



THE
EMOTIONAL
INTELLIGENCE
OF THE FINANCIAL
SECTOR



Overview

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

The results show the financial sector were generally lower in EI than several other job sectors, on interpersonal aspects of EI such as being more critical, less flexible, and less people-oriented. However, this broadly improved over the 10-year data collection period. The financial sector also showed 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 organization in terms of employee performance, engagement, and well-being.

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“
Emotional Intelligence
magnifies how well or badly
we utilize our potential.”
”



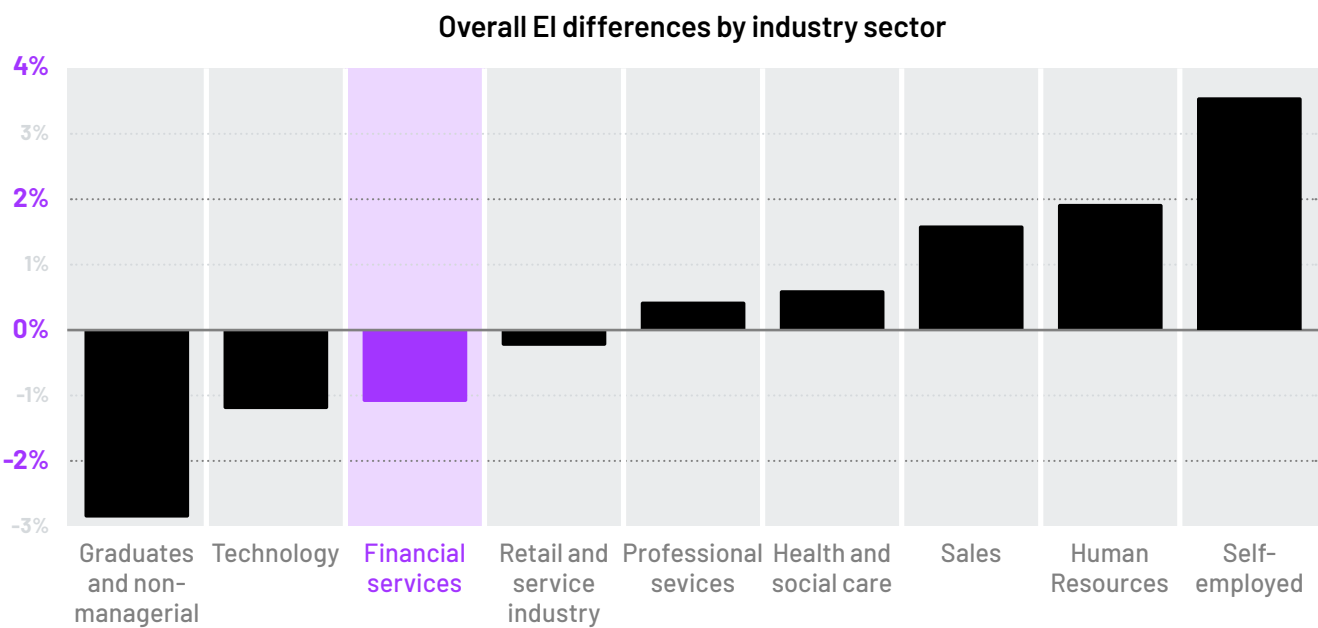
* The sample consisted of 5,232 individuals from the financial sector, their composition being two thirds male, average age 40-49, mostly at Director or Senior Manager job level, 60% were of UK origin, working mostly in the corporate and investment banking sectors between 2004 and 2014. The comparison group were 30,133 individuals from various job sectors typically at Senior Manager 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 individuals has soared by over 10%.¹ 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, organizations 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* (Figure 1). 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.² There is a risk therefore of creating work environments that are lower in EI, where being less interpersonally skilled becomes the accepted norm.

TABLE 1:
Overall EI differences by industry sector
The midline represents the mean average for all job sectors

4 * An overview of EI and the EIP framework is described in Appendix 1.
 ** Scale definitions are given in Appendix 2.

