



# Leadership and Emotional Intelligence:

The Keys to Driving ROI and Organizational Performance

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# Leadership and Emotional Intelligence:

## The Keys to Driving ROI and Organizational Performance

### Executive Summary

Emotional Intelligence, popularly referred to as EI or Emotional Quotient (EQ), has become a prolific topic within corporate leadership development. This original research by the Human Capital Institute (HCI) and Multi-Health Systems (MHS) uses insights from organizational leaders surveyed in the spring of 2013 to address the usefulness and application of Emotional Intelligence as a factor in developing leaders, shaping organizational culture, and ultimately impacting an organization's financial performance.

The corporate world has long recognized that the greatest and most effective leaders offer more than traditional intelligence. Indeed, countless "smart" leaders have fallen from grace in recent years, during a time when maintaining composure and keeping emotional reactions in check has never been more publicized. When it comes to building strong leaders, organizations are now turning to the concept of Emotional Intelligence to help give leaders a new type of intelligence edge above and beyond technical aptitudes.

We argue that Emotional Intelligence is more than an amorphous concept related to "playing well with others." It is made up of a specific set of observable and measurable emotional and social skills that impact the way people perceive and express themselves, develop and maintain social relationships, cope with challenges, and use emotional information in an effective and meaningful way. In fact, the process/mechanism by which EI impacts an organization and its bottom line is through its role in creating a high-performance culture. As Roger Pearman, Founder and CEO

of Leadership Performance Systems, said, “What builds great and sustainable organizations are leaders with a high degree of business acumen—specific skills, planning and control—and Emotional Intelligence—methods to keep people motivated and engaged. Leaders who have a sensitivity to relationships and do a good job of building relationships have something beyond business skills that help organizations succeed. They have highly developed, emotionally-intelligent behaviors.”

### Emotional Intelligence Competencies



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In this report, we examine the state of Leadership Development in general, concluding that improvements are sorely desired by senior leaders. The leadership competencies identified as most important by managers and individual contributors within the organization are examined, and the current applications of Emotional Intelligence are explored. Finally, we hypothesize—and, indeed, find—that **organizational development practices that utilize Emotional Intelligence result in measurable achievement, success in leadership development, and—ultimately—enhanced financial performance.** Specifically, these strides in leadership development produce a high-performance culture that, along with other best practices from diverse disciplines in an organization, positively impact financial performance. We conclude with specific ways in which HR leaders can most effectively integrate Emotional Intelligence as part of a robust leadership development program. Most notably, these include increased emphasis on measuring Emotional Intelligence through assessments, and efficiently using that information to inform leadership training and skills-development.

## Key Research Insights

- **Leadership development efforts need immediate improvement.** More than half of survey respondents think the current Leadership Development efforts at their organizations are less than effective.
- **Individual contributors and managers disagree about what leadership behaviors are most important in today's environment.** While managers feel coaching skills are not very important, nearly twice as many individual contributors surveyed disagree. Adaptability, problem solving and stress tolerance are also behaviors with the largest gaps in perceived importance between individual contributors and managers.
- **However, communication, interpersonal skills and self-awareness are all behaviors that both individual contributors and managers want to see more of in the future.** Individual contributors want to see their leaders practice these behaviors more frequently, and managers report that they will be even more important in the next 2-5 years.
- **Spending more on leadership development results in higher revenue.** Organizations that spend more than 31% of their annual Training & Development budgets on Leadership Development are 12% more likely to report increased revenue.
- **More than 75% of respondents use at least one type of leadership development method in their organization.** Nearly half of organizations report that EI is a topic of Training & Development courses, as well as an objective for leadership coaching.
- **Emotional Intelligence assessments are an inexpensive, simple and very effective way to impact leadership development.** Sixty percent of those who use Emotional Intelligence assessments say they are effective or very effective. Equally efficient methods of development include executive coaching, job rotations, and global assignments.

- **Time and support are critical to implementing leadership development initiatives and yet, are lacking in organizations.** Executives fail to support leadership development initiatives, and limited time also keeps it from becoming an organizational priority.
- **Emotional Intelligence remains an untapped resource for nearly 1 in 3 organizations.** Twenty-nine percent of survey respondents report that Emotional Intelligence is not a focus for their organizations.
- **Organizations that value and widely use Emotional Intelligence are 3.2x more effective at leadership development.** There is a 31% gap in leadership development effectiveness between organizations where EI is valued, versus those in which it is not.
- **Organizations that integrate Emotional Intelligence in at least two different ways are 25% more likely to have extremely effective leadership development.** In contrast, only 15% of organizations that do not widely implement Emotional Intelligence report effective leadership development.
- **Incorporating Emotional Intelligence as part of leadership coaching supports higher performance.** When organizations incorporate Emotional Intelligence in leadership coaching, they are 36% more likely to report effective EI performance.
- **Using assessments to track or measure Emotional Intelligence helps support positive revenue growth rates.** While many factors impact revenue growth, organizations that measure EI are 16% more likely to report positive revenue growth.

## About this Research

This research study is a collaborative effort between the Human Capital Institute (HCI) and Multi-Health Systems (MHS). An online survey was conducted from April - May 2013 with 784 respondents representing more than 500 organizations worldwide. These research findings form the basis of this report and are summarized below. In addition, information and quotes from in-depth qualitative interviews with subject-matter experts and relevant secondary sources, including white papers, articles, books and case studies help inform our findings. Among the practitioners and thought leaders interviewed especially for this report:

- **Bob Anderson**, CEO, *1Hero Sports*
- **Drew Bird**, Principal, *Clearpoint EQ*
- **Roger Pearman**, Founder and CEO, *Leadership Performance Systems*
- **Dr. Margareta Sjölund**, Chief Psychologist and Founder, *Kandidata Asia*
- **Dr. Steven Stein**, Chief Executive Officer, *MHS*

## Definition of Key Terms

### Leadership Development

*The implementation of activities that enhance the quality of leadership for an individual or within an organization, such as workshops, executive coaching, job rotations or assessments.*

### Emotional Intelligence

*Also referred to as EI or EQ, refers to a set of emotional and social skills that influence the way individual contributors perceive and express themselves, develop and maintain social relationships, cope with challenges, and use emotional information in an effective and meaningful way.*

### Financial Performance

*Indicators of an organization's business results, such as revenue, expenses and profit. In the survey research reported here, financial performance is measured as an organization's revenue growth rate in the past fiscal year.*

### High-Performance Culture

*An organizational culture in which individual contributors and managers act in systematic ways that encourage positive financial performance. Well-developed Emotional Intelligence is a critical part of a high-performance culture.*

## The Breadth and Depth of Emotional Intelligence

As early as the 1920s, psychologists proposed the existence of an emotional facet of intelligence. American psychologist Edward Thorndike called it "social intelligence," or the ability to get along with others. In 1983, Howard Gardner at Harvard University published a groundbreaking work that paved the way for modern research into multiple types of intelligences. Around this time, and into the early 1990s, researchers such as Reuven Bar-On, Jack Mayer, Peter Salovey, and David Caruso were busy developing and testing scientific measures of Emotional Intelligence.

After the release of Daniel Goleman's book *Emotional Intelligence: Why It Can Matter More Than IQ* in 1995, the principles of emotional and social intelligence became more mainstream and are now widely recognized as being an important factor in a person's success.<sup>1</sup> Alongside this now-popular construct is the demand for a valid and reliable way to measure EI: helping to engrain measurable development in the individual while also creating tangible ties to organizational outcomes. EI is no longer simply "a good thing to know about." As we explore in this study, EI measures have embedded themselves into many organizational practices, including leadership development.

Dr. Margareta Sjölund from Kandidata Asia explains one of the prominent reasons for this shift and new approach. "Leaders today have to do more with less.

