

Emotional Capital

What are you currently doing that makes everyone who comes into contact with you and your business feel like they are important? Business relationships thrive when each relationship is treated as a partnership.

The Emotional Capital Report tools are among the most exciting developments in Psychometrics within the last decade. The development is from 10 years of research and laser like focus on leadership skills, the Emotional Capital Report offers liberating insights in understanding leadership skills.

The tools predict top level performance; the research has identified seven EQ competencies that represent the signature strengths of successful leaders.

Everyone is looking for insights to understand human behaviour. Leadership is central to unleashing the best performance. Jim Collins book – “Good to Great”¹, cites three elements:

1. Leadership is critical
2. The right people
3. Values – a set of values which people are corporate about, the values that define corporate success

Martyn Newman in his book “Emotional Capitalists”² the New Leaders refers to today’s top executives as, "emotional capitalists." These leaders have adopted a powerful approach to contemporary leadership. It is founded on the simple ideas that: Effective leadership in the workplace is the by-product of emotions such as self-confidence, optimism, independence and enthusiasm. These emotions are valuable because they create strong relationships between organisations and their customers and employees, which, in turn, create a real competitive advantage in business. The emotions that are aligned to self-confidence, optimism, independence and enthusiasm and their associated behaviours can be developed and used intelligently to solve problems, create products, deliver superior service and dramatically boost personal and professional performance. Newman cites that Emotional Capital in business is made up of two core elements: external emotional capital and internal emotional capital.

“External emotional capital is the value of the feelings and perceptions held by the customer and the external stakeholder towards a leader’s business. Internal emotional capital is the value of the emotional commitments held in the hearts of the people within a leader’s business. It can be described as the feelings, beliefs and values held by everyone working in the business.”³ As leaders, we know that external customer relationships are important. In the same way our interactions with internal customers – our staff - are just as important. A leader, will inspire or demoralise others, first by how effectively the leader manages her or his own emotional energy and

¹ Good to Great: Why Some Companies Make the Leap... and Others Don't by **Jim Collins**

² Emotional Capitalist – The New Leaders: Building Emotional Intelligence and Leadership Success by **Martyn Newman, Jossey-Bass**

³ ibid

second, by how well the leader mobilises, focuses and renews the collective energy of the people that are being led.

The primary role of a leader is to create emotional wealth for competitive advantage. When the tools of emotional intelligence are in the hands of the people they open the doors to the remarkable, creative entrepreneurial energy that exists in all genuine leaders. This contrasts with more traditional relationship models that are transactional, paternal or adversarial.

Transactional relationships

In traditional transactional relationships employees are treated as commodities that have a set price and are owed nothing but that price. People are valued only because of the tasks they must perform. The relationship has a feeling of "What have you done for me today?"

Paternal relationships

This approach is similar to the relationship between caring parents and their children. Paternalistic leaders and organisations provide security and additional benefits, but the goal is to control. People are not encouraged to exercise independent judgement and most people take decision to the boss for approval. These are far worse, and are characterised by mistrust, tension and conflict. In many cases the conflict isn't always externalised, but exists instead, in a passive-aggressive form. In these circumstances, people don't always have the courage to voice their discontent - but their behaviour of resistance, begrudging compliance and a lack of initiative will act as a subtle saboteur to an organisation's best efforts. The underlying assumption in a paternal relationship model is that each person in the relationship is only looking out for him or herself, and withholding value from the other person in order to achieve his or her own ends – resulting in a "win-lose" situation.

Being emotionally intelligent adds to one's general intelligence. Emotional intelligence is reflected in relationships and is underpinned by hard science in the fields of neurology, medicine and psychology. Medical and scientific breakthroughs in neurology, neuro-science and psychology have all added to our understanding of emotions and the role of emotions in being a star performer and staying healthy.

Partnerships

The best model is partnership. It emphasises a collaborative approach and a willingness to distribute power so that everyone can contribute and create a "win-win situation". If partnership is the fundamental commitment required, then inter-personal relationships are the strategic practice. As a strategy, inter-personal relationships involve establishing three conditions:

- (1) Relationships work best when people are recognised and treated as equals with mutuality and given autonomy in decision-making. It's the same for all of us - none of us likes to be thought of as inferior or subordinate. Seeing people as similar to oneself, and therefore ones equal, sets up a collaborative relationship. Although partners in the relationship may be at different levels in the organisation, one must conduct each and every interaction as if both partners are equals. The fact is both partners need each other to achieve mutual wins anyway.
- (2) People don't collaborate with one just because a person is liked. People work well for their boss and with a person, when a person is able to provide "wins" or benefits for both parties. In other

words, it's a condition founded on recognising what other people need and want, and then aiming to create mutual wins for all partners in the relationship.

