The Business Case for Emotional Intelligence

Joshua Freedman

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sixseconds
THE EMOTIONAL INTELLIGENCE NETWORK

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A slide presentation and training module for this e-book are available for sale from the EQ Store www.EQstore.com

EQ has twice the power of IQ to predict performance.

EQ is also a better predictor than employee skill, knowledge, or expertise.[9]

Executive Summary

Emotional intelligence (EQ) is the ability to use emotions effectively. Since the publication of the initial research in 1990, innovative organizations have begun testing how to integrate EQ into training and hiring to gain competitive advantage. It is becoming increasingly clear that these skills are the foundation of high-performing organizations.

A range of implementation strategies have been used to deploy EQ, primarily in selection and development. The competencies are measurable and learnable; they can be improved through training and coaching. The most effective implementation strategies seek to integrate EQ into the organizational culture. While there are numerous implementation strategies, researched EQ applications include:

- increased sales performance through recruiting and training more emotionally intelligent salespeople.
- improved customer service through recruiting higher EQ customer service reps.
- superior leadership performance by developing and recruiting for executive EQ.

Companies have demonstrated that using EQ in training and organizational climate change can reduce costs associated with turnover, absenteeism, and low performance.

Research has provided clear evidence that emotionally intelligent leaders are more successful. Many of these studies yield bottom-line results: At PepsiCo, for example, executives selected for EQ competencies generated 10% more productivity. High EQ sales people at L'Oreal brought in $2.5 million more in sales. An EQ initiative at Sheraton helped increase market share by 24%. The US Airforce is using EQ to screen pararescue jumpers to save $190 million.

One of the most important applications of EQ is in helping leaders foster a workplace climate conducive to high performance. These workplaces yield significantly higher productivity, retention, and profitability, and emotional intelligence appears key to this competitive advantage.

The evidence is increasingly compelling. The measurable, learnable skills of emotional intelligence make a significant impact on organizational performance. EQ may be essential to differentiating world-class organizations in an increasingly complex and competitive marketplace.

Introduction

In the current business context, companies are struggling with rapid change, with finding competitive advantage in a globalized economy, and in finding, keeping, and motivating talent in a changing workforce. Emotional intelligence (EQ) is emerging as a critical factor for sustaining high performance in this environment. World-leading organizations, such as FedEx, HSBC, the US Air Force, and the International Finance Corporation, are turning to the science of emotional intelligence as part of human capital strategy.

If over 70% of the top issues in the workplace are tied to leadership,[2] it's no surprise that organizations are urgently looking for the cutting edge science that helps leaders understand how to work with and through their people.

What's driving this interest? Is emotional intelligence "just a fad," or does the science offer new insight and tools that genuinely affect performance? And if EQ is so important, how do leaders find their way to the value amidst the hype?

The Harvard Business Review (HBR), one of the most prestigious sources of business-best-practice, has released several articles on emotional intelligence. Their 1997 article on EQ by psychologist and author Daniel Goleman ranks as their most requested article ever. This popularity led the HBR to re-examine the data on emotional intelligence again in 2003. Their conclusion:

> "In hard times, the soft stuff often goes away. But emotional intelligence, it turns out, isn't so soft. If emotional obliviousness jeopardizes your ability to perform, fend off aggressors, or be compassionate in a crisis, no amount of attention to the bottom line will protect your career. Emotional intelligence isn't a luxury you can dispense with in tough times. It's a basic tool that, deployed with finesse, is the key to professional success."[1]

As "emotional intelligence" becomes part of mainstream vocabulary (at this point there are 7.7 million hits on Google, and 695,000 results on Google's

book search), leaders are increasingly considering how this concept brings value.

In a recent study, when asked “What are the top issues you face at work?” leaders identified that 76% are on the people/relational side, and only 24% on the finance/technical side. Among these 135 respondents, a massive 89% identify EQ as “highly important” or “essential” to meeting their organizations’ top challenges.[2]

Your organization is made of people, processes, and property. For a long time, "common wisdom" has been that returns come from investing in the latter two. Yet, in the last decades, a flood of research has challenged that assumption and is increasingly proving that a company's people are the differentiating factor. Since emotional intelligence is all about "people smarts" -- about relating to yourself and others -- it's no surprise that EQ plays a major role in this dimension.

Top Issues @ Work

Leaders are increasingly concerned with finding and keeping good people – especially in a time when they are expected to “do more with less.”[2]

Engaging Talent

“Finding, hiring, and keeping talented individuals”

“Developing talent – both internally and through finding and attracting good people – and equipping them for success”

“Recruiting, developing and most importantly retaining top quality experts”

Under Pressure

“Increased work responsibilities with less dollars”

“Lack of time to do an adequate job”

“Too little time to talk to colleagues”

“Managing increasing complexity, competition and regulation”

What is EQ?

Some people just get along with others, respond carefully even in the face of challenge, and truly connect with people. They are proactive, balanced, operate with integrity, and have great insight into themselves and others. All these come from a set of skills called emotional intelligence, or EQ.

These skills are learnable, measurable, and are valuable at work – especially in complex roles. EQ skills assist in engaging people, influencing across boundaries and cultures, being proactive, caring for customers, building enduring sales relationships, and creating workplaces where people can excel.

Emotional Intelligence

> *Emotional intelligence is the ability to perceive emotions, to access and generate emotions so as to assist thought, to understand emotions and emotional knowledge, and to reflectively regulate emotions so as to promote emotional and intellectual growth.*
>
> - Mayer & Salovey, 1997[3]

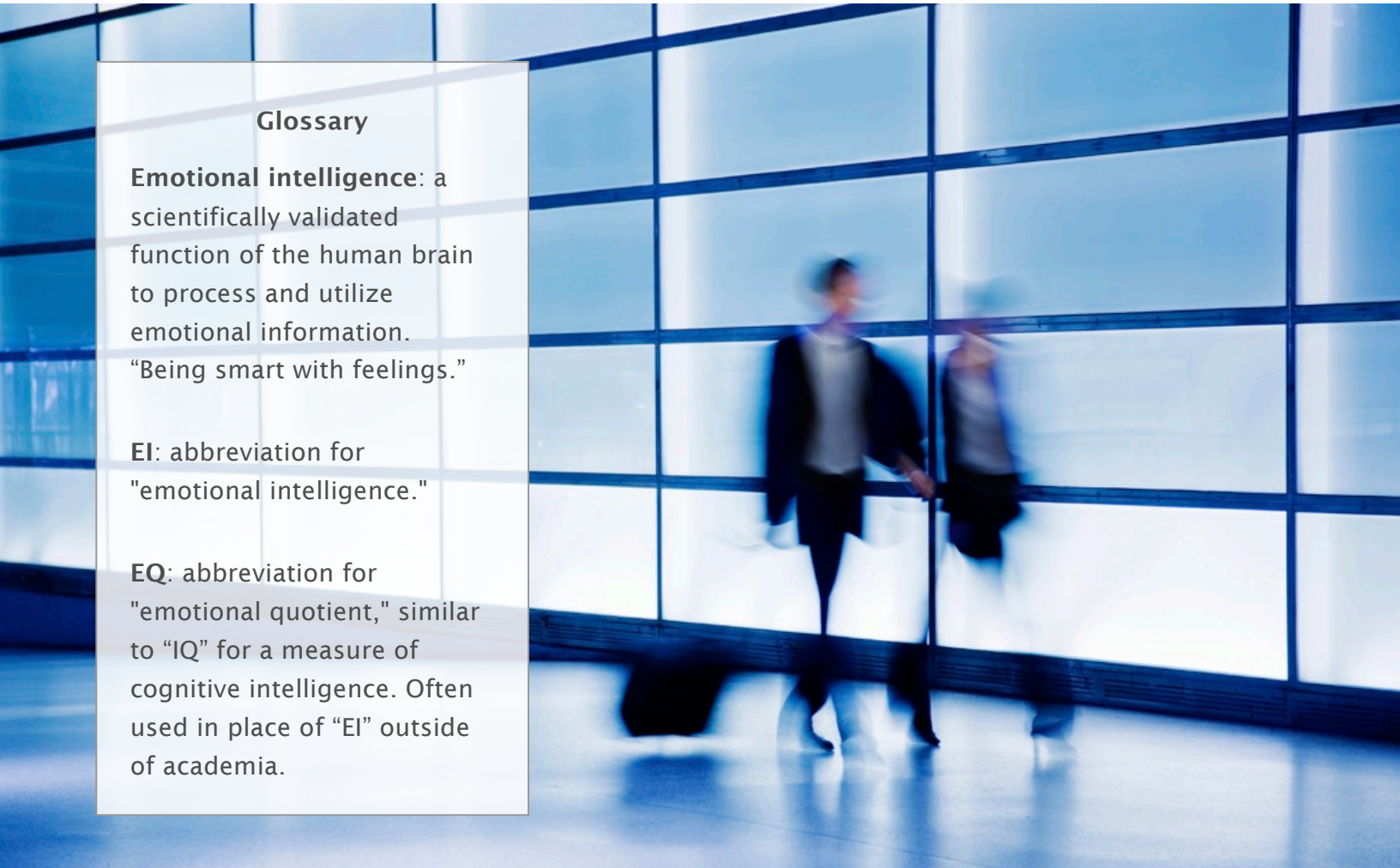
We've all experienced that sometimes emotions are in the way of thinking, but we might not realize they are also the **key** to thinking. We literally cannot make decisions without utilizing emotion.[4]