*"Executives and managers who have better relationships with people are exposed to more information and more thorough information. As a result, they can make better informed decisions. When you reframe EQ and you move beyond the hype of the phrase, you have to ask the naysayers, do you really think that relationships are unimportant? People want to be around, work for, and walk through hell for people who give them regard, respect, recognition, and appreciation."*

—ROGER PEARMAN,  
FOUNDER AND CEO,  
LEADERSHIP PERFORMANCE  
SYSTEMS

They need to streamline information and processes in the face of increased communication and outsourced talent,” she said. “As a leader, you have to make people want to work with you. Understanding people, recognizing their wants and needs and capitalizing on that information effectively requires Emotional Intelligence, no matter where in the world you are. The necessity of human connection is universal.”

Further scientific and anecdotal evidence about the significance and rationale of using Emotional Intelligence in

“The necessity of human connection is universal.”

organizations is abundant. One recent *Inc. Magazine* article states “If leadership is mainly engaged in human relations, then leadership, at its core, is largely about emotions,” noting that Chip Conley of Joie de Vivre Hotels goes so far as to refer to the CEO as the “Chief Emotions Officer.”<sup>2</sup> Another author advises in *Forbes* that leaders must become more emotionally intelligent “to be more effective and efficient at maximizing outcomes and desired results,”<sup>3</sup> and an *Organizational Dynamics* article states that “...To be an effective leader, manager or professional, a person needs to understand and skillfully manage his emotions appropriately based on each person or situation and understand the emotional cues of others in order to effectively interact with others.”<sup>4</sup>

Developing the next generation of corporate leaders is a key concern for HR executives today given the tenuous upturn in the economy and increasing departures of organizational leaders. In fact, after retaining and rewarding top employees, a 2012 Society for Human Resources Management survey found the second-greatest concern facing HR executives is the development of next-generation leaders.<sup>5</sup> With the generational exit of the baby boomers, steep learning curves for incoming executives, and tight Training & Development budgets, getting leadership development “right” is essential. “More than any other time in history, we have more generations and cultures having to work together. A manager could easily have three or four ethnicities and generations on their team, and understanding the needs of each of those groups requires [a high degree of] Emotional Intelligence,” Roger Pearman from Leadership Performance Systems said. “You simply cannot be successful in today’s environment without having the skills and understanding to communicate effectively cross-generationally and cross-culturally. Working with and through people is critical.”

Of the many topic areas leadership development can address, how can HR executives be sure that Emotional Intelligence isn’t just another “flavor of the month,” and that it will have a real, measurable business impact? This research addresses that very question, along with the corollary challenge of implementation—how can organizations incorporate Emotional Intelligence frameworks in their development programs and methods to build a high-performance culture?



“Leadership development is a very strong organizational investment. We want to have depth in our leaders, and that is becoming increasingly more important. Many organizations start out entrepreneurial with one great leader, but with time and growth, having depth of skills and expertise becomes critical. Organizations need to be surrounded with great leaders.”

—DR. STEVEN STEIN, CHIEF EXECUTIVE OFFICER, MHS

## The State of Leadership Development

As a first step in our survey research, we focused on the current business investments in leadership development and if those monies have an impact on organizational performance. **Although only a minority of respondent organizations prioritize investment in leadership**

**development over other training options, those companies that do are experiencing tangible ROI through positive financial results.**

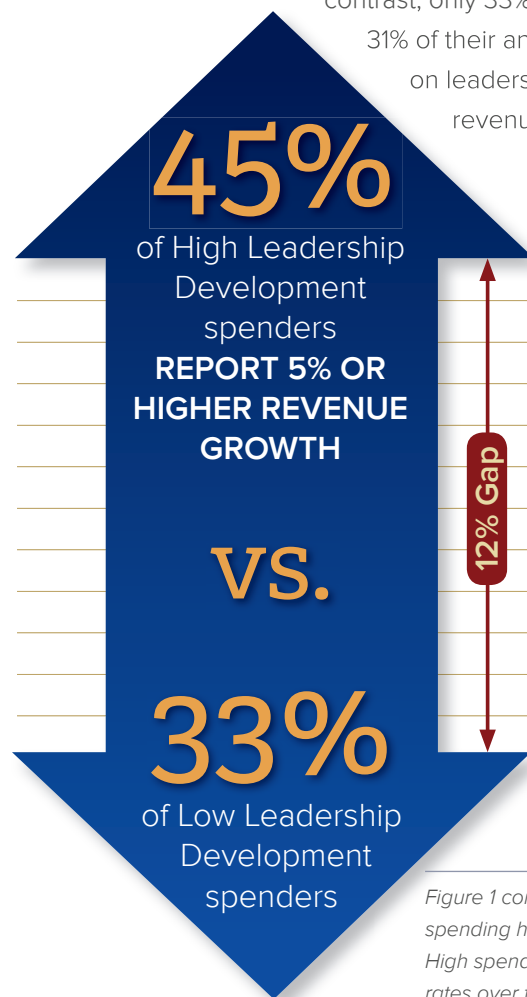
Organizations that spend a significant portion—31% or more—of their Training & Development budgets on leadership development are 12% more likely to report increased revenue than those that spend less. This suggests a

positive relationship between investment in Leadership Development and financial performance. Of those organizations that are high leadership development spenders, 45% report 5% or higher revenue growth rates over the prior year. By

contrast, only 33% of organizations that spend less than 31% of their annual Training & Development budgets on leadership development report positive revenue growth (see Fig. 1).

Nearly three quarters of respondent organizations (64%) spend only 10% or less of their Training & Development budget on leadership development.

**Fig. 1:** Leadership Development Spending & ROI



In addition to the ROI that is a result of investment in leadership development, it is notable that the majority of respondent organizations invest less than 31% of their Training & Development budgets in it. In fact, our data reveal that nearly three quarters of respondent organizations (64%) spend 10% or less of their Training & Development budget on leadership development, and are not experiencing the revenue growth associated with greater investment.

Figure 1 compares the impact leadership development spending has on an organization’s revenue growth rate. High spenders are more likely to report positive growth rates over the prior year.

These data indicate a clear opportunity for organizations to consider increasing the budget for leadership development. “Fiscal constraints and budgetary pressures affect both public and private-sector organizations,” Marie Westbrook wrote in 2012. “Intelligent and innovative approaches will result in a sustainable structure for leadership development and efficient use of limited resources in the near term while building a foundation for an attainable “future state” for leadership development [...] well-executed and relevant leadership development programs focus attention on the relationship across climate, culture, performance, and mission.”<sup>6</sup>

In addition to examining the financial impact of leadership development, it is important to identify and consider the satisfaction levels respondents have about the current leadership development in their organizations. The financial impact of leadership development is not always visible to every employee, so it’s important to gauge levels of satisfaction, as they often translate to internal support. If a training program targets the most coveted leadership skills and is successful, that message is often disseminated throughout an organization faster by word of mouth than through any formal efforts.

Our data show that half of survey respondents only rate their organizations’ leadership development efforts as “somewhat effective,” indicating obvious room for improvement (see Fig. 2). More striking is that 1 in 4 report their organizations’ leadership development as ineffective and in critical need of repair. When we look exclusively at responses from managers, the results are equally dire with only 7% of managerial respondents who rate their organizations’ leadership development as “very effective.” The unequivocal message from most HR practitioners—individual contributors and managers alike—is that **leadership development efforts today are in need of immediate improvement.**

**Fig. 2: Leadership Development Effectiveness**

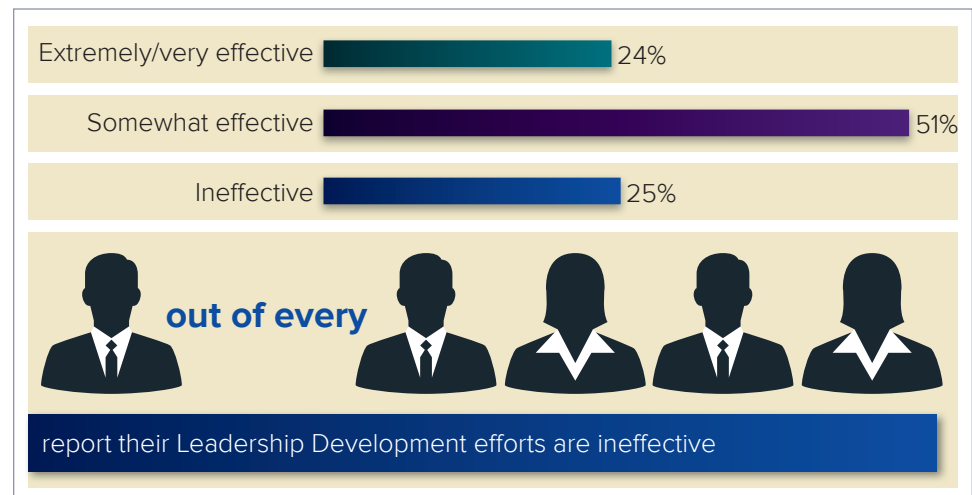


Figure 2 illustrates how current leadership development efforts are perceived in organizations today.