(3) Effective relationships possess an element of autonomy. People in relationships are stakeholders and people work best when they own the relationship by having the freedom to contribute to it. This means that inter-personal relationships based on partnerships involve the conscious decision to distribute power among all individuals with a stake in the business strategy – if a leader treats people as equals regardless of leadership status in the organisation, the leader wouldn't think of treating people differently based on their race or sex. Similarly, if a person judges others based on their role, place in the organisation or technical speciality, that person will find it harder to connect with people. Those differences are based on ancient ideas of political hierarchy that emphasised differences rather than similarities. Effective interpersonal connections happen when a person focuses on commonalities rather than differences. An ancient Greek, Dionysius, introduced the concept of hierarchy. The word literally means "to rule through the sacred". According to management theorists Jonas Ridderstrale and Kjell Nordstrom, in their book *Funky Business*⁴, hierarchy builds on three key assumptions:

- A stable environment
- Predictable processes
- Output.

In other words if a person knows where s/he is at, what s/he does and what will happen - the same competitors, customers, suppliers, technologies and product offerings year in and year out. The chances are that this traditional model does not characterise the person's reality. The traditional hierarchy has been turned on its head. Nowadays, people with relevant information are challenging traditional types of authority. When dealing with generation X and Y, remember that power now belongs to the people. In the traditional model, intimidation and threats were the established means for motivating performance. While command and control still remain influential, when power is in the hands of managers and leaders, the people appeals to authority are less convincing - especially for people who may no longer be so obedient. In fact, the Gallup Organisation found that no single factor predicts the productivity of an employee more clearly than the leader's authority or adversarial relationships

Can EQ be improved?

Anyone who is genuinely motivated can develop his or her emotional intelligence and boost emotional capital. The data make it clear that the older one gets the more emotional intelligent one becomes, at least until one's late forties or early fifties. This finding is dramatic considering that cognitive intelligence (IQ) has been found to peak in the late teens, level out until the late fifties, and even mildly decline later on in life. So, the real question is not so much about whether EQ can be

⁴ *Funky Business Forever: How to Enjoy Capitalism (Financial Times Series)* by [Kjell Nordstrom](#) & [Jonas Ridderstrale](#)

improved – we know it can – but rather, how can we take the necessary steps to accelerate the development of our EQ and leverage these skills to increase leadership success?

Although some aspects of emotional intelligence are innate, anyone who is genuinely motivated can develop his or her emotional intelligence and boost emotional capital. Using a combination of the highly individualised EQ leadership competencies and coaching report in the form of “The Emotional Capital Report”; EQ can be broken down into simple building blocks in face to face coaching and leadership seminars. In this approach the development of EQ behaviours is guaranteed to provide a return on investment with an increase of 20 -30% effectiveness with sustainable increase in EQ competencies over the course of a programme of coaching.

Building Human Capital

We build human capital by investing in people to create value. Being able to bring out the best in people is largely based on the expectations we have of them.

Leaders high in empathy understand the task their people must perform and sense the feelings, needs and perspectives of others.

Emotional Capitalists score high on self-reliance, assertiveness and optimism. In other words, high performing leaders are self-directed, they take responsibility for themselves, possess an independence of mind in managing their thoughts and values. High performing leaders are able to express their thoughts and feelings in a non-aggressive way; are open to sensing opportunities; possess the ability to maintain a positive approach and remain persistent even in the face of major challenges.

In terms of a person’s business, the three competencies: self-reliance, assertiveness and optimism enable a person to: model self-assured behaviour, communicate a clear view of the organisation’s vision and direction, inspire the confidence of others and deal with setbacks in a positive, constructive way.

Research that looked at the predictors of success in the workplace across hundreds of occupations found the one factor of emotional intelligence that consistently showed up; almost regardless of job type was self-actualisation. According to psychologist Steven Stein, there are two components to self-actualisation as a skill. The first involves a person having a passion for what she or he does; the second component involves being well-rounded. In the process of self-actualising a leader builds emotional capital by producing his or her best work, this in turn enables others to believe that they can produce their best, too.

Another factor that differentiates high performing leaders from the rest is their score on self - confidence. Effective leaders have high degree of self-confidence. Self-confidence is built on the twin emotions of self-liking and self-competence and it determines the quality of a person’s relationship.

A dynamic factor that sets leaders apart is relationship skills. High performing leaders are better at building relationships. This can have big pay-offs both in developing external business contacts as well as working with employees. 80% of a person’s success will come from good relationships.

“Once you establish a level of common ground you overcome resistance and people become emotionally open to you and your ideas. It is the basis of becoming a powerful leadership influence.”