	Personal Intelligence	Interpersonal Intelligence
Behavior	Self Management	Relationship Management
Feeling	Self Awareness	Awareness of Others
Attitude	Self Regard	Regard for Others

FIGURE 1:
Relative EI strengths and development areas within the financial sector

Red represents a lower score than other job sectors and amber the same score as other job sectors

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 two-by-two matrix they represent four core attitudes or 'Life positions'³ that greatly influence a person's feelings, behavior, motivation, and performance. Based on this analysis the financial sector falls into the bottom right 'Critical' position where **Regard for Others** is lower than **Self Regard** – shown by the blue ball (Figure 2). This suggests that under stress individuals may tend to protect themselves by being more critical and blaming of others.

This may manifest in other behavior such as being inflexible, aggressive, mistrusting, and less interdependent. Again, the risk here is that during times of stress (which may be frequent) the culture of financial organizations becomes more 'defensive' and less people-oriented.

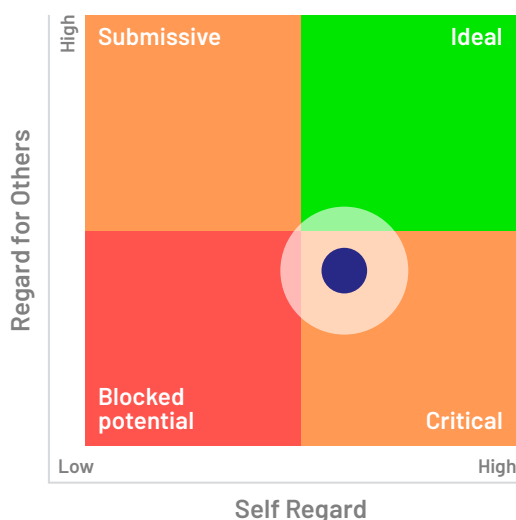


FIGURE 2:
'Core attitudes' in the financial sector

The blue ball indicates the position for the financial sector compared to other job sectors

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 2). This may be expected as EI has close similarities with the concept of ‘wisdom’; defined as ‘the effective application of knowledge and experience’. Ideally, organizations 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 maintaining 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.

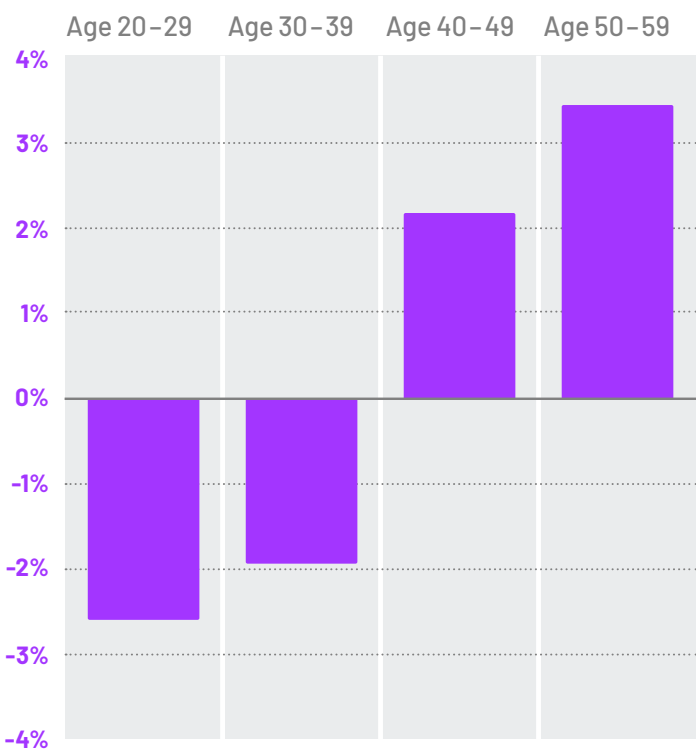


TABLE 2:
Overall EI differences by age range within the financial sector
The midline represents the mean average for the financial sector

There were some clear differences between the male and female respondents (Figure 3). There were two and a half 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.

