

RocheMartin®

The Ultimate Guide to
Developing Emotional Intelligence for Leaders

EMOTIONAL CAPITALISTS

Martyn Newman PH.D

“Read this book today so that you can put it to use tomorrow.
You will thank yourself for doing so.”

— **Jim Kouzes**, bestselling author of *The Leadership Challenge*

Foreword

In this new millennium, executives either manage people well, or fail.

Technical skills — the bricks and mortar of the past century — are no longer sufficient, and the light is fading on the days when ‘command and control’ leadership was anything more than a temporary freeze.

As a journalist, I am regularly told that the best new recruits are the ones doing their own interviewing. They are not settling for just any old corporate offering — they want a business to believe in, with real leadership. And it turns out that the mark of leaders who can sustainably manage their teams — and themselves — is their emotional intelligence.

Intuitive executives know this much: that a real ability to listen, to empathise, and to be assertive without being aggressive are vital. They know the bar has been raised: skilled leaders read situations with clarity, and act with independence, decisiveness, and grace. But where does one learn such skills?

Until now, the ability some people have to deal with life and its challenges with apparent ease seemed to be one of those insoluble mysteries. You either had it or you missed out. There appeared to be no rule book. The people who ‘made it’ in business weren’t consistently the best looking, the most outgoing, or had the highest IQ, although having none of these attributes seemed to hurt. The factors that gave a winner ‘star quality’ appeared in-

tangible, and not reducible to skills amenable to being acquired and practiced.

Rigorous analysis has lifted that veil. And now, it seems, everyone can be in on the game.

Martyn Newman is a consulting psychologist whose work with individuals and across companies has led him to some startling observations about human behaviour, and about how people can change. In this book, Newman challenges the notion that success is limited by birthright, and offers contemporary business leaders a toolbox for personal investment in a new type of capital — their emotions.

More than a catch-cry, what this book also offers is rigour.

Many commentators grabbed the concept of emotional intelligence from Daniel Goleman in the 1990s and ran with it. Few realised Goleman's work had a substantial underpinning in the pioneering work of Israeli psychologist Reuven Bar-On. It was Bar-On's work in the 1970s on emotional intelligence that Goleman popularised. Daniel Goleman convinced us that emotional skills were vital: Martyn Newman tells us clearly how to build them. He has written an accessible text for developing the reader's own skills. His narrative accounts are built not only on his own international experience, but stand on both Goleman's and Bar-On's substantial foundation of evidence from hundreds of thousands of assessments across careers, countries, and continents.

And Newman's good news is that you can unlearn bad habits and take on a whole new set of skills and behaviours that will boost your success: at work and beyond.

Bill Pheasant

Former Senior journalist

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About the author

Martyn L. Newman Ph.D., D.Psych., is a psychologist with an international reputation as an expert in emotional intelligence and leadership.

As well as holding senior positions at leading universities in Europe and Australia, he works in leadership development and management consulting across the world for clients such as Deloitte, Mars, Network Rail, ExxonMobil and Quiksilver.

He is the MD of RocheMartin, creators of the Emotional Capital Report™ (ECR), the world's first scientific tool that helps define, measure and develop emotional intelligence in leadership. RocheMartin are also the providers of the Emotional Intelligence Sports Inventory (ESi) — the world's first EQ assessment of elite sports performance.

Martyn received his PhD from the University of Sydney and holds an MA from the GTU, University of California, Berkeley; a Master of Psychology from Monash University, Melbourne; and a Doctor of Psychology from La Trobe University, Melbourne.

Martyn is a captivating keynote speaker on the power of building emotional intelligence in the workplace. He spends much of his time between Melbourne and London.

Martyn is also found on twitter.com/MartynNewman

Acknowledgements

This book represents a decade of work on the ideas and practices that have culminated in the theory of emotional capital and new leadership. I have written this book largely in response to the constant prompting by my clients over the last decade, who have asked me to write down the key ideas they have found so powerful in their personal and professional leadership roles.

I am indebted to many who have contributed to my thinking, research, and practice. Thank you to Philip Greenway, my friend and mentor, who unwittingly provided the first inspiration for the book. Philip's understanding of the nature of what it means to be a human being and how relationships work best in the real world is nothing short of astonishing. A number of the strategies described in this book have at least their origins in long conversations with Philip. I would also like to acknowledge the work of Kevin Thomson who popularised the term 'emotional capital' and provided a valuable account of why it should be included on the balance sheet of every organisation.

Special thanks to Suzy Turkovic for her patience, support, enthusiasm and faith in the value of the work.

