



## Business Environment, Emotional Intelligence and Competency Elements: The Key Determinants of Managerial Success

### KEYWORDS

Competency , Analytical Hierarchy Process, HP), Emotional Intelligence, Delphi Method

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**ABSTRACT** *In the present scenario Indian Industries are facing significant changes in the business environment in which they operate. Globalizing markets, rapid changes in product and information technology, increasing pace of social changes and a critical need for organization agility, have refocused attention on nature of corporate management. In addition to these structured changes they have also redefined the type of managerial capabilities required for organizational success.*

*Emotional Intelligence has been recognized as a key determinant to managerial success in today's high stress environment both in life and in work. If a manager is able to recognize his own strengths and weaknesses, and also the strengths and weaknesses of his subordinates, understand the requirements of his job well, uses his own strengths and overcomes weaknesses through continuous learning on the job, he may be considered as effective and at the same time successful in motivating the subordinates and achieving the goals of the organization. Emotional Intelligence and its relevance for organizations are of utmost importance to modern day managers. The organizations do not only deal with material, they also deal with people (it is people of the organization who add value). The Emotional Intelligence of an organization can be judged from the way it deals with the issues of leadership, interpersonal relations, communication and relations with other organizations.*

For effectively dealing with the fast changing environment; business scholars and researchers have concentrated to develop the competency models. Competency modeling is the activity of determining the specific competencies that are characteristics for high performance and success in the given job.

The Business Environment and Emotional Intelligence play a major role in the determination and the relative relevance of key competency elements of success in different sectors.

#### This paper discusses:

1. Brief conceptual framework of Competency, Emotional Intelligence and Environmental Factors.
2. Identification of most required competency elements of success by managers, using Delphi Method.
3. Creating a hierarchy of these competency elements in different sectors undertaking influence of environmental factors using Analytical Hierarchy Process (AHP) and.
4. An apprising the role of emotional intelligence in the success of the Indian managers.

The aim of this study is to help Indian managers of Indian industries for enhancing managerial effectiveness. An effective manager will be able to generate success. Defining the success has always been a controversial issue. The meaning of success may be different for different individual. Society's idea of success may also be different and may vary with time. So, it is better to define it with some frame of reference. We equated success with the achievement of goals. If a manager achieves the goals; he is successful. Further, goals have been classified into two categories- long term goals and short term goals.

#### COMPETENCY

Competency is defined by different scholars and academicians in different ways. Some scholars defined competency as a "Personal Characteristic". According to them, a competency is a personal characteristic (skill, knowledge, self-concept, traits and motive) that drives behavior leading to outstanding performance. Competency is also defined as an "underlying characteristic" of an individual that is causally related to criterion-referenced effective and /or superior performance in a job or situation. 'Underlying characteristic' means the competencies and finally deep and enduring part

of a person's personality and can predict behavior in a wide variety of situations and job tasks. Causally related means that a competency cause or predicts behavior and performance. Criterion- reference means that the competency actually predicts as to who does something well or poorly, as measured on a specific criterion or standard.

Some academicians also relate competency with the DNA of people. They postulated, "Competencies are to performance what the DNA is to people". The underlying element of competencies are less visible but largely direct and control "surface behaviors."

Others defined competency as "dynamic concept" ...shifting the focus from what people "have" for what they can "do". Demonstration ("doing it") and Accessibility ("measuring it") are the key attributes of the competency concept.

In brief, competency can be defined as personal characteristics, underlying characteristics or dynamic concept which drives behavior for outstanding performance. In other words, Manager possessing competency exhibits such behavior which brings his performance more than the normal anticipated performance. A successful manager is one who performs beyond the expected performance. This can be illustrated in following figure:



Figure 1: Competency Drive Behaviors, Outstanding Performance and Success

#### EMOTIONAL INTELLIGENCE

Emotional intelligence is the ability to design one's emotions or emotional response in such a way that it enhances one's energy and improves effectiveness individually and in a group. It is the ability to use the power of emotions intelligently. It is the process of bringing intelligence in the use of emotions, while recognizing conditions in self and others and to deal with them effectively.

In other words, it is a set of skills that enables us to make our way in a complex world—the personal, social and survival as-

pects of overall intelligence, the elusive common sense and sensitivity that are essential to be effective in daily functioning. In everyday language, Emotional Intelligence is what we commonly refer to as "street smarts," or that uncommon ability we label "common sense." It has to do with the ability to read the political and social environment, and landscape them; to intuitively grasp what others want and need, what their strengths and weaknesses are; to remain unruffled by stress; and to be engaging, the kind of person that others want to be around.

Recently a research paper, "Clustering Competence in Emotional Intelligence: Insights from the Emotional Competence Inventory (ECI)"<sup>1</sup> reproduced by The Hay/McBer Group integrated the work of Goleman (1995 and 1998) and Boyatzis (1982), offers the following descriptive definition of Emotional Intelligence:

Emotional intelligence is observed when a person demonstrates the competencies that constitute self-awareness, self-management, social awareness, and social skills at appropriate times and ways in sufficient frequency to be effective in the situation.

