

## EMOTIONAL INTELLIGENCE AND ITS IMPACT ON MANAGERIAL EFFECTIVENESS

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### ABSTRACT

*Daniel Goleman in his best-selling book on, Emotional Intelligence (1995), reported that research shows that conventional measures of intelligence only account for 20% of a person's success in life and asserted that at least some of the missing ingredient lies in emotional intelligence -- the capacity to acquire and apply emotional information. Salovey and Mayer had earlier described it as a form of social intelligence that involves the ability to monitor one's own and other's feelings and emotions, to discriminate among them, and to use this information to guide one's thinking and action. People think that simply acquiring more knowledge will make them a better manager or leader but when fails get discouraged. Goleman and others have found that to be an effective manager or leader, a person needs the ability to use their knowledge and to make things happen. These abilities are called competencies. There can be (1) Cognitive or intellectual competence, such as systems thinking; (2) Self-management or intrapersonal competence, such as adaptability; and (3) Relationship Management or interpersonal competence. These competencies are critical for success in most jobs. When emotional intelligence was applied on workplace it was also found to be cost effective. Research has shown that people with high EQ (Emotional Quotient) became more successful. Goleman describes that I.Q. plays only a sorting function, determining the types of jobs individuals are capable of holding while EI is a stronger predictor of who will excel in a particular job when levels of I.Q. are relatively equal. If a manager is able to recognize his own strengths and weaknesses, and also the strengths and weaknesses of his subordinates, understand the requirements of his job well, uses his own strengths and overcomes weaknesses through continuous learning on the job he will be able to manage effectively and will be a effective leader.*

**Keywords:** *Knowledge, Competencies, Emotional Quotient, Cost effective, Adaptability, Relationship management, Optimal Process*

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## 1. INTRODUCTION

The most distant roots of Emotional intelligence can be traced back to Darwin's early work on the importance of emotional expression for survival and second adaptation. For instance, as early as 1920, E. L. Thorndike, used the term social intelligence to describe the skill of understanding and managing other people. In 1983, Howard Gardner's *Frames of Mind: The Theory of Multiple Intelligences* introduced the idea of Multiple Intelligences which included both *Interpersonal intelligence* (the capacity to understand the intentions, motivations and desires of other people) and *Intrapersonal intelligence* (the capacity to understand oneself, to appreciate one's feelings, fears and motivations). In Gardner's view, traditional types of intelligence, such as IQ, fail to fully explain cognitive ability.

When Salovey and Mayer coined the term emotional intelligence in 1990 (Salovey & Mayer, 1990), they were aware of the previous work on non-cognitive aspects of intelligence. They described emotional intelligence as a form of social intelligence that involves the ability to monitor one's own and other's feelings and emotions, to discriminate among them, and to use this information to guide one's thinking and action. (Salovey & Mayer, 1990). Salovey and Mayer also initiated a research program intended to develop valid measures of emotional intelligence and to explore its significance. For instance, they found in one study that when a group of people saw an upsetting film, those who scored high on emotional clarity (which is the ability to identify and give a name to a mood that is being experienced) recovered more quickly (Salovey, Mayer, Goldman, Turvey, & Palfai, 1995). In another study, individuals who scored higher in the ability to perceive accurately, understand, and appraise other's emotions were better able to respond flexibly to changes in their social environments and build supportive social networks (Salovey, Bedell, Detweiler, & Mayer, 1999). In the early 1990.s Daniel Goleman became aware of Salovey and Mayer's work, and this eventually led to his book, *Emotional Intelligence*. Goleman was a science writer for the New York Times, whose beat was brain and behavior research. He had been trained as a psychologist at Harvard where he worked with David McClelland, among others. McClelland (1973) was among a growing group of researchers who were becoming concerned with how little traditional tests of cognitive intelligence told us about what it takes to be successful in life.

In the best-selling book on, *Emotional Intelligence* (1995), Daniel Goleman reported that research shows that conventional measures of intelligence -IQ- only account for 20% of a

person's success in life. For example, research on IQ and education shows that high IQ predicts 10 to 20% of grades in college. The percentage will vary depending on how we define success.

Nonetheless, Goleman's assertion begs the question: What accounts for the other 80%? Goleman and others have asserted that at least some of the missing ingredient lies in emotional intelligence - the capacity to acquire and apply emotional information. Why do people get discouraged? The most common mistake is to think that simply acquiring more knowledge will make you a better manager or leader. To be an effective manager or leader, a person needs the ability to use their knowledge and to make things happen. These abilities are called competencies. Both direct empirical research and meta-analytic syntheses have uncovered a set of competencies that cause or predict outstanding manager or leader performance.