Among my colleagues, I would like to thank the RocheMartin team, John and Maria Broderick, for their constant support; and Karola Belton for her willingness to help tell a number of the stories in the book that bring the theory to life. Very special thanks to Judy Purse, one of the finest psychologists I know. Ju-

dy's exceptional skills, built on a platform of personal integrity and authentic presence, represent the richest source of emotional wealth in our business. Thank you.

Thanks to the crew at White Rhino, Jeremy, Andrew and Karen Tibbs, for their genius in graphic design.

Thanks to Bill Pheasant from The Australian Financial Review for writing the foreword and for guiding me through the completion of the book.

I would particularly like to acknowledge the work of both Daniel Goleman and Reuven Bar-On: pioneers in the field of emotional intelligence. They were among the first to chart the course in this exciting territory, and research using their respective models provided the basis for the development of the emotional capital model of emotional intelligence and leadership. The Emotional Capital Report™ provides a robust model of emotional intelligence as well as a valuable tool for measuring the competencies essential to being successful as a leader.

Finally, I'd like to thank the many men and women with whom I've worked over the last two decades. Their stories and our conversations convinced me that emotional intelligence truly can be developed.

Martyn Newman

Melbourne

To Stacey, Dylan and Scott —
three remarkably intelligent young leaders

EMOTIONAL CAPITALISTS

No doubt emotional intelligence is more rare than book smarts, but my experience says it is actually more important in the making of a leader.

— Jack Welch

Research shows convincingly that EQ is more important than IQ in almost every role and many times more important in leadership roles. This finding is accentuated as we move from the control philosophy of the industrial age to an empowering release philosophy of the knowledge worker age.

— Stephen Covey

1 Introduction

What makes you mad, sad or glad? The chances are they are the same things that make your customers and colleagues mad, sad, or glad. We are all the same. Emotions are heartfelt, personal and grounded in your senses. They shape your behaviour, your relationships, your most important decisions and even your economy. That's right, there is money in emotion. In an economy increasingly shaped by emotion, success comes from attracting the emotional consumer or colleague — not the rational one. Emotions determine whether or not people will work well for you, buy from you, employ you and enter into business with you. Accordingly, the focus for leaders in business has shifted well beyond traditional financial and knowledge assets, and even beyond accounting for the value of human capital. A new and more critical asset to bottom line performance has emerged - emotional capital.

Emotional capital is the value created by the positive morale, engagement and commitment to the brand demonstrated by employees and customers. And, in the last ten years the clearest framework for describing the practical competencies leaders need to build emotional capital have been associated with emotional intelligence (EQ). As Jack Welch puts it, 'A leader's intelligence has to have a strong emotional component'.

Elliot was a thirty-something corporate leader with superior intelligence and a bear-trap mind. He possessed a strong grasp

of the economics of the business environment in which he operated and had a flawless memory for detail. He was a devoted husband and father, and a role model for his extended family. He wielded considerable influence as a leader in his community and just about everyone who knew him held him in the highest regard and envied his personal and professional success.

Some time in his thirties, Elliot started experiencing annoying headaches, which he initially attributed to a reaction to stress. As they worsened, it soon became hard for him to concentrate. A medical examination revealed the distressing news: a tumour about the size of a small orange was growing fast in the part of his brain just above the roof of the eye sockets — in the frontal lobes. Although this particular tumour was benign, if it wasn't removed it would continue growing and would prove fatal. The good news was that an excellent medical team was able to remove the tumour. The operation was a complete success and, despite this scare, Elliot's future looked very bright.

In the years immediately following his surgery, Elliot astonished everyone as his life began to fall apart. Once known for his independent views and self-reliance, Elliot found it progressively more difficult to make decisions and he became increasingly dependent on others to make choices for him. Although his superior intellect was still evident, he seemed unable to form critical judgements and commit to a course of constructive action. Elliot appeared to lack any ability to manage his emotions or even understand what it was he was feeling at any given time. In fact, most of the time it was as if he had no feelings at all. He was unable to describe what he wanted to achieve and appeared completely devoid of ambition.

His relationships also suffered. Instead of his usual affable personal style, he came across as cold and aloof, and even people who knew him well found him unpredictable and difficult to

approach. His personal and professional relationships quickly deteriorated. His wife and family left him and he drifted in and out of relationships. On the one hand, Elliot had no obvious intellectual impairment; on the other, he became inept at work, lost his job, and was unable to keep another. He wasted money in a series of bad financial decisions and found himself living permanently on welfare. Elliot appeared emotionally exhausted — as if he were running on empty.

