THE EMOTIONAL INTELLIGENCE OF THE FINANCIAL SECTOR
2004-2014

Emotional Intelligence in Business

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“Emotional Intelligence is how somebody manages their personality to be both personally and interpersonally effective.”

— JCA Global
Overview

This paper analyses data on individuals working in the financial sector* who completed the Emotional Intelligence Profile (EIP), an online self-report questionnaire, from 2004-14.

The results show the financial sector to be generally lower in EI than several other job sectors, in particular on interpersonal aspects of EI such as being more critical, less flexible and less people oriented. However, this has broadly improved over the last 10 years, and the financial sector has developed certain strengths such as being pragmatic and task focused, and leaders who demonstrate self-belief, authenticity and consistency. This paper also shows that EI can be sustainably developed in this sector through appropriate training, which has significant impact on the emotional climate of the organisation in terms of employee performance, engagement and well-being.

Jo Maddocks
R&D Director, JCA Global Ltd

* The sample consisted of 5,232 individuals from the financial sector, their composition being two thirds male, average age 40-49, mostly at director or senior manager job level, 60% being of UK origin, working mostly in the corporate and investment banking sectors. The comparison group were 30,133 individuals from various job sectors typically at senior managerial level.
How emotionally intelligent is the financial sector?

In comparison with over 30,000 respondents from other job sectors the financial sector scored slightly lower than average on Emotional Intelligence (EI) (Table 1). The highest scoring sector was the self-employed group. It is interesting to note that since 2008 and the economic downturn the number of self-employed has soared by over 10% (Office for National Statistics, 2013). If many of the more experienced and capable individuals are choosing to be self-employed, this may present a difficulty for larger employers who are seeking the ‘best’ talent. In order to attract and retain top talent, organisations may need to provide wider opportunities that appeal to this specific cohort such as greater autonomy, personal accountability and individual incentive.

The financial sector scored lower on the Interpersonal aspects of EI as shown on the following framework* (Table 2). More specifically this included scales** such as Regard for Others, Awareness of Others, Connecting with Others, Trust, Emotional Expression and Control, and Conflict Handling. It may suggest that this sector attracts individuals who are less people oriented, or that they become less people oriented (Grandin and Barron, 2005). There is a risk therefore of creating work environments that are lower in EI where being less interpersonally skilled becomes the accepted norm.

* An overview of EI and the EI framework is described in Appendix 1.
** Scale definitions are given in Appendix 2.
The financial sector scored marginally higher in areas of Self Management, such as **Self Regard**, **Emotional Resilience**, **Goal Directedness**, **Authenticity** and **Balanced Outlook** suggesting relative strengths in being more self-assured, pragmatic, realistic and task focused.

The two scales that underpin all other scales are **Self Regard** and **Regard for Others**. When placed in a 2 x 2 matrix they represent four core attitudes or ‘Life positions’ (Ernst, 1971) that greatly influence a person’s feelings, behaviour, motivation and performance. Based on this analysis the financial sector fall into the bottom right ‘Critical’ position where **Regard for Others** is lower than **Self Regard** – shown by the blue ball (Table 3). This suggests that under stress individuals may tend to protect themselves by being more critical and blaming of others. This may manifest in other behaviour such as being inflexible, aggressive, mistrusting and less interdependent. Again, the risk here is that during times of stress (which may be frequent) that the culture of financial organisations becomes more ‘defensive’ and less people oriented.
What differences are there within the financial sector?

Further analysis was conducted to examine differences in age, gender and job level within the finance sector. With age, there was a consistent increase in overall EI for each age band (Table 4). This may be expected as EI has close similarities with the concept of ‘wisdom’; defined as ‘the effective application of knowledge and experience’. Ideally, organisations will learn to embrace the experience of an ageing workforce, as these individuals are likely to provide sound guidance and act as role models to others.

However, a couple of scales decreased with age. Older employees score lower on Personal Power, one hypothesis being that they feel trapped into maintain a certain standard of living, rather than following their ambitions and other interests. They also scored lower on Connecting with Others, which may reflect less desire to fit in or need to be accepted by others.

There was a noticeable overall increase in EI for the 40–49 age group. This contrasts with other job sectors that tend to increase at age 30–39, often explained as being the result of adapting to family life. Perhaps for finance and city based jobs family life happens later and it takes longer before individuals feel a sense of stability in their lives. It may also be that in the financial sector individuals feel more confident in their job roles and financially secure by this age.

