

EMOTIONAL INTELLIGENCE AND ITS ROLE IN THE DEVELOPMENT OF ORGANIZATIONAL PERFORMANCE

Cătălin PÎRVU^{a*}, *Oana SABIE*^b, *Roxana BRIȘCARIU*^c

^a Bucharest University of Economic Studies, Romania, catalin.pirvu@man.ase.ro

^b Bucharest University of Economic Studies, Romania, oana.sabie@amp.ase.ro

^c Bucharest University of Economic Studies, Romania, roxana.brisariu@man.ase.ro

ABSTRACT

Does the presence or absence of emotional intelligence affect organizational performance and if so how? Emotional Intelligence, though now more commonplace in management lingo is a relatively new term. Yet studies have shown time and time again it is an important factor in catalyzing a proper work environment in organizations. Taking into account the Emotional Intelligence component and its effects as part of overall Organizational Performance, considering how it dovetails and affects other classic components of management which influence the end result requires a different view of what exactly Organizational Performance is.

So in this article, the authors wish to expand the definition of organizational performance to also account for how employees feel in the workplace, and also to put forth several hypotheses on how the emotional intelligence of workers and managers may impact the work environment.

The article also discusses why investing in the emotional intelligence of workers and managers is very important if the organizations are interested not only in making money for their shareholders, but also honoring their workforce.

If we are aiming for healthier and more sustainable and more humane workplaces, then not only making profits, but making managers and employees feel that the workplace is a place to be valued and a way to offer one's unique gifts and talents is important. And having emotionally intelligent workforce is a key component in ensuring just that.

KEYWORDS: *Emotional Intelligence, Organizational Performance, ability model, trait model, mixed model, creativity, empathetic accuracy, employee satisfaction*

1. INTRODUCTION

What is Emotional Intelligence, how can we measure it and does it play any role in fostering organizational performance? These questions have been asked not only by the authors of this article, but also by others in the field of both Emotional Intelligence and Organizational Performance.

Research such as the ones by Wong & Law (2002), Sy et al. (2006) or Akhtar et al. (2017) contribute to confirming the hypothesis that indeed Emotional Intelligence does play a role in achieving Organizational Performance.

2. ORGANIZATIONAL VS INDIVIDUAL PERFORMANCE

We should differentiate here between two apparently similar but in fact quite different terms: Individual Performance and Organizational Performance. We should not look at Organizational

* Corresponding author. E-mail address: catalin.pirvu@man.ase.ro

Performance merely as Individual Performance inside the organization, as opposed to individual performance outside the organization (performance in non-work-related areas).

Organizational Performance is a thing unto itself, and while it does benefit from highly performant individuals, it is not merely the average of the performance of every individual inside the organization. There is the individual, the smallest division of the organization, and then there is the organization itself which is Supra-Individual.

Even though the organization has a CEO and managers for each key department taking care of strategically running the company, really The Organization itself is a collective being that exists on a different plane than any of its individual employees. When we are talking about Organizational Performance, we are talking about the performance of that supra-individual entity in which the individuals working inside the organization exist much as fish exist inside of an Ocean.

Unlike the Ocean though, an organization cannot exist without the coming together and the cooperation of the multiple individuals that make it up, whereas an Ocean can exist independently of the fish that inhabit it.

Each individual joins the organization for their own personal reason, yet after joining the fate of the organization becomes linked with their own. Should the organization prosper, the individuals that make it up will also prosper. But should the organization not meet its goals and falter, the same will be the fate of its employees regardless of hierarchical position.

Being of Supra-Individual nature, Organizational Performance also needs to be of the same nature: supra-individual. What that means is that if we are to look at Organizational Performance, we are not looking at any particular set of indicators of any one employee, but at overall indicators.

Roughly speaking, to measure an Organization's Performance is to measure what the combined collective efforts of all the people working in the organization amount to: what is the overall net result of all the efforts of all the people working together in the organization or how well the organization is doing in achieving its goals

In this article, we aim to discuss what role, if any does Emotional Intelligence play in fostering and stimulating organizational performance.

3. FACETS OF ORGANIZATIONAL PERFORMANCE

This article is not a philosophical one, but a short tangent is needed in order to better illustrate the different facets of Organizational Performance, which in our model is the result or dependent variable. We can conceive of man as either a creature which is run by selfish needs and basic instincts or as a creature with higher impulses and possible higher, more noble aspirations which can include but are not limited to contribution, creating meaning beyond oneself, altruism, selflessness, etc.