As the quality of his life deteriorated, Elliot sought the help of a number of medical professionals in an effort to understand why he seemed incapable of taking control of his life. Finally, he saw Dr Antonio Damasio, a neurologist at the University of Iowa.¹ All standard neurological tests came back as normal. In fact, Elliot's performance on IQ tests confirmed that he possessed superior intelligence, a powerful memory and an ability to concentrate intensely and think clearly. As Elliot had jumped through all these hoops so successfully, it appeared that the consistently poor choices that had led to such disastrous circumstances must be the result of a failure in his personality. So, in an effort both to understand his personality pattern and to determine what kind of psychotherapy may help him, Damasio suggested Elliot complete an extensive personality inventory.

You guessed it — once again there was a normal score! A comprehensive psychological evaluation suggested that Elliot's behaviour was not the result of any identifiable personality disorder.

Elliot emerged from this extensive evaluation as a person with a superior intellect and a reasonably normal personality structure, but who appeared incapable of making constructive decisions that affected his personal and social behaviour. At first glance, there was nothing out of the ordinary about Elliot's emotions. But for some reason, he found himself with little

motivational energy to start each day, obsessing over minute details and unable to make decisions. Most distressing of all was that he appeared unaware that he had developed a pattern of treating people with a cool indifference that left them feeling confused and often offended by their encounters with him.

I feel, therefore I am

Damasio had seen it all before and quickly established the cause of Elliot's problem. To put it bluntly, Elliot's tumour, which had been successfully removed earlier, had actually damaged tissue in the front part of the brain that supports emotional intelligence. Even though he had recovered successfully from his operation, the surgery took with it his ability to access and understand his emotions. Somehow his intellect remained intact, but he had no feelings about his thoughts, and so no preferences. In other words, Elliot was able to tell you what he thought in any given situation, but could not tell you what he felt, nor understand what other people might be feeling.

This discovery goes to the heart of what emotional intelligence is all about. The physical pathway for emotional intelligence starts at the base of the brain. Your primary senses enter here and must travel to the front of the brain before you can think rationally about your experience. But first they must travel through the limbic system, the place where emotions are experienced.³ Emotional intelligence requires effective communication between the rational and emotional centres of the brain. The damage caused to the front part of Elliot's brain had taken away his ability to reflect on his emotions. This left him unable to use this information to arrive at accurate judgements

and to take positive, constructive action. In other words, he was rich in intellect but poverty stricken in his emotional life.

The rational and emotional centres communicate constantly, helping us to form judgements and make choices. A broadband connection between these centres is critical for developing high emotional intelligence.

In Elliot's case, the connection had broken down, leaving him with limited emotional resources to draw on to guide his behaviour. Without access to his emotions, he was cut off from the source of emotional energy necessary to build drive and sustain motivation. He had no access to a wealth of emotional experience that had been instrumental in his forming sound judgements, making clear decisions, solving complex problems and building the sort of prosperous relationships that had characterised his earlier life. Elliot had lost a lifetime of accumulated emotional capital.

Elliot's story is more than just an interesting medical case study. It shows us something vitally important about the platform that supports our personal and professional success. The ability to recognise and respond thoughtfully and creatively to your emotional experience is the most critical factor determining your success. Your best and worst experiences are associated with your emotions.

Achieve extraordinary things with ordinary people

As you read this book you will discover a blueprint for developing and using your greatest leadership asset — your emotional intelligence — to achieve extraordinary things with ordinary people. This book will provide you with the language to name your emotional experiences and the vocabulary to explain them. More importantly, it will provide you with a practical,

step-by-step structure for building effective strategies that will enable you to achieve remarkable results through your leadership.

Emotional Capitalists represents a new and very powerful approach to contemporary leadership.

It is founded on three simple ideas. The first is that effective leadership in the workplace is the by-product of emotions associated with behaviours such as self-confidence, optimism, self-reliance and empathy. The second is that these emotions are valuable because they create strong relationships between organisations and their customers and employees, which, at the end of the day, creates a real competitive advantage for any business. The third is that these emotions and their associated behaviours can be developed and used intelligently to solve problems, create products, deliver superior service and dramatically boost personal and professional performance.

Who are emotional capitalists?

Emotional capitalists are those extraordinary leaders who recognise that to build a successful business today they must go beyond a focus on traditional financial assets such as physical capital (the bricks and mortar, if you like), and beyond intellectual capital (which comprises intellectual property, databases, formulas and business processes), and even beyond human capital to a new focus on emotional capital — the energy, enthusiasm and commitment in the hearts of everyone connected with the business.

