

# **The Relationship between Emotional Quotient (EQ) and Leadership Effectiveness in Life Insurance Business Organizations**

By

**Bro. Dr. Vinai Viriyavidhayavongs<sup>a</sup> and Ms. Satita Jiamsuchon<sup>b</sup>**

## ***Abstract***

*The complexity of business environments requires organizations to hire leaders with strong managerial skills, who have high Emotional Quotient (EQ) and leadership effectiveness. Although IQ may be important for managers, it does not always guarantee that they have the EQ required to deal effectively with subordinates. Combining descriptive*

*research with the self-administration of 400 questionnaires, the present study examined the EQ of managers of life insurance companies.*

*The study finds that most of the managers had at least moderate EQ scores in the areas of self-awareness, self-regulation, self-motivation, empathy, and social skills and had at least moderate leadership effectiveness and that EQ factors are*

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♣ Doctor in Management (Educational Management) of De La Salle University, Philippines (1992). Master in Management (General Management) from Asian Institute of Management, Philippines (1988); Director of Montfort College, Chiangmai (1994-1996); Currently Assistant Rector and Dean of the Graduate School of Business, Assumption University of Thailand (1997 to present).

♦ Ms. Satita graduated from Assumption University of Thailand with a BBA in 1998 in Marketing and a MBA in 2001. She is presently a Product Supervisor with Diethelm Co. Ltd.

*related positively to leadership effectiveness, with social skills as the most important factor. In all, EQ contributed 52.2 percent of the variance in leadership effectiveness. It was also found that supervisors and managers had similar EQs but that senior managers had a different EQ profile.*

*Not all managers were found to have adequate levels of EQ and leadership effectiveness and it is recommended that the organizations develop training programs to enhance their managers emotional sensitivity, and be engaged in the six strategies for increasing EQ proposed by Weisinger (1998): Developing an enhanced level of self-awareness; managing emotions; motivating oneself; developing effective communication skills; developing interpersonal skills; and helping others help themselves.*

## **1. Introduction**

Have you ever wondered why some extremely intelligent managers fail miserably when they try to lead? One reason may be that they emphasize their intelligence at the cost of their emotional intelligence (EI). EI is in fact a major factor that determines the difference between highly successful managers and those who are less successful. In "Working with Emotional Intelligence," Goleman (1998) suggests that the most important factor that distinguishes effective

leaders is not their IQ but their Emotional Intelligence Quotient (EQ).

This recognition of the importance of Emotional Intelligence Quotient (EQ) has grown as relationships and communication have come to be seen as core components of organizations, along with intelligence and technical skills. This has also led to an investigation of the nature of EQ. For Mayer, emotional intelligence is the ability to understand how others' emotions work and to control one's own emotions. Goleman, on the other hand, examining the importance of EQ in every people-oriented position, defines emotional intelligence more broadly, including optimism, conscientiousness, motivation, empathy, and social competence.

Goleman has demonstrated that emotional intelligence is the single most important factor for personal adjustment, success in relationships, and in job performance. Whereas IQ accounts for 20 percent of success on the job, EQ was shown to account for 80 percent. With emotional intelligence, a manager can restrain anger, self-doubt, and other negative feelings and focus on positive emotions such as confidence and congeniality. Luckily, whereas IQ is relatively fixed, EQ can be learned, improved, trained, and matured. As EQ grows, managers are transformed into leaders. When this is accomplished managers gain in interpersonal skills and develop as insightful persons. This enables them to

hire more productive employees, develop the skills of the employees, build productivity, increase sales, and to decrease employee-related costs. EQ is vital to four areas of business: selection and hiring, building high-performance teams, career development, and restructuring and workforce planning decisions.

In Bradford's analysis (1984) a successful leader not only has ability to motivate, control, and coordinate subordinates but also brings them into the decision process. The leader's effectiveness is associated with *drive, motivation, honesty/integrity, self-confidence, intelligence, and emotional intelligence*, all of which can be developed through experience, training, and analysis. Such training helps managers understand themselves and others, understand the emotional traits of others and the implication of these traits for work performance, build EQ in themselves and others, and effectively relate to a wide variety of people.