Most people first heard the term "emotional intelligence" around 1995 with the publication of Daniel Goleman's best-selling book *Emotional Intelligence, Why it Can Matter More Than IQ*. In that work, Goleman laid out a powerful case that factors such as self-awareness, self-discipline, and empathy determine personal and professional success. He drew on the work of numerous leading scientists

and authors who were working to define and measure the skills of emotional intelligence.[5]

Peter Salovey is Provost and professor of psychology at Yale University. Jack Mayer is a professor of psychology at the University of New Hampshire. The two psychologists published the first academic definition of emotional intelligence in 1990, and have continued as the leading researchers in the field. In part their interest began when they realized that the conventional definitions of intelligence were inadequate because people with “high IQ” frequently made very poor decisions. They began to explore the missing ingredient and showed, in the lab, that people can “be smart” with feelings. Around the same time, a scholar named Reuven Bar-On began testing how measures of socially and emotionally intelligent behavior were linked to organizational peformance.

Since then, hundreds of books and thousands of research projects have explored this concept. There are now several statistically reliable measures of emotional intelligence and emotional competence, and these measures are being used to demonstrate the links between emotional intelligence and performance at work, at home, and in the community.



Glossary

Emotional intelligence: a scientifically validated function of the human brain to process and utilize emotional information. “Being smart with feelings.”

EI: abbreviation for "emotional intelligence."

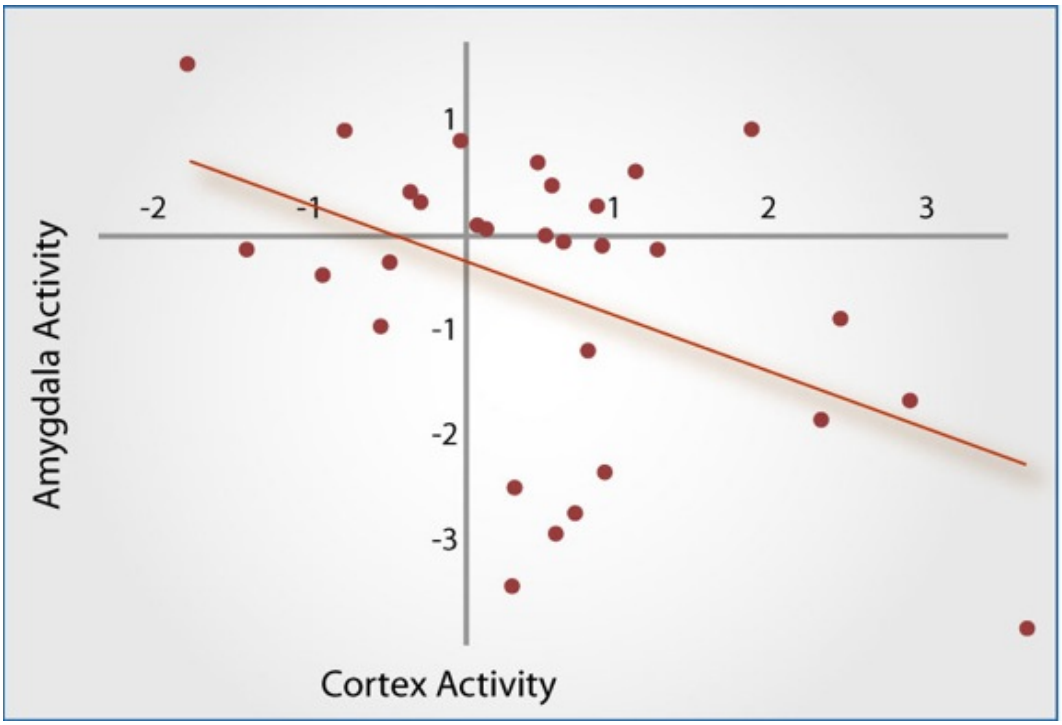
EQ: abbreviation for "emotional quotient," similar to “IQ” for a measure of cognitive intelligence. Often used in place of “EI” outside of academia.

Biology of Feelings

Part of the value of emotional intelligence comes from grounding in rigorous science. Advances in neurobiology provide invaluable insight into the way emotions function in the brain and body. For example, recent research demonstrates that "thinking about feeling" has a physiological effect. In other words, these "soft skills" have a biological basis.

A team at UCLA used fMRI (functional magnetic resonance imaging, a tool that shows very specific brain activity) to assess how emotion is regulated. In the study, 30 adults, ages 18-36, where given different mechanisms for processing emotional datum. It turns out that naming emotions reduces the emotional reaction (in the amygdala, the part of the brain responsible for fight-flight-freeze reactions).[6]

Physiological Effects of Emotional Intelligence



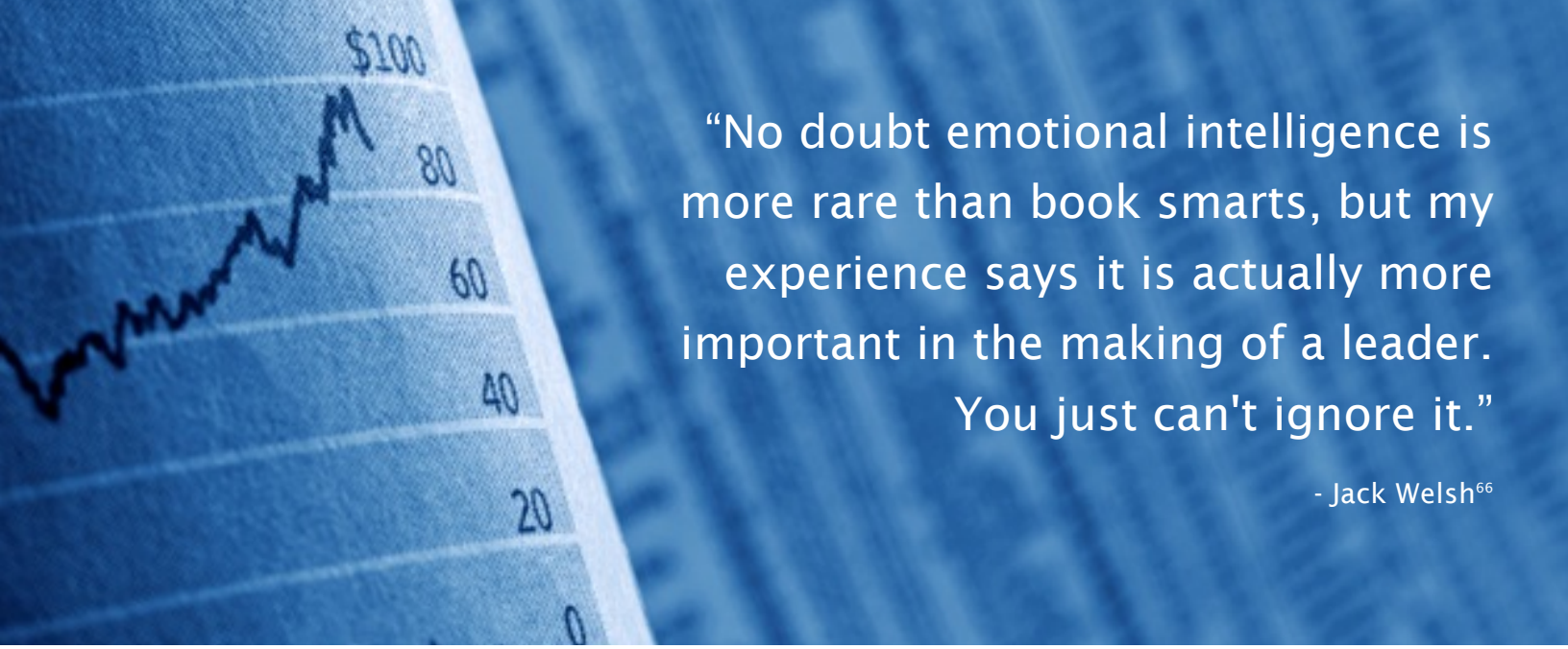
This graph shows that when subjects name emotions, more activity in the cortex correlates with reduced activity in the amygdala, showing that naming feelings helps reduce reactivity.