According to Kevin Thomson, emotional capital in your business is made up of two core elements: external emotional capital and internal emotional capital.³ Here I would add a third ele-

ment critical to the role of leadership: intra-personal emotional capital.

The first element, external emotional capital, is the value of the feelings and perceptions held by the customer and the external stakeholder towards your business. As I've suggested, the only way to create real profit is to attract the emotional rather than the rational customer by appealing to his or her feelings and imagination. Customers want to buy from organisations they like and who are like them. This creates brand value and goodwill and results in repeat sales through customer loyalty, lifetime relationships and referrals. In other words, the brand is more than a name or a logo; it creates trust and recognition and is a promise and an emotional contract with each customer.

Your primary role as a leader is to create emotional wealth for competitive advantage

The second core element, internal emotional capital, is the value of the emotional commitments held in the hearts of the people within your business - their level of engagement. It can also be described as the feelings, beliefs and values held by everyone working in the business. As a leader, you know that external customer relationships are important. But your interactions with internal customers — your people — are just as vital. Every relationship that your business has with everyone it touches is an asset and an investment. To build emotional wealth you must treat your people as investors because that is what they are — intellectual and emotional investors. Every day they bring their heads and hearts to work. And if they don't, you won't be in business very long. Internally, emotional capital is seen in the value of the energy and enthusiasm that people bring to work to create products and solve problems.

The third element that makes up emotional capital — intra-personal emotional capital is the level of positive, focused energy that you invest at work and in your personal life. As a leader, you will inspire or demoralise others first by how effectively you manage your own emotional energy and, second, by how well you mobilise, focus and renew the collective energy of the people you lead.

Frankly, your primary role as a leader is to create emotional wealth for competitive advantage. Nothing in business is more rewarding or exciting. Believe me, I know — after working as a corporate psychologist for more than fifteen years I've seen it many times. Once you put the tools of emotional intelligence

Everybody in an organisation must be living the dream for the organisation to be great

into the hands of the people, you open the doors to the remarkable, creative entrepreneurial energy that exists in all genuine leaders.

What are you currently doing that makes everyone who comes into contact with you and your business feel like they're important? You see, everybody in an organisation must be living the dream for the organisation to be great. And greatness is only attained when leadership creates emotional capital by inspiring everyone to explore and express their own creative contribution to the vision of the business.

To be blunt, the leaders I'm talking about are called upon to build an emotional enterprise — not just a rational one. They do this by creating external emotional capital — appealing to the emotional customer — so that people buy into the brand and organisation. They also create internal emotional capital by treating employees as intellectual and emotional investors in the company. Finally, they pay attention to building and managing

their reserves of emotional energy by which they continually renew and inspire others to focus on what really matters.

In the last ten years, the most sensational strategy for achieving these goals has been to focus on developing emotional intelligence. Emotional intelligence is an indispensable set of social and emotional competencies for leveraging knowledge and emotions to drive positive change and business success.

Emotional intelligence — strategy for building emotional capital

There are several approaches to describing emotional intelligence. The term was initially developed by psychologists John Mayer, of the University of New Hampshire, and Peter Salovey, of Yale University. However, Israeli psychologist Reuven Bar-On had worked independently on a concept of well-being in the early 1980s that he later described as emotional intelligence and referred to as ‘emotional quotient’. The idea was popularised in 1995 by American journalist Daniel Goleman who wrote the first best-selling book on the subject. Essentially, Goleman summarised the research showing that the ‘good guys’ — emotionally intelligent men and women — finish first by almost every standard used to measure business success. Simply put, emotional intelligence (EQ) describes a new way of being smart that is at least equally important to achieving success as IQ or technical expertise. It involves two parts: first, becoming aware of how emotions in ourselves and others drive behaviours; and, second, developing the skills to manage these emotions intelligently to leverage our personal strengths to create products, solve problems and effectively influence the performance of others.

Most mature models of emotional intelligence identify four or five broad components. In addition to identifying these general areas, most models break these areas down into a variety of competencies.⁴ The emotional capital model of emotional intelligence is a well-researched model that was developed with a specific focus on identifying those competencies that characterise effective leaders. It consists of five broad components and ten specific emotional intelligence competencies.