- Martyn Newman⁵

Although no overall difference in EQ has been found between genders, female leaders typically score higher than males in relationship skills. Relationships represent a unique strategic asset and are the primary source of emotional capital in a business. Managing them well is crucial for building real competitive advantage in business. One other area that frequently differentiates men from women is the emotional competency – empathy. Although women generally tend to score higher than men, high performing leaders of both genders all score higher than the average. The ability to empathise with others is one of the most important competencies differentiating the star performers from the average.

Make Talent Dance within your organisation

It is values and vibes that bring out the best in people performance within the workplace. Leaders need to become masters of moods because understanding feelings appears to be at the heart of business success.

Workplaces now demand that leaders change by taking on advanced people -management skills and build their emotional capital. This sort of change does not happen overnight, but it does happen – and 25 years of research confirms that it happens more quickly when seven critical components are present in the learning and development process.

Everyone's emotional intelligence needs are different and different jobs require different levels of emotional intelligence⁶ Jobs even require different aspects of emotional intelligence – for instance, if one works in a job which requires a high level of contact with other people, one may need more of an ability to manage emotions and deal with human dynamics and stresses. On the other hand, if one is a named key worker one needs a higher ability to understand one's emotions, given that our brains are wired to let emotions rule us.

Emotional intelligence affects our ability to make decision, we make most of our decisions through our emotions, irrespective of whether we are conscious of this or not. Emotions are our primary motivating force; they are physical sensations that drive us to act.

Candice Pert⁷ has studied the physical composition of emotions and has found that they are the result of a number of chemical processes and that our thinking and our health are connected and what connect them are our emotions.

There is a difference of activity on the memory bank (the Amygdala) of our brain depending on whether negative or positive emotion is experienced. The Amygdala is shown to be significantly enlarged in London Taxi Drivers who have the knowledge, similarly in concert pianists and artists who have learnt large scores.

⁵ Emotional Capitalist – The New Leaders: Building Emotional Intelligence and Leadership Success by **Martyn Newman, Jossey-Bass**

⁶ Martin, J. Yates 1997. Career Smarts: Jobs with a future. Ballantine

⁷ Candice Pert 1997. The Molecules of Emotions: Why you feel the way you feel. Simon & Schuster. London

Whole body representation of emotions involve a number of different organs and systems in the body, including the heart, brain, autonomic nervous system, hormonal system and sensory organs, all of which influence thoughts and behaviours.

The heart has its own brain and its own nervous system. Research in neuro-cardiology has started to focus attention on the heart as the power house of energy and intelligence⁸. The emerging science in neuro-cardiology has shown that 'heart brain' has highly sophisticated computational abilities and affects both heart and brain function. Chemicals in the heart affect brain processes and virtually every other organ in the body.

- It is the heart that is the key that brings harmony to the mind and body.
- It is the heart that can influence our thinking, physiology and behaviour.
- Signals received by the brain from the heart are the most powerful signal in the body. The electromagnetic field produced by the heart is five thousand times greater in strength than the field generated by the brain and can be detected and measured several feet away from the body, in all directions.⁹

In business one of the greatest benefits of emotional intelligence is that which helps leaders create work environments where people at every level are collaborating and aspiring to do their best work. Improving emotional intelligence in the workplace is not just a luxury or a nice thing to do – it's an important business strategy and a smart, cost-effective way to improve productivity, morale, and stay healthy as an organisation. Building Emotional Intelligence skills creates new levels of peak performance for individuals, teams and the entire organisation.

According to Whole Foods CEO John Mackey,¹⁰ "For leadership positions, emotional intelligence is more important than cognitive intelligence.

Emotional intelligence has been called a soft skill, but research shows that it delivers bottom-line business results. "Research has confirmed that emotionally intelligent leaders are indeed more successful than their less emotionally intelligent peers."

"The best, most successful leaders master their own states of being *before* they try to lead others. These leaders know with great clarity and conviction who they are, what they believe, and how they wish to behave. By mastering their own state of being first, they're able to make better decisions in their business and personal lives, calmly navigate the growing complexities of today's global business environment, and successfully engage and inspire people at every level of their organisation."¹¹

Self-awareness, then, lies at the core of emotional intelligence and no truly effective leader operates without either. This concept was highlighted by the *Harvard Business Review* in an article entitled,

⁸ Childre, D. & Martin, H. 1999. *The Heart Math Solution*. Piatkus. London

⁹ Cited in Bharwaney, G, 2007, *Emotionally Intelligent Living: Strategies for increasing your EQ*

¹⁰ 15 Things Every Business Owner Needs to Know," *Inc.* magazine, June 28, 2010.