*“People flock to organizations with emotionally intelligent work environments. We have witnessed these kind of companies grow and move forward—even in times of struggle. By contrast, it’s a risky proposition to disregard the impact of Emotional Intelligence. Organizations that do not invest in EI are going to deteriorate over time. They are going to lose the talent they have. They are not going to be able to attract or retain the talent they need, and they are no longer going to be organizations of the future.”*

—DR. STEVEN STEIN, CHIEF EXECUTIVE OFFICER, MHS

**Fig. 3: Use of Leadership Development Methods**

After understanding the different levels of investment in and satisfaction with leadership development outlined above, we further examined what approaches to leadership development are most commonly used. Our data find that more than 3 out of 4 organizations employ at least one type of leadership development method, suggesting that there is widespread knowledge about the importance of developing strong leaders through a variety of learning techniques. The most commonly used approaches are workshops, cross-functional meetings or projects, and classroom training. Most promising is that more than one-third (37%) of surveyed organizations use Emotional Intelligence assessments to help inform their leadership development programs (see Fig. 3).

As the role Emotional Intelligence plays in effective leadership continues to grow, organizations would be wise to further shift their leadership development dollars in a way that supports this trend. Dr. Margareta Sjölund of Kandidata Asia remarked on the global presence and growth of EI. “I have seen and worked with Emotional Intelligence across three continents and more than 15 countries, and to that end, I have witnessed how fundamental it is to effective leadership, and the larger role it continues to play in the success of organizations.”

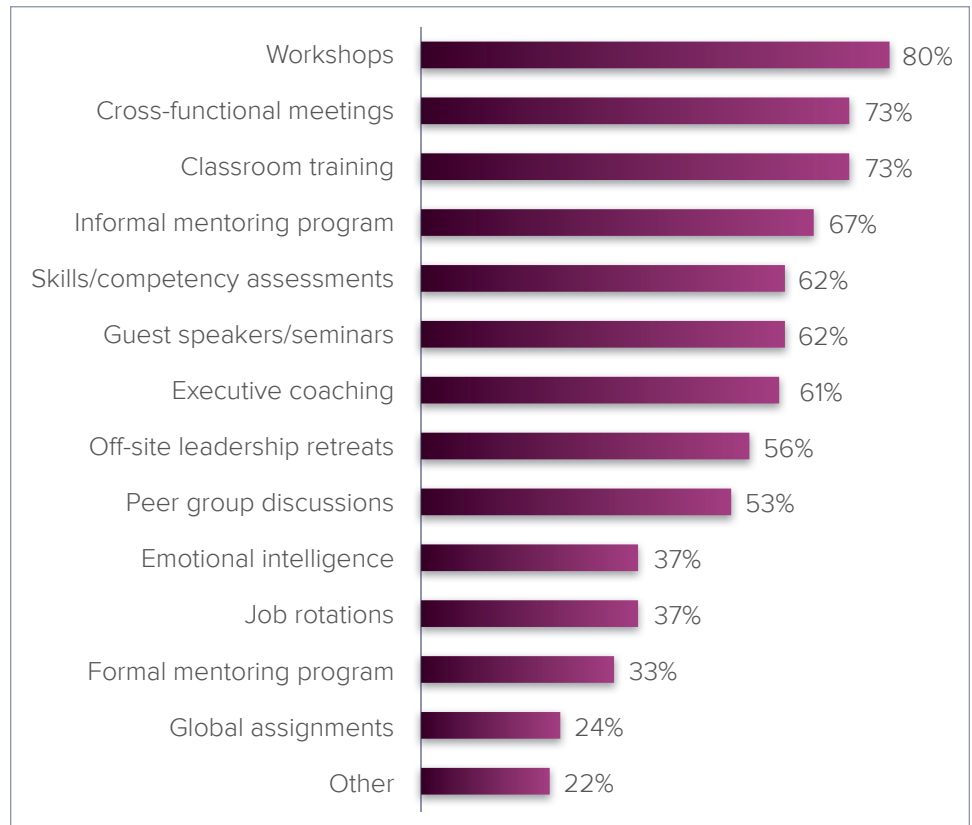


Figure 3 outlines what types of leadership development methods are most commonly used within organizations.

Exploring the specific challenges related to developing leaders today is another critical question we asked. HR managers cite executive support/buy-in and limited time as the top barriers hindering effective leadership development (see Fig. 4). In that vein, it is worth noting that leadership development methods require a commitment of time and consistency in order to be most effective, but the payoff that investment provides in the future is vital. **Time and support are critical to implementing leadership development, but both are lacking in many organizations.**

**Fig. 4: Leadership Development Challenges**

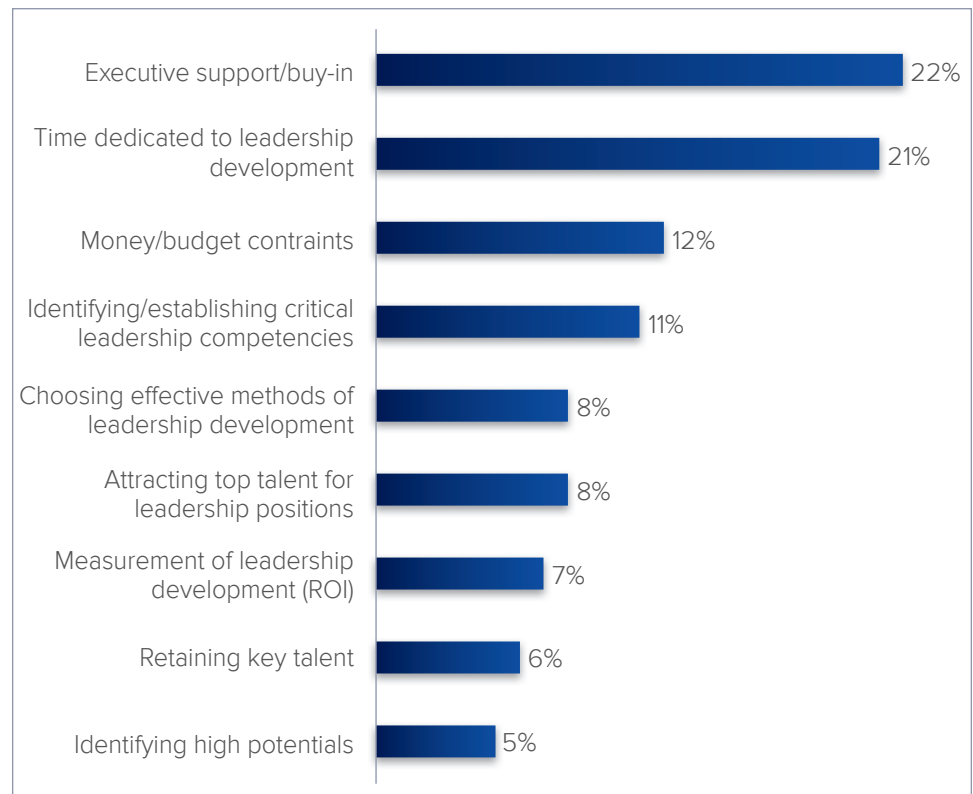


Figure 4 displays the top organizational challenges to developing leaders today.

