

**Beyond Emotional Intelligence:**

**Why effective collaboration requires more than IQ and EQ.**

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### **Introduction**

You've hired lots of great people with high IQs and all the competencies required for your business. What's more, you've also looked into their emotional intelligence and found that your staff also have the high EQs that you know are necessary for success in your increasingly complex business. So why aren't they performing as expected? What else do you need? What's the missing factor? In this article we will briefly review traditional determinants of performance such as competencies and qualifications, as well as more recent concepts such as emotional intelligence. More importantly, however, we will introduce the concept of global mental disposition - the vital missing factor in many businesses which is critical for success in situations demanding a highly collaborative approach. Global mental disposition can be defined as the motivation of employees to involve themselves in the projects of the company, and the will to share knowledge and opportunity in order to address the complex issues they face. This is a simple definition, but as we will explain later in this article, global mental disposition depends on the effective alignment of employees' expectations of their work, their perceptions, and the level of complexity with which they have to deal.

## Article Schema

We begin by offering an overview of the global business environment and the increasing levels of complexity faced by modern organisations. Then we will give a detailed definition of human capital, including the concept of global mental disposition. This will be followed by an examination of four business processes: (1) routine, transactional processes; (2) expert processes; (3) co-ordinated, integrated processes; and (4) collaborative processes.

We will then link our model of human capital to these four processes to show that different types of business processes require different types of human capital. Based on this we will show that there is an important part of human capital, namely global mental disposition, that is often omitted from analysis of complex, collaborative situations such as acquisitions, mergers, or major change projects.

Having described global mental disposition and its importance in a range of situations, we describe a new tool that we have developed to measure this important element of human capital. By using a clear and effective procedure, we can measure the key indicators that help to determine the likely level of effective collaboration within a group of people. Further we will analyse the possible applications of the tool and evaluate the usefulness of the potential recommendations that can flow from use of this tool.

## **Background - The Global Business Environment**

The background to the need to go 'beyond EQ' in order to achieve effective collaboration is a radically altered business environment. The experience of ever fiercer competition and greater complexity has become a way of life for many businesses and a recurring theme in the management literature for more than a decade. Kanter (1989) concludes that winning in the new 'Corporate Olympics' requires: "faster action, more creative manoeuvring, more flexibility, and closer partnerships with employees and customers than was typical in the traditional corporate bureaucracy. It requires more agile, limber management that pursues opportunity without being bogged down by cumbersome structures or weighty procedures that impede action. Corporate giants, in short, must learn to dance." Kanter's thesis has proved compelling for many business leaders because it resonates so strongly with their own experience. In "To Come of Age: the antecedents of organisational learning", Harvey and Denton (2000) identify a number of powerful forces, which they call antecedents, which together have led to fundamental changes in the nature of the business environment. These six antecedents are: the shift in the relative importance of factors of production away from capital towards labour, particularly intellectual labour; the ever more rapid pace of change in the business environment; widespread acceptance of

knowledge as a prime source of competitive advantage; the greater demands being placed on all businesses by customers; increasing dissatisfaction, among managers and employees, with the traditional, command-and-control, management paradigm; and the intensely competitive nature of global business. Similarly, Denton (1998) argues that, although pace of change has long been a critical business issue, there is now a major confluence of forces which contribute to the intensified environmental complexity that faces modern, global businesses.

The rapid pace of change and how to manage it has probably generated as much interest as any management issue in the last ten or fifteen years. Few subjects have attracted as much academic attention, and following a survey of approximately 12,000 managers from 25 countries, Kanter (1991) concluded that change has become an integral and accepted part of corporate life (see also Kanter, 1983). Eccles et al (1992, p. 23) argue that "perhaps the most persistent rhetorical theme - and one that has reached the most giddy heights today - is that the business environment is changing now like never before." Long-term, fundamental changes in the business environment inevitably call for major changes in a company's strategic direction. These may result from economic changes, such as the globalisation of markets, technological changes, such as advances in information technology, political changes, such as privatisation, or social changes, such as an increasing concern for the environment. There is no doubt that such changes have gathered pace in recent years and a new terminology has been widely