In "Executive EQ," Cooper and Sawaf (1997) also demonstrate the difference emotional intelligence can make in the success of a career or organization. A primary source of motivation, information, feedback, personal power, innovation, and influence, EI helps in decision making, leadership, strategic and technical breakthroughs, open honest communication, trusting relationships and teamwork, customer loyalty, and

creativity and innovation. By helping the manager to acknowledge and understand the feelings of themselves and others, to appropriately respond to the emotions, and to effectively apply them, EI contributes greatly to success in work and everyday life.

The high level of self-awareness associated with EQ enables leaders to display self-confidence and earn respect and trust from followers. Through self-regulation they can objectively consider the needs of others despite their own immediate feelings. Leaders who are able to maintain balance, keep themselves motivated, optimistic, and hopeful are positive role-models to help motivate and inspire others. The ability to empathize with others and to manage interpersonal relationships also contributes to motivate and inspire their subordinates. EQ enables leaders to recognize and respect followers with feelings, opinions, and ideas, to treat them as persons with unique needs, and abilities. Empathic leaders use their social skills to help followers to grow and develop, to enhance their self-images and senses of self-worth, and help their followers to meet their needs and achieve their goals.

## **2. Research Objectives**

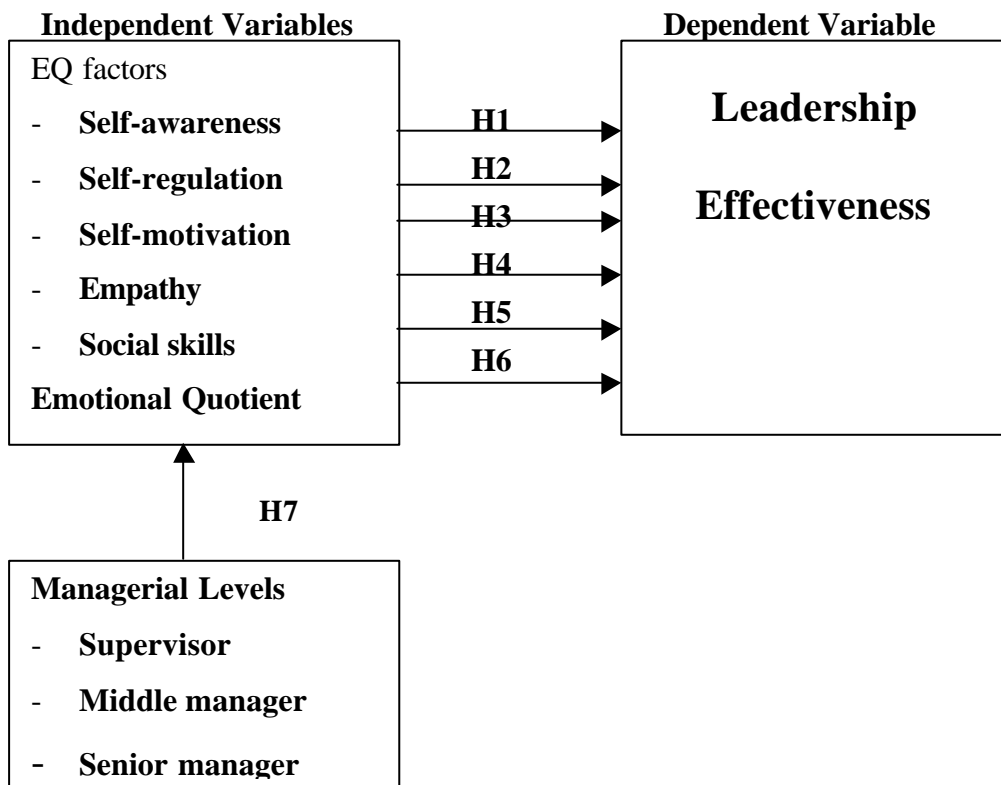
The main purpose of this study was to investigate the significance of the relationship between EQ and leadership effectiveness among managers in life

insurance concerns. Its research objectives were: 1) To identify EQ factor levels among the subjects, which included self-awareness, self-regulation, self-motivation, empathy, and social skills, and level of leadership effectiveness; 2) To assess the relationship between EQ factors and leadership effectiveness; 3) To identify which EQ factors most explain leadership effectiveness; 4) To find out the extent to which EQ contributed to leadership effectiveness. 5) To find out whether varying managerial levels have distinctive EQs.