The gaps in executive championship and buy-in exist at precisely the time that such support is urgently needed. One practitioner explored the issue today and wrote:

*“It wasn’t so long ago that business leaders were widely admired, even adulated. In the 1990s they were treated like rock stars...no doubt fueled by a strong economy....These days that hierarchical model has ceased to be effective because it fails to motivate people, particularly younger generations. Today’s successful companies are filled with knowledge workers who don’t respond to hierarchical leadership.”<sup>7</sup>*

This quote also helps surface a crucial trend in leaders today—that perhaps they are missing something that allows them to motivate and inspire their teams. Emotionally intelligent leaders have bridged that gap successfully; they use skills like empathy, self-awareness and emotional expression to understand the unique needs of their followers and using emotions, appeal to what is individually motivating. In addition to the cultural and generational shifts at play, leaders and decision makers are found *throughout* organizations today, not just at the top, thereby increasing the need for leadership know-how to be nurtured throughout an organization. And, as one practitioner argues, the ultimate test of all leaders is how well they prepare those who will take their place.<sup>8</sup>

Interestingly, our data find that managers and individual contributors disagree about the importance of specific leadership behaviors, illustrating a potentially problematic disconnect between leaders and their followers. **Most notably, individual contributors highly value *coaching skills*, while managers tend to downplay them. Managers, on the other hand, are much more likely than individual contributors are to emphasize the importance of *adaptability, problem solving and stress tolerance*** (see Fig. 5).

**Fig. 5: Importance of Leadership Competencies**

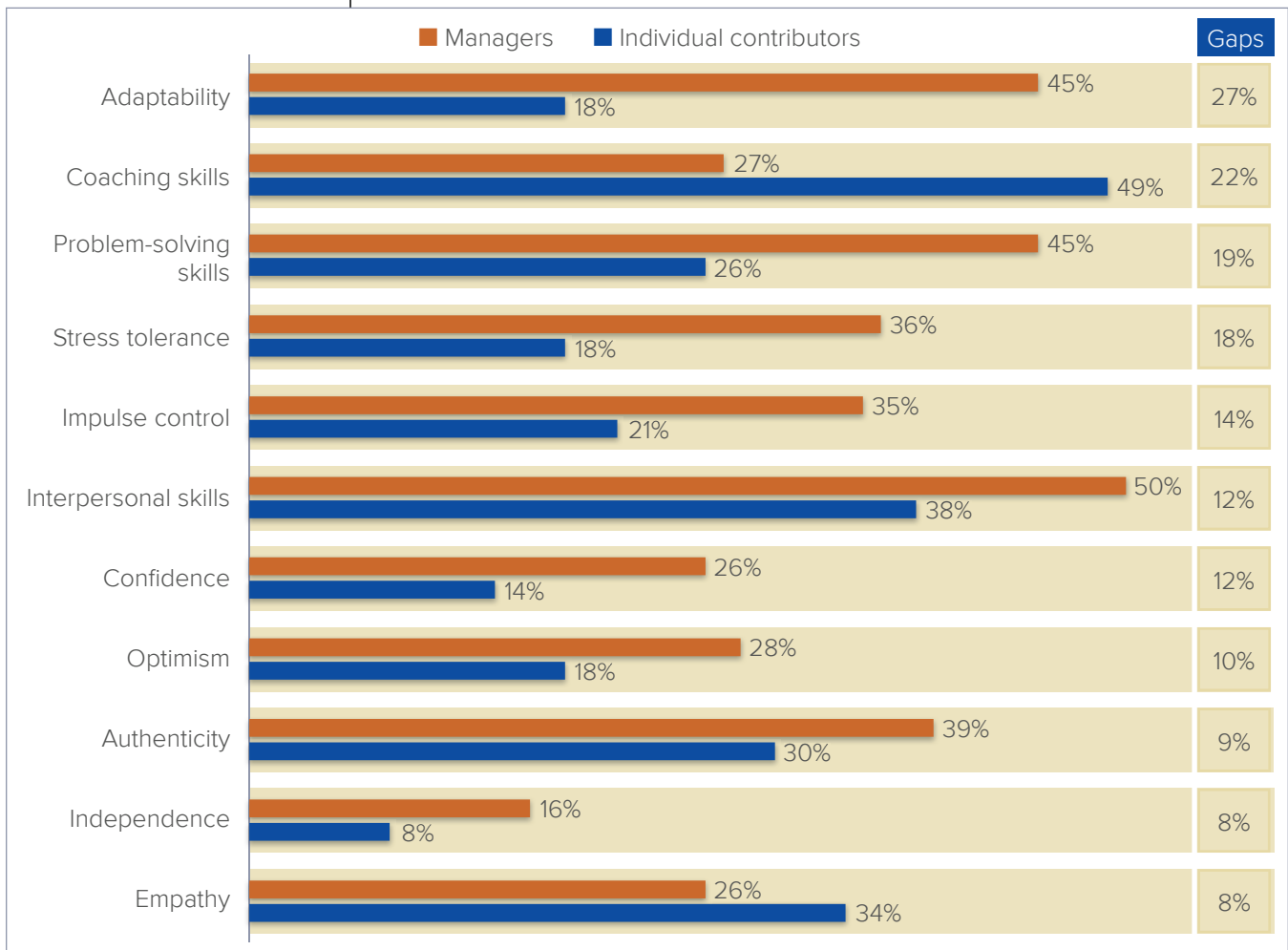


Figure 5 compares managers' and individual contributors' perceptions of key leadership competencies.

**Fig. 6: Important Leadership Competencies Among Managers and Individual Contributors**

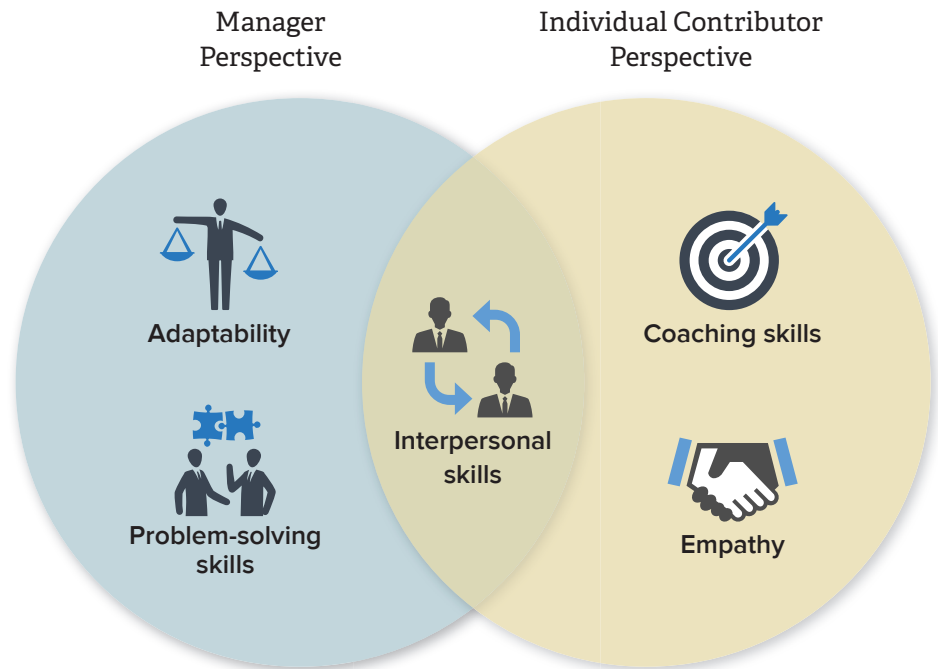


Figure 6 demonstrates the top three leadership competencies identified by managers and individual contributors.