adopted to describe the changes. Sadler (1995) uses the word 'turbulent' to describe: "an environment characterised both by several changes occurring rapidly and simultaneously and by a situation such that only the most optimistic see the possibility of a return to a more stable environment in the foreseeable future." In a similar vein, Morgan (1988) writes of 'riding the waves of change'. In fact these terms were introduced by the Tavistock Institute of Human Relations during the late '50s and early '60s (see, inter alia, Emery and Trist, 1960, and Trist et al., 1963). However, it is only with the work of more recent authors that terms such as 'turbulent' and 'white water' have come into more widespread use. The classification of a firm's environment in terms of its complexity by Emery and Trist (1965) notably forms the basis of Chakravarthy's (1997) "new strategy framework for coping with turbulence".

Hamel and Prahalad (1994, p. 5) also acknowledge the importance of environmental complexity and turbulence, believing that "the painful upheavals in so many companies in recent years reflect the failure of one-time industry leaders to keep up with the accelerating pace of industry change." They cite IBM, Philips, TWA, Texas Instruments, Xerox, Boeing, Daimler-Benz, Salomon Brothers, Citicorp, Bank of America, Sears, and Pan Am among their list of companies that "saw their success eroded or destroyed by the tides of technological, demographic, and regulatory change and order-of-magnitude productivity and quality gains made by non-traditional competitors." In a similar vein, an analysis of recent mergers across

a range of industries by *Le Monde* showed that, rather than achieve the significant synergies expected, the mergers have destroyed a total of more than 800 million euros of value.

The most salient point here regarding the increased pace change and level of complexity is that it both increases the need for effective collaboration, while at the same time making effective collaboration more difficult. In recent years, it has become increasingly clear that real value is created by organisational actors who can collaborate effectively in order to manage a higher level of complexity. It is against this background that we must explore the evolving nature of human capital.

### **Human Capital - The Concept of Global Mental Disposition**

It is clear that traditional business performance measures do not value knowledge assets (and still less cultural and motivational assets). Human capital is one way to conceptualise (and perhaps one step towards measuring) these assets. There are probably thousands of definitions of human capital, many of which will be familiar to readers of this journal. Rather than review existing definitions, we offer a new definition based on four key dimensions: (1) physical presence; (2) competencies and qualifications; (3) emotional intelligence; and (4) global mental disposition. The first three of these are well-known and relatively trivial, so we will review them

only briefly. Our focus will be the fourth dimension, which is not only relatively unknown, but also of increasing importance.

Looking at the first of these four dimension, physical presence means that health and strength of employees, as it is applied to their work. How to appraise this dimension is self-evident, as is its importance in all types of work. However, there are certain types of work and work processes where this is the predominant determinant of effectiveness. Physical presence may be the most critical dimension of human capital when we consider simple, transactional processes, that is routine work which is reliant on formal rules and where individual work is repetitive and close to automation. Examples of such work include picking fruit or planting rice, and, perhaps, some types of quality control or call centre work.

The next of our four dimensions is competencies and qualifications - perhaps the elements most often appraised when considering current performance (or attempting to predict future performance) for most modern jobs. Our definition of competencies and qualifications is perhaps wider than might at first be expected: we include not only academic and professional qualifications; previous work experience; and professional/managerial skills and competencies, but also further elements such as the extent and nature of an individual's professional network. Traditionally, organisations have sought to evaluate this dimension at the selection stage by reviewing resumes, interviewing candidates, and running



selection centres (as well as more esoteric methods such as graphology). This dimension is also a mainstay of organisations' performance management systems with employees rated against a competency framework generally comprising professional and managerial elements. Competencies and qualifications are indeed important for most types of work in modern organisations. However, there are particular areas, which we class as 'expertise based' roles, where they are clearly the most important element. These roles involve judgement oriented work, which reliant on individual expertise, classic examples include medical practitioners, lawyers, and architects.

Our third dimension, emotional intelligence, is now, following the work of Daniel Goleman, relatively well-known, if not necessarily well-understood, among practising managers. A wide definition of emotional intelligence could include empathy, self-control, emotional maturity, and the ability to perform effectively under pressure. Emotional intelligence can be appraised, although very imperfectly, through personality tests, and, potentially, during interviews. Emotional intelligence is critically important in a range of jobs, particularly those involving high levels of personal interactions, including many modern management roles which involve the co-ordination of activities across functional boundaries.