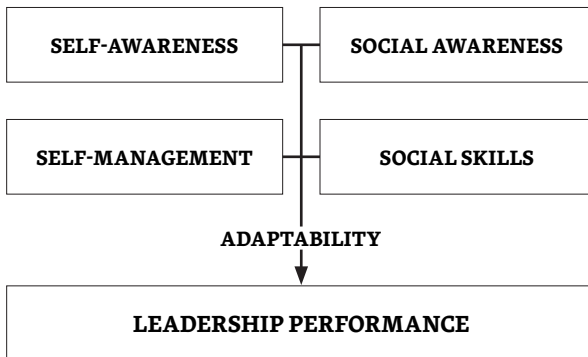
1. **SELF-AWARENESS:** your capacity to understand your own emotions and stay in touch with your feelings. It includes self-knowing, the ability to recognize how your feelings and emotions impact upon your personal opinions, attitudes and judgments; and straightforwardness, the ability to communicate your feelings, thoughts and beliefs openly in a straightforward way. This cluster of competencies enables you to develop your leadership presence and communicate authentically and openly.
2. **SELF-MANAGEMENT:** your ability to manage your own emotions and have confidence in your ability to manage your personal performance. It includes self-control, the capacity to control your emotions well and restrain your actions until you have time to think rationally; self-confidence, the ability to accept and respect yourself and essentially like the person you are; and self-reliance, the power to be independent in planning and making important decisions and the ability to take responsibility for yourself.
3. **SOCIAL AWARENESS:** your talent for tuning into the experience of others. This area includes empathy, the capacity to be aware of, understand and appreciate the feelings and thoughts of others. Of course, to be able to understand how other people feel,

it helps if you are able to recognize and understand your own emotional experience first. These skills enable you to grasp the emotional dimensions of a business situation and enhance your capacity to influence others to achieve productive outcomes.

- 4. **SOCIAL SKILLS:** your people skills define your talent for interacting and getting along with others. The primary ability in this area involves relationship skills, the knack for establishing collaborative and mutually rewarding relationships characterised by positive expectations. This competency along with empathy is essential for building the value of the relationship assets in the business.

- 5. **ADAPTABILITY:** your ability to respond to challenges and adapt to new and difficult situations. Adaptability involves your ability to react well to change and adjust your emotions, thoughts and

EMOTIONAL CAPITAL MODEL OF EMOTIONAL INTELLIGENCE



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behaviour to changing situations and be receptive to new ideas; self-actualisation, which is the source of your emotional energy, enables you to maintain an enthusiastic commitment to long-term goals; and optimism, your capacity to sense opportunities and focus on the possibilities of what can be achieved. Genuine optimism determines your level of resilience and your ability to bounce back from setback. Collectively, this cluster of skills enable you to take on new challenges and respond creatively and effectively to new opportunities.

Taken together, these ten competencies are the most practical collection of key success factors that you will find anywhere. They are important because they encapsulate nearly everything you do that's not just a result of how smart you are. Of course, not everyone will have all these competencies in equal measure. While it is true that each of us has a certain 'style' of behaving that defines our personality, how effective you are at handling yourself and your relationships will be captured by a distinctive combination of these EQ competencies. And, as you'll discover, research using the Emotional Capital Report™ (ECR) - the world's first psychometric tool specifically designed to measure EQ and leadership skills - continues to confirm that these ten EQ competencies represent the signature strengths of successful leaders. In my experience exploring these ten competencies, there are at least seven that are an absolute priority to focus on. Accordingly, in this book I've chosen to explore what I consider to be the seven most important competencies. The good news is that the research also confirms that high EQ individuals can be made, even if they were not born that way.

‘We can rebuild him’

I met John C at a very exciting time in his career. He was a 34-year-old state manager of a global confectionery company preparing to step up to the larger role of regional general manager. John had moved from a marketing role that had been product focused, into a general management (GM) position with ten direct reports and financial responsibility for the region. Although John would be the youngest GM on the team, he was recognised as a high achiever. He had been chosen for this promotion because of his cross-cultural experience and excellent performance record within the company throughout his career. Despite being aware of his outstanding record, both his supervisor, Mark, and the human resources manager, Susan, were keen to appreciate more about the distinctive emotional and social competencies that underpinned his performance.

During the background briefing, Mark, John’s supervisor, had remarked that despite John being a good communicator, he was puzzled by the fact that his team seemed passive and less than enthusiastic about his leadership. Susan was also only too well aware of John’s relatively young age and was concerned as to whether John had the emotional resources to cope with the demands of this expanded role.

During my discussion with John, he described his signature strengths as having determination and being passionate about what he believed in; possessing good technical, financial and marketing skills; and having sound social skills and a solid work-life balance. I asked him if he had any doubts or

Research has identified seven EQ competencies that represent the signature strengths of successful leaders

questions about his current performance that I could try to help him understand. John didn't hesitate. 'Yes', he said. 'Why can't I get my management team to take ownership of projects?' He also commented that everyone on his team seemed so 'uptight' and scared to take any risks. He then asked, 'Why don't my team open up to me and tell me what they're thinking?' John demonstrated an obvious enthusiasm for the new role but a little later in the discussion he appeared to be frustrated with himself and commented, 'I see so many opportunities, sometimes I tend to rush at things and get enthusiastic, then things just don't seem to work out the way I expected'. Then, out of the blue, John confided that he had noticed that some people had actually found him arrogant and egocentric. He wondered if I could help him understand more about how he came across, so that he could avoid creating such a negative impression.