*“In the past 20 years or so, there has been a lot of discussion about Emotional Intelligence, but its importance in effective leadership is just now becoming much more broadly accepted. For a long time, people were focused on skills development—managing conflict, communicating better, etc.—but the application of these skills in the workplace is not nearly as effective as it needs to be. Many leaders fail to apply the tools and skills they learn. Even if they see the direct, tangible benefit, something is stopping them from doing it—and that barrier is generally associated with their underlying Emotional Intelligence.”*

—DREW BIRD, PRINCIPAL,  
CLEARPOINT EQ

In addition to measuring the importance of specific competencies, we asked respondents to think about the future, and determine what behaviors individual contributors want to see leaders practice more frequently. We find that managers share some common perspectives about what traits will become significantly more important in the workplace during the next few years. **Specifically, managers and individual contributors agree that communication, interpersonal skills and self awareness are all behaviors that will grow in importance in the next 2-5 years.** Dr. Steven Stein, Chief Executive Officer of MHS, echoed this finding. “Often, insight—the ability to communicate a purpose and clearly explain ‘this is why we are here and this is what we do’—sets apart a good leader from a great one,” he said.

One of the most practical ways to connect EI to leadership is to view EI skills as the building blocks of larger leadership competencies. Drew Bird, a Principal at Clearpoint EQ, elaborated on the significance of some of those fundamental behaviors. “EI is the way in which we understand, interpret and act upon emotional information,” he said. “One of the most critical EI competencies then is self-regard or self-perception because it is the root of everything else. If a leader does not understand what he or she is capable of or what their strengths and weaknesses are, everything is built on a shaky foundation.”

*“Empathy is an interesting and essential concept in EI and leadership. Leaders today have to respectfully and empathetically respond to situations. You don’t necessarily agree with who you are speaking to, but you understand their perspective and can have a respectful dialogue about that. This is a crucial skill when you have to have difficult conversations, and the more empathetic you are, the more likely you are to seek to find a solution or response that produces a win-win situation.”*

—ROGER PEARMAN,  
FOUNDER AND CEO,  
LEADERSHIP PERFORMANCE  
SYSTEMS

Looking at the largest gaps between individual contributors and managers identified on the previous page, it is clear that many of the leadership skills identified as important by managers and individual contributors require a degree of Emotional Intelligence at their core (see Fig. 6). For example, to be able to coach, one must be empathic, considerate, patient and adaptable enough to alter his or her coaching style to the varying needs of direct reports. This is the approach taken in MHS’ EQ-i 2.0 leadership model, which uses four common leadership dimensions inherent to most models of leadership: Authenticity, Coaching, Insight and Innovation. Each of these dimensions is made up of several Emotional Intelligence factors, which can be easier to target individually through coaching and development initiatives than it is to focus on the broader leadership dimension.

## Use of Emotional Intelligence in Organizations

Emotional Intelligence is commonly integrated as a topic in leadership development courses, or as an objective in organizational coaching. Nearly half of organizations report that EI is a topic of Training & Development courses, as well as an objective for leadership/executive coaching (see Fig. 7.) As Dr. Margareta Sjölund from Kandidata Asia said, “Emotional Intelligence is intrinsically related to other people and the way business is changing. The advent and growth of globalization requires interaction between and among people and companies on a different level than just 10 years ago. EI provides that critical information about how to navigate internally with leaders and employees, and externally with other organizations.” Despite its role as a powerful driver of effective leadership, our research found that Emotional Intelligence remains an untapped resource for many organizations.

**Nearly 1 in 3 survey respondents (29%) report that Emotional Intelligence is not a focus in their organizations.**

**Fig. 7:** Use of Emotional Intelligence in Leadership Development

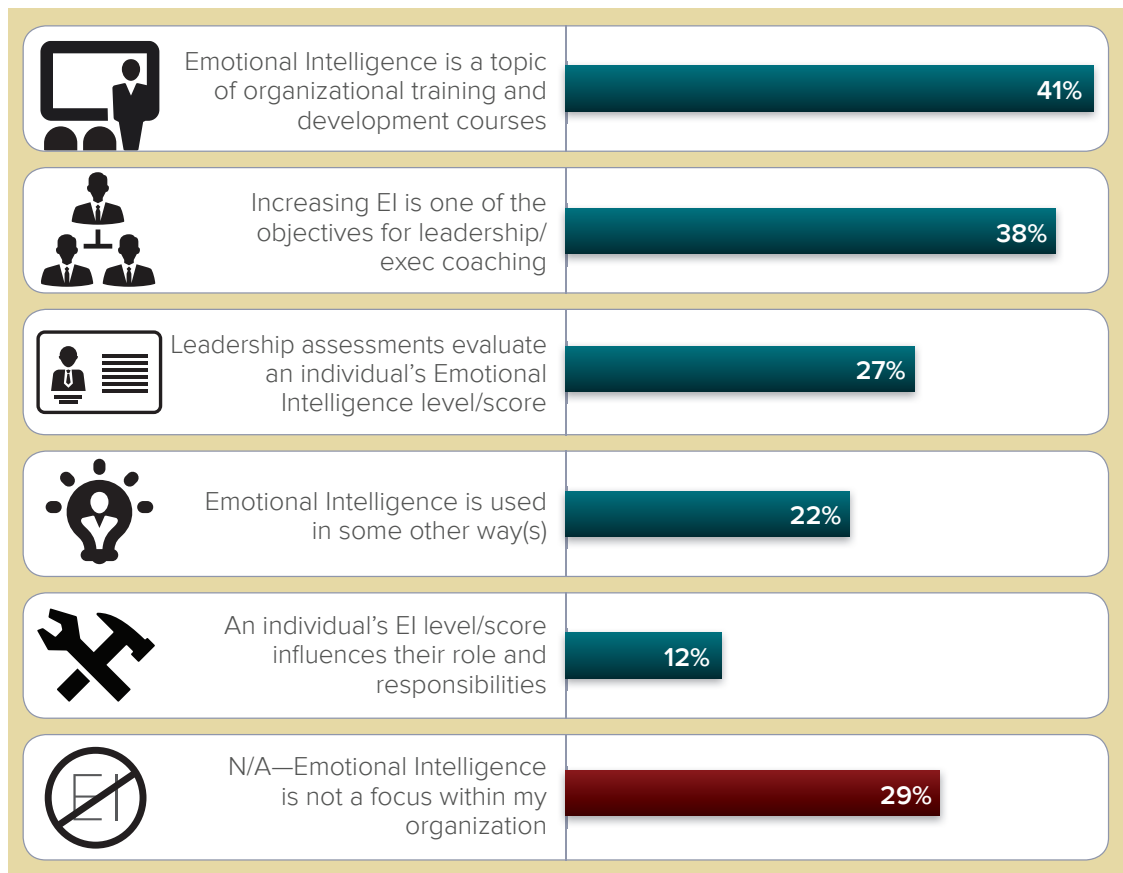


Figure 7 outlines the ways in which Emotional Intelligence is used in leadership development efforts.

*“An EQ report [from an Emotional Intelligence assessment] functions like a blueprint for success—not only for the individual leader, but the organizational culture too. It is scientifically robust and identifies the strengths and weaknesses that a leader brings to the table. Assessments make EQ more real and more applicable for leaders and show that it’s more than soft and fuzzy feelings.”*

—DR. MARGARETA SJÖLUND, CHIEF PSYCHOLOGIST AND FOUNDER, KANDIDATA ASIA

Among the many different leadership development methods available, we explored which are rated as most effective by survey respondents. Given their modest cost, Emotional Intelligence assessments can deliver significant and effective value in helping develop organizational leaders. **Although they are not as widely used as other methods, Emotional Intelligence assessments are rated very highly by HR practitioners.** Our data find that 60% of managers whose organizations use Emotional Intelligence assessments rate them as “effective” or “highly effective,” on par with methods such as executive coaching, global assignments, and formal mentoring (see Fig. 8).

“What does it cost you when your employees are in survival mode rather than thrive mode?”

Whatever the initial cost is for implementing Emotional Intelligence, Bob Anderson from 1Hero Sports said the investment is advantageous—especially if leaders consider the impact of neglecting it. “What does it cost you when your employees are in survival mode rather than thrive mode? What does it cost if they have no access or support to be courageous and creative? Emotional Intelligence assessments address these questions and help identify key areas where you can improve. That information can be painful, but so well worth it in the end.”