### BUSINESS ENVIRONMENT

An organization or industry does not work in isolation. It has to work under several surroundings and circumstances. These surroundings and circumstances are known as Business Environment. Since the environment influences an industry in multitudinous ways, it is of crucial importance to study it for more reliable conclusions. Business environment is complex which means it consists of a number of factors, conditions and influences. It is difficult to comprehend at once what factors constitute a given environment. Environment is multi-faceted which means what shape and character an environment will assume depends on the perception of the observer. This is seen frequently when the same development is welcomed as an opportunity by one industry while another industry perceives it as a threat. Environment has a far-reaching impact which states that an environmental change has an impact on the organization in several ways. Environment is dynamic i.e. it is constantly changing in nature. Hence, the time period on which data collected has a significant effect on the determination of preferred competencies for the success by the managers. The data in this study was collected during the time period in between September 2008 to December 2008. At this time period, there was growing concern for recession all over the world including India. The demand was diminishing. Crude prices were touching new high every day. Since, Indian economy is highly dependent on international crude price; it was severely affecting it. National Elections was going to be held. There was uncertainty about political stability after elections. However, we have tried our best to mitigate influence of these factors by choosing generic competencies which are suitable to different environment and different time periods, the affect of environmental factors can not be ruled out completely.

### LIMITING THE COMPETENCY ELEMENTS OF SUCCESS-DELPHI METHOD

The exhaustive literature survey was made to enlist the most required competencies for the success which resulted in a list of 60 competencies which are required for the outstanding performance by the Indian managers. Delphi technique, consisting of the following stages was followed to narrow down this list. The list of 60 competencies items was sent to the panel of experts consisting of six members. This resulted in a set of 20 competencies most required for success in Indian industry by the managers. This set of 20 competencies was again sent to the same panel of experts for classification into two categories – (i) competencies for achieving long term success, (ii) competencies for achieving short term success respectively by using Delphi technique. Finally, a competency model for the Indian managers was developed which showed 10 competencies each for long term success

and for short term success. Further, an important research instrument, a survey questionnaire was designed based on above classification, consisting of a 5 point Standard Preference Scale. The questionnaire was designed to find out the ranking of competencies in each category- long term success and short term success. The competency elements for the study were clearly defined and explained to avoid any confusion with regard to the meaning of the terms.

This scale was employed using the following anchors for all three categories:

- (1) Equally Preferred-1
- (2) Moderately Preferred-3
- (3) Strongly Preferred-5
- (4) Very Strongly Preferred-7
- (5) Extremely Preferred-9.

The questionnaire was forwarded to 78 Indian Managers of different sectors for determination of preference of competency elements. The response rate came out to be 66.66% i.e. 52 questionnaires. The reason for choosing different sectors was to ascertain the competencies across a broader spectrum of managers. The 78 managers were selected with the aim that sample selection would ensure reasonably consistency in the population being surveyed. Managers ranged across the medium and large organizations from Auto, Telecom, Retail, Banking and Financial Services Sectors etc. The Indian managers were required to do a paired comparison of all the 20 competencies elements with each other in their respective categories, with the help of a five-point measurement scale, resulting into a Matrix. The 20 competency elements and sample matrix forwarded to Indian managers for paired comparison of the competency elements is shown as Annexure-2.

### DEVELOPMENT OF HIERARCHY OF COMPETENCY ELEMENTS IN DIFFERENT SECTORS

Once the responses were received, the respondents were segregated on the basis of the sectors. This resulted in the division of questionnaire in seven sectors as shown in the figure 2.



Figure 2: Number of Responses on the Basis of Sectors

Analytical Hierarchy Process (AHP)<sup>2</sup> was applied to the matrix generated out of the responses by the managers to derive the relative weights for all 20 competency elements in their respective categories. The Analytic Hierarchy Process (AHP) is a structured technique used in helping people to deal with complex decisions involving multiple criteria. Based on mathematics and psychology, it was developed by Thomas L. Saaty in the 1970s and had been extensively studied and refined since then. The AHP provides a comprehensive and rational framework for structuring a problem, for representing and quantifying its elements, for relating those elements to overall goals, and for evaluating alternative solutions.

AHP is a numerical representation which shows relationship between two elements that share a common parent in the hierarchy. In this comparison, two questions are:

- Which is more important with regard to the criterion?
- How strongly?

The matrix shows the results of all such comparisons. With the help of AHP, a unique competency model was built for each sector. This generated seven competency models, a model for each sector, with the same set of competency elements but with different relative weights.