When thoughts and feelings are working together – when emotional intelligence is working – people are able to self-regulate their feelings and reduce the kind of reactivity that otherwise escalates into counter-productivity (as shown in the graph on the previous page).

> "Emotion can lead to our worst decisions or our best ones: The difference is emotional intelligence."

The challenge is to see the value of emotions, then to begin using these skills on a daily basis. Everyone has emotional intelligence -- for most of us, it's an underdeveloped area and an untapped resource that requires careful application. As Peter Salovey said, "Yes we can control emotions. The trick is doing it in the right way at the right time."[7] It's not a new idea: around 350 BC, Aristotle wrote, "Anyone can become angry – that is easy. But to be angry with the right person, to the right degree, at the right time, for the right purpose, and in the right way – that is not easy."

Emotional intelligence remains an emerging science. The research progress in the last 20 years is remarkable – but research into other intelligences has been underway for over 100 years. Meanwhile, this new science can be applied to help leaders understand what truly drives people – and thereby to accelerate performance.



"No doubt emotional intelligence is more rare than book smarts, but my experience says it is actually more important in the making of a leader. You just can't ignore it."

- Jack Welsh[66]

Leadership and Financial Performance: The Bottom Line Perspective

In *Working With Emotional Intelligence*, Daniel Goleman reported that 80-90% of the competencies that differentiate top performers are in the domain of emotional intelligence.[8] While IQ and other factors are important, it's clear that emotional intelligence is essential to optimal performance. Emotional Intelligence is more than twice as predictive of business performance than purely cognitive intelligence and is more predictive of business performance than are employee skill, knowledge and expertise.[9]

Numerous studies explore the financial implication of emotional intelligence; particularly how higher EQ leaders produce more powerful business results. One such study tested 186 executives on EQ and compared their scores with their company's profitability; leaders who scored higher in key aspects of emotional intelligence (including empathy and accurate self-awareness) were more likely to be highly profitable.[10]

The Harvard Business Review recently reminded leaders that their excellence begins and ends with their inner resources:

> "Executives who fail to develop self-awareness risk falling into an emotionally deadening routine that threatens their true selves.

Restaurant managers with higher EQ create:

34% greater annual profit growth

Increased guest satisfaction

Higher employee retention [16]

Indeed a reluctance to explore your inner landscape not only weakens your own motivation but can also corrode your ability to inspire others."[11]

In the last century, “inspiring others” might have looked like Donald Trump playing the tough leader in The Apprentice. But in real organizations today, leaders face a much more complex challenge of inspiration. Again, the Gallup findings indicate that almost 3/4ths of the workforce is disengaged. Leaders who use their emotional resources to foster "engagement" (a sense of caring and commitment) deliver significant bottom-line results. Teams with higher engagement are:

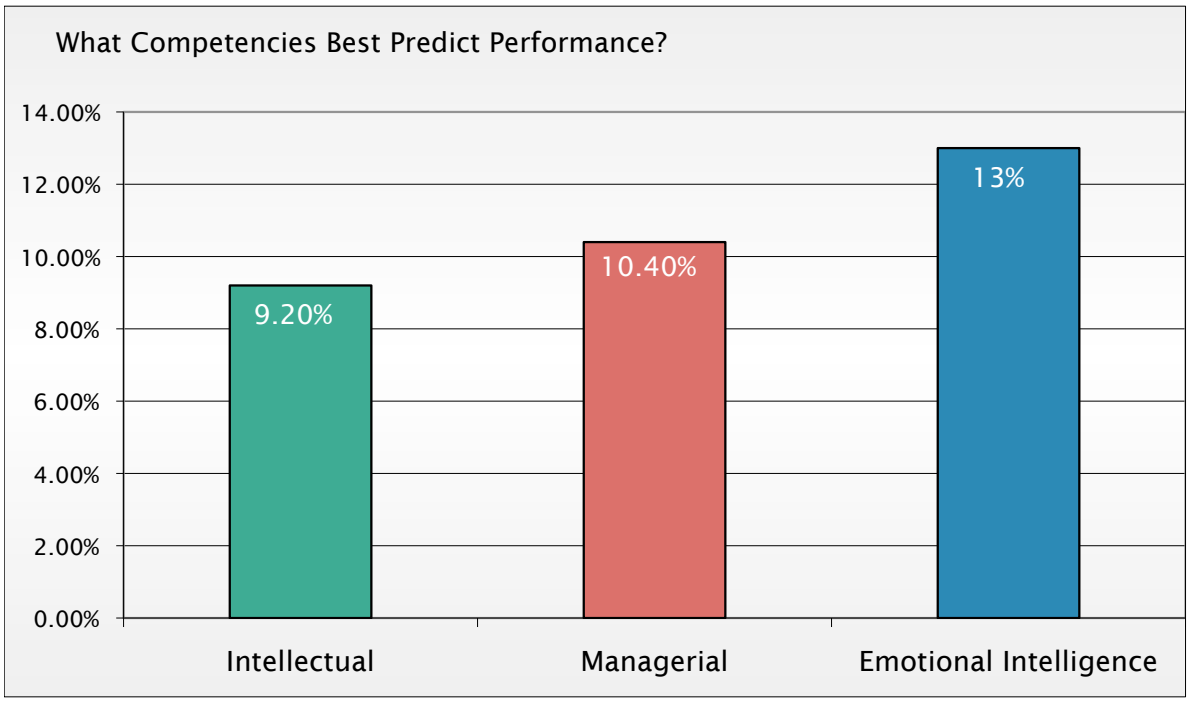
- 50% more likely to have lower turnover.
- 56% more likely to have higher-than-average customer loyalty.
- 38% more likely to have above-average productivity.
- 27% more likely to report higher profitability.[12]

So do emotionally intelligent leaders create more effective teams, or are "business smarts" and traditional intelligence all it takes? In a study of relationships between emotional intelligence and leadership, 261 members of the British Royal Navy were administered measures of intellectual competency, managerial competency, emotional intelligence competency, overall performance, and personality.[13] Participants in the study were divided into two levels of seniority, Officers and Ratings (non-officers). The results broadly illustrated the importance of emotional intelligence in predicting leadership trends. For example, compared to both managerial and IQ competencies, the EQ competencies were better able to predict:

- Overall performance
- Leadership

Further, EQ competencies made a greater contribution to leadership and performance at higher levels of the organization (i.e., EQ mattered even more for senior officers).

Determinants of Officer Leadership



Emotional intelligence competencies were better able to predict performance and leadership efficacy.[13]

One key challenge in emotional intelligence research is to isolate the effect of EQ from other factors. Clarke (2010), worked to assess the impact of specific emotional intelligence skills above and beyond differences in personality and general intelligence. The study of project managers found those with higher EQ (particularly emotional awareness and understanding emotions) were linked to improved teamwork and more effective handling of conflict.[14] A similar finding occurred in a study of 81 technology professionals in India where EQ was linked to resolving conflicts in a manner that supported mutual gain.[15]

These correlations can also be linked to the bottom line. In a compelling study of one of the UK's largest restaurant groups, there was clear evidence that emotionally intelligent leaders were more effective. Managers high in emotional intelligence had restaurants that outperformed others in terms of increased guest satisfaction, lower turnover, and 34% greater profit growth.[16]

The link between EQ and leadership was also clear at PepsiCo. In a pilot project, executives selected for EQ competencies far outperformed their colleagues, delivering:

- 10% increase in productivity.
- 87% decrease in executive turnover ($4m).
- $3.75m added economic value.
- over 1000% return on investment.[17]

Similarly, a study of 358 leaders within Johnson and Johnson identified a strong link between superior performing leaders and emotional competence. The conclusion is powerful: "**Emotional competence differentiates successful leaders.**"[18]

Ethical Leadership

In the wake of the 2009 economic crisis, the issues of ethnical leadership are gaining more attention. In part due to increasing demands for corporate transparency, and in part due the recognition of the terrible destruction caused by unethical business decisions, many organizations are re-evaluating the ways they ensure that leaders have the capacity to make ethical decisions.

