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Emotional Competence in Practice Management

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At the heart of successful practice management is the cultivation of emotional competence in oneself and one's direct reports. Emotional competence drives practice management and must be integrated into practice management at all levels.

Understanding what accounts for the differential success of executives and employees is the 64-million-dollar question in the corporate world. In the last two decades, people with well-developed emotional competencies were found to deliver greater profits to organizations when compared to the financial performance of those ranked as average. It has been estimated that more than 60 percent of success in business comes from the use of emotional competence (EC). In addition, losses of more than \$10 billion per year nationwide are estimated to result from the lack of EC. How many times have each of us seen a business deal blown or a relationship disturbed by people unable to control themselves or who acted in a rude or unprofessional manner?

What is Emotional Competence?

Howard Gardner coined the term "multiple intelligences" in 1983, and Robert Sternberg coined the term "practical intelligence" in 1985. In these models there was an understanding that intellectual abilities alone, such as reasoning, memory and problem-solving skills, did not sufficiently account for people's success. The researchers saw that missing in intellectual abilities were skills such as awareness and regulation of one's emotions, effective communication with others in the workplace and offering empathy in workplace relationships.

Mayer & Salovey (1989) are credited with defining emotional competence as the ability to monitor one's own and others' emotions, to discriminate among them and to use this information to guide one's thinking and actions. Daniel Goleman catapulted emotional competence into the business world with his 1995 book, *Emotional Intelligence*. Goleman then initiated an exponential rise in interest in applying EC to the workplace with his 1998 book, *Working With Emotional Intelligence*.

Goleman's model includes the following clusters of skills:

- **Self-awareness**, which includes emotional awareness, accurate self-assessment and self-confidence
- **Self-management**, which includes self-control, trustworthiness, conscientiousness and adaptability
- **Social awareness**, which includes empathy, organizational awareness and service orientation
- **Social skills**, which include leadership, communication, influence, change catalyst, conflict management, building bonds, teamwork collaboration and developing others

Each of these skills is central to the performance of a financial service adviser and leader and we will benefit when we cultivate them in ourselves and our reports.

Research on Emotional Competence in the Workplace

Performance bonuses paid to top executives were found to be highly correlated with the superior rather than the average range of EC (McClelland, 1999). Executives with better self-regulation and emotional awareness skills demonstrated better leadership of their teams, and these teams made more money. These results are shown both by objective measures, such as sales performance and absenteeism, and subjective measures, such as self awareness and 360-degree behavior ratings. In addition, lack of EC-which shows up

as excessive anger and stress-are primary contributors to hypertension and cardiovascular disease as well as inhibitors of successful business performance.

In its hiring interview for new sales people, cosmetics company L'Oreal asked applicants to generate several positive and negative situations, and then to resolve them. The responses were analyzed for EC competencies, and applicants scoring the highest were hired. These emotional competency-based employees are estimated to have generated a total of \$2,558,360 more revenue annually than their counterparts who were selected by the traditional criteria of good cognitive skill and technical knowledge (Spencer and Spencer, 1993).

These results and many others help explain why more than \$1 billion a year is spent nationwide on EC training and why MBA programs have begun to provide training for social and emotional competencies as part of their curriculums. EC trainings reliably lead to an increase in objective and subjective corporate performance. Goldman and Cherniss (2001, p.48) estimate that enhanced EC contributes between 19 and 48 percent of economic value added in non-sales jobs and leads to between 48 and 120 percent increases in productivity in sales jobs.

EC Training for Financial Advisers

One series of research projects has used emotional competence training and coaching to improve sales and quality of life for financial advisers (Luskin et al., 2008). Using volunteers from the East Coast marketing groups of a Fortune 100 financial services company, 106 financial advisers, eight vice presidents and six administrative assistants completed one of eight research projects.

The training for this research project began with a one-day workshop. The morning session defined emotional competence, taught the importance of aligning thoughts, emotions and behaviors, and helped participants examine areas of weakness. The afternoon session focused on techniques for forgiveness and stress management. Subsequent to this workshop, an individual development plan was created for each adviser that was shared and implemented through five follow-up conference calls over either a six-month or year-long period.

The results showed gross dealer concession (sales) increased 24 percent for the average individual adviser in the program. This result was contrasted with a 10 percent increase in sales earned by a comparison group of advisers tracked for each project. In addition to the sales increase, the stress levels of the 87 participants who completed the training decreased 23 percent over the length of the project, while their reported positive emotional states increased 20 percent. Quality of life, anger and physical vitality measures also demonstrated at least 10 percent improvement from beginning to end.

This research project is the first of its kind to bring emotional competence training to the front lines of financial services. It is also the first project to accurately assess changes in both productivity and quality of life, generating enough data for the results to be meaningful.

The financial services industry is still at the beginning stages of using emotional competence training to increase sales, leadership ability and quality of life. However, when emotional competence is taught, modeled and rewarded through good practice management, our sales and quality of life will improve.

Whether executives or employees are trained to increase their emotional competence or emotional competencies are used to improve hiring practices, one thing is certain: Whether success is measured by improvement in sales or gains in quality of life, it literally and figuratively pays to be emotionally intelligent in the workplace. In a challenging and volatile time like today, the emotionally competent among us will more easily survive and thrive.

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