I suggested to John that he complete an assessment of his emotional intelligence in order to obtain a snapshot of his emotional and social skills. This would enable us to gather some objective data to try to answer his questions about his leadership style. He agreed and completed his EQ assessment with the enthusiasm that characterised most of what he chose to do.

A review of his profile revealed his highest scores were on EQ competencies such as optimism, straightforwardness, self-reliance, adaptability and self-control. These scores went a long way to explaining why John made such an engaging and pleasant initial impact. Scores like this indicated that he possessed a secure and mature personality with a good level of self-esteem and a strong optimistic view of the future. Leaders with these sorts of scores are often characterised by their ability to look beyond the day to day and identify and open up new opportunities. They are usually most effective in 'start-up' and 'turn-around' situations — which was certainly true of John. In addition, John's high

score on self-control and optimism suggested that he possessed an enhanced ability to withstand adverse events and stressful situations and would generally cope effectively with the pressure of his new role.

John received his two lowest scores in relationship skills and empathy. Although he possessed strong leadership potential, he didn't appear to be particularly good at understanding and relating to the needs of others.

As we explored his profile together, I suggested to him that maybe because he presented as such a competent, cool and tough-minded individual, with a focus on pushing through obstacles and challenges, he may inhibit openness and team comfort at times. John was curious. I continued by suggesting to him that he was likely to often be misunderstood due to his drive and determination. This may lead him to act quickly and without always communicating sufficiently detailed information to his colleagues. He smiled and agreed instantly, commenting that his wife had often described him as a 'bull in a china shop'.

As we talked further it became clear that John's straightforward but also critical communications style was likely to lead others to back off and avoid taking risks. In his enthusiasm to drive people forward to meet targets he often became so focused on achieving the goal that he did not sufficiently listen to, or take full account of, others' viewpoints or feelings. I suggested to him that if he wanted to get the best out of his people and convince them to buy into his initiatives, then he needed to allow more time for unhurried interactions with them, improve his listening skills and establish a more flexible communications style. Furthermore, he needed to balance his sharp, critical comments with appreciative observations and ensure that he recognised and rewarded his people.

As our conversation deepened, John also became aware that he often struggled with understanding and expressing his feelings. I put it to him that this may suggest that, at times, he will come across to others as ‘hard to read’ and closed, and that this may go some way to explaining why his team lacked enthusiasm for his leadership.

John appeared to relish the challenge of improving his people skills and enthusiastically took to the program I built for him. I couldn’t help but recall the seventies TV show Six Million Dollar Man — you know, ‘We can rebuild him...’ Although John was functioning extremely well in many aspects of his leadership, his people-management skills needed rebuilding from the ground up.

I met with John again recently and I’m pleased to report that his relationship skills have improved dramatically and he and his team have been taking the region by storm — together!

Can you improve your EQ?

John’s experience is further evidence that EQ can be developed. In fact, research supports the view that EQ actually improves with age. The data makes it clear that the older you get

Anyone who is genuinely motivated can develop his or her emotional intelligence and boost emotional capital

the more emotionally intelligent you become, at least up until your late forties or early fifties. This finding is dramatic considering that cognitive intelligence (IQ)

has been found to peak in the late teens, level out until the late fifties, and even mildly declines later in life. So, the real question is not so much about whether EQ can be improved — we

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

Although some aspects of emotional intelligence are innate, anyone who is genuinely motivated can develop his or her emotional intelligence and boost emotional capital. We were recently approached by one of Australia's leading international companies, Foster's, to work with the finance team in the brewing division's Carlton & United Breweries (CUB). CUB had identified various behavioural imperatives as drivers of business improvement and was committed to developing these in its leadership team. We took an emotional and social audit to benchmark these behaviours against EQ competencies. We then implemented a development strategy aimed at building the EQ competencies of these high-potential leaders.

Using a combination of the Emotional Capital Report™ (ECR) and an online interactive EQ learning management system that broke EQ down into simple building blocks, now called SmartCoach, we were able to demonstrate a 30 per cent increase in EQ competencies over the course of the program. The effect on leadership performance was dramatic, tangible, and, as witnessed through recent follow-up work, highly sustainable.