The authors make no ideological claim that man is either one way or the other, that we are endowed either with only our base, selfish and practical rationality or we are essentially noble and chivalrous creatures with higher aspirations which go beyond oneself. But wherever we stand on this philosophical issue, we can discuss about two facets of Organizational Performance:

- The Profit Side, which is typically regarded as the main reason why organizations exist in the first place and is the supposed main interest of the shareholders for being in business
- The People Side, which in a scenario where both employees and employers are rational creatures is at least somewhat on the employer's mind because they realize that part of the unwritten agreement between them and their employees is "You have to show at least a modicum of genuine interest in our well-being if you want us to be engaged and loyal to your desires as employer"

If we are to ask a simple question like "When measuring Organizational Performance, what type of variable are we measuring: a quantitative one or a qualitative one?" the answer isn't really all that simple.

If we conceive of Organizational Performance only as numbers, hard efficiency and profit at the end of the day, then the answer is pretty straightforward: we're measuring a quantitative variable. You

can look at indicators such as Net Profit, Profit Gain or Loss compared to the same quarter of the previous year, average time to complete tasks, resources expended for task completion, percentage of tasks completed in due time and at the expected quality and you would have indicators of Organizational Performance.

And of course, that's part of the story. A part of Organizational Performance is and will always be quantitative and that part will be measurable with quantitative variables and quantitative instruments. But according to this double-sided definition of Organizational Performance, we cannot turn a blind eye and pretend that Organizational Performance is only about the numbers. It is about the numbers and about cold hard rationality, but if we open up to it Organizational Performance is also about the people working within the organization, how they feel, how satisfied they are with their work environment, with their tasks and responsibilities, with their teams and leaders.

A performant organization is not just one which scores great profit and task completion indicators on the annual report, but also one in which people love to work, not only because they receive a paycheck which pays the bills for them and their family, but because the organizational environment is consciously designed so that it caters not just to the employee's material needs, but also to the more subjective, human ones.

Two measures that links to a performant organization are employee turnover and employee engagement for example. Of course, people come to work in order to make a paycheck with which to take care of their own needs and desires and those of their family. Unless one is somehow making passive income, one cannot be said to be financially free and if you are not financially free, you are dependent on the paycheck you make just to make ends meet.

If one is dependent, then they go to work not because they want to and it brings them joy, satisfaction and a sense of personal meaning, but because they have to, because without the paycheck their job supplies that person and possibly their family couldn't even take care of basic expenses for too many months.

So is a "performant organization" to be measured solely on the amount of profit it makes and the amount of shareholder revenue generated? The authors consider that although profit and shareholder ROI (return on investment) are certainly key indicators in assessing the performance of an organization, measures such as employee satisfaction, organizational harmony or employee engagement are equally valid and equally important measures of organizational performance.

Afshar et al. (2012) cite as the 3 main domains of organizational performance as being:

- Operational performance, which includes
 - Market share
 - New product introduction
 - Product / service quality
 - Marketing effectiveness
 - Customer Satisfaction

- Financial or accounting performance, which includes
 - Profitability
 - Growth
 - Leverage, Liquidity, Cash Flow
 - Efficiency

- Market based performance
 - Return to shareholders
 - Market Value Added
 - Annual Return

While these domains are certainly important and the mainstream indicators of organizational performance, we argue nevertheless the list is not complete and does not offer the full spectrum of what organizational performance encompasses.

The indicators used by Afshar et al. (2012) and others using variations of the same model to measure organizational performance focus on non-employee related measures of organizational performance. But really "The Organization" that has the market share, that provides the product at a specified quality which in turn leads to customer satisfaction etc. etc. is the people working inside it, both those in the top management, calling the shots and making the strategic decisions which steer the company forward, and those in execution positions which put in the actual effort behind the product or service being offered.

We argue that this human element should also be included in the Organizational Performance model, leading to a fourth category which we might call Human Performance or Employee Performance. On the one hand, this measure would contain measures such as "Employee Excellence" which would measure how well employees meet or even exceed the expectations associated with their positions. This measure looks at what the employees do for the organization, the amount of expected value from the employee vs the amount of actual value created by that employee.