The seven sectors are Auto, Pharmacy, Petroleum, Banking and Finance, Retail, IT and Telecom. Different environmental factors affect different industries in their own way. For example, market environments such as customers, products, marketing intermediary and competitor-related factors influences the different industries differently. Technology environment, such as, technology development, the impact of technology on human beings, Information management in the country has their impact on the industries. The economic environment, such as, the economics structure adopted by the country, economics policies, eco-

nomics planning and growth in GDP, have their influences on the industries. The regulatory activities adopted by the government for the planning, promotion and regulation of business environment in the country are different for different industries. The political environment, such as, the stability of the government and the basic philosophy of ruling party, have their impact on the businesses of the organizations.

Socio-Cultural factors, such as, the changing belief, values and life-style of populations, rate of growth of population, increasing involvement of women in the economic decision of family and increasing education levels have their impact on the industries. The environmental influences on these sectors were also analyzed at the time of study for better evaluation of hierarchy of competency elements (see Annexure 3).

The resultant weight and hierarchy of competency elements in their respective categories for seven sectors have been shown in the Table 1, Table 2 respectively.

**Table 1: ACHIEVING LONG TERM SUCCESS- SECTOR WISE HIERARCHY OF COMPETENCIES**

Competency	Auto	Banking and Financial Services	IT	Petroleum	Pharmacy	Retail	Telecom
D- Visionary Thinking	23.44	22.43	20.29	21.55	21.53	19.95	23.82
B-Strategic Thinking	19.31	19.79	18.19	18.32	18.95	19.39	17.13
C- Adaptability & Flexibility	14.11	5.19	8.12	9.79	13.69	10.39	13.98
G-Ethics & Integrity	8.05	12.84	7.86	11.75	14.95	11.05	6.10
J-Building Bonds	7.99	6.86	5.28	5.60	6.24	8.83	10.95
F-Conscientiousness	3.80	8.10	9.34	11.75	2.40	9.89	2.47
I-Strong Commitment	5.11	7.00	3.97	4.41	8.96	6.92	5.48
E- Respecting Customer Confidentiality	2.58	11.18	6.71	3.40	3.91	4.13	13.34
A-Change Catalyst	11.61	3.58	7.10	5.93	4.94	2.96	2.67
H –Conceptual Skills	3.94	2.98	13.09	7.45	4.39	6.45	4.02

Source: Self Compiled

\* These figures reflect composite percentage.

**Table 2: ACHIEVING SHORT TERM SUCCESS- SECTOR WISE HIERARCHY OF COMPETENCIES**

Competency	Auto	Banking and Financial Services	IT	Petroleum	Pharmacy	Retail	Telecom
D – Identifying & Urgency of Decisions	18.83	16.12	15.60	8.91	16.15	14.25	20.58
A- Situation Leadership Style	9.52	15.38	13.28	18.25	21.32	19.27	6.17
E- Effective Risk Taking	16.02	20.20	5.94	4.00	17.06	10.45	21.88
B- Problem Solving	9.06	12.71	18.63	18.89	5.75	17.13	10.87
F- Instantaneous Decision Making	17.39	12.98	9.72	10.04	12.35	8.14	11.08
C –Analytical & Logical Reasoning	8.64	4.93	11.90	14.64	3.86	5.21	7.03
H- Knowledge Management	9.35	6.40	12.77	4.47	12.91	10.61	10.23
I-Psychological Presence	3.35	5.11	5.42	14.90	5.92	6.23	3.07
G – Tolerance of Ambiguity	3.72	3.40	4.26	2.50	2.36	5.91	4.05

J- Spontaneous Aggressiveness	4.07	2.72	2.43	2.35	2.27	2.75	4.98
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Source: Self Compiled

\* These figures reflect composite percentage.

**APPRIISING THE ROLE OF EMOTIONAL INTELLIGENCE FOR MANAGERIAL SUCCESS**

This study indicated 20 competencies most preferred by managers for their success. These competencies were further classified into intellectual competencies and emotional competencies. The classification was made with the help of the most renowned book of Daniel Goleman, Working with Emotional Intelligence. Out of 20 competencies, 13 i.e. 65.00% fall in emotional category and the remaining 7 in the intellectual category (see Annexure 4). 8 out of 10 competencies belong to emotional category for achieving long term success whereas 5 out of 10 competencies belong to

emotional category for achieving long term success, - was emotional competency.

This further strengthens the view that Emotional Competencies have profound effect on the overall success of the managers.

**CONCLUSION**

To deal with the increasing complexity and accelerating change in the environment, there is need of competent managerial personnel. An effective manager can make all the difference. The present study aims at enhancing managerial effectiveness and recommends a hierarchy of competencies needed to produce success. It values the emotional competencies and

environmental factors, as key determinants in deciding the hierarchy of competency elements in different sectors.

The short term and long term success of a manager and therefore organization depends on the recognizing, developing and cultivating of the most needed competencies. These

are helpful for organization in HR developing and designing training, compensation and promotion related interventions in their quest for organizational excellence.

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