Emotional intelligence and leadership

Leadership has been described in many different ways and there are a growing number of books with formulas for how to be a great leader. There are, however, fewer scientific studies of what really differentiates the great leaders from everyone else. Traditionally, leadership has been linked to vision, problem solving, intelligence, technical knowledge and business acu-

men. There is now, however, also a great deal of interest in the role that emotional intelligence plays in leadership.

A number of recent studies using the Emotional Capital Report involving thousands of outstanding corporate and community leaders from around the world have identified the emotional and social competencies that distinguish these high-performing individuals.

The studies involved several specialist groups of professional people who were regarded as leaders in their fields. Groups included members of Leadership Victoria – an elite group of business and community leaders in Australia; a group from the financial services industry identified as ‘high potentials’; and a group of HR professionals from the pharmaceutical industry with specialist roles in recruitment and selection. When scores from these three leadership groups are examined, all scores are significantly higher than the mean on all ECR™ scales. These studies confirm that there are ten dynamic emotions that set these high-performers apart from the average.⁵ Although all ten skills are important, as I mentioned earlier, in my experience at least seven of these competencies have a more critical impact on leadership effectiveness. Accordingly, these are the particular competencies explored in detail in the chapters of this book.

So, what does it take to be an emotional capitalist and a successful leader?

Emotional capitalists—seven dynamic assets

Interestingly, the research reports of these leaders revealed that they scored high on self-reliance, straightforwardness and optimism. In other words, high-performing leaders: take responsibility for themselves; possess an independence of mind, thought and values; are self-directed; are able to express their thoughts,

feelings and beliefs in a non-aggressive way; are opportunity sensing; possess the ability to maintain a positive approach and remain persistent even in the face of major challenges.

In terms of your business, these three competencies enable you to: model self-assured behaviour; communicate a clear view of the organisation's vision and direction; inspire the confidence of others; and deal with setbacks in a positive, constructive way.

These leaders also scored high on self-actualisation. Interestingly, earlier research that looked at predictors of success in the workplace across hundreds of occupations found the one factor of emotional intelligence that consistently showed up — almost regardless of job type — was self-actualisation.

According to psychologist Steven Stein, there are two components to self-actualisation as a skill. The first involves having a passion for

what you do — that you love your work and eagerly look forward to starting each day. The second component involves being well rounded. People who score high in self-actualisation have a variety of interests, hobbies and social activities. They ensure that they spend enough quality time in these pursuits. In the process of self-actualising you build emotional capital by producing your best work. Your example, in turn, enables others to believe they can produce their best, too.

Another score that differentiated these high-performing leaders from the rest was their score on self-confidence. Effective leaders have a high degree of self-confidence. Self-confidence is built on the twin emotions of self-liking and self-competence and determines the quality of your relationships. The more you like and respect yourself, the more you will like and

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

respect others, and the better they will feel towards you. Your personal level of self-confidence will be the critical factor determining whether people will have sufficient confidence to enter into business relationships with you.

A sixth dynamic emotion that set these leaders apart in each of the studies was relationship skills. High-performing leaders are better at building relationships. This can have big pay-offs both in developing your external business contacts and in working with your employees. Once leaders start ‘telling’ people what to do they have already ceased to be effective. Command and control is no longer effective. If your employees don’t buy into your ideas and plans there is little incentive for them to perform optimally. Successful leaders today focus on winning the hearts and minds of people around them.

When talking about executive EQ at business meetings, one of the questions I’m frequently asked — especially in the presence of female CEOs — is the difference between male and female leaders. Although no overall difference in EQ has been found between genders, female leaders typically score higher than males in relationship skills. In other words, in general, women are better at initiating, developing and maintaining relationships. Relationships represent a unique strategic asset and are the primary source of emotional capital in a business. Managing them well is critical for building real competitive advantage in your business.

One other area that frequently differentiates men from women is the seventh emotional competency — empathy. Although women generally tend to score higher than men, in these studies the high-performing leaders of both genders all scored higher than the average.

The ability to empathise with others is one of the most important competencies differentiating the star performers

from the average. Leaders high in empathy understand the tasks their people must perform and sense the feelings, needs and perspectives of others. Empathy allows a leader to create and maintain happy, productive relationships by focusing on the whole person — not just the tasks he or she must perform.

Empathy also creates reserves of emotional capital that can be drawn on when the pressure is on.