**Fig. 8: Effectiveness of Leadership Development Methods**

Refer back to Fig. 3 on page 9 to compare effectiveness versus use of Leadership Development methods.

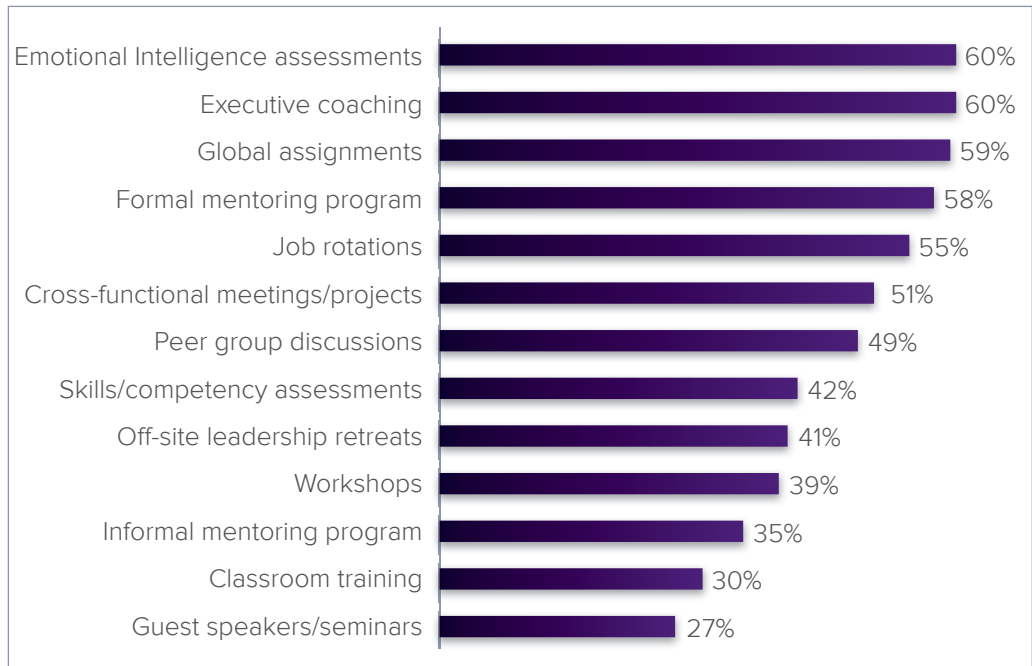


Figure 8 illustrates the percentage of HR managers who find each method to be “effective” or “very effective.”

*“Emotional Intelligence is absolutely not a passing fad. No matter what leadership model you are looking at or using, we see that EI competencies improve the bottom-line. Energy and emotions are contagious, and there is a body of science that demonstrates that. CEOs often come in with their arms folded and have to learn that understanding and applying emotions is a critical—and often lacking—skill.”*

—BOB ANDERSON, CEO, 1HERO SPORTS

**Impact of Emotional Intelligence on Leadership Development**

The argument that Emotional Intelligence is a critical component of effective leadership is an intuitive and persuasive one. Executives who possess higher levels of specific EI attributes (empathy, self-regard, reality testing and problem solving) were more likely to yield higher profit earnings.<sup>9</sup> As Bill George succinctly put it, “I have never seen leaders fail for lack of raw intelligence, but have observed [...] more than a hundred who have failed for lack of [...] Emotional Intelligence.”<sup>10</sup>

But does individual leadership effectiveness translate to an organization’s bottom line, and if so, how? Following the work of others,<sup>11</sup> we hypothesized that **a leader’s Emotional Intelligence impacts workplace norms and plays a part in creating a high-performance culture, which impacts an organization’s financial performance** (see Fig. 9).

**Fig. 9: Emotional Intelligence at Work in Organizations**



Indeed, we find in our research that **organizations that value and widely use Emotional Intelligence are 3.2x more likely than other organizations to have effective overall leadership development efforts** (see Fig. 10 & 11). There is a 31 percentage point gap in effectiveness between organizations in which Emotional Intelligence is valued versus those in which it is not. Additionally, organizations that integrate Emotional Intelligence in at least two different ways are 25% more likely to report extremely effective leadership development. Only 15% of organizations that do not widely implement EI report having effective Leadership Development—versus 40% of organizations that *do* widely implement EI. These many differences are large and worthy of a discussion about what outcomes an organizational focus on EQ can result in.

Effective methods of integrating Emotional Intelligence include:

- Using assessments that evaluate an individual's Emotional Intelligence level
- Incorporating Emotional intelligence as a topic in Training & Development courses
- Including improvements in Emotional Intelligence as an objective for leadership/ executive coaching

**Fig. 10:** The Impact Valuing EI has on Effective Leadership Development

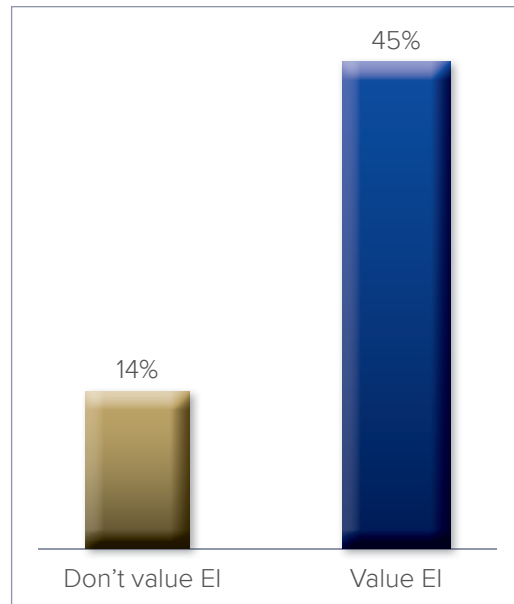


Figure 10 shows that organizations that value Emotional Intelligence are 3x more likely to experience effective Leadership Development.

**Fig. 11:** The Impact Integrating EI has on Effective Leadership Development

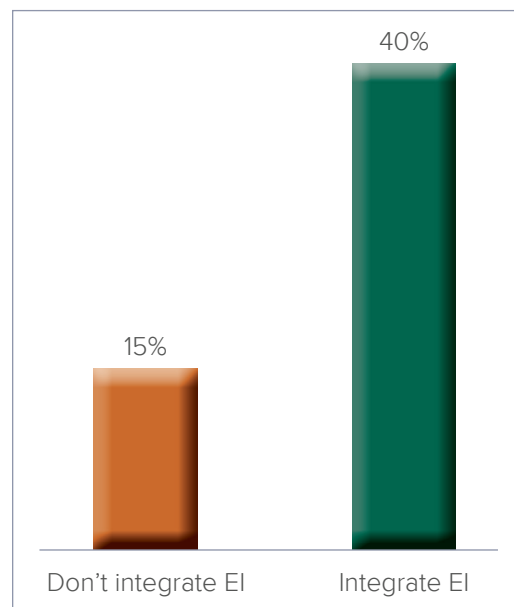


Figure 11 demonstrates that organizations that widely integrate Emotional Intelligence are 25% more likely to report effective Leadership Development.

*“Investing in training and better understanding of what it means to be a leader is critical. We do it at MHS and we do it heavily. If you invest in these activities with entry level employees, they are made aware of their potential immediately; that is an empowering prospect.”*

—DR. STEVEN STEIN, CHIEF EXECUTIVE OFFICER, MHS

Looking at those specific ways that EI can be integrated within organizational initiatives demonstrates even more clearly the ROI that can be experienced (see Fig. 12). An organization that address and implements EQ in multiple dimensions can expect its leaders to behave in a way that reflects specific emotionally intelligent traits such as empathy,

self-regard, stress tolerance, optimism and interpersonal skills, among others. Our data found that **implementing Emotional Intelligence within organizational practices is associated with higher overall organizational performance on all of the Emotional Intelligence traits we measured.**

Each instance examined—using Emotional Intelligence assessments for individual evaluations, to assign roles and responsibilities, as a Training & Development course topic, and as a coaching objective—positively impacts an organizations’ overall performance on Emotional Intelligence competencies. The greatest impact occurs when organizations incorporate Emotional Intelligence in leadership coaching, producing a 36% gap in EI performance between organizations that do and do not deploy it in this way.