But we cannot stop there, because if we stopped there, we would still be under the paradigm of "What benefits does the Organization (and its employees) provide to shareholders and customers?" In order to complete the model of Organizational Performance, in the author's opinion, we must also ask the question "What value and benefits does the organization provide for its employees?", and by this we don't mean the classical Compensations and Benefits package which are certainly a nice perk to have, but which ultimately don't paint the whole picture.

Rather than trying to judge organizational performance by numbers, cash flow, profitability and shareholder return, we propose we also look at more human-oriented and more subjective in nature metrics, such as employee satisfaction, engagement, the feeling of belonging to the organization as a whole, to your department and even to your team, the feeling of shared values, of believing in the values of your organization and doing your best to uphold them.

Such indicators are not the quantitative indicators we're used to when measuring organizational performance, yet we hold that without them, the picture of "performance" we paint is only half of the story, limiting itself to outward observable outcomes, and ignoring the other, essential part of the organization without which nothing external would be possible: the actual people doing the actual work, building the product being offered in the marketplace or offering the service the organization provides on a day to day basis to its customers.

Because for many people who are not financially free working in an organization is "just a job" and the main reason for doing it is "What other choice do I have, I need to make money to pay the bills, what's my other option?", those people treat their job as "just a job", not as a place they go to share their gift with the world, to contribute their unique genius and give not of their work but of themselves. It is here, we believe that the impact and the benefits of high emotional intelligence is most impactful. Will it also impact the bottom line by making sure employees do their jobs at least adequately if not excellently?

A study conducted by Kalaiarasi et al. (2015) on 55 managerial level persons from the manufacturing industry in India suggests that indeed "Emotional Intelligence has positive influence on job performance. Emotional Intelligence helps employees to focus on their targets unwaveringly, whereas unmanaged emotions will create spontaneous excitement in the employees which may mar their concentration and commitment."

But this is not where the benefits of Emotional Intelligence stop. Emotionally intelligent workers and leaders don't just focus better on their tasks and thus get better results. Although Kalaiarasi's (2015) study doesn't confirm a significant correlation between Relationship Management and the other three components of emotional intelligence according to Daniel Goleman's (1995) Emotional Intelligence model, that does not mean that relationship management is not a key component and skill of the Emotional Intelligence repertoire.

4. EMOTIONAL INTELLIGENCE – THEORIES, MEASUREMENT, SKILLS AND IMPLICATIONS

Following Faltas Iberkis's (2016) article "Emotional Intelligence, a historical overview", we can trace the roots of the general idea of Emotional Intelligence as far back as 1877 to American philosopher Henry Noble Day who spoke about the interrelationship between intelligence and sentiments. Later, Joel Robert Davitz and Michael Bedloch, professors in the department of Psychology at the College Columbia University published their 1964 book "The communication of emotional meaning" which based on the current understanding of what emotional intelligence is approaches the same theme.

In 1983, in his book *Frames of Mind: the theory of multiple intelligences* Howard Gardner discusses interpersonal and intrapersonal intelligences as parts of his framework, which we now know as parts of Emotional Intelligence.

But it is in 1990 that Peter Salovey and John Mayer publish their article using the term "Emotional Intelligence" in the *Imagination, Cognition and Personality* journal.

In 1995, Daniel Goleman publishes his book "Emotional Intelligence, why it can matter more than IQ" which does a great deal to popularize the term Emotional Intelligence not only in the academic community, but also to the masses.

At present, we have 3 main models of measuring Emotional Intelligence:

Daniel Goleman's model, which is now known as the "mixed model" focuses on 4 distinct characteristics of emotional intelligence:

- Self-Awareness
- Self-Management
- Social Awareness
- Relationship Management

The other two well known models are the Trait EI and the Ability EI models.

The trait EI model was developed by Konstantinos V Petrides in 2001, while the ability EI model was developed by Peter Salovey and John Mayer in 2004

The trait model is self-report and measures behavioral dispositions and self-perceived abilities, and the ability model focuses on how individuals process information and navigate the social environment.

But whichever model you adopt and however you measure it, all these different theories measure the same thing: emotional intelligence.