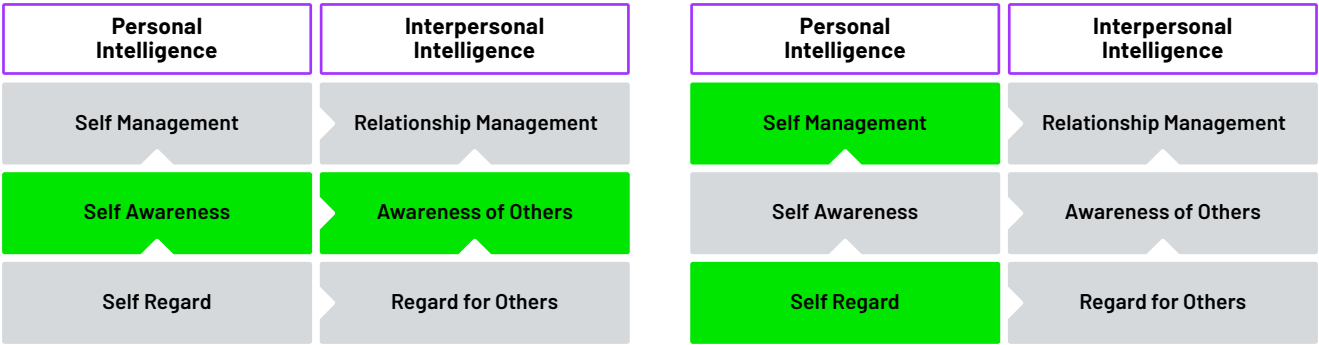


FIGURE 3:
Female (left) versus Male (right) relative
EI strengths within the financial sector
Green represents a relative strength

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 3). 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.

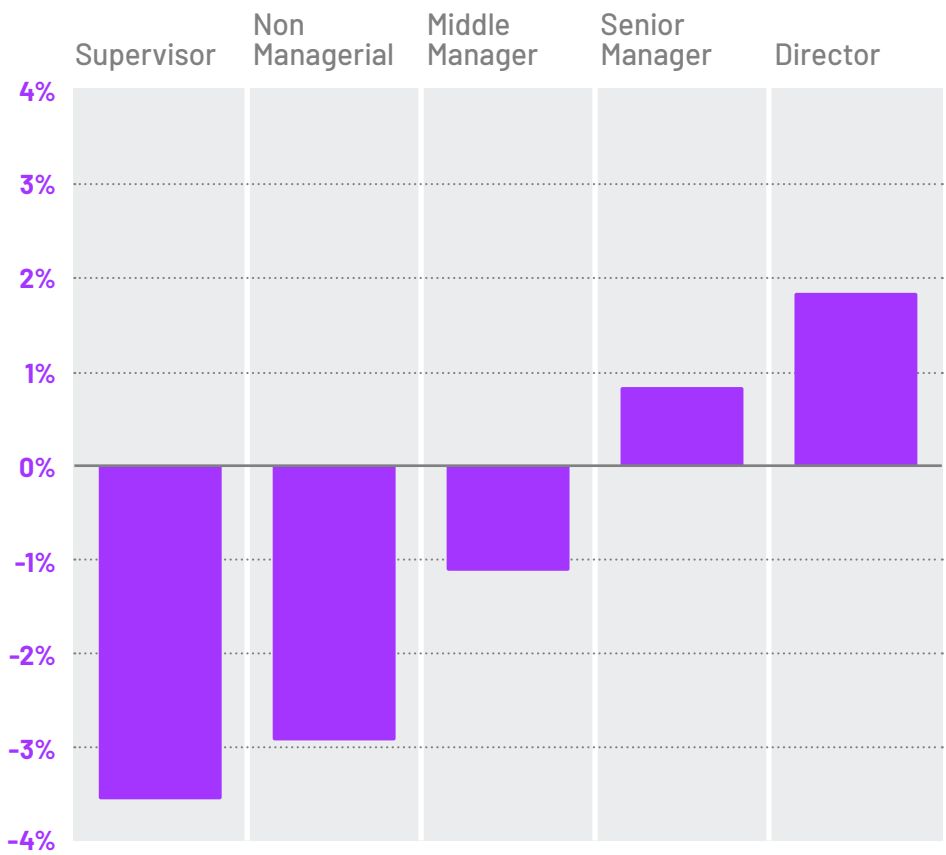


TABLE 3:
Overall EI differences
by job level within
the financial sector
 The midline represents
 the mean average
 for the financial sector



How has EI changed in the financial sector?