Our final dimension of human capital is global mental disposition by which we mean the motivation of employees to involve themselves in the activities of the

company, and the will to share knowledge and opportunity in order to address the complex issues they face. It is only with the appropriate global mental disposition that employees will be able to work together in collaborative teams in order to express their ideas and feelings, develop a sense of shared understanding and work towards mutually acceptable solutions to complex problems. Traditional models for determining the value of human capital do not attempt to measure the mental disposition of employees. For example, most banks and investors use a model in which human capital is defined as the knowledge, skill and capability of individual employees to provide solutions to customer problems. There is no mention of collaboration, motivation, or effective knowledge sharing. At most, they may use interviews to evaluate something similar to the mental disposition of a few senior managers. It is to address this deficiency in existing models of human capital we have created a new tool which is outlined later in this article.

The global mental disposition of employees is critical to improvisational work which is reliant on deep expertise across multiple functions and dependant on fluid deployment of teams. Typical examples include managing change, addressing high levels of diversity in customer demands, installing new software applications in an organisation, creating business strategies, or working within a complex, matrix-based structure. As we described earlier, this type of work is becoming both more common and more important as we continue to see increasing

competition, a greater pace of change and a higher level of complexity in the business environment increase.

Table 1 below summarises our model of human capital, and the types of processes for which each dimension is most critical.

**Table 1**

<b>Dimension of Human Capital</b>	<b>Definition</b>	<b>Appropriate Process</b>	<b>Examples</b>
Physical Presence	The health and strength of the workforce.	Simple, transactional processes. Routine work which is reliant on formal rules and where individual work is repetitive and close to automation.	Picking fruit. Planting rice. Quality control. Call centre work.
Competencies and Qualifications	Academic and professional qualifications. Work experience. Professional/managerial skills and competencies. Extent and nature of professional network.	Expertise based processes, involving judgement oriented work reliant on individual knowledge and experience.	Medical Practitioner. Lawyer. Architect.
Emotional Intelligence	Empathy, self-control, emotional maturity, and the ability to perform effectively under pressure.	Co-ordinated, integrated processes. Interactive, involving high levels of personal interactions and close relationships.	Co-ordination of activities across functional boundaries. Acting/Directing.
Global Mental Disposition	The motivation of employees to involve themselves in the projects of the company, and the will to share knowledge and opportunity in order to address the complex issues they face.	Collaborative Processes. Improvisational work which is reliant on deep expertise across multiple functions and dependant on fluid deployment of teams.	Managing change or customer diversity. Installing new software systems Creating business strategies. Working in a complex, matrix-based structure.

We should consider here the interactions between some of our four dimensions. Some observers would suggest that knowledge is critical for success. This may be the case but it is certainly not sufficient, because without effective combination with our other dimensions, knowledge cannot be deployed effectively. Considered alone, knowledge is not power, it is worthless. While knowledge remains implicit (in the heads of employees), it is not available to the organisation. It is only when the emotional intelligence and the global mental disposition of employees allow that knowledge to become explicit at the appropriate time and in the appropriate way that the knowledge becomes valuable. Therefore, one way to consider global mental disposition is as the behaviours which allow knowledge and competencies to become available and effective.

**Our conclusion at this point is that, with many organisations facing a complex business environment, having employees with good competencies and high emotional intelligence will not be enough to succeed. To achieve the type of effective collaboration that is required, the appropriate global mental disposition is also required. We should also point out at this juncture that although global mental disposition is essential, it is assessed very ineffectively, if at all.**