It is our opinion that even though in practice the instruments used to actually measure emotional intelligence will be more heavily influenced by either the ability, trait or respectively mixed model, all of the models describe essential components of emotional intelligence and if we are to have as complete a picture of what emotional intelligence is, what attitudes and behaviors emotionally intelligent people have, we should take into account all dimensions that the current theories and models of emotional intelligence propose.

For an upcoming study the authors will conduct, there are some key hypotheses we want to investigate. They are separated in hypotheses about those in managerial and those in executive positions (employees).

The hypotheses we want to investigate about employees are:

- Higher employee EQ leads to higher job satisfaction
- Higher employee EQ leads to less emotional burnout
- Employees with higher EQ create a positive work environment
- Emotionally intelligent employees are less likely to start conflicts and more likely to solve them

The hypotheses we want to investigate about managers are:

- Higher EI in managers contributes to employees being more likely to adopt changes proposed by them
- Higher EI managers improve job satisfaction for employees
- High EI managers promote not just professional specialization, but also personal growth
- When managed by a high EI manager, employees are more likely to feel like an important and integral part of the organization

As it can be seen from the hypotheses, what we want to study is the less obvious, environmental effect of emotional intelligence. Whether we think of emotional intelligence as an ability or a trait, we realize that it is important for the proper working of a workplace.

People are not automatons who will do the tasks assigned to them irrespective of their emotions, desires and will. Being bounded by the need to receive a paycheck workers will make considerable compromises, because they are dependent on the money received for their work. But even the dependent has a breaking point.

If that breaking point is not reached, business owners have the luxury of disregarding the negative emotions and unrest their workers' experience. After all, employees are required by the contract they signed and by the money they receive each month to perform their job at a minimum viable quality (MVQ) level.

The emotions and values of employees become an issue that can significantly affect the bottom line mainly when they become so negative that they either lead to employee turnover or when because of negative emotions and poor self-management, the emotional negativity seeps into their attitude towards coworkers, infecting them with either resentment or other negative emotions, leading to a stark decrease in productivity.

In such cases, crucial deadlines can be missed, product or service quality can drop because instead of focusing on the work, employees have to handle their own negative emotions or the negative attitude of others. This can lead to organizations either having to face financial penalties, losing important clients which rely either on strict deadlines or top product or service quality, or maybe even worse, losing organizational reputation which can be hard to repair.

In theory at least, a sufficient amount of emotional intelligence both in employees and management is an effective prevention for this kind of eventuality, so it is worth in the recruitment process to scan for potential employees and managers that are not just a good fit from a technical and productivity standpoint, but also have a high enough degree of emotional intelligence.

This requirement that employees and managers be emotionally intelligent is in today's competitive economy not merely a nice thing to have, it is crucial. Without sufficient emotional intelligence both in their employees and in the managers that lead them, business owners have no insurance against emotional unrest and employee turnover. Corporate culture and adherence to it matters. Employees feeling valued, appreciated and essential matters.

They will work for the paycheck and be motivated by the fear of being unemployed and having no alternate income source from which to make ends meet, but that kind of motivation can only go so far. Also, in his 2017 article "The Link between emotional intelligence and creativity", Glenn Geher discusses the positive relationship between a facet of emotional intelligence, namely empathic accuracy and 10 dimensions of creativity. His study with a sample size of 200 adults validates the hypotheses that empathic accuracy indeed leads to higher creativity.

Another interesting finding of this study is that persons who scored high on the conscientiousness scale of a variant of the Big 5 personality test also scored low on the dimensions of imaginativeness, insightfulness and funniness.

Emotional Intelligence contributes both to creativity and also to other aspects important in organizations such as workplace harmony, synergy, the maximization and development of human potential, not to mention an overall sense of belonging and wellbeing.

5. CONCLUSION

In today's competitive economy, especially in organizations that rely on adaptability, creativity and innovation but also in all other organizations, emotional intelligence has become more important than ever.

If back in the day in the early days of the industrial revolution where tasks were more repetitive and less complex, and where organizations had complex problems to solve, and where motivations were complex, but not nearly as complex as they are today, emotional intelligence could be somewhat overlooked in the favor of high technical skill and individual productivity, if companies are truly serious about being competitive and getting the best out of their employees, simple financial remuneration and the fear of being unemployed and unable to pay your bills just doesn't do it anymore.

While that still offers companies a bottom line loyalty and efficiency from employees irrespective of how well you treat them and how valued and important they feel to the company and their managers, with the advent of generations X, Y and Z, emotional intelligence has become essential in navigating the ever more complex and more demanding emotional motivations of the workforce.

