

# Emotional Intelligence and Organisational Performance: A Framework

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## Abstract

An individual could be influenced by the organisational surroundings (Abraham 2004). As claimed by Zeidner et.al. (2004), the level of “Emotional Intelligence” in an individual is sensitive to the environment or its surroundings. The relationship between the level of Emotional Intelligence and organisational performance could be positive or negative. Performance of the organization could be measured in 2 ways, financial and non-financial. For the purposes of the current study, the “Genos Emotional Intelligence” construct have been used to measure the level of “Emotional Intelligence”. Based on the multiple regression analysis, it was found that 77.6% of the variations to organisational performance (financial) are due to Market Growth (this is the individual company’s growth rate), Growth Rate (Industry Growth Rate), Government Expenditure in the industry, Age Group, Employment Length, Company Size, Marital Status, Management Level, Education Level, Emotional Intelligence (“Emotions Direct Cognition, Emotional Management”), Organisational Citizenship Behaviour (“Sportsmanship, Altruism”) and “Job Satisfaction”.

**Keywords:** Emotional Intelligence; Organisational Performance; Organisational Citizenship Behaviour; Job Satisfaction, Environment

## I. INTRODUCTION

Performance is important as it determines the survival of the organisation in this very challenging business environment. Earlier studies on actual organisational setting have found that “Emotional Intelligence” contributes averagely to performance (Murensky 2000; Wolff, Pescosolido and Druskat 2000; Wong and Law 2002; Abraham 2004). However, the support for “Emotional Intelligence” has been classified as highly controversial and this warrants further analysis on an organizational setting (Chiva and Alegre 2008). According to Porter (1998), an organisation is influenced by many factors in the environment such as political and legal environment, social cultural environment and economic environment. “Emotional Intelligence” is keenly sensitive and the relationship towards performance could go either way Zeidner et al. (2004). The purpose of this paper

is to analyse the relationship between “Emotional Intelligence” and the surrounding factors to organisational performance.

## **II. EMOTIONAL INTELLIGENCE AND ORGANISATIONAL PERFORMANCE**

### **A. *Organisational Performance***

“Performance” refers to the need for organisations to be efficient which are relevant to the needs of the stakeholders. To some organisations, this would indicate effectiveness and efficiency in the apportionment of assets and wealth. According to Lusthaus and Adrien (1998), organisational performance depends largely on three components which are Organisational Motivation, Environment and Organisational Capacity. “Organisational capacity” is the aptitude of an organisation to utilize the resources effectively.

“Organisational motivation” characterizes the basic behavior of the organization, in terms of how it energises the participants to perform. Organisation needs backing from their setting to sustain and improve. It is the environment that is the key factor in defining the stage of obtainable possessions and which an organisation can carry out its activities (Lusthaus and Adrien 1998). Performance is important as it determines the survival of the organisation in this very challenging business environment. Performance can be categorised in terms of contextual performance and task performance. “Contextual performance” discusses the actions of the executives for the organisation. It encompasses the level of commitment, loyalty and co-operation.

### **B. *Emotional Intelligence and Organisational Performance***

In recent years, many researchers have defined and redefined “Emotional Intelligence.” The Chartered Management Institute (2004) referred “Emotional Intelligence” as an individual’s capacity to “perceive, understand, integrate and manage one’s own and other people’s feelings and emotions, and to act upon them in a reflective and rational manner”. Palmer and Stough (2001) added when “Emotional Intelligence” is applied to the work environment, it involves the ability to do this in a professional and effective manner (Palmer and Stough 2001).

The American Society for Training and Development (ASTD) (2005) insisted that constructive interaction at the workplace better the environment. A conducive work climate enables top management to determine the performance of the organisation. In a study conducted by Chipain (2003), it was found that high performing sales personnel have a different level of emotional intelligence from the low performing sales personnel. However, based on Semadar, Robinsand and Ferris (2006), it was determined that even though Emotional Intelligence had a significant correlation ( $r = 0.25$ ) to job performance, it is still not an important factor of performance. Their studies were based upon the automobile manufacturing industry in Australia.

In order for organisations to perform well and to achieve success, they need employees who are beneficial to their management. They need people who will be pillars of strength to their organisation. Individuals can contribute to the organisation’s success in ways that goes beyond their specified job tasks, shaping the organisational, psychological and social environment where they and the others will be able to flourish (Busso 2003). These extra behaviours are classified as “contextual performance.” Organisational Citizenship Behaviour (OCB) has been defined as the extra-role, discretionary behaviour that helps other members in the organisation to perform their jobs. OCB also includes showing support and conscientiousness towards the organisation (Smith et al, 1983; Bateman and Organ 1983; Borman and Motowidlo 1993). According to Podsakoff et al (1990) OCB has

five elements that measures “Conscientiousness, Sportsmanship, Civic virtue, Courtesy and Altruism”.