In 2008, Kidwell and Valentine studied the link between workplace climate and ethics in the military. Perhaps unsurprisingly, they found that in a more positive workplace, people were more ethical (they were less likely to withhold effort or neglect job duties).[19] The implication is that leaders who create a more positive workplace climate will also reap the rewards of increased effort as well as increased ethics.

In a recent study (2009), business students were given an assessment of emotional intelligence skills and tested to see how they evaluated their own and others' ethnical behavior. Empathy, the ability to connect with others' emotions, was correlated with the ability to recognize others' ethical decisions.[20] In other words, emotional awareness is tied to ethical awareness. One of these researchers conducted a similar experiment in a with physicians and nurses in a US hospital and, again, found that higher EQ scores predict higher performance in ethics.[21]

97% of employees surveyed said they could be more productive;

49% said they could increase productivity by 50% or more.[30]

Getting Work Done

Shifting to productivity, several studies link emotional competence in individuals and leadership to the ability to get work accomplished. For example, a major sales study showed top performing sales clerks are 12 times more productive than those at the bottom and 85% more productive than an average performer. About one-third of this difference is due to technical skill and cognitive ability while two-thirds is due to emotional competence.[22]

The affect (emotional behavior) of the leaders plays a major role in team performance. You can see this clearly in the way "everyone just knows" when boss is having a bad day. The way feelings spread from one person to another is called "emotional contagion."

> "In a study of the influence of the contagion of mood of a group leader on group members, the positive mood of the leader positively influenced group members at both the individual and collective level with the opposite for leader's negative mood. The leader's positive mood also had a subsequent influence on group coordination and effort.[23]

In 2002, Sigal Barsade of Yale University examined the effect of emotional contagion within teams. In her experiment, a trained actor was placed within groups and directed to participate in the groups' activities while enacting varying levels of pleasantness and energy. The groups were working to assign a pay bonus; they had a fixed amount of money they could spend and had to allocate it based on a set of performance criteria.

When the actor was a negative group member, it disrupted the groups and reduced efficacy. Conversely when the actor played a positive confederate, the teams tended to show increased cooperation, fewer group conflicts, and heightened task performance.[24]

Likewise, in a similar study, Alice Isen (1993) assessed radiologists, finding positive mood enhanced their accuracy. Positive mood has a far-reaching effect on work performance, supervision, decision-making, and even on team members voluntarily acting for the good of the organization.[25]

Leaders influence the team's mood.

The team's mood drives performance.

What's your conclusion?

The overall mood of the organization could be described as "organizational climate" – and a leader's EQ skills are a key ingredient in shaping the climate: In a study of randomly selected car manufacturing managers in Iran, emotional intelligence (particularly awareness of own and other's feelings) predicted the quality of the organizational climate.[26] So EQ skills affect climate – and climate affects performance; in one study, Hakan Ozcelik, Nancy Langton, Howard Aldrich, (2008) assessed 229 entrepreneurs and small business owners in Canada to see if they used emotionally intelligent behaviors in shaping the organizational climate. They followed up 18 months later, and leaders who created more positive climate had more revenue as well as increased growth.[27]

The leader's use of feelings has implications for many areas of performance. For example, the attitude that manager's display toward employees has a significant effect on employees' willingness to be entrepreneurial. Managers

who display worry, frustration, and bewilderment undermine the entrepreneurial motivation.[28]

Incidentally, emotionally intelligent leaders are able to use a wide range of feelings effectively. In some situations a “bad mood” is more useful. For example, in the entrepreneur study above - Brundin, Patzelt, and Shepherd (2008) – the researches found that “negative moods” helped in certain high-risk situations where attention to detail is more critical. In another study, Elsbach and Barr (1999) found that people in negative moods use a more structured approach to decision-making which is effective in some problem-solving situations.[29]

Productivity is also tied to the relationship between the individual and the workplace. Almost a third of someone's productivity can be attributed to four "human" factors. 28% of productivity is predicted by the presence of useful feedback, choice in work, seeing the value of the work, and having a positive climate.[30]

In other words, if emotional intelligence helps leaders understand and meet employee’s human needs, it will have a profound impact on productivity and individual success. Perhaps that's one reason why after a Motorola manufacturing facility used HeartMath's stress and EQ programs, 93% of employees had an increase in productivity.[31]

Likewise, after supervisors in a manufacturing plant received training in emotional competencies, lost-time accidents were reduced by 50%, formal grievances were reduced from an average of 15 per year to 3 per year, and the plant exceeded productivity goals by $250,000.[32]

The growing base of research consistently finds a powerful relationship between emotional intelligence and leadership effectiveness. It is not surprising, then, that experts propose that EQ may be the key to advanced understanding of leadership and social influence.[33]

Salespeople with higher EQ develop…

More accounts

Higher sales

Stronger customer service

Better customer retention

Sales and Customer Loyalty: The Customer Perspective

Whatever kind of organization you run, a primary measure of success will be the way your customers perceive you. The organization's ability to attract and retain customers requires far more than customer satisfaction – as Benjamin Schneider wrote in the Sloan Management Review, to create loyal customers, organizations must endeavor for "customer delight."[34]

EQ Sales Advantage

Sanofi-Aventis + $2m/mo

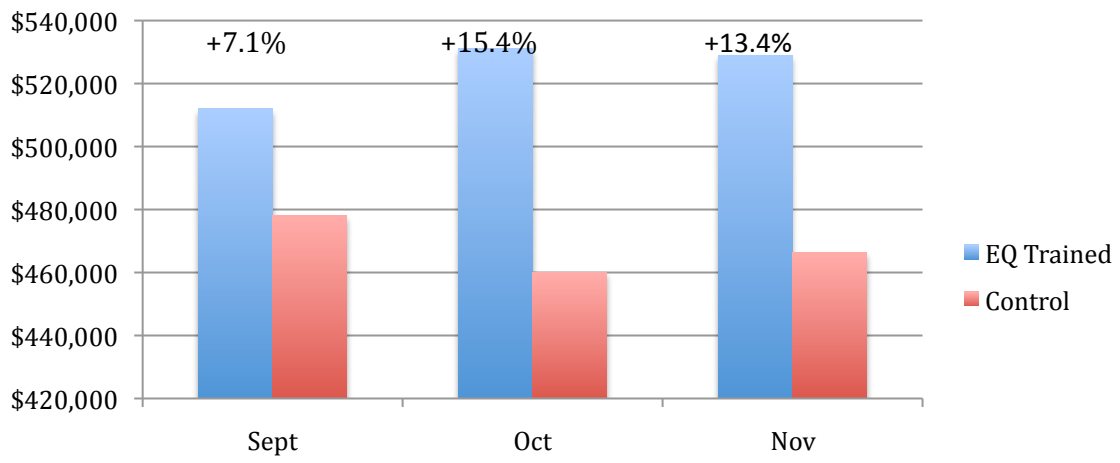
L'Oreal + $2,558,360

MetLife + 37%

Amex Advisors + 2%

Emotional intelligence is at the core of relationships, and a sales maxim is that "relationships are everything." Just how much do relationship factors affect sales and the customer's view of your organization? And what internal skills do your people need to create customer delight?

A powerful study by Benjamin Palmer and Sue Jennings demonstrates that the skills of emotional intelligence are worth over $2million per month.[35] At Sanofi-Aventis, a pharmaceutical company, a group of salespeople was randomly split into a control and development group. The development group received emotional intelligence training and increased their EQ by 18% (on average), after which they out-sold the control group by an average of 12%, or $55,200 each x 40 reps = 2,208,000.00 per month better. The company calculated that they made $6 for every dollar they invested in the training.