### 3. Research Framework

Based on the work of Goleman and others, seven hypotheses guided this study. The first five of these predicted a significant relationship between five aspects of emotional intelligence --self-awareness, self-regulation, self-motivation, empathy, and social skill-- and leadership effectiveness. The sixth predicted a significant relationship between EQ as a whole and leadership effectiveness. The seventh hypothesis predicted that there would be a significant difference of EQ scores at each managerial level.

**Figure 1: Conceptual Model of the Relationship between EQ and Leadership Effectiveness**



**Table 1 : Table of Operational Definition**

<b>Concept</b>	<b>Conceptual Definition</b>	<b>Operational Components</b>	<b>Level of measurement</b>
Self-awareness	Knowing one's internal states, preferences, resources, and intuitions	<ul style="list-style-type: none"> <li>- Emotional awareness</li> <li>- Self-assessment</li> <li>- Self-confident</li> </ul>	Interval
Self-regulation	Managing one's internal states, impulses, and resources	<ul style="list-style-type: none"> <li>- Self-control</li> <li>- Trustworthiness</li> <li>- Conscientiousness</li> <li>- Adaptability</li> <li>- Innovation</li> </ul>	Interval
Self-motivation	Emotional tendencies that guide or facilitate reaching goals	<ul style="list-style-type: none"> <li>- Achievement drive</li> <li>- Commitment</li> <li>- Initiative</li> <li>- Optimism</li> </ul>	Interval
Empathy	Awareness of others' feelings, needs, and concerns	<ul style="list-style-type: none"> <li>- Understanding others</li> <li>- Developing others</li> <li>- Service orientation</li> <li>- Leveraging diversity</li> <li>- Organizational awareness</li> </ul>	Interval
Social skills	Adeptness at inducing desirable responses in others	<ul style="list-style-type: none"> <li>- Influence</li> <li>- Communication</li> <li>- Conflict management</li> <li>- Leadership</li> <li>- Change catalyst</li> <li>- Building bonds</li> <li>- Collaboration and cooperation</li> <li>- Team capability</li> </ul>	Interval
Leadership effectiveness	A successful attempt to use non-coercive types of influence to motivate individuals to accomplish some goals	<ul style="list-style-type: none"> <li>- Drive</li> <li>- Leadership motivation</li> <li>- Honest/Integrity</li> <li>- Self-confidence</li> <li>- Intelligence</li> <li>- Emotional intelligence</li> </ul>	Interval

## **4. Research Methodology**

### **4.1 Research Design**

The research design used to test the hypotheses of this study was a descriptive correlation survey.

### **4.2 Sample Design**

The target population of the study were those in managerial level positions in life insurance organizations; these included three levels of professional responsibility: supervisors, middle managers, and seniors. Subjects were selected from the four highest ranking Thai insurance companies of the 25 firms operating in the country. These were AIA, Ayudhya CMG, Thai Life Assurance, and Bangkok Life Assurance (Department of Insurance, Ministry of Commerce)

Non-probability sampling, used in this study, focused on judgement or purposive sampling based upon position or managerial levels of samples in the organizations. About 400 respondents were selected from the population.

### **4.3 Instrumentation**

The study used a self-administered questionnaire as its instrument. This included Weisinger' EQ Instrument, the leadership effectiveness test questionnaire, the Myers-Briggs Types Indicators and FIRO-B questionnaire,

and a demographic questionnaire.

