. It is a success that can be quantified and expressed in financial terms. For example, experienced partners in a multinational consulting firm were assessed on the 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 than their counterparts – 139 per cent incremental gain. Similarly, insurance sales agents who were weak in EI competencies such as self-confidence, initiative and empathy sold policies with an average worth of $54,000. Those who were strong in at least five out of eight key EI competencies sold policies with a premium of $114,000.

EI in the new economy

Did bosses 50 years ago need the same set of skills in order to succeed? Probably not. These soft skills are indispensable in the new economy. Fifty years ago, it was relatively easy for a boss to ignore his workers' feelings. The prevalent mode of interaction was command and control, work was no place for feelings and jobs were for life.

We all know how little of that applies today. People can move between jobs more frequently. Employees are getting choosy. A recent survey of top CEOs and FDs conducted by CIMA showed that the main concern for tomorrow's company will be recruiting and retaining the right people. The knowledge intensive economy means that losing a member of staff or hiring someone unsuitable equals losing expertise and, therefore, money. Emotional intelligence can help you retain staff because a good company is measured not by the number of benefits staff get but by how fulfilled, motivated and valued they are. It can also be indispensable during the recruitment process. Many companies undertake psychometric testing and EI testing could be next. This is more likely to happen in professions such as accountancy and law, where the overall intellectual strength of the candidates is generally high. In other words, EI could be a source of competitive advantage, something that will differentiate you from the crowd. For example, when a large beverage firm started selecting on the basis of EI, only 6 per cent of people left in two years, compared to the previous figure of 50 per cent.

Another defining feature of the new economy is the breakdown of old hierarchies and the emergence of flatter structures and team-based work. Many have been rendered truly global and fragmented by various web-enabled tools. Because of this, it is even more important to build and maintain good staff relations – interpersonal skills are crucial. Research which concentrated on why young executives 'crash' showed that the problem was not their technical expertise but their inability to maintain successful relationships with others and work in a team. They also had difficulties in handling change.

It could be said that the only permanent thing in the new economy is constant change. Research has shown that emotionally intelligent people cope with it better. They are able to pinpoint exactly what they are feeling and they can appraise others' emotions. This means that, even if the future is uncertain, they do not feel bewildered and powerless. They are, therefore, able to move faster and take others with them. (Unsurprisingly, people with high EQ make good leaders.)

Developing your EQ

Suggestions

- Use three word sentences beginning with 'I feel'.
- Start labelling feelings, not people and situations.
- Analyse your own feelings rather than the actions or motives of other people.
- Ask others how they feel.
- Make time to reflect on your feelings.
- Identify your fears and desires.
- Identify your unmet emotional needs.
- Take responsibility for your emotions and happiness; stop believing others cause your feelings; don't expect others to 'make' you happy.
- Express your feelings – find out who cares – spend time with them.
- Develop the courage to follow your feelings.

(Adapted from Steve Hein’s Website www.eqi.org Steve Hein)

Part 5 – Learning to be emotionally intelligent

The good news is that, despite some doubts, there is a general consensus that EI can be learnt, unlike cognitive intelligence. The older you are, the easier it gets. However, it is a whole new way of thinking and, as such, takes a lot longer than three hours and a handout to master. It requires identifying those ingrained patterns of behaviour, your total emotional make-up and uprooting the negative parts and replacing them with something else. It takes practice and it takes time. It can only be achieved by repetition and reinforcement of the right behaviour. The bonus is that not only does it make you do your job better but it can engender some profound personal changes too.

If you or your company do not want to pay for one of the more common (and expensive) tests, it is probably worth testing yourself by using one of the improvised tests found on the Internet (for example, a Hay/McBer test can be found on their website). You can also start off with simple things such as making a list of ten attributes you think best describe you at work and then asking your colleagues or employees to do the same. Do you think your lists would match? You may well be surprised, unless your staff are too scared to tell you the truth. You can also have a look at lists of habits of people with high EQ, some of which can be found on websites (e.g. www.eqi.org).

Part 6 – Pros and cons of emotional intelligence

The latest management fad?

If you read all the literature devoted to EI, especially the articles in the press, you would be forgiven for thinking that it may just be another management fad. New evaluations of its usefulness, especially in the workplace, have started appearing in the last couple of years. The grandiose claims made by Goleman – such as his belief that EI accounts for 80 per cent of success at work – are beginning to be questioned. In fact, in 1999, Mayer et al concluded that there has been no 'widespread, systematic attempt to understand the measurement of EI as an ability'.

The backlash was, in many ways, inevitable. This is partly because the researchers cannot agree on a common definition of EI, let alone a common test. More importantly, since the concept of EI has spilled into workplace, a lot of people are making a lot of money out of it. But perhaps the main reason why it has all the markings of a fad is because it is essentially nothing new. A recent article in the CIPD magazine *People Management* concluded that EI is nothing more than a 'new brand name for a set of long-established competencies'.

Sometimes, however, we need fads to remind ourselves of things that we already know. Emotional intelligence may be commonsense but it is commonsense that can be measured. In addition, its sudden prevalence amongst HR practitioners has persuaded a lot of people to re-examine their priorities, their management styles, their training courses and – most importantly of all – the culture of their organisation as a whole. Emotional intelligence is a cornerstone of good management and not just in HR departments. It shows you how to manage by building trust, empathy and understanding in the foundations of your organisational culture.

Part 7 – Further reading and bibliography

Websites:

- www.eqi.org
  US-based. Most extensive Internet resource – academic articles, exhaustive list of references and useful links.
- http://www.eiconsortium.org/
  US-based. A useful general guide; lists the main EQ tests with some further information. Some relevant bibliographical references and several useful articles
- www.eiuk.com/
  A UK-based company that does EI testing and training
- www.ei.haygroup.com/resources/
  Some general EI information plus a brief test.
- http://www.queendom.com/emotionaliq.html
  A fairly comprehensive online EQ test.

Books:

Bar-On, R and Parker, J (2000), *The Handbook of Emotional Intelligence: Theory, Development, Assessment and Application at Home, School and in the Workplace*, Jossey-Bass.

Goleman, D (1997), *Emotional Intelligence*, Bantam Books.

Goleman, D (2000), *Working with Emotional Intelligence*, Bantam Doubleday Dell Publishing.

Cooper, R and Sawaff, A (1998), *Executive EQ: Emotional Intelligence in Leadership and Organisation*, Texere Publishing.

Ralston, F: *Hidden Dynamics* (1995), *How Emotions Affect Business Performance*, Amacom.