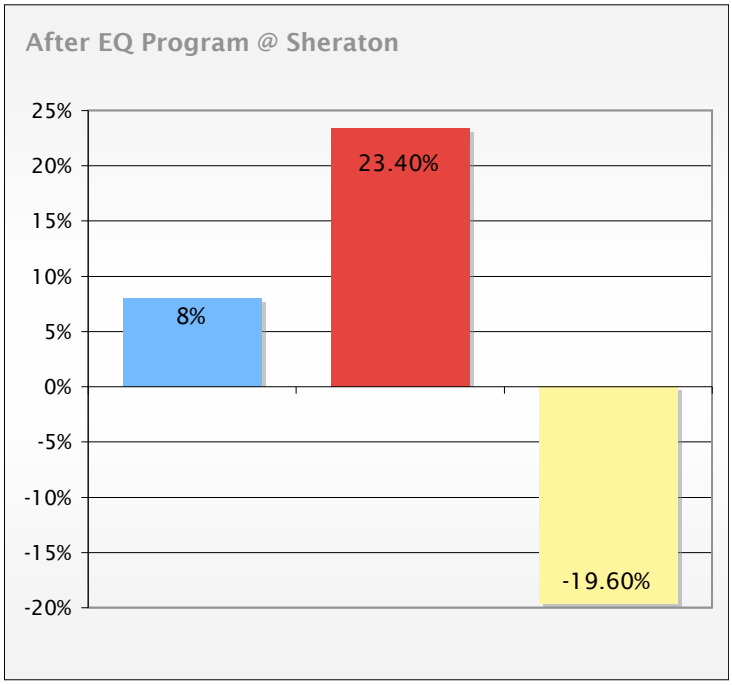
Salespeople randomly sorted into 2 groups; those who received EQ training out-performed their peers by 12% [35]

At L'Oreal, sales agents selected on the basis of certain emotional competencies significantly outsold salespeople selected using the company's standard 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.[36]

More recently, Rozell, Pettijohn and Parker (2006) explored relationships between emotional intelligence and performance in a sample of medical device

salespeople. Once again, emotional intelligence proved to be a highly reliable predictor of performance leading to the conclusion that salespeople who are positive, happy, and who perceive the "best" in situations combined with low levels of anger, negativity and the like will obtain the highest performance levels.[37]

The Sheraton Studio City in Orlando engaged in a year-long project to improve guest satisfaction, sales, and employee morale and collaboration. After conducting an employee climate survey, an outside consultant pinpointed three "hotspot" areas for improvement and engaged in a series of short training sessions to raise awareness and improve EQ skills. The leadership team worked to create a more positive, consistent, and trust-based culture. The results included a dramatic increase in guest satisfaction and market share, and a significant reduction in turnover.[38] The results continued to improve for at least two years after the intervention.



After a year-long EQ development program, the Sheraton Studio City hotel experienced a dramatic increase in guest satisfaction and market share along with a significant reduction in staff turnover.

Another study examined relationships between emotional intelligence competencies and sales performance in 33 managers and sales agents employed at Bass Brewers in the UK. Participants took a self-assessment and were rated by their managers. They developed a measure of performance that was a composite of key outcomes and then compared the emotional intelligence scores to the performance ratings. Results included:

- Those with higher self-ratings on emotional intelligence tended to have higher overall performance.

- Those with higher emotional intelligence self-ratings also tended to perform better on product distribution, the number of new accounts sold, and employee promotions earned.
- Where manager-ratings were higher, employees tended to have overall higher performance and a larger number of new accounts sold.[39]

Again, the skills of emotional intelligence seem to be a foundation for effective relationships. The Forum Corporation on Manufacturing and Service Companies conducted extensive studies asking why customers left vendors. 30% of the reasons related to product quality and technical excellence. Meanwhile 70% related to emotional and relationship factors.[40] If you think about your own vendors -- from corporate needs to personal shopping -- how likely are you to remain loyal to a company that seems uncaring, disinterested, unresponsive, or distant?

In a pioneering EQ project, American Express put a group of Financial Advisors through a three-day emotional awareness training. In the following year, the trainees' sales exceeded untrained colleagues by 2% – which might sound minimal, but the millions of extra earnings off a three-day program convinced the company to expand EQ training.[41]

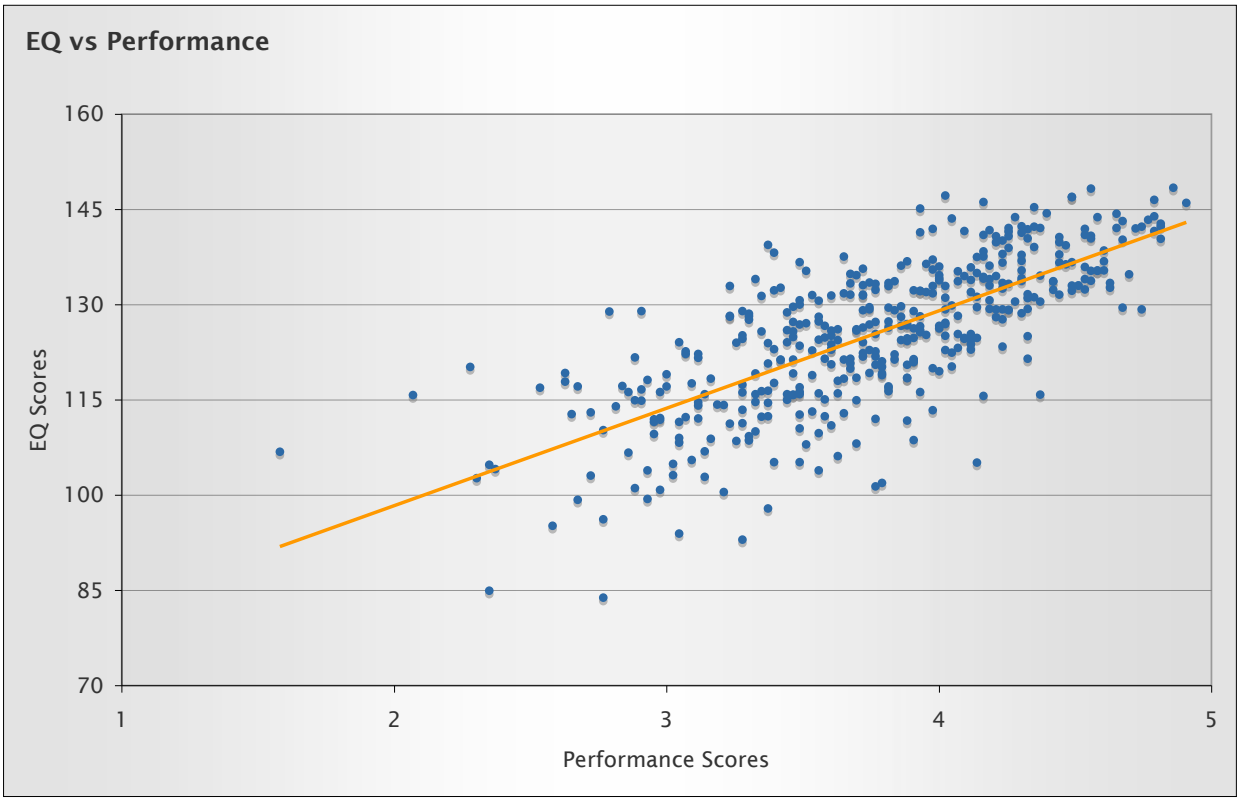
Likewise, when MetLife selected salespeople on the basis of optimism -- one of the emotional intelligence competencies -- they outsold other MetLife salespeople by 37%.[42]

Emotional intelligence skills seem to drive both the relationship aspects of sales, and the internal focus and drive of top sales performance. So the emotional skills of people in your organization have a profound effect on the relationship between the organization and its customers.

Star Performance and Retention: The Internal Business Perspective

Employee success is critical for the organization and for the individuals. What skills set star performers apart? What core competencies are linked to career and personal success?

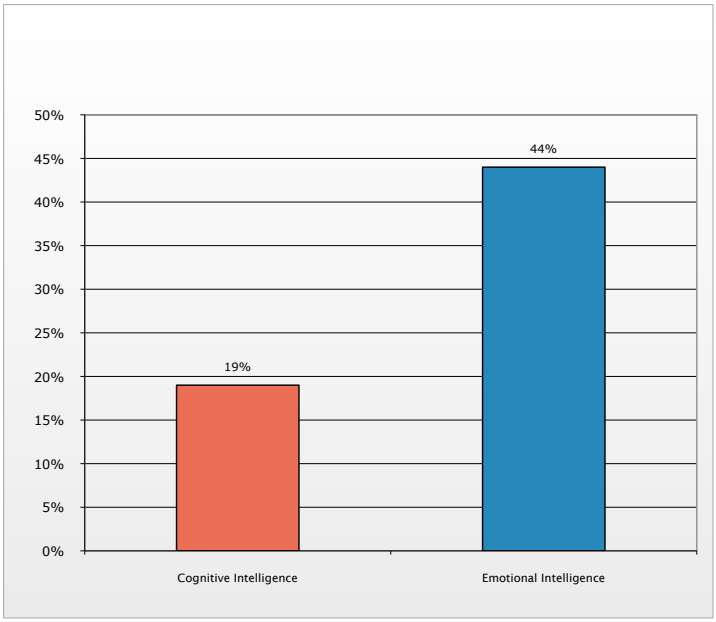
In a recent study, one of the first in the Middle East, Six Seconds partnered with Dubai Knowledge Village to assess knowledge workers in this hub of the region's economic engine. In a study of 418 leaders living in the region, there is a very strong relationship between emotional intelligence skills and performance outcomes). Scores on the SEI (Six Seconds Emotional Intelligence Assessment) predict over 58% of the variation in critical professional and personal success factors (such as effectiveness, influence, relationships, financial and career status).[43]



For the 418 people in this Dubai study, 58% of the variation in performance (including effectiveness, influence, relationships, financial and career status) is predicted by EQ.[43]

What skills help star performers shine?