There were some clear differences between the male and female respondents (Table 5). There being 2½ times more male than female respondents, which is far greater a proportion of males than in other job sectors. This may indicate that the financial sector is less appealing to females possibly due to perceptions of this industry being stereotypically male, e.g. aggressive and less conducive to family life. The concern here may be that this sector does not attract some of the top female talent and therefore misses out on typical female strengths in EI described below.
Females scored significantly higher on Self Awareness, Awareness of Others, Connecting with Others and Emotional Expression and Control, suggesting that they are more aware of feelings and how to manage these effectively in building relationships. However, they were also more Passive and Dependent on others suggesting they may find conflict more difficult to handle. Males scored higher on Self Regard, Emotional Resilience, Goal Directedness and Flexibility, suggesting that they are more self-assured and task focused.

Overall EI increased with seniority of job level (Table 6). Three scales in particular showed a clear and consistent increase through the job levels; Self Regard, Goal Directedness and Authenticity. This suggests that leaders have greater self-belief, they know what they want and stick to their principles. These findings are similar to those found in higher age groups, and indicate that these are important attributes for leadership and those seeking promotion.

Another characteristic of senior leaders and directors is that they have less extreme and more balanced EI scores. For example, they are more Assertive (not passive or aggressive), Realistic (not over optimistic or pessimistic), Expressive (not emotionally blocked or over emotional) and Interdependent (not ‘in’ or ‘out’ behaviour). In other words good leaders in the finance sector are more predictable and consistent as opposed to the stereotypical charismatic leader.
The financial sector has been through turbulent times since the 2007 banking crisis, and is now stabilising after a period of considerable change.

Research on the EIP has shown EI in the financial sector to rise and fall broadly in line with the economy (Table 7) suggesting that there is a close relationship between the financial economy and the ‘emotional economy’. It is likely that when people are more financially secure they will feel more emotionally secure. We would also contend that a strong and sustainable financial economy requires a healthy and positive ‘emotional economy’, one where organisations and their leaders demonstrate emotionally intelligent attitudes and behaviours. Research by JCA Global Ltd has shown the emotionally climate of an organisation created by its leaders accounts for a 22% variance in the performance, engagement and well-being of its employees (Maddocks, 2014).

Table 7 shows that every year since 2004, the financial sector has consistently scored lower in EI than other job sectors, however from reviewing the data in more detail there are many green shoots for the financial sector. Despite a drop in EI from 2011-13, EI improved in 2014 perhaps indicating that employees are becoming more settled. Some noticeable improvements in 2014 are interpersonal aspects of EI including Self Awareness and Other Awareness, Connecting with Others and Interdependence which are all stronger than other years, and rather surprisingly are even stronger than other job sectors. There are also two scales that the financial sector tends to score slightly higher in every year, these are Authenticity and Goal Directedness suggesting that the financial sector is fairly task focused and conscientious.
On the downside, the financial sector scores lower in scales to do with self-confidence than previous years such as Self Regard, Regard for Others, Personal Power, Flexibility and Conflict Handling. This may be due to a reduced sense of freedom (more regulation) and the attritional effect of blame towards the banking sector.

Finally, it is important to recognise that all aspects of EI can be developed. On a sample of 189 leaders (about 50% were from the financial sector), JCA Global Ltd demonstrated an 18% improvement in EI scores six months after completing a three day EI training programme. If this improvement in EI transferred directly into productivity, then conservative estimates indicate that an 18% improvement in productivity for senior managers would lead to 150% increase in pre-tax profits (Sibson, 1976).

Based on their psychometric and applied research JCA Global Ltd have defined four factors that are crucial to developing EI within organisations:

1. Adopt positive intentions (attitudes)
2. Create an atmosphere of openness
3. Encourage responsibility
4. Value and appreciate others

Details on applying each of these may found in Emotional Intelligence @ Work (Maddocks 2014).

The first of these; ‘adopting positive intentions’ is at the heart of developing an emotionally intelligent organisation. Through its leaders an organisation can foster positive intentions by stating its values and acting upon them. Attitudes tend to be self-fulfilling, so an organisation that promotes positive intentions internally with staff and externally with customers is likely to create the same. The indications are that these changes appear to be happening within this sector. For instance, one large bank has placed ‘Respect’ (We respect and value those we work with, and the contribution that they make) as the first of its five core values. It is now a matter of continuing to implement these intentions in the long term to achieve sustainable results.

Did over-optimism cause the economic recession?