## **Measuring Global Mental Disposition: The Management Compass**

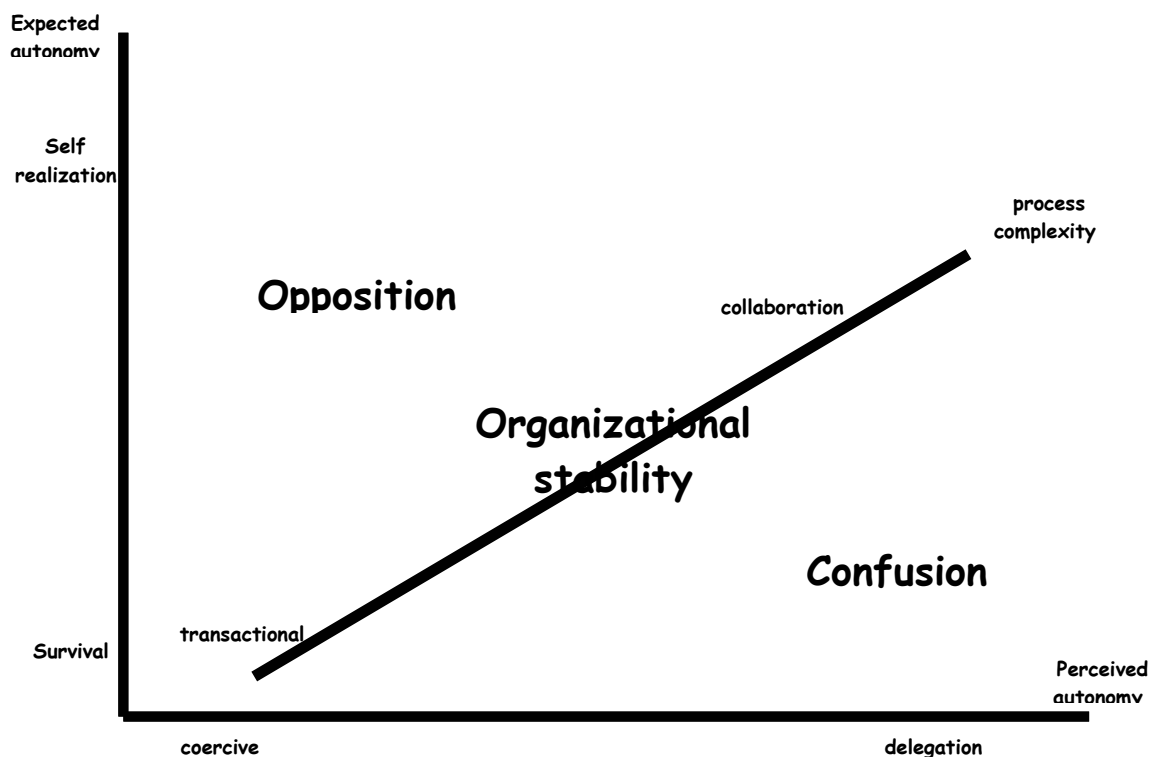
Having said that global mental disposition is important, and that it is ineffectively measured (or not measured at all), we will now explain how, by examining the relationship between expectations, perceptions and complexity it can be measured effectively.

Let us state first that the organisation and its employees each have their own needs, and further that each can help to meet the needs of the other. The organisation needs to manage complex processes effectively in order to add value - it can only manage these processes by applying the full human capital of its employees. The employees in turn have their own needs or expectations - in this case we will consider the employees' higher order needs - their needs for autonomy. The role of management is to make sure that there is a match between employees' expectations (i.e. what they expect from their job) and their perceptions (i.e. what they believe they receive from their job). Therefore management must choose and be able to apply the appropriate management style to match the expectations of their employees. A balance between expectations and perception will produce a specific set of behaviours. When expectations and perceptions are both high, the behaviours will be effective, highly collaborative and involve high levels of knowledge sharing - the type of behaviours which are key to managing complex processes.

By measuring process complexity, employees' expectations and perception, we are able to map these key elements to any organisation. We can determine both the point where it is currently operating and the point where it should be operating in order to be most effective.

We will now attempt to explain our method of measuring global mental disposition in more detail. Figure 1 below shows how expected autonomy and perceived autonomy interact to create very different outcomes and behaviours.

**Figure 1: The Management Compass**



A major determinant of behaviour is the way perceptions of autonomy meet expectations. Our vertical scale shows individuals' expectations of autonomy ranging from mere survival to self-realisation. The horizontal scale shows

individuals' perceptions of the level of autonomy given to them by management. This depends on the management style with their organisation, ranging from a coercive management style (meaning low levels of perceived autonomy) to a collaborative management style (where levels of perceived autonomy are high) and even delegation.