Those interviewed at an international petroleum corporation reported "EQ-related" competencies over twice as often as "IQ-related" ones:



Cognitive Intelligence	*Emotional Intelligence*
Analytical Thinking Conceptual Thinking Information Seeking	Achievement Motivation Impact and Influence Self-Confidence Teamwork and Cooperation Organizational Awareness Empathy International Flexibility

When asked what sets superior performers apart, participants identified emotionally intelligent competencies 44% of the time and cognitively intelligent competencies 19% of the time.[44]

Emotional intelligence is proving to be one of the key drivers of employee performance; higher EQ leaders build a workplace environment where team members can excel, and higher EQ team members use their business strengths more effectively and excel as star performers.

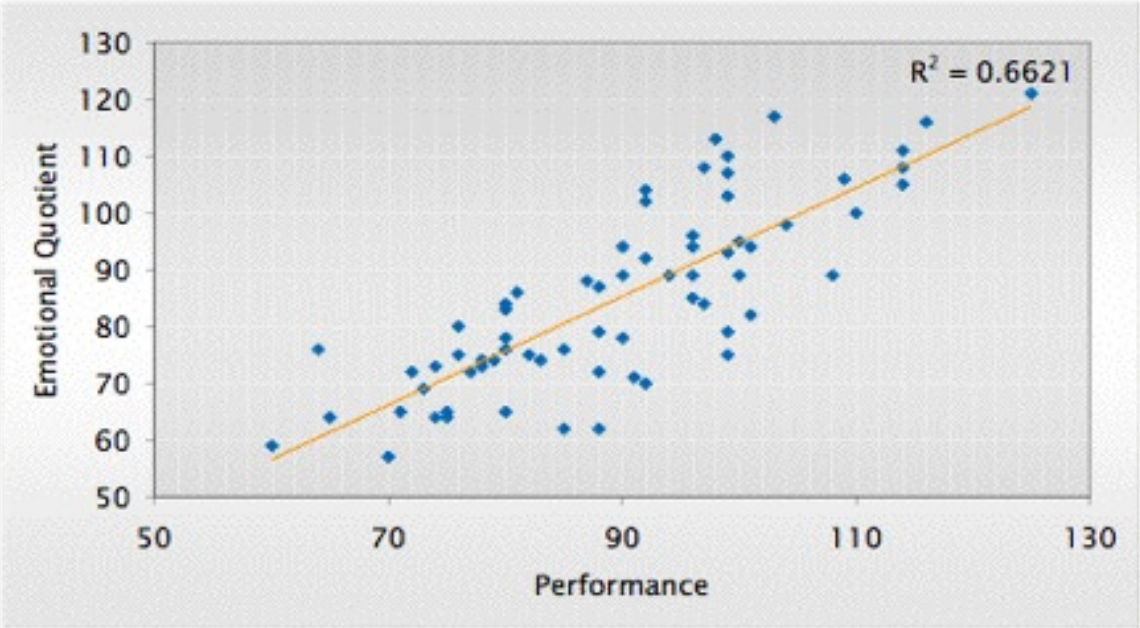
How important is EQ in distinguishing high performers? To assess this, a 2006 study at an international petroleum corporation investigated relationships between international business capability, expertise, cognitive aptitude, and emotional competencies.[44] Through interviews, surveys, and focus groups participants identified factors that differentiate average and superior performers.

Analyses of 108 interviews found that participants more frequently identify emotional intelligence factors (such as achievement motivation, empathy and self-confidence) than expertise and cognitive factors. In fact, of the 10 most commonly cited performance factors, the seven items categorized as reflecting

emotionally intelligent behaviors were identified 44% of the time compared to 19% for the three factors categorized as being related to cognitive intelligence.

One reason EQ seems to be so critical to success is the effect on stress. As in many fields, healthcare is a complex and stressful environment where interpersonal interactions are of paramount importance. A study of 68 professional midwives and obstetricians in a large urban hospital found that emotional intelligence is strongly predictive of performance (66%), stress is slightly predictive (6% to 24%), and emotional intelligence is predictive of stress management (6.5%).[45] Interestingly, the most senior group in the study – those with the most supervisory and leadership responsibilities – are the ones for whom emotional intelligence made the most difference. In other words, EQ becomes increasingly important as people move up into higher levels of leadership.

Emotional Intelligence and Performance in Healthcare



This graph shows an extremely strong relationship between emotional intelligence and performance. The linear regression shows that 66.2% of the total variance in performance is predicted by emotional intelligence.[45]

These types of stressors occur in many sectors. In a study of public-sector employees, those with higher emotional intelligence found it easier to handle the perception of organizational politics and had lower abesentee rates.[46]

Star Performance Saves $190m

There is a significant cost to attracting and onboarding new employees who underperform then wash out. While estimates of hiring effectivenes range around 50%, few organizations track this hemmorage because the costs tend to be spread over multiple budgets (recruiting, training, operations). However, the US Airforce has undertaken experiments to test the financial value of hiring people who perform. In 2009, the USAF began testing to see the effect of EQ on Pararescue Jumper candidates. A known number of candidates fail to complete the training at a cost of approximately $250,000 per trainee – if they selected candidates based on certain emotional intelligence skills, would the retention rate increase?

According to Dr. Reuven Bar-On, five key emotional intelligence skills emerged as highly predictive of course completion. Those candidates who are more "aware of their weaknesses as well as their strengths, can effectively validate their feelings and keep things in correct perspective, (are flexible and adaptive and are optimistic and positive are the ones who have the best chance of successfully completing this extremely demanding course." The net savings of selecting based on these competencies equals $190 million.[47]

Retaining Talent

In an era of increasing mobility and fierce competition for talent, attracting and retaining star employees is an urgent need. As trend-watcher Daniel Pink says, “Companies need good people more than good people need companies.”[48]

The primary reason people leave a job is relationship based. One of the key factors is the quality of the relationship between the employee and her/his supervisor/manager. As leadership guru Richard Leider says, "People don't leave companies – they leave leaders."[49]

What distinguishes relationships that lead to retention? Compelling evidence from Gallup shows that it's all about feelings. In their landmark research of over two million working Americans, the Gallup team found only about 26% of employees are engaged (caring and committed). They identified three critical factors that predict if an employee is "engaged" – and engaged employees are 50% more likely to stay in their jobs.[50] The three factors that inspire engagement:

- The employee feels cared for by their supervisor.
- They received recognition or praise during the past seven days from someone in a leadership position.
- They believe their employer is concerned about their development.[51]

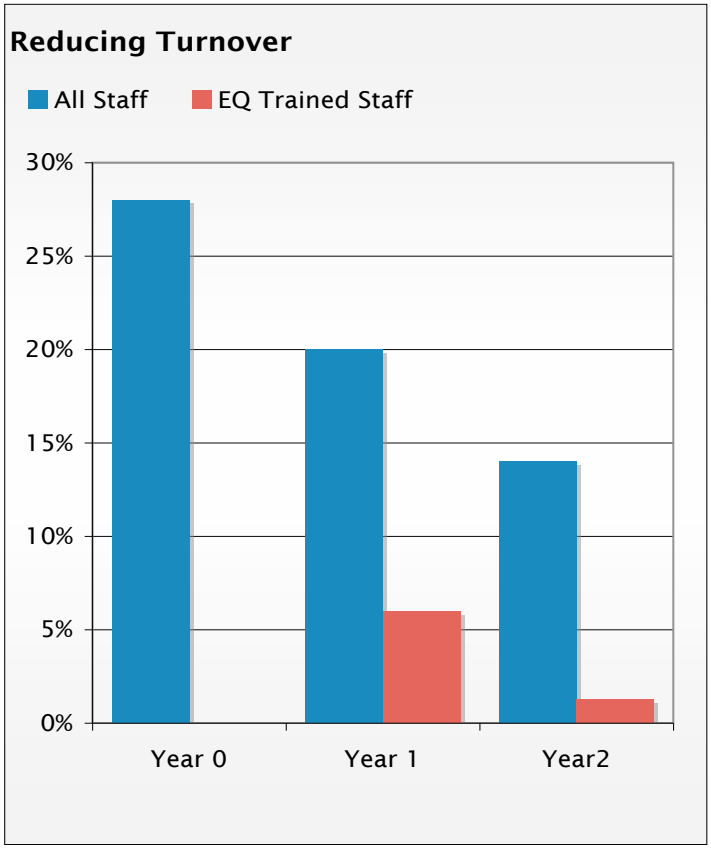
Several studies have documented a link between relationships in the workplace climate and people's desire to stay on the job. In the study at L'Oreal, cited previously, the "EQ Sales Agents" had 63% less turnover during the first year.

