



Worth Noting

Volume II, Issue XX, 27 November 2002

Worth Noting is the weekly management journal of research and conferences company L21. It is focused on management strategy issues of relevance to senior executives.

"It's not that IQ and technical skills are irrelevant. They do matter, but mainly as threshold capabilities, that is they are entry level requirements for executive positions. My research, along with other studies, clearly shows that emotional intelligence is the sine qua non of leadership."

Goleman, 1998, Harvard Business Review

It is now usual to talk about Emotional Intelligence (EI) when applied to business and management. What does this mean exactly though? Is it simply being in touch with oneself or being a 'sensitive' person? And if so, how does this help us in business? We find that there is still widespread ignorance of what EI means in a business context and much of this ignorance is due to a great deal of skepticism about the concept.

What we largely understand as EI sprang from a work by E.L Thorndike in 1920 when he wrote about 'social intelligence' which was contrasted with logical or rational intelligence. However, it was not until Daniel Goleman's bestselling book in 1995 on 'Emotional Intelligence' and his 1998 follow-up (with Egon Zehnder) 'Working with Emotional Intelligence' that EI really took off in the business world.

Before Goleman's book, it was always obvious that management was about more than just numbers and statistics – managing *people* was always one task of the CEO. Indeed, some of what Goleman had to say might seem obvious or clichéd to us.

First, what the introduction of the concept of EI did was to bring out into the open what personal skills mattered, and how and why they mattered. This meant that qualities such as ‘leadership’ in business had to include an emotional element in addition to the harder elements such as rational analysis and non-social elements such as ‘vision’.

Second, the introduction of EI as a management competency goes further than just saying that EI matters. The claim is that EI matters more than practically anything else in terms of success in business leadership. This is the part that might make many senior managers scornful, skeptical and maybe a little worried. No one likes to admit that they have a low EI especially when the claims being made about the consequences of having low EI are so harmful to business success.

In this edition of *Worth Noting*, we thought it would be useful to go through and actually highlight the main points Goleman makes and see how they apply to businesses in the real world.

What is EI?

Goleman points out four ‘domains’ of EI that makes up emotional competence: self recognition, self regulation, social awareness and relationship management. The four domains are charted in the table below.

Competence Area	Personal competence	Social competence
Recognition	<ul style="list-style-type: none"> -Emotional self-awareness -Accurate self-assessment -Self-confidence 	<ul style="list-style-type: none"> -Empathy -Service Orientation -Organizational awareness
Regulation	<ul style="list-style-type: none"> -Self-control -Trustworthiness -Conscientiousness -Adaptability -Achievement Drive -Initiative 	<ul style="list-style-type: none"> -Developing others -Influence -Communication -Conflict management -Leadership -Change catalyst -Building bonds -Teamwork & collaboration

The first two – self recognition and self regulation – focuses internally on the business manager.

We can see that the self-recognition domain looks at the faculties we will need to diagnose ourselves – honesty and accuracy in self diagnosis. In this, we reflect

Socratic philosophies to 'know thyself' and eastern principles that any successful pursuit begins from within.

Self-regulation looks at those internal emotional competencies that we will need to be a good business leader. At different times, different qualities are emphasised. So in the heyday of the Internet boom, adaptability, achievement drive and initiative were emphasised but following the crash, self-control, trustworthiness and conscientiousness are now paramount. This could easily also be applied to the pre and post 1997 Asian crises periods. At a more everyday level, self-management looks at the capacity we have to regulate distressing affects such as anger, anxiety, and over-excitement and to inhibit emotional impulsivity.

When we move to social recognition and social regulation, the focus becomes interpersonal – how competently we deal with others and manage relationships.

Social recognition, for instance, includes empathy which in context includes the ability to consider employees' feelings in making 'rational' decisions, the ability to consider feelings of the management team in making senior level decisions etc. Empathy also allows us to form more accurate generalisations about groups of people. This is essential in the formulation of assumptions about consumer behavior and so on.

Social regulation which deals with how we *actually* relate to others is much more complex as it is intertwined deeply with the other emotional competencies. The effectiveness of our relationships skills hinges on our ability to attune ourselves to, or influence, the emotions of another person. That ability in turn builds on other domains of EI such as self-regulation and self-recognition. If we cannot control our emotional outbursts or impulses and lack empathy, there is less chance we will be effective in our relationships.

From this, we can see that EI is not about "getting emotional" or "being soft". Nor is it simply about "calming down" or "keeping a stiff upper lip" when things go wrong. In this sense, the "emotional" in EI is perhaps a little misleading. EI is about (just as IQ in a business context is about) achieving superior outcomes as a result of strong personal and interpersonal intelligence.

This all seems like common sense – all good managers need good social skills. Hardly revolutionary. However, what is controversial is the claim that EI rather than IQ is what generally distinguishes successful business leaders from less successful ones. Goleman argues his research suggests that 85-90% of the factors that separate leaders from their peers are EI ones. Moreover, this has scientific backing.

Let's see how...