The financial sector has been through turbulent times since the 2007 banking crisis and is now stabilised 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 4) 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 organizations and their leaders demonstrate emotionally intelligent attitudes and behaviors. Research by Talogy Talent Management has shown the emotional climate of an organization created by its leaders accounts for a 22% variance in the performance, engagement, and well-being of its employees.⁴

Table 4 shows that every year from 2004-2014, the financial sector 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 **Awareness of Others**, **Connecting with Others**, and **Interdependence** which were all stronger than other years, and rather surprisingly were 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.

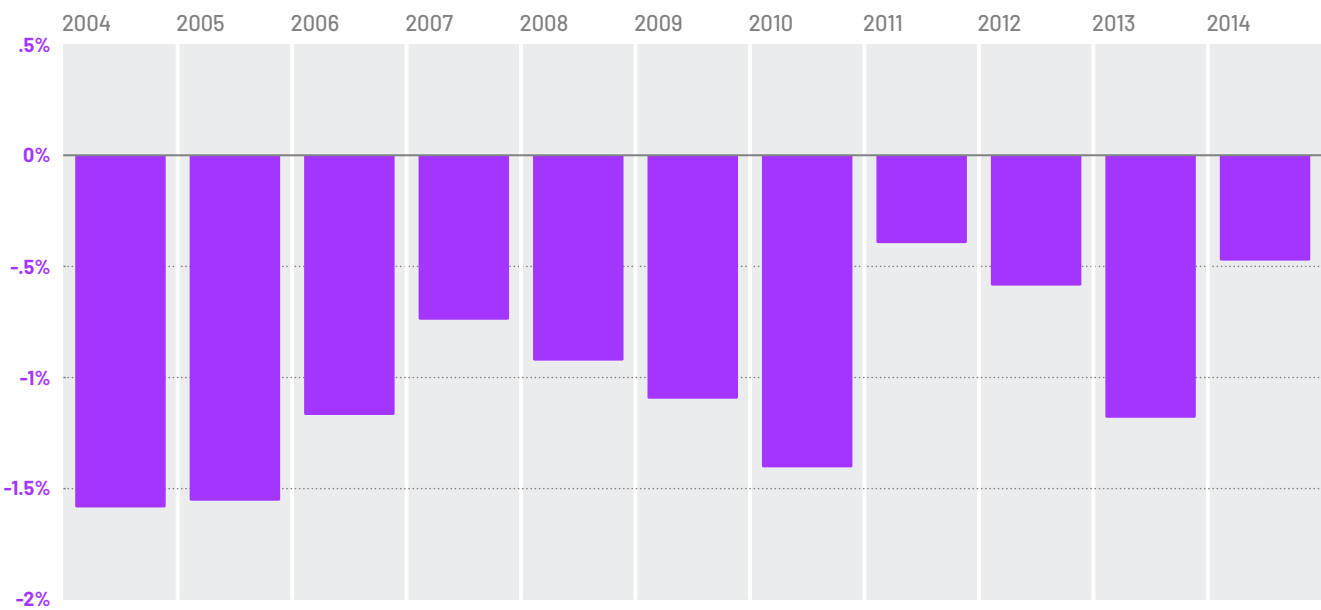


TABLE 4:
Overall EI for years 2004-2014 for the financial sector
The midline represents the mean average for all job sectors

On the downside, in 2014 the financial sector scored lower in scales to do with self-confidence than previous years such as **Self Regard**, **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), Talogy Talent Management 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.⁵

Based on their psychometric and applied research Talogy Talent Management have defined four factors that are crucial to developing EI within organizations:

1. Employee engagement
2. Managing change
3. Managing performance
4. Leadership development

Details on applying each of these may be found in **Emotional Intelligence at Work – How to make change stick**.⁶

The first of these; ‘adopting positive intentions’ is at the heart of developing an emotionally intelligent organization. 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 positive changes appear to be happening within this sector. For instance, one large bank placed ‘Respect’ (We respect and value those we work with, and the contribution that they make) as the first of its five core values. To move forward it is 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.⁷

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, pessimism, and 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.⁸ 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.