### **4.4 Data Analysis**

Data were analyzed through the SPSS program using Pearson correlation coefficient and multiple regression analysis, and simple regression analysis and tests of differences while using ANOVA. Pearson Correlation Coefficient was used to assess the relationship between EQ (and factors of EQ) and leadership effectiveness. Multiple regression analysis was used to identify which EQ factors most explain leadership effectiveness, and simple regression analysis was used to find out the percentage of leadership effectiveness that can be attributed to EQ. ANOVA was used to test differences of EQ at varying managerial levels. These techniques are appropriate to variables with interval scales and each allows an independent variable to be correlated with a dependent variable.

## **5. Critical discussion of results**

The first objective of the study was to identify the level of emotional intelligence quotient (EQ) and leadership effectiveness of the subjects. Most of the respondents had fine or moderate EQ factors: self-awareness (79.3%), self-regulation (81.5%), self-motivation (88.0%), empathy (86.5%), and social skills (82.0%), fine or

moderate EQ (90.2%), and also fine or moderate leadership effectiveness (74.8%).

The second objective was to assess the relationship between EQ and leadership effectiveness. The results

demonstrated that self-awareness, self-regulation, self-motivation, empathy, social skills, and EQ are associated with leadership effectiveness at statistically significant levels, as outlined in the following table:

**Table 2: Pearson Correlation**

	H1	H2	H3	H4	H5	H6
<b>Significant value</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>Pearson Correlation</b>	<b>0.652</b>	<b>0.588</b>	<b>0.623</b>	<b>0.656</b>	<b>0.670</b>	<b>0.723</b>
<b>Decision</b>	<b>Reject H<sub>0</sub></b>	<b>Reject H<sub>0</sub></b>	<b>Reject H<sub>0</sub></b>	<b>Reject H<sub>0</sub></b>	<b>Reject H<sub>0</sub></b>	<b>Reject H<sub>0</sub></b>

Multiple Regression Analysis was used for the third objective of this study, that is, to identify the EQ factors concerning leadership effectiveness.

The table below indicates that the social skills factor did most to explain leadership effectiveness.

**Table 3: Descriptive Statistics for Multiple Regression**

**Model Summary<sup>e</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	Df1	Df2	Sig. F Change
1	.670 <sup>a</sup>	.448	.447	38.91	.448	323.622	1	398	.000
2	.711 <sup>b</sup>	.505	.503	36.91	.057	45.408	1	397	.000
3	.721 <sup>c</sup>	.520	.516	36.41	.515	12.004	1	396	.001
4	.726 <sup>d</sup>	.527	.522	36.18	.007	5.859	1	395	.016

- a. Predictors : (Constant), social skills
- b. Predictors : (Constant), social skills, self-awareness
- c. Predictors : (Constant), social skills, self-awareness, self-motivation
- d. Predictors : (Constant), social skills, self-awareness, self-motivation, self-regulation
- e. Dependent Variable: leadership effectiveness

Social skills, with a correlation of 0.670 explained 44.7 percent of leadership effectiveness. The correlation is increased when other factors are included. When self-awareness is added, R is 0.711 and adjust R<sup>2</sup> is 0.503, indicating 50.3% of the variance.

When both self-awareness and self-motivation are added, R is 0.721 and 51.6% of the variance is explained. When self-regulation is added to the others R is 0.726 and 52.2% of the variance is explained.

**Table 4: Coefficients of Multiple Regression models**  
Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	97.547	17.071		5.714	.000
social skills	2.831	.157	.670	17.989	.000
2 (Constant)	75.736	16.512		4.587	.000
social skills	1.750	.219	.414	7.988	.000
self-awareness	2.181	.324	.349	6.739	.000
3 (Constant)	64.039	16.634		3.850	.000
social skills	1.400	.239	.331	5.867	.000
self-awareness	1.730	.345	.277	5.017	.000
self-motivation	1.907	.550	.188	3.465	.001
4 (Constant)	61.669	16.562		3.724	.000
social skills	1.348	.238	.319	5.659	.000
self-awareness	1.350	.377	.216	3.581	.000
self-motivation	1.576	.564	.155	2.794	.005
self-regulation	.942	.389	.128	2.420	.016

- a. Dependent Variable: leadership effectiveness

Thus, it can be concluded that the multiple regression equation is **Leadership Effectiveness = 61.669 + 1.348S + 1.350A + 1.576M + 0.942R**. This model indicates that if social skills, self-awareness, self-motivation, and self-regulation are increased by a

value of 1, leadership effectiveness will be increased 66.915.