¹¹ Marc Michaelson, Glowan Consulting Group

“Breakthrough Ideas for Tomorrow’s Business Agenda.” The article stated, “Executives who fail to develop self-awareness risk falling into an emotionally deadening routine that threatens their true selves. Indeed a reluctance to explore your inner landscape not only weakens your own motivation but can also corrode your ability to inspire others.”¹²

A person’s emotional capital is crucial to his or her success. The relationship between success and emotional intelligence has indicated that in reviewing star performance the research identifying star performance has consistently shown that people who outperform their peers score significantly higher on emotional self-awareness, self-actualisation, empathy, inter-personal relationships, flexibility, problem-solving and stress management.¹³

Beacon Organisational Development is equipped to deliver coaching and development seminars that are modelled on the RocheMartin system, the same system that Fosters and many other companies have successfully adopted to systematically build emotional capital in their organisations.

After reading these pages do decide now to partner with Beacon Organisational Development to make talent dance within your organisation. Your task is to capture the energy and imagination of the people around your business and create success and wealth in the fullest sense of the word.

What will you get in partnering with Beacon Organisational Development?

Systematic investment in the seven signature strengths of Emotional Intelligence and their applications to leadership

A meticulous Emotional Capital Inventory (Emotional Capital Report) The Emotional Capital Report is a survey that measures your level of personal emotional capital quickly and accurately. It represents an innovation in the measurement of emotional intelligence and leadership behaviours. The Emotional Capital Report™ and the Emotional Capital Report 360™ is an exciting advance in our ability to measure the building blocks that are scientifically linked to the behaviours of successful leaders.

The Emotional Capital Report contains a full interpretation of a person’s scores and provides specific coaching strategies for the person to employ immediately in developing and applying the vital leadership skills that achieve outstanding results.

The Emotional Capital Report is also available in a multi-rater edition – The Emotional Capital Report 360™ which uses an online multi-rater method and, through the combination of responses from colleagues, an individual’s scores are compared to rater scores to yield a gap analysis and an understanding of differences in self/other perception. A coaching section which examines those particular factors where ‘self’ scores and ‘rater’ scores are significantly different provides coaching strategies for improving leadership performance.

The Emotional Capital leadership development: building emotional capital

This development builds on the knowledge that emotional intelligence is made up of flexible skills that can be learned. However, learning them quickly and effectively can be a tough challenge.

¹² Joshua Freedman & Todd Everett “The Business Case for Emotional Intelligence,” MBA, October 15, 2008.

¹³ D. Rosete and J. Ciarrochi, “Emotional Intelligence and Its Relationship to Workplace

Twenty five years of research has identified seven critical conditions that accelerate and sustain change in emotional intelligent behaviours. The Emotional Capital Leadership Development is a powerful, proven, process that leverages chosen strategies to maximise the development of emotional intelligence in leaders.

Steps	Summary Description
<p>New Leaders' Seminar</p> <p>1</p>	<p>Introduction to the Science of Emotional Intelligence and the compelling business case for its relationship to leadership success. Exploration of the research that has identified the seven dynamic emotions that drive leadership success and presentation of practical strategies for immediate application to achieve results.</p>
<p>EQ assessment and feedback</p> <p>2</p>	<p>Benchmark of Emotional Intelligence using Emotional Capital Inventory – the international 'gold standard' for measuring EQ and leadership. Results are discussed using transformational assessment methodology.</p>
<p>Report and Goal setting</p> <p>3</p>	<p>Results are captured in the Emotional Capital Report – This report enables a client to take action to improve EQ and leadership competencies. The report captures the emotional capital scores and integrates them into a leadership competency framework that identifies strengths, development opportunities and strategies for change.</p>
<p>Outline EQ Modules</p> <p>4</p>	<p>Provision of a workbook of activities for further development that provide a step-by-step guide for acquiring the skills and competencies to equip leaders to use their emotions intelligently in the workplace.</p>
<p>Executive Coaching</p> <p>5</p>	<p>A specialist EQ coach provides face-to-face support to integrate learning from the workbook and address particular relationship challenges and core performance issues. EQ coaching provides sustained focused motivation to achieve targeted outcomes and to provide an objective appraisal of performance.</p>
<p>Emotional Capitalist Seminars</p> <p>6</p>	<p>A series of interactive, stand-alone 'Emotionalist Capitalists' seminars identifying the core competencies, model the key behaviour and support the rapid assimilation of core competencies. Each seminar is designed to make the application of EQ skills to particular business challenges and ensure sustainable learning.</p>
<p>Evaluate Change</p> <p>7</p>	<p>A review of the programme outcomes, including a 'before versus after' comparison of EQ competencies (group and individual), consolidate the gains in EQ and provide a framework for measuring Return on Investment (ROI) delivered as seminar or 'stand-alone' report.</p>

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