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

Although initially scoring lower on interpersonal aspects of EI this improved significantly over a period of ten years. Despite going through a difficult time 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 grow a healthy emotional climate, which will help build a strong and sustainable financial industry.



APPENDIX 1

What is Emotional Intelligence?

Emotional Intelligence (EI) is a combination of attitudes and behaviors that distinguish outstanding performance from average performance. Individuals with higher EI will be better able to manage themselves and their relationships to be both personally and interpersonally effective. The framework shown below provides an organising structure for the different facets of EI and how they are related. The two main streams of EI are:

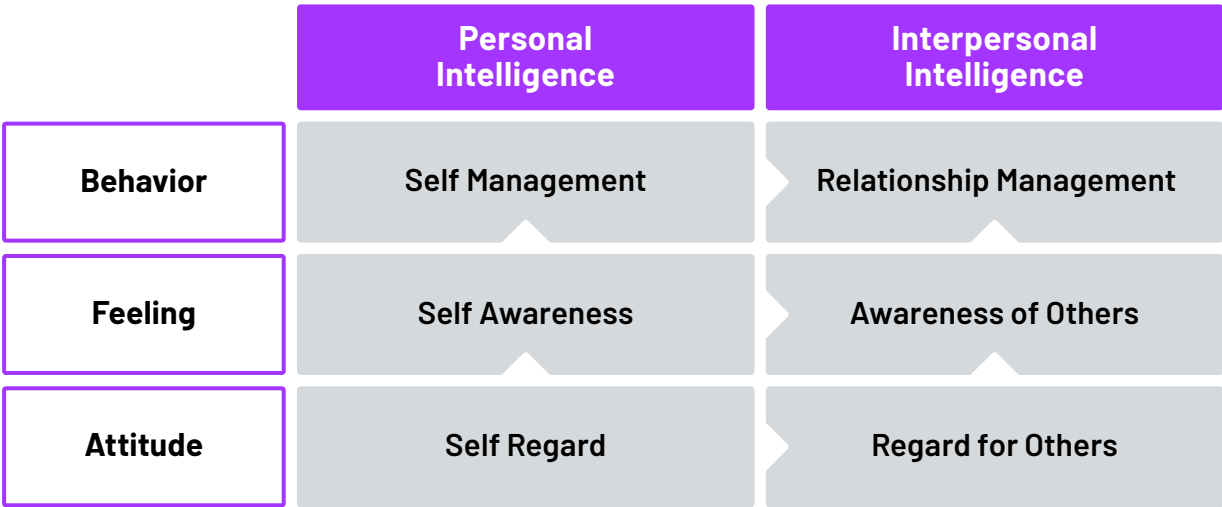
Personal Intelligence

Being effective at picking up what is going on inside of you (Self Awareness) and taking appropriate actions to manage yourself (Self Management).

Interpersonal Intelligence

Being effective in picking up what is going on for other people (Awareness of Others) and taking appropriate action to manage them (Relationship Management).

Your Emotional Intelligence is influenced by your attitudes. In particular, your attitude towards yourself (Self Regard) and your attitude towards other people (Regard for Others). To make developmental changes stick, it is important to develop the right attitudes along with your behaviors. The relationship between the various parts of Emotional Intelligence is shown in the diagram below.