### III. METHODOLOGY

Drawing from the various reviews of the literature, the following framework can be derived.

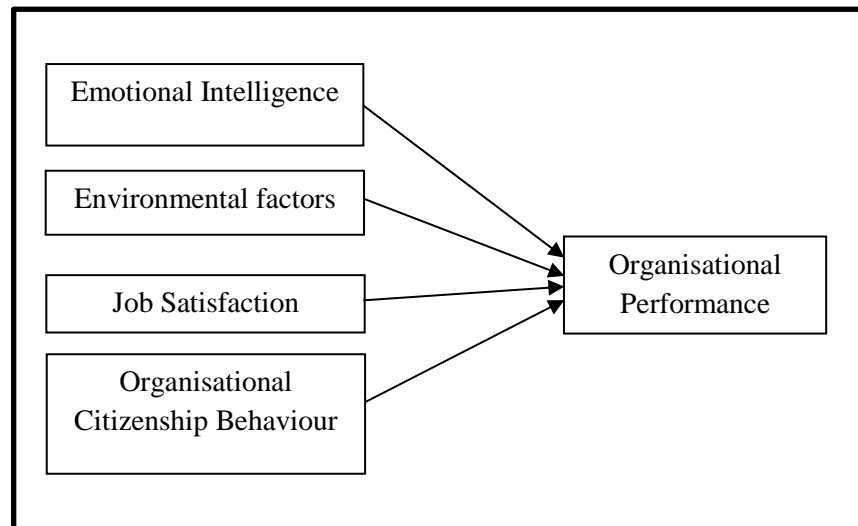


Figure 1: The Framework

For the purpose of this study, the construct by Palmer and Stough (2001) has been employed. The construct has 64 statements and divided into 5 dimensions. The 5 dimensions comprises of “Emotional Recognition and Expression, Understanding Others Emotions, Emotions Direct Cognition, Emotional Management and Emotional Control”. Emotional Recognition and Expression – discusses the capability to recognize one’s own emotional state and the skill to prompt those innermost feelings to their colleagues (Palmer and Stough 2001; Chin et al. 2011). Palmer and Stough (2001) and Chin et al. (2011) described “Understanding Others Emotions” as the capacity of the individual to classify and apprehend the feelings of others. As for “Emotions Direct Cognition”, it speaks of the reactions and expressive information are combined in administrative and or problem solving circumstances (Palmer and Stough 2001; Chin et al. 2011). As regards “Emotional Management”, this skill mentions the talent to cope with feelings both within oneself and others (Palmer and Stough 2001; Chin et al. 2011). “Emotional Control” denotes the individual’s knack to successfully regulate extreme emotional situations experienced at work (Palmer and Stough 2001; Chin et al. 2011).

For “Organisational Citizenship Behaviour”, the scales developed by Podsakoff et al (1990) had been used to determine the contextual performance of the respondents. There are 5 dimension and 24 statements. For Job Satisfaction, As for Job Satisfaction, the scales formulated by Brayfield-Rothe (1951) subsequently modified by Warner (1973) has been employed.

The respondents that participated in this study are from the Malaysian Manufacturing industry. They were chosen by their respective heads of department. The procedure takes about 20 minutes to be completed.

#### IV. FINDINGS AND DISCUSSIONS

A multiple regression test was conducted on the variables. Based on the variables that were included in the analysis, it was found that Market Growth (for the company), Growth Rate (for the industry), Company Size and Government capital expenditure for the industry has an influence over the progress and performance of an organization. In the analysis conducted, the p values for the 4 variables are less than 0.05 indicating the significance. Using the beta values as a guide, it was noted that Growth Rate for the industry has the highest beta value. The higher the beta value the greater the influence of the variable over the performance of the organization. From the perspective of the employees, it was noted that Age Group, Employment Length, Marital Status, Management Level and Education Level plays a role in the performance of the organization. All the p values for these variables are less than 0.05. As for the dimensions of Emotional Intelligence, it was determined that Emotions Direct Cognition and Emotional Management plays an important influence on the performance of the organization. As for the dimensions of Organisational Citizenship Behaviour, it was found that Sportsmanship and Altruism influences the performance of the organization. And it was also noted that Job Satisfaction also influences the performance of the organization.

