

Emotional Capitalists

The New Psychology of Emotional Intelligence and Leadership Success

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For ten years the research has told us that, in addition to our cognitive intelligence, to be successful in our personal and professional lives we need emotional intelligence (EQ). In particular, extensive global research has established clear links between specific emotional skills and outstanding leadership success. Of course, we know that having great leaders at every level of the business is the key to attracting and most importantly, retaining talent, as well as creating an unbeatable customer experience. And now, findings from the largest Gallup report ever completed have rocked the behavioural science world on its axis by providing surprising data on what really drives leadership performance.

Engagement, Emotional Capital & profitability

In an unprecedented study of engagement and well-being among more than 47,000 employees in 120 countries around the world, the Gallup organisation found a powerful relationship between emotional well-being, employee engagement and profitability.*

Analysis of this vast data base shows that an organization's employee engagement scores are

strongly related to one of the most commonly scrutinized measures of corporate financial health: earnings per share (EPS). Median EPS for companies were compared with those of their industry competitors. The differences are stark. Engagement is so fundamental that even those who reported at least a basic level of engagement outperformed their competitors by 19% on average. However, results among those in the higher engagement groups were far more impressive; median earnings among those in the "top decile/exceptional growth" group were more than four times those of their industry competitors. And on every metric that relates to performance outcomes such as increased productivity, profitability and safety, and decreased turnover and absenteeism - engaged employees came out way ahead.

(see chart at the bottom)

It appears that Howard Schultz, founder of Starbucks, was right. The three rules to business success are engagement, engagement, and engagement. If this is true, then it's also true that most businesses globally are in trouble!

Gallup found that only 11% of workers worldwide are engaged in their jobs. In other words, only about one in nine employees are emotionally connected to their workplaces and feel they have the resources and support needed to succeed. According to Gallup, the majority (62%) are emotionally detached and likely to

be doing little more than needed to keep their jobs. And 27% are actively disengaged, with a negative view of their workplaces and liable to spread that negativity to others.

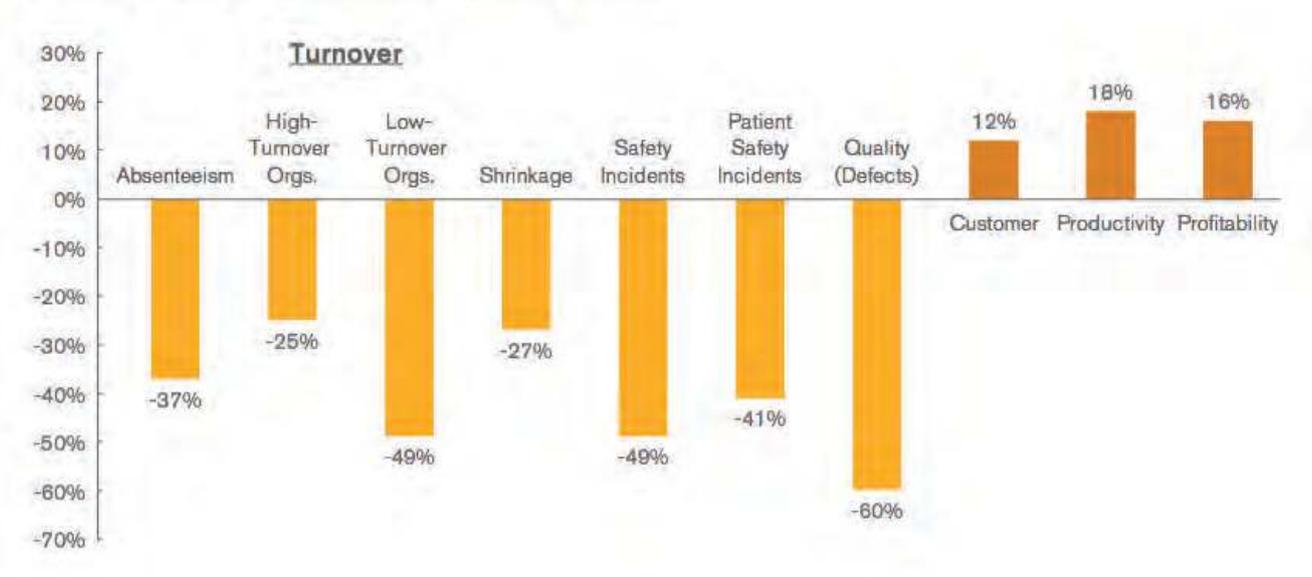
Emotional Capital – Working with a New Balance Sheet

These studies nail the coffin shut on the old belief that it's only technical skills and intellectual capacity that lead to success in business. They have shown conclusively that happy workers - people with positive emotional resources, or emotional capital, have higher levels of engagement, productivity, produce higher sales, perform better in leadership positions, receive higher performance ratings and higher pay. They also enjoy more job security and are less likely to take sick days, to quit, or to become burned out.

In other words, today we're working with a new balance sheet. Knowledge, or intellectual capital has been and is the highly valued stock in most businesses. It's what businesses know and use to create products or solve problems and ultimately create wealth. Yet knowledge is only the first of two important assets in business. The second is emotional capital because it's the emotional assets in your organization that determine whether or not people will work well for you, buy from you, employ you and enter into business with you.