These competencies/abilities can be grouped in three clusters: (1) Cognitive or intellectual ability, such as systems thinking; (2) Self-management or intrapersonal abilities, such as adaptability; and (3) Relationship Management or interpersonal abilities, such as networking. The latter two clusters make up the emotional intelligence competencies (Goleman, 1998; Goleman, Boyatzis, and McKee, 2002).

A growing body of research indicates - that emotional intelligence drives professional success in human organizations and workplaces. In a study of more than 2,000 managers from 12 large organizations, 81% of the competencies that distinguished outstanding managers were related to emotional intelligence (Boyatzis, 1982). Data from 40 different companies found that emotional intelligence competencies were twice as important as pure intellect and expertise in distinguishing star performers from average ones (Jacobs and Chen, 1997 in Goleman, 1998). Thousands of studies have shown that effective leaders use more emotional intelligence competencies every day than others in leadership positions (Goleman, 1998).

## **2. EMOTIONAL INTELLIGENCE IN THE WORKPLACE**

As previously discussed, advanced emotional intelligence can be beneficial in many areas of life. However, the application of its usefulness has been most frequently documented in the professional workplace. Cherniss (2000) outlines four main reasons why the workplace would be a logical setting for evaluating and improving emotional intelligence competencies:

- i. Emotional intelligence competencies are critical for success in most jobs.
- ii. Many adults enter the workforce without the competencies necessary to succeed or excel at their job.

- iii. Employers already have the established means and motivation for providing emotional intelligence training.
- iv. Most adults spend the majority of their waking hours at work.

A strong interest in the professional applications of emotional intelligence is apparent in the way organizations have embraced E.I. ideas. The American Society for Training and Development, for example, has published a volume describing guidelines for helping people in organizations cultivate emotional intelligence competencies which distinguish outstanding performers from average ones (Cherniss and Adler, 2000).

As previously noted, considerable research in the emotional intelligence field has focused on leadership, a fundamental workplace quality. Even before research in the area of E.I. had begun, the Ohio State Leadership Studies reported that leaders who were able to establish mutual trust, respect, and certain warmth and rapport with members of their group were more effective (Fleishman and Harris, 1962). This result is not surprising given that many researchers have argued that effective leadership fundamentally depends upon the leader's ability to solve the complex social problems which can arise in organizations (Mumford, Zaccaro, Harding, Jacobs, & Fleishman, 2000).

### **3. COST EFFECTIVENESS**

The cost-effectiveness of emotional intelligence in the workplace has been an area of interest. Several studies have reported the economic value of hiring staff based on emotional intelligence. In a report to Congress, the Government Accounting Office (1998) outlined the amount saved when the United States Air Force used Bar On's Emotional Quotient Inventory (EQ-I) to select program recruiters. By selecting those individuals who scored highest in emotional intelligence as recruiters, they increased their ability to select successful recruiters by threefold and saved \$3 million annually. A similar study by Boyatzis (1999) found that when partners in a multinational consulting firm were assessed on E.I. competencies, partners who scored above the median on nine or more competencies delivered \$1.2 million more profit than did other partners.

Cherniss and Goleman (1998) estimated that by not following training guidelines established to increase emotional intelligence in the workplace, industry in the United States is losing between \$5.6 and \$16.8 billion a year. They found that the impact of training employees in emotional and social competencies with programs which followed their guidelines was higher than for other

programs, and by not implementing these programs companies were receiving less of an impact and consequently losing money.

The US Air Force used the EQ-I to select recruiters (the Air Force's front-line HR personnel) and found that the most successful recruiters scored significantly higher in the emotional intelligence competencies of Assertiveness, Empathy, Happiness, and Emotional Self Awareness. The Air Force also found that by using emotional intelligence to select recruiters, they increased their ability to predict successful recruiters by nearly three-fold. The immediate gain was a saving of \$3 million annually. These gains resulted in the Government Accounting Office submitting a report to Congress, which led to a request that the Secretary of Defense order all branches of the armed forces to adopt this procedure in recruitment and selection. (The GAO report is titled, "Military Recruiting: The Department of Defense Could Improve Its Recruiter Selection and Incentive Systems," and it was submitted to Congress January 30, 1998. Richard Handley and Reuven Bar-On provided this information.)