**Fig. 12:**  
Impact of EI  
Integration  
on Overall EI  
Performance

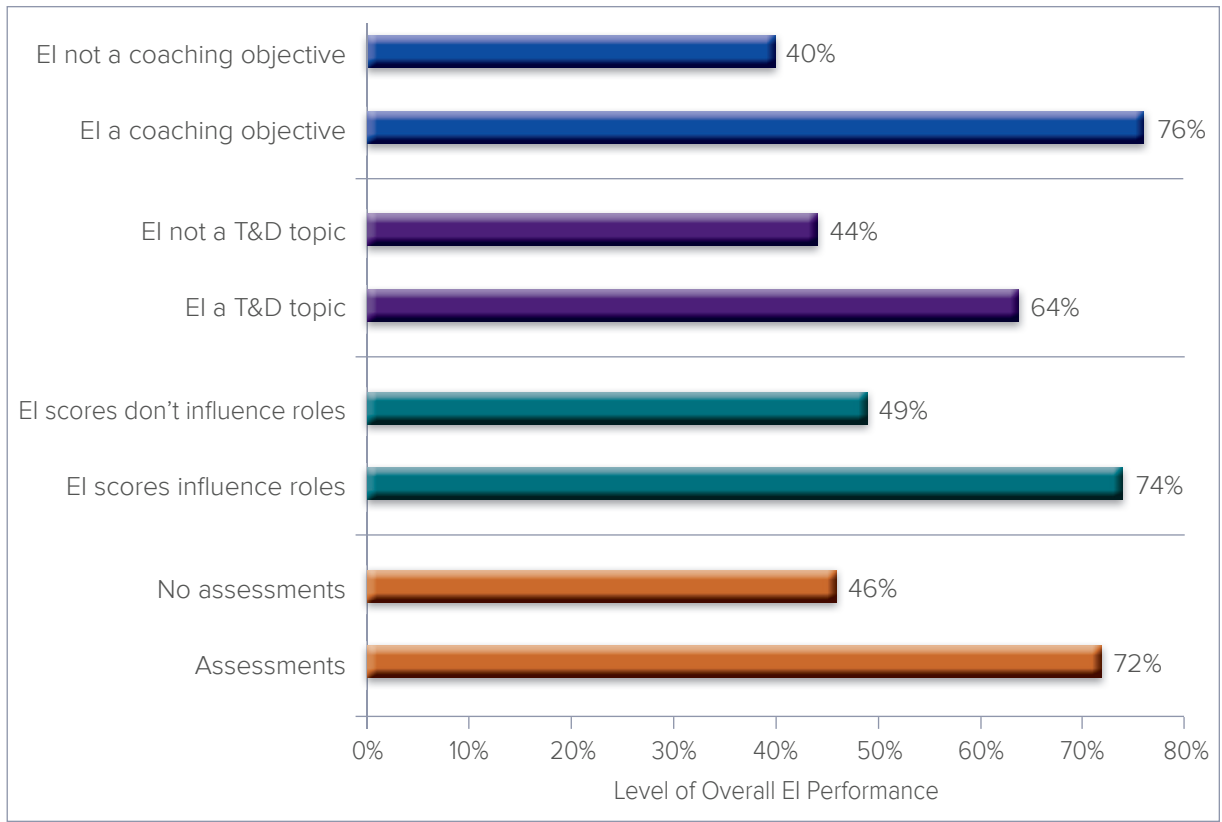


Figure 12 demonstrates the positive performance experienced by organizations that incorporate Emotional Intelligence. Companies that use EI assessments, incorporate EI as a coaching objective, as a training and development topic, and/or as a method to influence roles can expect higher organizational performance as a result.

Finally, while it is important to acknowledge that many different factors influence revenue growth in any given organization, our data finds that **organizations that use assessments to track or measure Emotional Intelligence are more likely to report positive revenue growth rates than other organizations** (see Fig. 13). Specifically, of organizations that measure EQ with assessments, 72% report positive revenue growth over the prior year. By contrast, only 56% of organizations that don't measure EI with assessments report positive growth. Organizations that measure EI in this way report 16% more positive revenue growth, further making the case for comprehensively integrating Emotional Intelligence in business.

**Fig. 13:** Impact of  
EI Assessments on  
Revenue Growth

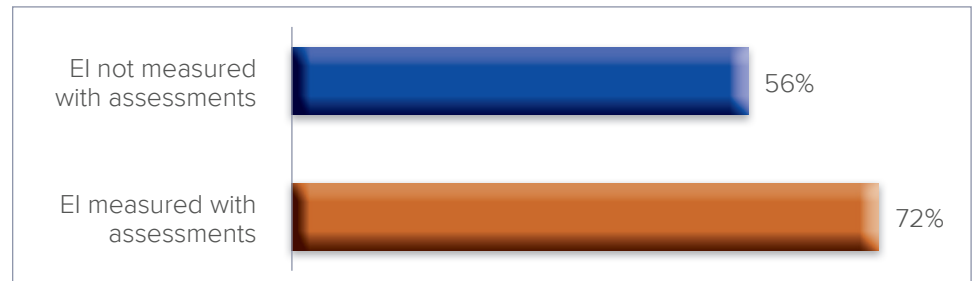


Figure 13 displays the percentage of respondents who report positive revenue growth and whether or not they use EI assessments.

*“Someone can be intelligent and still find success, but that success can be limited by deficits in Emotional Intelligence. High cognitive intellect may result in a person understanding every nuance of an issue; he or she may have an incredible memory and ability to dissect information. But if this person’s interpersonal skills are poor, or they lack empathy, or assertiveness, they may find this acts as a barrier to them reaching their full potential. They may not understand how they come across to others or how they are perceived as a leader.”*

—DREW BIRD, PRINCIPAL,  
CLEARPOINT EQ

## Conclusions & Recommendations

Technical skills, financial acumen, industry knowledge, raw cognitive abilities. It would be foolish to propose that these (and other competencies) are not critical to the success of today’s organizational leaders and business as a whole. This research proposes—and confirms—the importance of an additional set of skills that impacts leaders’ effectiveness, an organization’s culture, and ultimately business performance: Emotional Intelligence. These competencies, a set of emotional and social skills, help determine the way people perceive and express themselves: how they develop and maintain social relationships, cope with changes and challenges, and how they use emotional input inside and outside of the workplace. The good news for leadership development professionals is that Emotional Intelligence is not static, but can be cultivated with organizational commitment and investment.

In fact, compared with other more widely used practices, incorporating Emotional Intelligence assessments in an organization is a cost-conscious and efficient way to improve overall leadership development effectiveness. We find that other implementations of EI also have a measurable impact on effective leadership development. Organizations that incorporate Emotional Intelligence in leadership development in two or more ways realize greater effectiveness than do organizations with less EI implementation. This finding is likely a manifestation of Emotional Intelligence impacting the work culture as a whole, helping to produce and maintain a high-performance environment that sows the seeds of ongoing success.

It is important to remember that many of the leadership competencies that are in high demand now and in the future are built on a foundation of EI skills. Organizations that target EI in their development programs are addressing a wide array of competencies deemed crucial by leaders and their direct reports. This, in turn, plays a role in the overall success and the organizational performance of a leadership development program—ultimately realized as financial returns. Indeed, in this research **we find a link between organizations that use assessments to track or measure Emotional Intelligence and positive revenue growth.**

There are specific ways to include EQ within your organization as identified by this research and data:

- **Make an honest assessment of your organization’s leadership development programs.** A quarter of HR practitioners report their organizations are ineffective at leadership development; and half only rate them as “somewhat effective.” Identify what areas of leadership are lacking in your company.
- **Advocate for greater executive support, resources and time devoted to leadership development practices.** Our study finds that organizations with a relatively higher proportion of Training & Development dollars devoted to leadership development experience higher revenue growth rates. The bottom line impact is real.