How does EI work?

Although we will not enter deeply into the foundations for Goleman's work, there is a compelling scientific and statistical basis for it. Trained as a professional psychologist, these domains of emotional competencies were not simply conceived over a few drinks in the offices of the NY Times or the Harvard Bar.

In terms of a scientific approach, Goleman uses a fair bit of physiological data to back him up, especially at the neurological level. In doing so, he provides evidence at the neurological level to tell us what is happening in our brains when we do certain things. Just as advances in neuroscience can show us which part/s of the brain is active when a rat negotiates a maze, attacks another rat or deliberates between eating the piece of cheese or meat, the same principles can be applied to show which parts of the CEO's brain is active when they are angry, sad, analytical, pleased, jealous, anxious etc – not a comforting thought for any CEO unhappy about being questioned by analysts let alone possibly being prodded and poked by scientists. Hence, the EI theory posits that each of the four domains of EI derives from distinct neurological mechanisms.

If this sounds confusing, just think of it this way. Different parts of our brain are responsible for different things. So called IQ functions (e.g., verbal fluency, spatial logic, abstract reasoning) are based primarily in specific areas of the brain called the *neocortex*. Scientific studies have proven that when these IQ functions are exercised, certain areas of the *neocortex* show activity and when certain areas of the *neocortex* are damaged, the corresponding IQ functions suffer.

In contrast, EI functions show neurological activity that goes from the *limbic* areas (centering on what is termed the *amygdale*) to the *prefrontal cortex* (the 'executive' centre of the brain.) To simplify, IQ functions are *neocortical* while EI functions integrate *neocortical* and *limbic* activity. Scientific studies have shown that patients with lesions in the *prefrontal-amygdala* areas show marked deficiencies in their empathy and self-management skills, even though their IQ abilities remain intact. For example, a celebrated case detailed by a neurologist Damasio found that although one such patient retained an IQ of 140, he showed dramatic deficiencies in self-awareness and empathy.

We have grossly simplified the neurological case for EI. What is important is that EI elements can be enhanced or damaged neurologically just as IQ functions can be enhanced or damaged. In this sense, the EI side of business decision making shares the same neurological status as the more unquestioned cognitive or analytical side of business decision making.

However, what is worth noting is that in moments of emergency, our emotional centres in the brain (prefrontal cortex) actually commandeer the rest of the brain – this is why the prefrontal cortex is called the 'executive' centre. Hence, despite the great value that business places on a stoic intellect, our emotions are actually

neurologically more powerful than our intellect. This is why Goleman has subsequently termed leaders (who have high EI) as exhibiting 'primal leadership' – neurologically, leadership is more a function of EI than IQ.

Why EI?

Notwithstanding what we have said, the obvious question begging to be asked about it all is, so what? What does this have to do with being a good business leader? All manifestations of personality have to be sourced from our brain – why is EI something worth noting?

Just as many studies in the past have been done on the IQ capacities of leading business leaders, EI is spawning a rich vein of investigation in especially America. Many business commentators now argue that the difference between top and average managers is more the difference in their EI than their IQ. This insight would be quite revolutionary in what we traditionally believed made a good business leader or manager. For example, when applying for a job at a top consulting firm, a case study examination will generally only examine the abstract and analytical side of our competence. The arguably more important EI side is generally ignored.

One person who has done pioneering work in looking at how emotional competence helps in business has been David McClelland. Publishing his findings in 1998, McClelland reviewed data from more than one hundred different organisations and for executive positions in many professions, from banking to mining, geology, sales, and health care. He showed that a wide range of EI competencies (and a narrow range of cognitive IQ-type ones) distinguished top performers from average ones. Those that distinguished most powerfully were Achievement Drive, Developing Others, Adaptability, Influence, Self-Confidence, and Leadership. The only cognitive competence that was isolated frequently was Analytic Thinking (compared to mathematical, spatial, abstract etc).

Further studies both empirical and neurological have shown that EI facilities in individuals often exist in clusters, that is, we are frequently good at several of them. Hence, many EI experts talk about a 'critical mass' of emotional competencies that once reached allows for dramatic increases in business leadership ability. This seems to make sense since many of the emotional competencies support and reinforce each other. What this means is that in terms of EI, those managers who rank high in EI tend to be significantly better than those managers that rank low in EI.

This has radical consequences for many ways we seek to improve our business abilities. For instance, the garden variety MBA course and even the top ranking ones are flawed in their focus if they target only the business IQ aspect. Studies have shown that improvements gained from executive programs generally fade within 3-6 months. This is so since IQ knowledge can be learnt quickly but is

also lost quickly where as EI knowledge takes more time to learn but is generally retained.

EI and Business Leaders

The EI principle tells us that those who are not EI – who can't keep their emotional impulses in check or correctly read the emotional temperature of a given situation, or accurately read what people are feeling about them – will simply not be effective leaders.