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The EI framework
For a comprehensive description of EI and its development refer to **Emotional Intelligence at Work**.⁹

APPENDIX 2

Scale definitions for the EIP

Attitude

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

Feeling

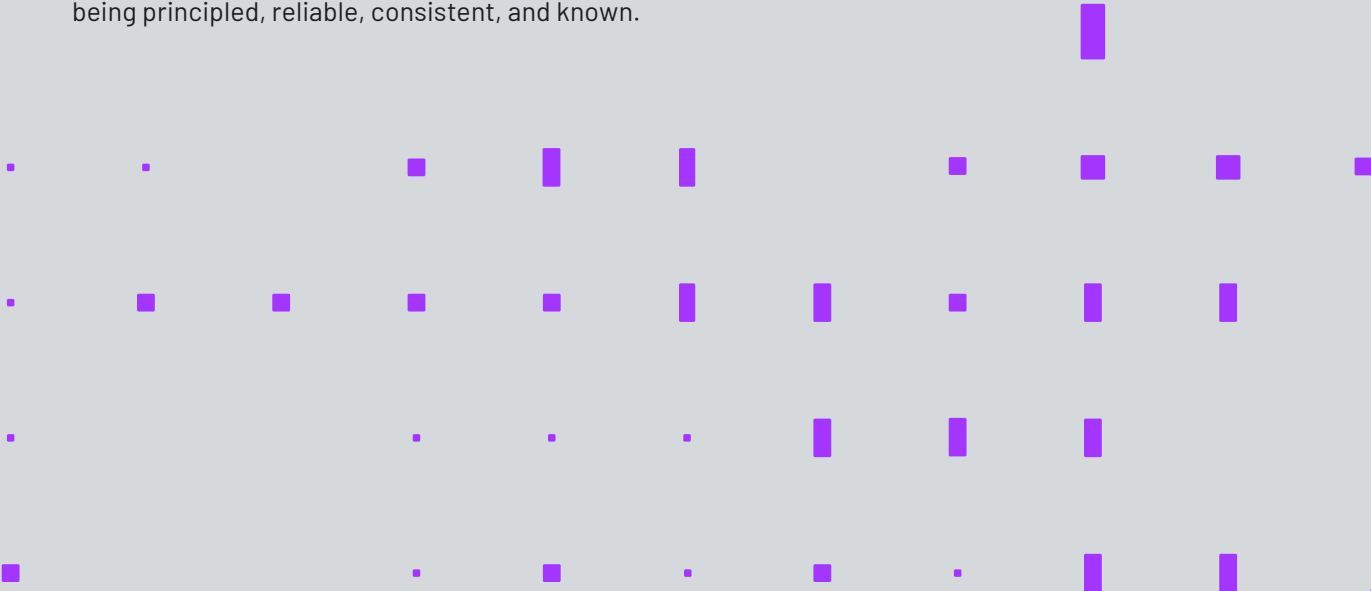
- 3 Self Awareness**
The degree to which you are in touch with your physiology, feelings, and intuitions.
- 4 Awareness of Others**
The degree to which you are in touch with the feelings of others.

Self Management

- 5 Emotional Resilience**
The degree to which you are able to pick yourself up and bounce back when things go badly for you.
- 6 Personal Power**
The degree to which you believe that you are in charge of and take sole responsibility for your outcomes.
- 7 Goal Directedness**
The degree to which you relate your behavior to long-term goals.
- 8 Flexibility**
The degree to which you feel free to adapt your thinking and your behaviour to changing situations.
- 9 Connecting with Others**
The extent and ease with which you are able to make significant connections with other people.
- 10 Authenticity**
The degree to which you invite the trust of others by being principled, reliable, consistent, and known.

Relationship Management

- 11 Trust**
Your tendency to trust others.
Mistrusting
Carefully Trusting
Over Trusting
- 12 Balanced Outlook**
How well you manage to balance optimism with realism.
Pessimistic
Realistically Optimistic
Over Optimistic
- 13 Emotional Expression and Control**
The degree to which you are emotionally controlled.
Under Controlled
Free and in Charge
Over Controlled
- 14 Conflict Handling**
How well you handle conflict.
Passive
Assertive
Aggressive
- 15 Interdependence**
How well you manage to balance taking yourself and taking others into account.
Dependent
Interdependent
Over Independent
- Developing your Emotional Intelligence**
- 16 Reflective Learning**
The degree to which you enhance your Emotional Intelligence by reflecting on what you and others feel, think, and do.



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