*“A person can improve certain EI competencies and further develop skills like active listening and other behaviors. At the end of the day, EI is grounded in behavior, and behavior can be learned and unlearned.”*

—ROGER PEARMAN,  
FOUNDER & CEO,  
LEADERSHIP PERFORMANCE  
SYSTEMS

- **Recognize Emotional Intelligence as a legitimate part of the leadership development toolbox.** Its overexposure in the popular and trade press

notwithstanding, thoughtful implementation of Emotional Intelligence leads to enhanced leadership development effectiveness.

Program elements to consider:

- Incorporating Emotional intelligence as a topic in Training & Development courses.
- Holding leaders accountable for improvements in Emotional Intelligence as an objective for leadership/executive coaching.
- Particular consideration should be given to Emotional Intelligence assessments, as a cost-effective and impactful tool to develop leaders, as well as improve the bottom line.

As the expectations and competencies of leaders continue to shift alongside market changes, generational differences, and increased communication, globalization, and the speed of business, methods of developing effective leaders are also transitioning. In the midst of this, organizations and leaders need to reevaluate the role Emotional Intelligence plays in leadership development—and prioritize its implementation to impact business results.

“The environment has changed today; the skills we need to survive and thrive have evolved,” Bob Anderson from 1Hero Sports said. “The derailment of social and emotional skills in the workplace results in the inability to perceive emotion, and negative behavior. The situation demands that leaders, who are above all, educators, step up to the plate and address this new environment—and understanding Emotional Intelligence and developing those skills and competencies is the first step.”



## Appendix A: About the Research Partners

### The Human Capital Institute

The Human Capital Institute (HCI) is a catalyst for innovative new thinking in talent acquisition, development, deployment and new economy leadership. Through research and collaboration, our global network of more than 138,000 members develops and promotes creativity, best and next practices, and actionable solutions in strategic talent management. Executives, practitioners, and thought leaders representing organizations of all sizes, across public, charitable and government sectors, utilize HCI communities, education, events and research to foster talent advantages to ensure organizational change for competitive results. In tandem with these initiatives, HCI's Human Capital Strategist professional certifications and designations set the bar for expertise in talent strategy, acquisition, development and measurement. [www.hci.org](http://www.hci.org)

### MHS (Multi-Health Systems Inc.)

A leader in developing the best in psychological assessments for more than 30 years, MHS serves clients in clinical, educational, forensic, pharmaceutical, corporate, military and research settings. MHS's assessments and services demonstrate the company's unwavering commitment to innovation, quality, helping people and improving human performance. With offices in North America and Europe, and partners around the world, MHS is a Canadian company serving the global community.

Emotional Intelligence is associated with high performance in the workplace, and has application in selection, leadership and development programs. MHS utilizes its EQ-i 2.0 (Emotional Quotient Inventory) to identify critical determinants of workplace success, supporting and driving talent management initiatives. World-class organizations like American Express and the US Air Force have achieved improvements in performance by incorporating the EQ-i 2.0 into their talent management programs. For more information, please visit [www.mhs.com/ei](http://www.mhs.com/ei).

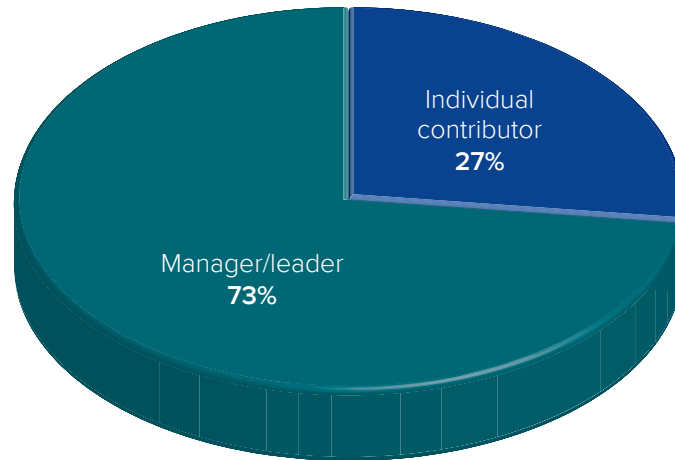
## About the Author



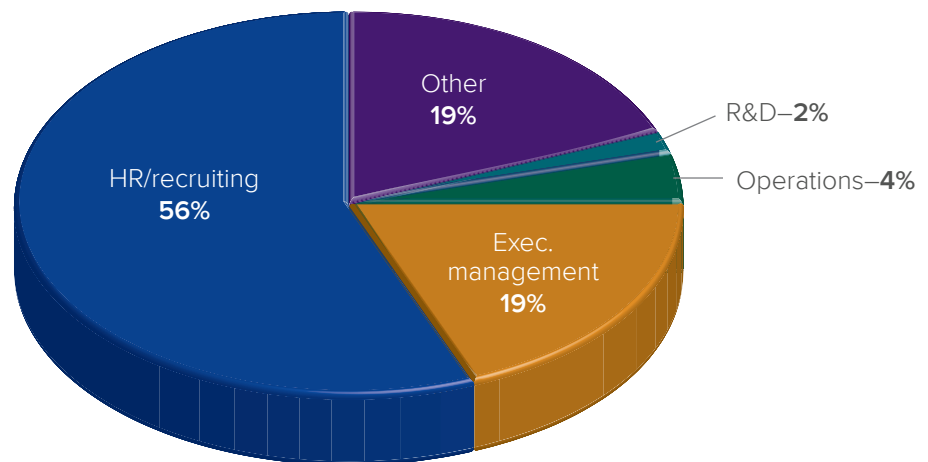
**Aubrey K. Wiete**, MA is a Senior Research Analyst at the Human Capital Institute in the Organizational Development and Leadership Practice Area. Previously, she was a lecturer and research fellow at the University of Kentucky. Most recently, she has authored or co-authored reports on the growth and necessity of internal content management, building trust in business to drive collaboration, and determining the ROI of executive development methods. Aubrey's other areas of interest include leveraging talent agility to drive high potential performance, and how to build creative and sustainable employee cultures. She earned a bachelor's degree from Saint Louis University and a Master's in Organizational Communication from the University of Kentucky. Aubrey is based in Cincinnati, Ohio and enjoys shoes, writing, Scrabble, (occasionally) running, and spending time with her family.

## Appendix B: Respondent Demographics

**Respondents' Current Role**



**Respondents' Functional Area of Responsibility**





REGION	
North America	86%
Central/South America	1%
Africa	2%
Middle East	1%
Asia/Pacific	5%
Europe	6%

RESPONDENT'S TITLE/ LEVEL OF SENIORITY	
Analyst	4%
EVP/SVP	5%
C-level	8%
VP	10%
Team member	11%
Director	26%
Manager	27%
Other	9%

INDUSTRY	
Gov./Nonprofit	14%
Bus./Prof. Services	13%
Education	12%
Healthcare	11%
Financial Services/ Real Estate/Insurance	11%
Auto/Ind./Man.	5%
Chem./Energy/Utilities	5%
IT Hardware/Software	3%
Retail	3%
Construction	2%
Food & Bev./Cons. Goods	2%
Bio/Pharma./Life Sci.	2%
Telecomm	2%
Aerospace/Defense	2%
Other	16%

Responses <2% rolled into "Other"

NUMBER OF EMPLOYEES	
Less than 100	21%
101-499	15%
500-999	9%
1,000-2,499	13%
2,500-4,999	8%
5,000-7,499	6%
7,500-9,999	3%
10,000-19,999	10%
More than 20,000	15%

REVENUE	
<\$10 million	23%
\$10-\$50 million	13%
\$50-\$100 million	6%
\$101-\$500 million	8%
\$501-\$999 million	5%
\$1-\$4.9 billion	12%
\$5-\$9.9 billion	4%
\$10-\$14.9 billion	3%
\$15-\$29.9 billion	1%
\$30-\$40 billion	2%
>\$40 billion	6%
N/A—Gov./nonprofit	17%

## Appendix C: Endnotes

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