#### **4. ARE INDIVIDUALS WITH HIGH E.I. MORE SUCCESSFUL?**

Research on the predictive significance of E.I. over I.Q. was spurred by Goleman's initial publication on the topic which claimed that emotional intelligence could be "as powerful, and at times more powerful, than I.Q." (Goleman, 1995, p.34). Much of this claim was based on past research revealing that the predictive nature of I.Q. on job performance was not promising, with I.Q. accounting from 10-25% of the variance in job performance (Hunter & Hunter, 1984; Sternburg, 1996). The results of longitudinal studies further implicated emotional intelligence as being important. One study involving 450 boys reported that I.Q. had little relation to workplace and personal success; rather, more important in determining their success was their ability to handle frustration, control emotions, and get along with others (Snarey & Vaillant, 1985). Although this study did not attend to emotional intelligence directly, the elements which it addressed (the ability to regulate one's emotions and understand the emotions of others) are some of the central tenants of the emotional intelligence construct.

An analysis of more than 300 top-level executives from fifteen global companies showed that six emotional competencies distinguished stars from the average: Influence, Team Leadership, Organizational Awareness, self-confidence, Achievement Drive, and Leadership (Spencer, L. M., Jr., 1997).

In jobs of medium complexity (sales clerks, mechanics), a top performer is 12 times more productive than those at the bottom and 85 percent more productive than an average performer. In the most complex jobs (insurance salespeople, account managers), a top performer is 127 percent more productive than an average performer (Hunter, Schmidt, & Judiesch, 1990). Competency research in over 200 companies and organizations worldwide suggests that about one-third of this difference is due to technical skill and cognitive ability while two-thirds is due to emotional competence (Goleman, 1998). (In top leadership positions, over four-fifths of the difference is due to emotional competence.)

Another emotional competence, the ability to handle stress, was linked to success as a store manager in a retail chain. The most successful store managers were those best able to handle stress. Success was based on net profits, sales per square foot, sales per employee, and per dollar inventory investment (Lusch & Serpkeuci, 1990).

A study of 130 executives found that how well people handled their own emotions determined how much people around them preferred to deal with them (Walter V. Clarke Associates, 1997). In a large beverage firm, using standard methods to hire division presidents, 50% left within two years, mostly because of poor performance. When they started selecting based on emotional competencies such as initiative, self-confidence, and leadership, only 6% left in two years. Furthermore, the executives selected based on emotional competence were far more likely to perform in the top third based on salary bonuses for performance of the divisions they led: 87% were in the top third. In addition, division leaders with these competencies outperformed their targets by 15 to 20 percent. Those who lacked them under-performed by almost 20% (McClelland, 1999).

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 did, 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).

Research by the Center for Creative Leadership has found that the primary causes of derailment in executives involve deficits in emotional competence. The three primary ones are difficulty in handling change, not being able to work well in a team, and poor interpersonal relations.

After supervisors in a manufacturing plant received training in emotional competencies such as how to listen better and help employees resolve problems on their own, 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).

Optimism is another emotional competence that leads to increased productivity. New salesmen at Met Life who scored high on a test of "learned optimism" sold 37 percent more life insurance in their first two years than pessimists (Seligman, 1990).

For 515 senior executives analyzed by the search firm Egon Zehnder International, those who were primarily strong in emotional intelligence were more likely to succeed than those who were strongest in either relevant previous experience or IQ. In other words, emotional intelligence was a better predictor of success than either relevant previous experience or high IQ. More specifically, the executive was high in emotional intelligence in 74 percent of the successes and only in 24 percent of the failures. The study included executives in Latin America, Germany, and Japan, and the results were almost identical in all three cultures.

The following description of a "star" performer reveals how several emotional competencies (noted in italics) were critical in his success: Michael Iem worked at Tandem Computers. Shortly after joining the company as a junior staff analyst, he became aware of the market trend away from mainframe computers to networks that linked workstations and personal computers (Service Orientation). Iem realized that unless Tandem responded to the trend, its products would become obsolete (Initiative and Innovation). He had to convince Tandem's managers that their old emphasis on mainframes was no longer appropriate (Influence) and then develop a system using new technology (Leadership, Change Catalyst). He spent four years showing off his new system to customers and company sales personnel before the new network applications were fully accepted (Self-confidence, Self-Control, Achievement Drive) (from Richman, L. S., "How to get ahead in America," *Fortune*, May 16, 1994, pp. 46-54).

The most successful debt collectors in a large collection agency had an average goal attainment of 163 percent over a three-month period. They were compared with a group of collectors who achieved an average of only 80 percent over the same time period. The most successful

collectors scored significantly higher in the emotional intelligence competencies of self-actualization, independence, and optimism. (Self-actualization refers to a well-developed, inner knowledge of one's own goals and a sense of pride in one's work.) (Bachman et al., 2000).