Leadership style seems to drive organisational performance across a wide span of industries and sectors and appears to be a crucial link in the chain from leader to climate to business success. A study of the heads of forty-two schools in the United Kingdom suggests that leadership style drove up students' academic achievement by directly affecting school climate. When the school head was flexible in leadership style and demonstrated a variety of EI abilities, teachers' attitudes were more positive and students' grades higher; when the leader relied on fewer EI competencies, teachers tended to be demoralized and students underperformed academically. Effective school leaders not only created a working climate conducive to achievement but were more attuned to teachers' perceptions of such aspects of climate and organisational health as clarity of vision and level of teamwork.

A similar effect of EI-based leadership on climate and performance was demonstrated in a study of outstanding leaders in health care. For this study, 1,200 members of health care organisations were asked to nominate outstanding leaders based on criteria such as organisational performance and anticipation of future trends. The members were then asked to evaluate the effectiveness of the nominees in fifteen key situations that leaders face - among them organisational change, diversity, and institutional integrity. The study revealed that the more effective leaders in the health care industry were also more adept at integrating key EI competencies such as Organisational Awareness and relationship skills like persuasion and influence.

The link between EI strengths in a leader and the organization's climate is important for EI principles. Analysis of data on 3,781 executives in the US, correlated with climate surveys filled out by those who worked for them, suggested that 50 to 70 percent of employees' perception of working climate is linked to the EI characteristics of the leader. Research drawing on that same database sheds light on the role of EI competencies in leadership effectiveness, identifying how six distinct styles of EI-based leadership affect climate. Four styles - the visionary, the affiliative, the democratic, and the coaching - generally drive climate in a positive direction. Two styles - the coercive and the pacesetter - tend to drive climate downward, particularly when leaders overuse them (though each of these two can have positive impact if applied in appropriate situations).

Visionary leaders are empathic, self-confident, and often act as agents of change. Affiliative leaders, too, are empathic, with strengths in building relationships and managing conflict. The democratic leader encourages collaboration and teamwork and communicates effectively - particularly as an excellent listener. And the coaching leader is emotionally self-aware, empathic, and skilled at identifying and building on the potential of others.

Below, we summarise many of the principles about the relationship between EI and business leadership.

1. When it comes to the emotional leadership styles - the more a leader can deploy the better. Each style draws on different EI competencies. Truly resonant leaders automatically scan people – individually and in groups – reading cues in the moment that tip them to the right requirements. For example, when the situation calls for it, they even apply more risky pace-setting and commanding styles, but they do so with the requisite dose of self-discipline so as to avoid creating dissonance.
2. Studies by EI experts suggests that the overall climate – how people feel about working at a company – can account for 20-30% of business performance. If climate drives business results, what drives climate? Roughly 50-70% of how employees perceive the organizational climate can be traced to the actions of one person: the CEO.
3. Scientists have found that the emotional centre of the brain operates as an 'open loop' system. Unlike, say, our circulatory system, which is a self-regulating and closed system that cannot impact anyone outside of ourselves. An open loop system depends in part on external sources to manage itself. Hence, just by being around other people, our mood can change our very physiologies – hormone levels, cardiovascular function, sleep rhythms – and also emotions. The moral: the leader/s in a company has more impact on the mood of people than any other individual factor.
4. It is neurologically proven that whenever two people have an encounter, there is a 'dance of *amygdalas*' – an area of the EI brain – that creates resonance or dissonance. In this neurological tug-of-war, the person with the stronger emotional self-management abilities tends to get their way.

What about people who have low EI and yet are in senior positions? Below are two common scenarios.

1. How do we explain the apparent success of business leaders who seem to be mean-spirited rather than EI? Dissonant managers like this only seem successful – whether by getting a promotion, through a rise in company profitability, or other short-term measure. But the trail of destruction these managers leave behind drive talent away and eventually tend to burn people out.
2. What about managers who operate on principles of intimidation and psychological pressure? This leads to a common desire to 'please the

boss'. The result is that a leader only gets partial information while poor performers will tend to exaggerate their performance in order to avoid a blast from their manager. This also stifles initiative since the primary goal of the employee is to 'not stuff up.'

Making EI work

We do not have to understand the technical or scientific foundations that EI principles are based. What we can be assured of is that there is a strong scientific and increasingly empirical basis to accept that EI matters at the higher levels more than anything else. It seems therefore that the first step is to recognise EI as a guiding principle for business leadership and success.

As usual in the field of innovation in business and executive education, the US is leading the way. Already in the US, EI principles play a large role in the thoughts of leading CEOs and business educators.

As an example of reassessment along EI lines, 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 if there were specific leadership competencies that distinguish high performers from average performers. Participants were randomly selected, then coded for performance rating, potential code, 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 had significantly more "emotional competence" than other managers.

What is worth noting is that the EI revolution is here to stay. Evaluating EI is not easy nor is it an exact science; but techniques of evaluation are getting quite advanced. It is not so much a matter of prodding the prefrontal cortex of a prospective executive but more about recognising that EI competencies must be assessed. Nor are the results always comfortable for managers to confront – but this is more reason to take the concept seriously.