Employee Engagement Meta-Analysis: Outcomes

Difference between top and bottom engagement quartiles



Emotional Capitalists – The New Leaders

In RocheMartin's own research conducted over the last ten years examining emotional intelligence in more than 7,000 professionals from 11 regions of the world, we found 10 key emotional intelligence skills that drive leadership performance. And when we tested this model even further using the *Emotional Capital Report™* (ECR) – the first psychometrically reliable tool specifically designed to measure emotional intelligence and leadership ability – we found a set of scores that set these exceptional men and women apart from the rest.

In a similar vein to the Gallup report, our findings challenge the conventional wisdom that it's technical excellence that defines effective leaders. The data describes a new picture of leadership that better accounts for performance. In addition to technical proficiency, great leaders have the skills to manage their emotions well and influence the emotions of other people toward positive outcomes. In other words, leaders must become masters of mood and lead organizations that inspire, energize and enthuse their employees and customers. In the cut and thrust of the competitive business environment, leaders who know how to engage colleagues and customers create loyal cultures and redefine exceptional customer experience

Ten Dynamic Emotions that Drive Leadership & Customer Experience

In each of our elite leadership groups, individuals scored higher than the average on every scale of emotional intelligence measured by the ECR. The highest scores were found on: **Self-Reliance** – the emotional power to accept responsibility, back personal judgments and be self-reliant in planning and making important decisions; **Self-Confidence** – the ability to maintain self-respect and personal confidence; and **Relationship Skills** – the knack for building relationships characterized by positive expectations.

In terms of leading a business, these three competencies enable a leader to model self-assured behavior; communicate a clear view

of the organization's vision and direction; inspire the confidence of others, and gain their support and commitment to building successful relationships – not only with employees and customers, but with everyone the business touches.



A second cluster of high scores that distinguished these leaders included: **Optimism** – not just 'the glass is half full' kind, but optimism as a business strategy – as a way of dealing with difficulties and sensing opportunities. Emotionally intelligent leaders sense opportunities even in the face of adversity. They are resilient, can see the big picture and where they are going, and are able to focus on the possibilities of what can be achieved.

Secondly, they scored well on **Self-Knowing** – emotionally intelligent leaders are aware of their emotional experience and have the capacity to recognize how their feelings and emotions impact on their personal opinions, attitudes and judgments. In other words, they remain open to learning new information about themselves and are not afraid to modify their behavior. Thirdly, this cluster included **Self-Actualization** – high scores on this skill suggest that these leaders know how to manage and renew their reserves of emotional energy and have achieved an effective level of work/life balance. They appear to thrive in setting challenging personal and professional goals and their enthusiasm is likely contagious.



The final group of skills that differentiated these leaders from the rest included:

Straightforwardness – the ability to express feelings, thoughts and beliefs openly in a straightforward way, while respecting the fact that others may hold a different opinion or expectation. They are comfortable challenging the views of others and give clear messages. The second skill in this cluster included **Adaptability** – the ability to adapt thinking, feelings and actions in response to changing situations and be tolerant of others, and receptive to new ideas. In other words, they are champions of change. Not surprisingly, they also scored above average on **Empathy** - the skill that enables a person to grasp the emotional dimension of a business situation and create resonant connections with others. Finally, they scored well on **Self-Control** – emotionally intelligent leaders have the ability to manage their emotions well and restrain their actions until they have time to think rationally. They are able to stay calm in stressful situations and maintain productivity without losing control. This skill is critical to building and maintaining a consistent leadership presence and for becoming a ‘trusted advisor’ to people.

Emotional Capital – The Most Important Addition to the Balance Sheet

These leadership skills add real commercial value to the balance sheet, and this value can be measured in any successful business as emotional capital. Leaders high in emotional capital create value and influence through their capacity to identify with the emotional experience and

aspirations of their people, and build shared identities with them. Accordingly, they are able to establish trust, understand people’s need to belong to a group and therefore establish effective teams. They create and communicate compelling visions, develop blueprints for action, and lead through their ability to inspire people to act together in concert. In short, emotional capitalists represent leaders with the advanced capacity of being able to guide people to action from within by engaging the prime movers of behavior – emotions.

If emotional capital is the creative energy that your people bring to work and the enthusiasm that customers have for your company and products, then emotional capitalists are leaders who manage their own emotional energy well and know how to inspire others to create products, solve problems and deliver superior customer service. Building these skills in leaders is the key to attracting, developing and retaining talent in any business and the major source of competitive advantage.

Martyn Newman, PhD., DPsych., is a consulting psychologist and leading authority on emotional intelligence and leadership. He is author of the international bestseller, Emotional Capitalists – The New Leaders (John Wiley) and the Emotional Capital Report – the world’s first scientifically designed tool for measuring emotional intelligence and leadership.

To take the ECR visit www.rochemartin.com for more information.

*Gallup, (2010). The state of the global workplace: A worldwide study of employee engagement and wellbeing. Gallup Inc, Washington, USA.