Within the chart there are three areas: a zone of organisational stability, a zone of opposition and a zone of confusion. Along the diagonal, there is the stability zone where expectations and perceptions are in equilibrium. However, at the lower left end of this zone little or no complexity can be addressed because employees do not want (and do not receive) autonomy. Without no autonomy, the sort of collaborative, knowledge sharing activity which is required to manage complex situations will not exist.

At the top right end of this zone of organisational stability, employees' have a high expectation of autonomy, and because of the collaborative style of management, the perceived level of autonomy is also high. In this situation, high levels of complexity can be managed effectively.

Above and to the left of the zone of organisational stability is the zone of opposition. In this type of situation, employees want to receive relatively high levels of autonomy, but due to coercive or directive management styles, their perceptions of autonomy are much lower. In this situation there is opposition and

certainly no effective collaboration or knowledge-sharing. Employees may be cynical, will certainly resist change, and pursue their own agendas rather than work towards shared goals.

Below and to the right of the zone of organisational stability is the zone of confusion. In this type of situation, employees have relatively low expectations for autonomy, but are nevertheless managed in a consultative, participative or collaborative way such that their perceived level of autonomy is high. Once again, expectations and perceptions are out of equilibrium. In this case, the result is not opposition but confusion - employees do not know how to handle the high degrees of autonomy they are given.

A few brief examples are instructive here to explain the model. When Western companies expanded into Eastern Europe following the collapse of communism, they needed to be able to use the same complex processes that had brought success in the West. However, as we have seen, to manage high complexity both a collaborative management style and employees with high expectations of their autonomy are required. Unfortunately, for many of the businesses expanding into Eastern Europe, the local personnel had very low expectations of their autonomy and were used to being managed in directive or even coercive styles. When the Western businesses attempted to introduce the more collaborative



management styles necessary to manage their complex processes, the result was inevitable - confusion and then low productivity.

The success of Taylorism and the segmenting of processes to reduce complexity and allow mass production can also be explained by reference to employee's expectations and management style. When both complexity and employees' expectations are low, a directive or coercive management style is likely to be appropriate. Today, however, employees' expectations have increased and highly segmented processes are considered too slow (among other problems). This explains the increasing use of such management ideas as self-managing teams, as management seeks to address both employees' needs for high levels of autonomy and the organisation's need to be able to manage high levels of complexity.

As we described earlier when defining our model of human capital, there are four main categories of process which can be described as: transactional; expert; co-ordinated; and collaborative. If we think of each of these processes in terms of the type of knowledge sharing that takes place we see that, for transactional work processes, the main type of knowledge sharing is the giving and receiving of instructions. Clearly, in this case high complex work is unlikely to be managed effectively. In the expert type of work processes, knowledge sharing processes are likely to focus on consultation, whereas in the co-ordinated type of work processes, knowledge sharing will be concerned with

keeping up to date and informed about what is happening. For collaborative work processes, a higher level is reached with continuous knowledge sharing enabling the effective management of highly complex processes and scenarios.

The value of the diagram is that it shows the correlation of the three key dimensions: expectations; perceptions; and complexity in a simple way. In short, we can see that a given task requires a given knowledge sharing process and that this specific process is optimised when employees receive autonomy at the appropriate level to meet their expectations

By applying the Management Compass it becomes possible to understand the complex interplay of expectations, perceptions, work processes, management styles and complexity. In 1831, Alexis de Tocqueville was foreseeing a great future for the newly formed union in North America. When writing this, he was not so much pointing at their rich country because he compared it to Russia that extended as far as Alaska. He was pointing at the fact that involving people in the decision making process, as the new system did, would generate decisions of better quality for the community, thus enriching it faster. De Tocqueville relied largely on intuition to reach his conclusions, the Management Compass allows us to offer analytical support.

## **Applications of the Management Compass**

The current development of the Management Compass is timely for several reasons. The increasing levels of complexity and turbulence in the business environment, which we described in detail earlier, mean that there is a growing need for managers to consider human capital. We also know that the value-added by a complex process is likely to be much higher than that added by a simple, transactional process. This is one of the reasons that many simple processes have been exported to low wage countries and dominant process paradigm in the Western world has tended to be characterised by complex, collaborative work. It is in determining the appropriate management style and the level of complexity that can be managed effectively that the Management Compass has most to offer. However, we see potential applications for the Management Compass in several other areas, including human resources, investment decisions, and mergers and acquisitions.