As seen in Table 1, all these variables explained 77.6% of the variations in the performance of the organization. A high percentage indicates a strong relation to organisational performance. In Table 2, the coefficients in the regression analysis are presented. These coefficients can also be presented in an equation, as follows:  $Y = 0.264$  (constant) + 0.796 (Market Growth – Organisation) + 1.338 (Growth Rate – Industry) + 0.388 (Emotions Direct Cognition) + 0.815 (Age Group) – 0.235 (Employment Length) + 0.348 (Job Satisfaction) – 1.086 (Emotional Management) + 0.168 (Company Size) + 0.539 (Sportsmanship) – 0.521 (Altruism) + 0.233 (Marital Status) – 0.169 (Management Level) + 0.105 (Management Level) – 0.096 (Government Expenditure for the industry).

Based on the equation, it was found that Employment Length, Management Level, Government expenditure for the industry, Emotional Management and Altruism had a negative influence over the performance of the organization. The negative relationship means that in order for performance to increase, these variables needs to be reduced. As for Employment Length, it shows that those who are new to the workplace are more performance orientated as compared to the seniors. As for Management Levels, it showed that those employees who are in the lower levels are more inclined towards performance as to those who are in the higher levels of management. Perhaps this could be due to the extrinsic and intrinsic rewards that are available in the organization.

As for Market Growth for the organization, Growth Rate for the industry, Emotions Direct Cognition, Age Group, Job Satisfaction, Company Size, Sportsmanship and Marital Status have a positive relationship towards organisational performance. As for the dimensions of Emotional Intelligence, it was found that Emotions Direct Cognition is an important element among the other dimensions. Emotions Direct Cognition refers to the emotional experience level of the employee and how they are able to use it to decide on issues faced in the organization. The better they are at using their gut feelings to decide, the better will be the performance of the organization. As for the constructs of Organisational Citizenship Behaviour, it was found that among the other elements, Sportsmanship has an influence in organisational performance. Organisations need employees who care for their fellow colleagues. This is an important ingredient for teamwork and cooperation. As for Age Group and Marital Status, it was found that those who are older and married are more performance orientated as compared to the singles and those younger. Those who are older and married are perhaps more inclined towards performance as they felt, if they work harder, their pay would be higher. They need to provide for the family, the burden is

heavier if they are the sole provider for the family. As for Company Size, it was found that the larger the company, the better the performance, this could be related to the financial aspect. If the company is large, it will be easier for them to get financial assistance and also they could withstand strong competition from others – local and abroad.

Table 1 : Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Sig.
	.881	.776	.772	.582	.017

Table 2 : Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.264	.939		.281	.779
Market Growth	.792	.019	.796	40.890	.000
Growth_Rate	1.338	.128	.229	10.475	.000
Emotions	.388	.094	.098	4.126	.000
Direct Cognition					
Age Group	.185	.026	.203	7.026	.000
Employment Length	-.235	.035	-.177	-6.763	.000
Job Satisfaction	.348	.075	.092	4.639	.000
Emotional Management	-1.086	.269	-.085	-4.041	.000
Company Size	.168	.032	.128	5.317	.000
Sportsmanship	.539	.084	.161	6.420	.000
Altruism	-.521	.096	-.134	-5.419	.000
Marital Status	.233	.053	.094	4.367	.000
Management Level	-.169	.040	-.083	-4.236	.000
Education Level	.105	.027	.080	3.918	.000
Govt_Cap	-.096	.040	-.057	-2.384	.017

Table 1 : Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Sig.
	.881	.776	.772	.582	.017

a. Dependent Variable: Net Profit

## V. CONCLUSION

Organizations are concerned over their performance, be it financial or non-financial. As for the financial aspect, the concern is largely for survival purposes. And in order for organization to survive in this very competitive environment, many jump to any model or formula to improve on their performance. The purpose of this paper is to look into the environmental aspects that will affect the performance of the organization. It was found that Market Growth for the organization, Growth Rate for the industry, Emotions Direct Cognition, Age Group, Employment Length, Job Satisfaction, Emotional Management, Company Size, Sportsmanship, Altruism, Marital Status, Management Level, Education Level and Government expenditure on the industry influences the performance of the organization. The study agrees with Porter (1998) and Zeidner et al (2004) that there are many factors that affect the performance of the organization. Some of these factors are beyond the control of the organization.

For future studies, it would be an added knowledge if the research is conducted in a particular industry. By going in depth more variables and issues could be discussed and determined. Also, if the study is conducted over a period of time, more comparisons can be made. The result of these studies would provide an in depth knowledge contribution.

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