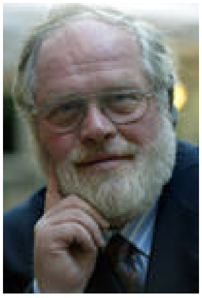
Organisational Emotional Intelligence (OEI)

Corporate life & corporate death - it takes emotional intelligence to survive



By Claus Møller

The life span of organisations

Why do some companies survive and thrive for hundreds of years whereas others disappear and die within decades - or even less? In 1983, one third of the 1970 Fortune 500 companies had been acquired, or divided or merged with other companies. This trend has been reinforced in recent years and seems to continue. Why do so many companies die young? Do long-living companies have something in common that short-living companies lack?

According to Arie de Geuss, in his book "The Living Company", the answer is yes. Based on a study of 30 companies in North America, Europe and Japan he draws the conclusion that organisations with a long life span - defined as 100 years or more - have several things in common:

They are ***conservative in their financing*** and do not risk their capital willingly, knowing the importance of spare cash and independence of third party financing, which allows them to govern their own growth and evolution.

They are sensitive to the world around them and ***able to adapt to changes*** and stay attuned to whatever is going on. They have a tolerance of new ideas. The long-lived companies in the study tolerated activities in the margin, experiments that stretched their understanding. They recognized that new businesses might be entirely unrelated to existing ones. By definition companies who survive for more than a century exist in a world they cannot hope to control, and they must be willing to change in order to succeed.

They organise for learning in order to disseminate knowledge across the organisation by bringing together people from various cultural backgrounds and by encouraging people to interact.

They have ***a commitment to people before assets***- which to many may seem an inversion of traditional managerial priorities. Of the 30 companies in the survey 27 had changed their business portfolio completely, at least once. Thus these companies had been willing to get rid of assets in order to survive. And if long-term corporate health and survival across generations requires willingness to change the business portfolio, then organisations must give people the space and time to develop new ideas - and a freedom from control and direction and from punishment for making mistakes.

They have a ***strong awareness of their identity as a corporation***. No matter how broadly diversified the employees feel part of a whole. Living company members know "who are us" and are aware of the values they hold in common. This sense of belonging pulls together even the most diverse members of the company and seems to be essential for long-term survival.

Managers and owners who want to build an organisation that can survive many generations ***pay attention to the development of employees*** and give high priority to questions such as "How can we organise for continuity from one generation to the next. To them ***optimisation of financial capital is secondary to optimisation of the human capital, the people.*** Thus they take care to create a community and pay attention to processes to define membership, establish common values, recruit the right people, develop them, assess individual potential and to live up to the human contract and establish policies for graceful exits from the company. In the living company the essence of the underlying contract is mutual trust. Money is not considered a positive motivator above the threshold of sufficient pay. People are hired into the living company with the understanding that they are there to develop their potential and, in exchange for their efforts and commitment, the company will help them develop it.

Some of today's organisations, which have not yet reached the respectable age of 100 years, but are the most successful in terms of steady profitability over a 30-year period (from 1972 to 2002) share the same characteristics. Companies like Intel, Wal-Mart and Southwest Airlines have at an early age established the management principles and values based on which the companies should work, and they have stuck to them.

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The evergreen basics of management - productivity, quality and relations
The results a company will produce are a function of three things, the company's productivity, relations and quality - the three evergreen basics of management. These basics have been applicable for companies in any culture of any size - and at any time. The three management basics are inter-related, you can't have one without the others.

Productivity means adding value in all activities performed at all levels of the organisation, i.e. ensuring that all activities in the organisation are worthwhile and produce more value than cost. Productivity is about setting goals and achieving them with an optimal use of resources. Productivity is about aligning all efforts and making everyone pull in the same direction to meet team and company goals. Poor productivity damages relationships since the lack of desired results often leads to negative emotions, moods and reactions: frustration, blame, conflicts or internal wars.
Poor productivity impedes quality since inefficiency leads to sloppy work, mistakes, idle time and delays which are harmful to the quality image of the company, its people and products.

Quality is about building and maintaining the loyalty of internal and external customers. It is about offering rational and emotional value for money to the ones who pay for the existence of the organisation. It is about meeting or exceeding demands and expectations from internal and external customers. It is about building and maintaining an image of the company as an attractive workplace with the best people, products, systems, culture and reputation. Bad quality impedes productivity since failure to satisfy customer demands leads to time and money being spent on non-productive activities like complaint handling, repair work, corrections, replacements. It also leads to lost business. Poor quality damages relationships since inadequate quality often leads to negative emotions and reactions like frustration, blame, poor excuses and conflicts.

Relations is about building and maintaining good relationships with all the company's stakeholders. It is about **putting people first**, before systems and technology. It is about establishing and practising values and principles that will promote responsibility, loyalty, initiative, team spirit and positive energy. It is about creating a company culture characterised by openness, honesty and mutual trust. It is about attracting and retaining the right investors and suppliers. Excellent relations imply high productivity and high quality. Bad relationships impede productivity since people and teams who do not function well together will spend too much of their time and energy on non-productive activities. Bad relationships impede quality since people and teams who do not function well together will make more mistakes - and tend to focus more on own problems than on meeting customer demands. Excellent relationships are easier to establish and maintain if people who work together produce good results since achieving goals together in an effective way tends to promote job satisfaction and team spirit. Excellent relationships are easier to establish and maintain if people strive for quality since quality work leads to recognition and job satisfaction and promotes loyalty, commitment and pride.

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By consistently applying the principles of productivity, quality and relations, companies are able to adapt to changes and survive - and those who don't apply them will suffer and vanish. Most organisations today are highly aware of the first two principles, of productivity and quality, but often tend to pay scant attention to the third. So let us take a closer look at the third of these management principles - relations - and see how it connects to emotions and to the emotional intelligence of organisations.