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. [52]

At a national furniture retailer, sales people hired based on emotional competence had half the dropout rate during their first year.[53]

Given the emerging data, many organizations are seeking to gain this performance advantage and are using emotional intelligence testing as part of the recruitment and hiring process.

EQ Training's Dramatic Effects on Turnover



After EQ training, turnover was reduced by almost 50% among all staff and by 80% among trainees.

The US Air Force spends millions of dollars on recruitment every year -- but their professional recruiters were only picking up an average of one recruit per month. A $10,000 investment in EQ testing let them profile the top performers, and in one year they saved $2.7 million.[54]

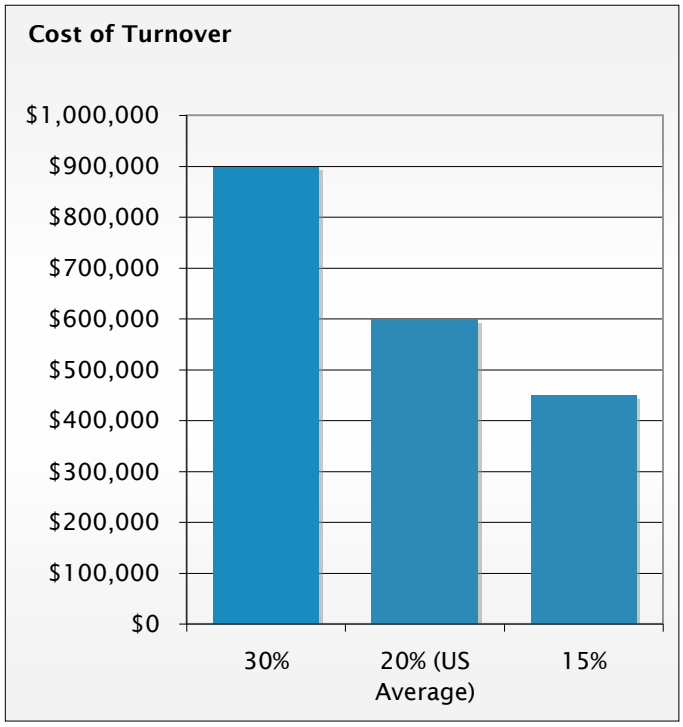
Ultimately, the General Accounting Office requested that the Secretary of Defense order all branches of the armed forces to adopt this procedure in recruitment and selection.[55]

Healthcare provides a prime example of the link between EQ, employee retention and the bottom line. Reports indicate 126,000 nurses are needed now to fill the United State's vacancies; today, fully 75% of all hospital vacancies are for nurses.[56] Future projections are dramatic: as fewer people enter the profession and experienced nurses near retirement, a 20% shortage in nurses is projected by 2020 -- which equates to a desperate need for 400,000 nurses.[57] The US national average for turnover of nurses is 20%.

If it costs $30,000 to recruit, orient and train a nurse (estimates are up to $100,000 depending on the specialty), then a hospital staffed with only 200 nurses can expect to spend at least $1.2 million per year on new recruits. Plus, while a position is vacant, it must be filled with overtime and/or agency staff. Short staffing can also reduce the hospital's ability to admit patients which further reduces revenue – and even more importantly, can contribute to increased medical errors.

Meanwhile, in one hospital with turnover of 28%, an emotional

Annual Cost of Turnover Per 100 Nurses on Staff



A turnover rate of 20% (the US national average) will cost at least $600,000 per 100 nurses on staff.

competence and stress reduction program cut turnover by almost 50% – and within the core team turnover dropped to under 2%, saving $800,000 in less than a year.[58]

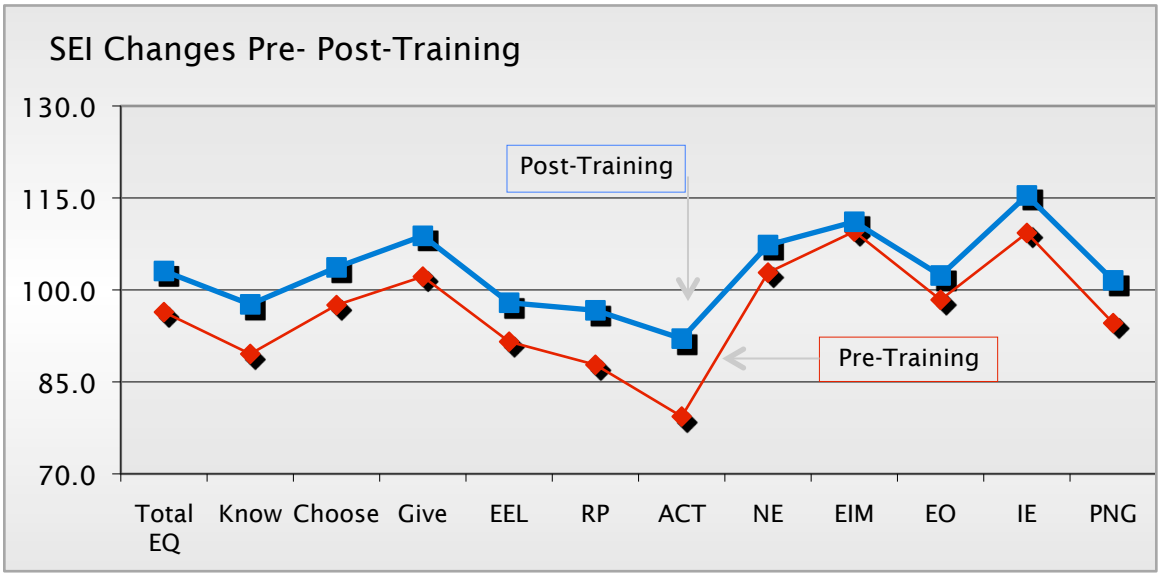
Feeling Like Working

As we discussed earlier, there are significant relationships between the climate or mood and performance. Those with higher emotional intelligence are more likely to manage their feelings – which in turn, is likely to increase job satisfaction, which is tied to both retention and performance. In a study of 523 educators in Greece, researchers showed strong links between EQ skills, affect (mood), and job satisfaction. Some 25% of the variance in mood was predicted by EQ skills, and 25% of the variation in job satisfaction was predicted by affect.[59]

Related Research

Given that EQ is so highly correlated with a range of performance outcomes, a potential to increase this competence represents tremendous opportunity.

A study conducted with one of Italy's leading information technology, engineering and management companies, Svimservice, demonstrated that even a short training program for professionals working in a highly competitive and technical environment offers significant benefits in the development of emotional intelligence competence. After a two-day training, EQ scores increased significantly.[60]



Total EQ = total emotional intelligence; Know = Know Yourself (Self Awareness); Choose = Choose Yourself (Self Management); Give = Give Yourself (Self Direction). EEL = Enhance Emotional Literacy; RP = Recognize Patterns; ACT = Apply Consequential Thinking; NE = Navigate Emotions; EIM = Engage Intrinsic Motivation; EO = Exercise Optimism; IE = Increase Empathy; PNG = Pursue Noble Goals.