Some commentators have suggested that the financial crisis was caused by unrealistic over optimism rather than greed (De Meza, 2010). This would fit with the EIP findings that Balanced Outlook (being Over Optimistic) peaked in 2007 before dropping significantly (to Pessimistic) when the recession started in 2008. There is clearly a balance to be struck between optimism and pessimism of being realistically optimistic. It may be that economic uncertainty affects our feelings of security. When people feel threatened their brain switches into ‘survival mode’, and they try to protect what they have. Kahneman & Tversky (1979) who won the Nobel Prize in Economics found that the psychological impact of loss is two and a half times as powerful as that of gain. Unfortunately this ‘survival mode’ can make things worse as people become less adaptive and responsive to change, and they may miss opportunities for growth and finding solutions to their challenges.
Conclusion

Overall, the picture is looking brighter for the EI of the financial sector.

Although scoring lower on interpersonal aspects of EI this has improved significantly in the last year. Despite going through a difficult period since the financial crisis, EI is broadly improving in this sector. The industry should continue to play to its strengths of being authentic, goal directed, emotionally resilient and task focused. It should harness the interpersonal strengths identified in 2014 and within its minority female sector. It should also value the attributes of age and experience in its leaders who demonstrate wisdom, integrity and self-belief. In doing so, this will continue to grow a healthy emotional climate which will help build a strong and sustainable financial industry.
Appendix 1

What is Emotional Intelligence?

Emotional Intelligence is a combination of skills, attitudes and habits that distinguish superior performance from ‘run-of-the-mill’, both in life as a whole and at work. The different parts of EI are brought together and organised by the EI framework shown below. This consists of two streams:

Personal Intelligence

The individual being intelligent in picking up what is going on inside themselves (Self Awareness) and acting on these feelings and notions (Self Management). This includes aspects such as: self-motivation, dealing with challenges and setbacks, being confident in decisions and actions and adapting to new situations.

Interpersonal Intelligence

The individual being intelligent in picking up what is going on for other people and between people (Awareness of Others) and doing what they need to do to manage this (Relationship Management). This includes aspects such as: building trusting relationships, leading and managing others, helping motivate others, team working, coaching people and managing confrontation.

There are three levels to the EI framework; at the deepest level Emotional Intelligence is influenced by the individual’s Attitude, in particular their attitude towards themselves (Self Regard) and their attitude towards other people (Regard for Others). This in turn influences Feeling (Self Awareness and Awareness of Others), which manifests in their Behaviour (Self Management and Relationship Management).

The relationship between the six parts of Emotional Intelligence is shown in the EI framework below:

For a comprehensive description of EI and its development refer to Emotional Intelligence @ Work (Maddocks 2014).
Appendix 2

Scale definitions for the EIP

Attitude scales

- **Self Regard** is the degree to which you accept and value yourself.
- **Regard for Others** is the degree to which you accept and value others as people, as distinct from liking or approving of what they may do.

Feeling scales

- **Self Awareness** is the degree to which you are in touch with your body, your feelings and your intuitions.
- **Awareness of Others** is the degree to which you are in touch with the feeling states of others.

Behaviour scales (Self Management)

- **Emotional Resilience** is the degree to which you are able to pick yourself up and bounce back when things go badly for you.
- **Personal Power** is the degree to which you believe that you are in charge of and take responsibility for your outcomes in life, rather than seeing yourself as the victim of circumstances and/or of other people.
- **Goal Directedness** is the degree to which your behaviour is related to your own long-term goals.
- **Flexibility** is the degree to which you feel free to adapt your thinking and your behaviour to match the changing situations of life.
- **Connecting with Others** is the extent and ease with which you are able to make significant connections with other people by sharing yourself with them.
- **Authenticity** is the degree to which you invite the trust of others by being principled, reliable, consistent and known.

Behaviour scales (Relationship Management)

- **Trust** measures your tendency to trust others. A high score suggests a healthy balance – you are disposed to trust others, but careful to take care of yourself in relation to others.
- **Balanced Outlook** is how well you manage to balance optimism and realism. A high score means that you have a healthy balance; you tend towards optimism, but are sure to check out your hopes against reality.
Emotional Expression and Control is how emotionally controlled you are. A high score means that you have a healthy balance – you are free to express your feelings, but are in control of whether to, how to and when to do so.

Conflict Handling is how well you handle conflict; how assertive you are. A high score suggests a healthy balance – you are assertive, standing up for your wants and needs, but staying calm and respecting others while doing so.

Interdependence is how well you manage to balance taking yourself and taking others into account. A high score means that you have a healthy balance; you tend towards working with people but still retain a degree of independence.
References


Office for National Statistics: February 2013. Self-employed up 367,000 in four years, mostly since 2011.