Relations and the role of emotions

The biggest problems organisations - and people - are faced with are ***emotional*** rather than factual.

People are divorced because they cannot manage their emotions. People quit their jobs for emotional reasons; they don't like their boss, they don't feel appreciated.

In corporations, teams and individuals fight internal wars because they cannot manage their emotions, they lack emphatic skills, and they lack team skills and group orientation.

When employees do not bring out their best, the reasons are emotional, because they fear management, because they feel lonely and isolated, because they feel stressed and exhausted. Employees resist change for emotional reasons, because they feel uncertain about their future or because they don't trust management.

Companies lose customers for emotional reasons. Customers leave because they are dissatisfied with the attitude displayed by the staff, or they do not like the way their complaints are being handled. Companies recruit the wrong people because they focus more on professional skills than the emotional and social skills of those they employ. Companies suffer big losses and die because they focus on hard factors and bottom-line results and forget the soft factors, their people, and the emotions of those who create the results. Thus companies cannot hope to achieve long-term growth and survival if they neglect the people issues. Long-living companies consistently focus on their human capital and know the importance of "Putting People First". Their actions are emotionally intelligent.

What constitutes emotional intelligence in an organisation?

General intelligence in human beings can be defined as an individual's overall capacity to think rationally, act purposefully and deal effectively with the environment. General intelligence includes the ability to adapt to new conditions and successfully cope with life situations. It has two components:

- Cognitive intelligence, which is the ability to learn new things, recall information, apply knowledge and solve problems.

- Emotional & social intelligence, which consists of an array of emotional, personal and social knowledge and abilities that influence the individual's overall ability to succeed in coping with environmental tasks and pressures.

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Unlike cognitive intelligence, which does not develop significantly after a person has reached the age of 18, emotional and social intelligence can be developed throughout life. A number of studies have shown that job performance, job satisfaction and the ability to cope with serious health problems are positively correlated with emotional intelligence.*

Organisations can be perceived as living organisms. Like human beings they have an "emotional and social life". Like people organisations have to act intelligently in general, that is to say apply both cognitive and emotional intelligence. Like people, organisations can upgrade their emotional and social competence by actively working on the same five basic areas of organisational emotional intelligence, similar to the ones which apply to individuals. The five areas can be described as:

***Organisational self-awareness**:* Knowing the organisation's strengths and weaknesses, being aware of the emotional undercurrents in the organisation and using this awareness to foster a company culture characterised by openness, trust, a sense of identity and pride.

***Organisational self-management**:* Monitoring and managing organisational emotions so that they work for - and not against - the organisation. Emotionally intelligent organisations monitor the emotional undercurrents in the organisation in order to discover negative trends and address them as early as possible.

Organisational self-motivation: Establishing and maintaining an organisational culture which inspires all employees to bring out their best, allows them to develop their potential and to use it for their own good and for that of the organisation.

Organisational social awareness: Knowing and understanding the emotions, needs and concerns of the organisation's internal and external stakeholders.

Organisational social skills: Managing organisational relationships by building and maintaining good relationships with all the organisation's stakeholders, internally and externally.

The emotionally intelligent organisation Puts People First

To the emotionally intelligent organisation, people are more important than the internal hierarchy and systems, and this is reflected in the values and norms of the company - which are lived, not only talked about.
The emotionally intelligent organisation is able to establish and maintain a culture that appeals to both the hearts and minds of their people, understanding that people are individuals with feelings, insights and needs that must be aired and understood.

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They focus on the human factor in each change process, based on the understanding that change takes place faster and with better results when the human factor is an integral part of the process. They know that people who feel threatened will resist change whereas people who are informed, inspired, listened to and involved in the decision-making process will welcome change more readily.
Emotionally intelligent organisations know what it takes to attract and retain people who both can and will contribute to the success of the company. They realise that you cannot have good bottom-line results without loyal customers, but that you don't have loyal customers without having loyal employees.
Emotionally intelligent organisations see the expenditure for the development and training of their people as a necessary investment in the future - not as a cost that needs to be kept to a minimum.

Putting people first - be it internal stakeholders like employees or external stakeholders like customers, investors, suppliers etc. - requires emotional intelligence on the part of the organisation. In a global market with decreasing supply of skilled labour, recruiting and retaining the right employees and inspiring them to perform at their best, also requires companies to apply emotional intelligence. Thus by making emotional intelligence a priority at all levels of the company's operations, and encouraging and developing emotional intelligence at three levels, personal, team and organisational level, companies can make sure that their efforts to achieve productivity and quality are not undermined by the failure to pay attention to relations.

*As founder of one of the world's leading corporate training and soft consulting companies, **Claus Møller** has 30 years of experience in improving personal and organisational effectiveness. He has been a pioneer in the area of personal, team and organisational quality and service management. He has developed groundbreaking concepts in business like "Time Manager", "Putting People First", "The Human Side of Quality", "Employeeship" (what it takes to be a good employee), "Teamship" (what it takes to be a good team), and "Organisational EI". He has written more than ten books on these topics, and his ideas have been implemented by numerous well-known organisations around the world. He is one of the most important business gurus of our times. Based on his specific approach to training and consulting, his avid interest in emotional intelligence was natural and inevitable. Claus Møller has explored how best to describe, monitor and apply emotional intelligence and related areas to improve effectiveness in the corporate setting and on the individual as well as on the organisational level. Since the late 1970s he has been involved with the development of EI-related training instruments and programmes.Claus Møller has developed a model to help individuals, teams and organisations enhance their competence within the 5 areas of emotional intelligence. It is part of Claus Møller's overall business model to help organisations achieve general business excellence by investing in productivity excellence, quality excellence, relationship excellence and leadership excellence.*