In a national insurance company, insurance sales agents who were weak in emotional competencies such as self-confidence, initiative, and empathy sold policies with an average premium of \$54,000. Those who were very strong in at least 5 of 8 key emotional competencies sold policies worth \$114,000 (Hay/McBer Research and Innovation Group, 1997).

For sales reps at a computer company, those hired based on their emotional competence were 90% more likely to finish their training than those hired on other criteria (Hay/McBer Research and Innovation Group, 1997).

At a national furniture retailer, sales people hired based on emotional competence had half the dropout rate during their first year (Hay/McBer Research and Innovation Group, 1997).

While research exists supporting the contention that emotional intelligence does contribute to individual cognitive-based performance over and above the level attributed to general intelligence (Lam & Kirby, 2002), current theories tend to be more judicious regarding the incremental benefits of E.Q. over I.Q. Both Goleman (1998) and Mayer, Salovey and Caruso (1998) emphasize that emotional intelligence by itself is probably not a strong predictor of job performance. Instead, it provides a foundation for emotional competencies which are strong predictors of job performance.

In later work, Goleman (2001) attempts to theoretically clarify the relationship between I.Q. and E.Q., and their respective applicability to job performance. He describes I.Q. as playing a sorting function, determining the types of jobs individuals are capable of holding. He theorizes that I.Q. is a strong predictor of what jobs individuals can enter as well as a strong predictor of success among the general population as a whole. For example, in order to become a medical doctor, an individual requires an above average I.Q. Emotional intelligence, on the other hand, is described by Goleman as a stronger predictor of who will excel in a particular job when levels of I.Q. are relatively equal. When the individuals are being compared to a narrow pool of people in a particular job in a certain organization, specifically in the higher levels, the predictive power of I.Q. for outstanding performance among them weakens greatly. In this circumstance, E.Q. would be the stronger predictor of individuals who outperform others. Thus, the doctors in a particular clinic would all have similarly above average I.Q.'s. Goleman would hypothesize that what

would distinguish the most successful doctors from the others would be their levels of emotional intelligence.

## **5. DEVELOPING EMOTIONAL INTELLIGENCE: AVENUES FOR TRAINING**

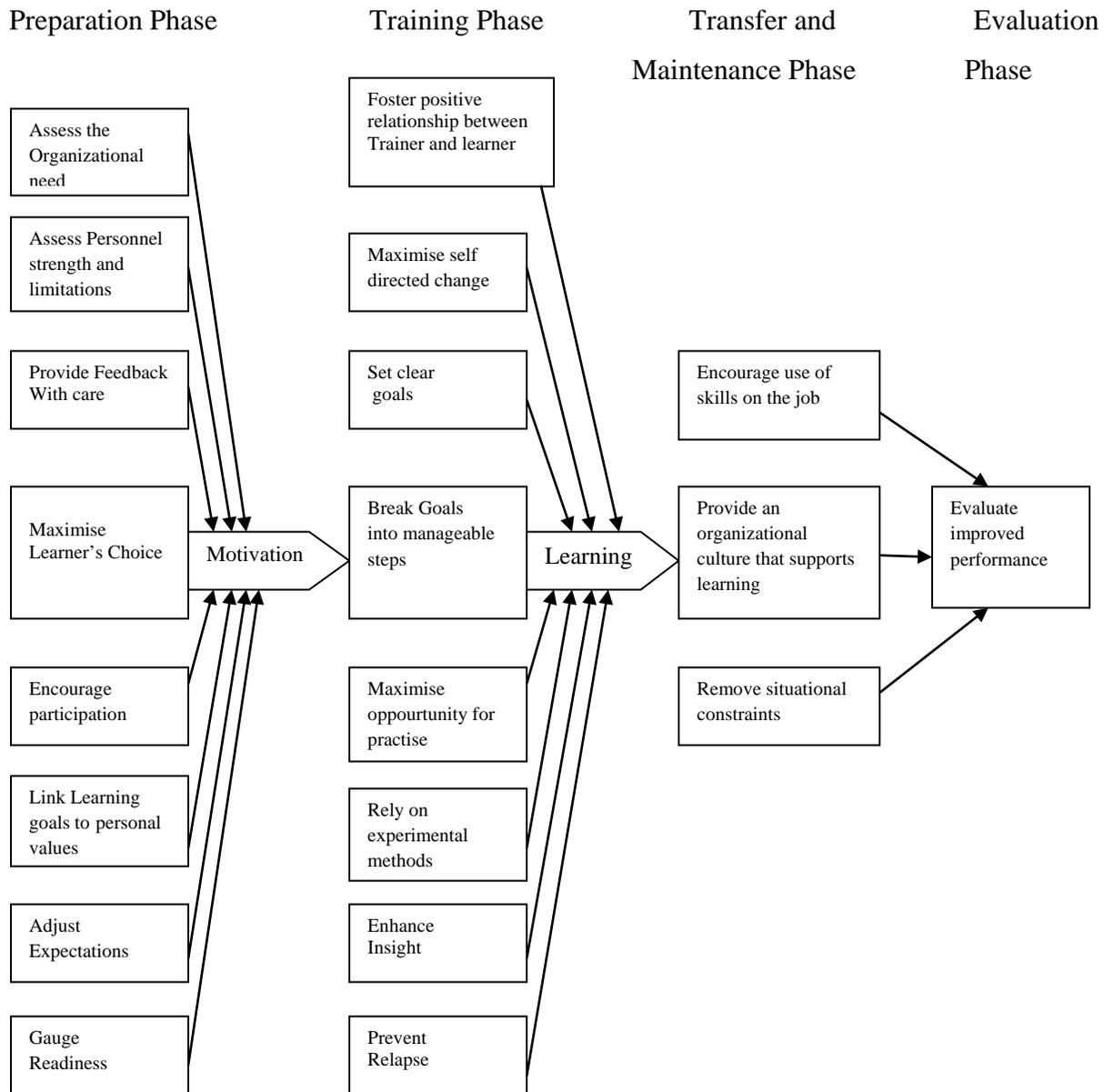
According to Cherniss and Goleman (1998), programs which utilize a cognitive learning process involve placing new information into already existing frameworks and ways of understanding, consequently enriching and expanding the neural circuitry of the brain. This type of learning is generally ineffective when trying to teach emotional intelligence competencies as these skills involve expanding the neural circuitry of the brain while re-training the brain centres which control emotion. Thus, emotional rather than cognitive learning techniques must be utilized to teach emotional intelligence. This less traditional training approach, based on self-directed and more individualized learning engagements, encompasses the following components:

- Visioning around reaching one's ideal self.
- Self-assessment and self-awareness of current strengths and weaknesses.
- Ensuring that strengths and limitations improve so that they do not detract from the achievement of goals.
- Creating and committing to a learning agenda that builds on strengths and reduces weaknesses.
- Active and frequent experimentation with new behaviors that support and develop emotional intelligence competencies.
- Reliance on a coach to regulate progress (Goleman, 1998)

Goleman has also established an optimal process for developing emotional intelligence in organizations. Outlined in below mentioned figure, this process consists of four phases: preparation for change, training, transfer and maintenance skills, and evaluation. Each phase has corresponding guidelines for achieving success. Preparation for change involves assessing the competencies which are most critical for organizational and individual effectiveness while convincing the workforce that improving their emotional competencies will lead to desirable outcomes. Goleman points out that motivational factors might be a particular issue in this step, as emotional learning and emotional intelligence are areas which are central to a person's identity, and thus many may be resistant to being told they must change themselves as people. The training phase focuses on experiential learning with repeated practice, modeling, and corrective

feedback. Maintenance of skills is done through social support and a supportive work environment along with policies and procedures which support the development of emotional intelligence. Finally, evaluation is conducted to determine individual satisfaction with the training as well as to establish if the training has produced meaningful changes in on-the-job behaviour (Cherniss & Goleman, 1998).

## 6. DEVELOPING EMOTIONAL INTELLIGENCE IN ORGANISATIONS: THE OPTIMAL PROCESS



## 7. CONCLUSION

The present study takes emotional intelligence and managerial effectiveness as dependent variable to establish their relationship with the organizational success. The emotional intelligence of an organization can be judged from the way it deals with the issues of leadership, interpersonal relations, communication and relations with other organizations. Managerial effectiveness is a crucial element of an organization. An organization's functions and its behaviour are influenced by the degree of managerial effectiveness in that organization. If a manager is able to recognize his own strengths and weaknesses, and also the strengths and weaknesses of his subordinates, understand the requirements of his job well, uses his own strengths and overcomes weaknesses through continuous learning on the job, he/she may be considered as effective and at the same time successful in motivating the subordinates and achieving the goals of the organization.

The present study has revealed that there is positive relationship between emotional intelligence and managerial effectiveness of managers. For instance, the managers high on emotional intelligence would generally be high on managerial effectiveness also and vice-versa. Emotional intelligence has been recognized as a key determinant to managerial success in today's high stress environment both in life and as work. From the results of the present findings, it may be concluded that a high and positive relationship exists between emotional intelligence and managerial effectiveness.

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