The fourth objective - to find out the extent to which EQ contributed to leadership effectiveness - is outlined in the following table:

**Table 5: Descriptive Statistics for Simple Regression**

**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	Df1	Df2	Sig. F Change
1	.723 <sup>a</sup>	.523	.522	36.18	.523	436.871	1	398	.000

a. Predictors : (Constant), EQ

b. Dependent Variable: leadership effectiveness

With a correlation of 0.723, EQ contributed about 52.3 percent to leadership effectiveness.

**Table 6: Coefficients of Simple Regression model**

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1. (Constant)	64.976	16.256		3.997	.000
EQ	1.438	.069	.723	20.901	.000

a. Dependent Variable: leadership effectiveness

It is concluded that the simple regression equation is **Leadership Effectiveness = 64.976 +1.438EQ**. This model suggests that if EQ is increased by 1 unit, leadership effectiveness will be increased 66.414.

The fifth objective was to find out whether varying managerial levels had distinct levels of EQ. The analysis is provided in the following table:

**Table 7: Descriptive Statistics for each managerial level**

*EQ*

	N	Mean	Std. Deviation	Std. Error	Minimum	Maximum
<b>Supervisor</b>	110	230.21	26.49	2.53	163	289
<b>Manager</b>	178	233.78	27.42	2.06	144	302
<b>Senior manager</b>	112	240.72	23.31	2.20	164	297
<b>Total</b>	400	234.74	26.31	1.32	144	302

This analysis of variance demonstrates that senior managers have the highest mean score, 240.72, middle

managers have a score of 233.78, and supervisor of 230.21.

**Table 8: Analysis of Variance: Multiple Comparison of Emotional Quotient of each managerial level**

*Dependent Variable: EQ*

*LSD*

(I) Managerial level	(J) Managerial level	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
<b>Supervisor</b>	<b>Manager</b>	-3.57	3.16	.259	-9.79	2.64
	<b>Senior manager</b>	-10.51*	3.50	.003	-17.39	-3.63
<b>Manager</b>	<b>Supervisor</b>	3.57	3.16	.259	-2.64	9.79
	<b>Senior manager</b>	-6.94*	3.14	.028	-13.12	-.76
<b>Senior Manager</b>	<b>Supervisor</b>	10.51*	3.50	.003	3.63	17.39
	<b>Manager</b>	6.94*	3.14	.028	.76	13.12

\*.The mean difference is significant at the .05 level.

These data indicate that there is a significant difference between the EQs of supervisors and middle managers and between middle managers and senior managers.

## **6. Conclusions and Recommendation**

### **6.1 Conclusions**

The results outlined above suggest that EQ and its various factors are significantly correlated with leadership effectiveness and that more successful managers and those occupying higher positions had higher levels of EQ. Although the results are related directly only to life insurance companies, they also suggest that accomplishment of organizational goals would be enhanced with greater emphasis on developing managerial EI.

### **6.2 Recommendation**

It is recommended that organizations seek out managers with high EQ and seek ways to enhance the EQs of current managers. Because this component of managerial success can be developed, it is also suggested that firms develop programs that enhance the EI of their managers. This will enable them to motivate themselves and their subordinates and to work in more creative, more fulfilled, and more enthusiastic ways.

It is recommended that the relationship between EQ and leadership be studied in other industries and professions to allow a comparative treatment of the relationship. Other factors that contribute to leadership effectiveness should also be examined as should other possible correlates of EQ, such as job performance, productivity, workplace stress and success. Also the educational and familial correlates of EQ are worth investigating. To enhance the measurement of EQ, it is recommended that simulation, performance test, or incident cases methods be investigated and that measures that specifically address occupational and age groups and factors associated with such areas as hiring, career development, and training be developed.

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