If workers of the baby boomer generation were generally highly conscientious, dutiful and loyal by default, taking pride in these qualities and requiring them of themselves and others, those motivations simply do not work anymore for the other generations of workers. The shifting motivations and ever-growing demand that it is not only the employee who has to adapt to the demands of the workplace, but it is the workplace's duty to conform to the needs and wants of the employee, has raised the need for emotional intelligence.

From the classic definitions of Organizational Performance, which only include dimensions such as operational performance, financial and accounting performance and market-based performance (Afshar et. al, 2012), we propose adding the dimension of human performance, which relates not only to how well employees perform their jobs (employee excellence), but also how much they feel they belong in the company vs it being just a job to get a paycheck, how fulfilled they feel by the job they are doing, how valued they feel not just as a workhorse, but as a human being with unique talents, etc.

We have seen that emotional intelligence can influence the bottom line when it is absent in an organization, but also that when present it fosters creativity.

While emotional intelligence may not be the end-all-be-all of organizational performance, it is certainly a key contributing factor. While its presence may only have subtle effects that seem not to affect the bottom line, its absence can have some pretty costly repercussions.

Funding

This work was supported by a grant of Bucharest University of Economic Studies for institutional projects, project number PI – 2019 – IEIPA – 1838/30.07.2019, project title “Assesing the Impact of Emotional Intelligence on the Performance of Employees in the Public and Private Sectors/ Evaluarea Impactului Inteligentei Emotionale asupra Performantei Angajatilor din Sectoarele Public si Privat” (IEIPA)

REFERENCES

- Afshar, J., A., Razaei, M., Nawaser., K. & Ranjbar, V. (2012). Analyzing the effects of electronic commerce on organizational performance: Evidence from small and medium enterprises, *African journal of business management*. 6: 6486-6496. DOI: 10.5897/AJBM11.1768.
- Akhtar, W., Ghufuran, H., Husnain, M. & Shahid, A. (2017). The Effect of Emotional Intelligence on Employee's Job Performance: the Moderating Role of Perceived Organizational Support, *Journal of Accounting and Marketing*, 6: 243.

- Davitz, J.R. & Beldoch, M. (1964). *The communication of emotional meaning*. New York: McGraw-Hill.
- Faltas, I. (2016). *Emotional Intelligence: A Historical Overview*, https://www.researchgate.net/publication/304967560_Emotional_Intelligence_A_Historical_Overview. 9. (accessed February 15, 2020).
- Gardner, H. (1983). *Frames of Mind: the theory of multiple intelligences*, New York: Basic Book.
- Geher, G., Betancourt, K. & Jewell, O. (2017). The Link between Emotional Intelligence and Creativity. *Imagination, Cognition and Personality*, 37(1): 5–22. <https://doi.org/10.1177/0276236617710029>.
- Goleman, D. (1995). *Emotional Intelligence: Why it can matter more than IQ*. New York: Bantam Books.
- Kalaiarasi, V., Amaravathi, M. & Soniya, M. (2015). Emotional Intelligence and Organizational Performance. *Journal of Exclusive Management Science*. 3: 12-2277.
- Petrides, K. & Furnham, A. (2001). Trait emotional intelligence: Psychometric Investigation with Reference to Established Trait Taxonomies, *European Journal of Personality*, 15: 425 – 448.
- Salovey, P. & Mayer, J. (1990). Emotional Intelligence, *Imagination, Cognition, and Personality*, 9(3): 180- 211.
- Salovey, P., Mayer, J. & Caruso, D. (2004). Emotional Intelligence: Theory, Findings and Implications, *Psychological Inquiry*, 15: 197-215. DOI: 10.1207/s15327965pli1503_02.
- Sy, T., Tram, S. & O'Hara, L.A. (2006). Relationship of employee and manager emotional intelligence to job satisfaction and performance, *Journal of Vocational Behavior*, 68: 461-473. DOI: 10.1016/j.jvb.2005.10.003
- Wong, C.S. & Law, K. (2002). The effects of leader and follower emotional intelligence on performance and attitude: An exploratory study, *The Leadership Quarterly*, 13: 243-274. DOI: 10.1016/S1048-9843(02)00099-1.