The result of this research is convincing and suggests that these seven emotional competencies are the signature strengths of highly effective leaders. Of course, when I speak of leaders I am not referring just to a single individual. Leadership is distributed. In a certain sense, everyone is a leader because everyone is always trying to convince people to buy into what they are doing. Genuine emotional capitalists do not practise leadership; they live leadership. They are what they do.

Time and talent

According to Jonas Ridderstråle and Kjell Nordström, the authors of *Funky Business*, this is an age of time and talent — we are selling time and talent, exploiting time and talent, organising time and talent and packaging time and talent. As a result, emotionally intelligent leadership, with its focus on people and skills, is the key to competitive advantage. How you attract, retain and motivate your people; how you treat your customers and suppliers; and how well your company is led, are the vital differentiators in business today. Today, figuratively speaking, the ‘boss’ is dead — or at least passé — long live the emotional capitalist!

Workplaces now demand that leaders change by taking on these advanced people-management skills and building their

emotional capital. This sort of change does not occur overnight, but it does happen — and 20 years of research confirms that it happens more quickly when seven critical components are present in the learning and development process.

Emotional capitalist — leadership system

Over the last few years we've set about building a rigorous EQ leadership system based on these seven components of emotional intelligence — the same system that Foster's and many other companies have successfully adopted to systematically build emotional capital in their organisations. A description of the 'Emotional Capitalist — Leadership System' is described on the RocheMartin website at rochemartin.com. There you will find a description of the system and a number of helpful resources for building your emotional capital, including an opportunity to download a sample of the Emotional Capital Report™ used to help John C make the changes critical to his success. The report provides scores on the ten EQ competencies found to be critical components of effective leadership benchmarked against a large international group of professional people. It also describes a blueprint for individual development together with specific coaching strategies for building emotionally intelligent leadership.

As a reader of Emotional Capitalists you may like to test-drive the Emotional Capital Report™ (ECR) for yourself. The Emotional Capital Report™ measures your personal level of emotional capital quickly and accurately and delivers a Summary Report of your scores on the seven leadership competencies covered in this book, plus three additional competencies that also characterise effective leaders. Your report is generated by comparing

your responses to thousands of professional people who have taken the assessment during the scientific development of the report. The Emotional Capital Report™ provides you with an individualised, detailed description of your strengths and development opportunities, along with proven coaching strategies to build your leadership success. The ECR™ can be found at www.emotionalcapitalists.com/ecr.

To help you build your emotional capital and develop your personal leadership skills go to www.emotionalcapitalists.com/supplement. Here you will also find a number of valuable resources including exclusive video clips that provide key insights for building the skills of emotional intelligence, free downloadable EQ SmartTips – highly practical summary sheets that enable you to transfer the skills to the workplace and access to webinars to support you in your journey to becoming an emotional capitalist.

Breaking the EQ code

Sure, emotional capital is a business and leadership philosophy, but as you can see, it's so much more than just a theory. It is a systematic strategy for building wealth in your business.

If the critical components of competitive advantage are elements such as innovation, specialised knowledge, exceptional quality, productivity, and attracting and retaining top talent, then they must be something that everyone who comes into contact with your business is committed to. This doesn't occur by adopting a rational rules-and-rewards — or 'sticks and carrots' — approach. And it certainly doesn't happen by using a 'command-and-control' or 'corporate-megaphone' approach. It

is achieved by the skillful development and application of your emotional intelligence.

Given that emotional intelligence is made up of flexible skills that can be learned, all that remains is to understand clearly the building blocks that comprise each of these core leadership skills and consistently practise the techniques that build these competencies. Nothing in my business life has been more rewarding than experiencing firsthand what happens when individuals acquire these competencies.

Once you open the doors to emotional capital it releases an energy within you that will transform both your leadership influence and your business. In fact, as a result of these experiences I've come to the conclusion that being an emotional capitalist is a way of life, not just a business philosophy. In other words, if you adopt it you will also notice a dramatic improvement in the quality of your personal life.

While there are a number of books that discuss emotional intelligence and why it is important, this book actually tells you how to get it. The following chapters clearly identify the seven core emotional building blocks that define superior leadership. It then sets out a practical approach for quickly mastering and applying these crucial skills to dramatically increase the emotional capital in your business.

In other words, the remainder of this book breaks the EQ code and provides you with an easy-to-understand blueprint for mastering the seven dynamic emotional assets that will dramatically increase your emotional capital and boost your performance and leadership success.

Welcome to the world of the emotional capitalist.

People are always blaming their circumstances for what they are. I don't believe in circumstances. The people who get on in this world are the people who get up and look for the circumstances they want, and if they can't find them, make them.

— George Bernard Shaw

You must be the change you wish to see in the world.

— Mahatma Gandhi