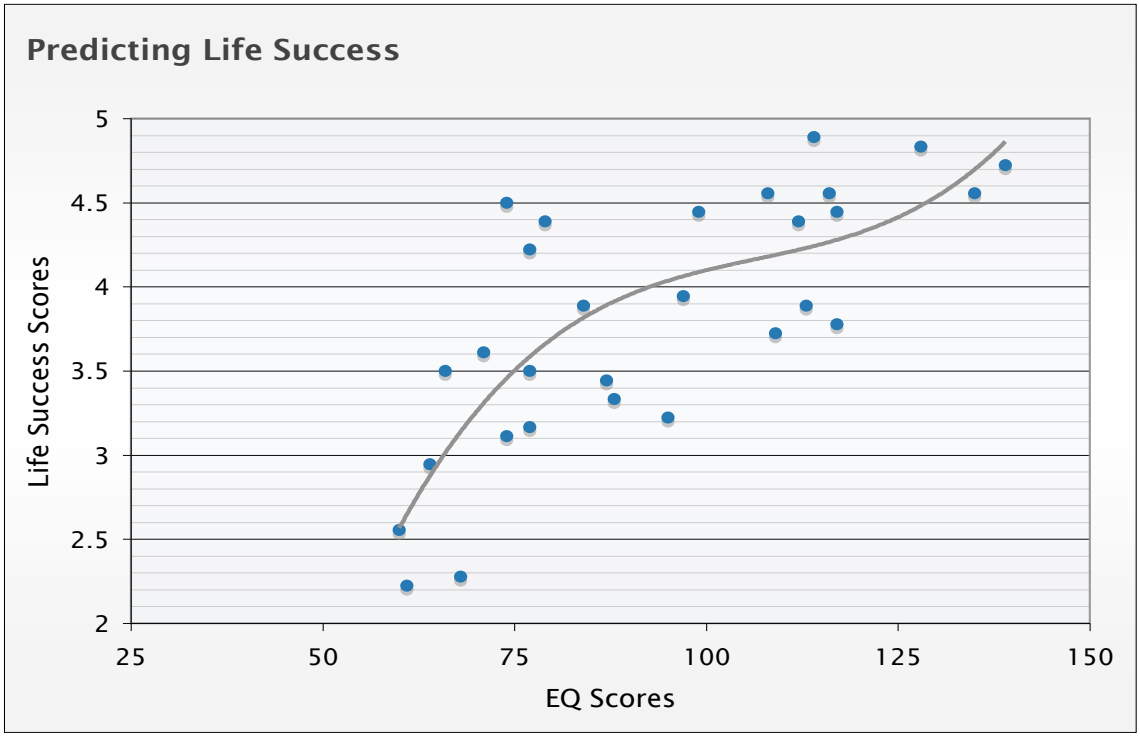
In addition to the measurable changes, anecdotally participants reported important performance changes.

> Antonella Favia (Programmer): "*It was a strengthening experience that let me to enrich all my personal resources, to develop and improve my self and my communications with the others.*"

Giuseppe Coppola (Analyst Designer for Web Applications): "*The emotional intelligence training helped me to understand the dynamics of human interaction in my new work place. This helped me to become more productive and better able to apply my competencies toward the team's and organization's goals.*"

Life Success for NFL Players

A study of 30 retired National Football League players shows that the benefits of emotional intelligence go far beyond financial performance. Many professional athletes struggle to be successful off the field. The study found that athletes with greater emotional intelligence are far more likely have good health and relationships, avoid drug/alcohol use and violence, do well at work and enjoy a high quality of life.[61] In fact, over 60% in the variation of these "life success" factors is predicted by emotional intelligence.[62]



The curved line on this graph indicates the relationship between EQ scores and Life Success scores; the steeper the line, the stronger the correlation showing that EQ is most essential for those struggling and those at the top of their game.

Companies Deploying EQ

Small, medium, and large enterprises worldwide are experimenting with EQ in a variety of applications. A few larger examples:

Avon Products (personal care products, $6.9 bil.): **management training, performance reviews**

Bank of Montreal (financial services, CDN$2.13 bil.): **leadership development**

BMW (manufacturing, €56 bil.): **leadership development**

Boeing (aerospace and defense, $50 bil.): **executive leadership development**

CIBA Specialty Chemical (chemical manufacturing, 6.5 bil. Swiss fracs): **Change leadership**

Kodak (consumer products, $10.3 bil): **leadership development**

Eli Lilly (pharmaceutical, $2.95 bil.): **sales hiring**

FedEx (shipping, $1.13 bil): **leadership development in Express**

Hilton (lodging, $2.9 bil.): **customer service leadership**

Honeywell (technology and manufacturing, $23.1 bil.): **leadership training for high potential middle managers**

Johnson & Johnson (pharmaceuticals, $41.9 bil.): **leadership training, performance evaluation, and succession planning**

L'Oreal (personal care products, $15.0 bil.): **recruitment**

Lockheed Martin (aerospace and defense, $41.86 bil.): **Human capital strategy & leadership development**

McNeil (subsidiary of J&J, pharmaceuticals, $6.0 bil.): **leadership training**

Microsoft (technology, $51.1 bil): **customer service leadership**

Motorola (telecommunications/ electronics, $27.1 bil.): **stress management, training**

Nichols Aluminum (subsidiary of Quanex, metal fabrication, $1.1 bil.): **senior management training on change management and external relations**

PSEG (diversified energy company, $11.1 bil.): **leadership training and team development**

Roche Pharmaceutical (subsidiary of Roche Group, pharmaceuticals, $21.4 bil.): **team development and customer service training.**

Shell (petroleum, $31.9 bil.): **leadership development**

Singapore Airlines (aviation, $15.9 bil.): **customer service**

Toyota Motor Corporation (manufacturing, $262 bil): **leadership**

US Navy & Marine Corps: **change leadership**

Whitbread PLC (hospitality and leisure, $2.8 bil.): **management training and hiring**

Woodside Australian Energy: (Australian energy services, $.9 bil): **executive coaching**

HSBC Bank (financial services, $87.6 bil): **leadership development**

Conclusion

Bolstered by the compelling data that "soft skills" produce "hard results," some leaders are taking the challenge to create more robust, vigorous organizations -- not through bricks and mortar, but by investing in people.

In an era of unprecedented business challenge, these skills matter like never before. In the words of Doug Lennick, VP of American Express Financial Advisors (now Ameriprise), emotional intelligence is the breakthrough ingredient for leaders committed to sustainable success:

> "Emotional competence is the single most important personal quality that each of us must develop and access to experience a breakthrough."[63]

Perhaps the best news: Many of the companies experiencing powerful results from EQ have done so with a modest investment of time and money. The American Express Financial Advisors project started with 12 hours of training. The Sheraton turn-around included under 24 hours of EQ training. The Air Force project cost around $10,000 in assessments. In other words, improving organizational EQ is within reach – and the return far exceeds the investment.

Leaders are learning that emotional intelligence isn't just a new label for sales techniques or a repackaging of feel-good aphorism -- they're coming to recognize emotional intelligence as a core skill-set, grounded in science, that underlies performance, and they're committing to bring these assets on board. As Andrea Jung, Chair and CEO of Avon Products, says "Emotional intelligence is in our DNA here at Avon because relationships are critical at every stage of our business."[64] With over $8 billion in sales and $1.2 billion in profits,[65] Jung is talking about an impressive strand of "DNA." The bottom line: EQ is a Blue Chip investment.

Further Reading

Books:

At the Heart of Leadership, Joshua Freedman

The Emotionally Intelligent Manager, David Caruso and Peter Salovey

Executive EQ, Robert Cooper and Ayman Sawaf

Working With Emotional Intelligence, Daniel Goleman

Primal Leadership, Daniel Goleman, Richard Boyatzis, and Annie McKee

INSIDE CHANGE, Joshua Freedman and Massimiliano Ghini

Web Sites:

www.6seconds.org - Six Seconds, The Emotional Intelligence Network, provides information and innovative tools to help change agents make a positive difference. Numerous articles and White Papers cited in this report are freely available here.

www.sixseconds.com - Six Seconds Consulting partners with leaders to create a climate where teams excel and talent thrives.

www.Eiconsortium.org - research on application of EQ in organizations.

www.unh.edu/emotional_intelligence/ - John Mayer's collected scholarly research on EI.

A slide presentation and training module for this e-book are available

for sale from the EQ Store www.EQstore.com

About the Author

Joshua Freedman is an expert in teaching emotional intelligence to improve the organizational effectiveness. COO for Six Seconds (www.sixseconds.com), Joshua is one of a handful of experts in the world with extensive proven experience helping organizations leverage emotional intelligence. He is the author of *At the Heart of Leadership*, and coauthor *INSIDE CHANGE, Transforming Your Organization with Emotional Intelligence* as well as five validated assessments including the *SEI Leadership Report* and the *Organizational Vital Signs Climate Assessment*, as well as numerous training tools and programs including *The Inside Path to Change* (for the US Navy and Marine Corps). Freedman is also editor of the *Developing Human Performance* library of modules to introduce EQ to organizations (www.6seconds.org/dhp).

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The photographs in this report are ©istockphoto.com. The first edition of this e-book was published May 4, 2004.

End Notes

Note: This report combines research from a number of different emotional intelligence models and tools. For academic research it may be useful to distinguish findings from different assessments and theoretical models.

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