In human resources, the Management Compass can be used to measure the efficiency and effectiveness of motivation and training programmes. By measuring and modelling the benefits in terms of employees' expectations and perceptions (and therefore in terms of the level of complexity that can be managed effectively) it is possible to determine the ROI for a particular training intervention.

The Management Compass can also be used to measure managerial performance by tracking changes in global mental disposition over time. If we accept that management style is a key determinant of global mental disposition then it is clear that an individual manager can have a tremendous impact on the disposition of his team, and therefore on the level of complexity that the team is able to manage effectively. The Management Compass can also be used as a way to assess the change readiness of employees. Current approaches to change readiness assessment tend to focus on employees' previous experiences of change, the Management Compass allows the organisation to make a realistic prediction of employees' responses to future changes, based on their current expectations of autonomy, but also on their future expectations of autonomy.

The Management Compass is also valuable for investors by giving investment bankers and pension fund analysts structured information on human capital, such as employee's likely stability in the future and their current suitability for the work that they are doing. If the organisation is operating on or near the zone of organisational stability, then we can predict that, *ceteris paribus*, employee turnover will be low. By contrast, if the organisation is operating in the zones of opposition or confusion, then a much higher rate of staff turnover is likely. Clearly, high rates of staff turnover would be a concern to investors, particularly when human capital comprises a high proportion of the total value of the organisation.

In the area of mergers and acquisitions, the Management Compass has particular value as a way of comparing the processes that may need to be merged. In situations where the two workforces have different expectations or different perceptions of the current and future levels of autonomy, the Management Compass can identify these differences and help the two organisation to determine whether the decision to merge is correct and then to determine the type of processes to implement and the appropriate management style to adopt.

Overall, we see the key advantage of the Management Compass as the insight that it gives management to the appropriate way to manage people, particularly during a period of intensive change or when the situation is highly complex. The Management Compass is also valuable as part of the process of selecting and retaining the most effective managers, as a way of understanding how to extract the synergies of merging two processes, and as a way of ensuring a happy and stable workforce by ensuring that their perceptions of autonomy are aligned with their expectations.

## **Conclusion**

One consequence of the globalisation of modern economies and businesses is the export of the relatively simple, transactional processes to lower cost (i.e. lower wage) economies. This can be explained in many ways, perhaps most commonly by

applying the theory of comparative advantage, but it is probably enough here to say that these processes create less value than the complex processes now carried out in modern Western economies.

The logical consequence of exporting low complexity work, is a rise in the average complexity of the work carried out in the modern, highly developed economies. This has an important consequence for the population of these countries: those who are not capable of dealing effectively with complexity will have to relatively little choice in the jobs they can do. They will only be able to carry out those simple processes that are left because they are not transferable (hotels, restaurants, cleaning services, etc). Even in these cases there is often competition from people who have emigrated to highly developed countries from less developed nations, and who are only too pleased to find jobs as waiters, cooks, cleaners, or taxi drivers.

Having argued that the average level of complexity in the developed world is rising, we offer in this article a new definition of human capital. This new definition includes one element of human capital which is currently ignored by many people and certainly omitted from many audits of human capital. This missing factor is the global mental disposition of employees to involve themselves in the value-adding activities of the company. Paradoxically, this missing factor is increasingly important, because it makes a critical difference in

just those situations which are becoming more common - highly complex processes required high degrees of collaboration and effective knowledge sharing.

The purpose of this work is to introduce the new concept of global mental disposition and the tool, the Management Compass, that we have developed to measure and apply the concept. Giving managers access to the data on the human capital that they have available enables them to be proactive, i.e. to integrate the human capital dimensions into their strategy, to anticipate, to improve the design of their action plans, to measure progress and to conduct change in a much safer and more effective way.

In this paper a clear relationship has been established between the key three dimensions of any organisation, namely between employees' expectations for autonomy, their perceptions of the autonomy they receive, and the level of complexity that the organisation can manage effectively.

Civilisation is a long process during which smooth progress can only be made when these three key dimensions grow in line. We have seen that disproportionate expectations make the organisation operate in opposition, and that the opposite - too much autonomy given to people who do not expect it - will create confusion. Both these are significant problems confronting not just businesses but whole societies. By examining the nature of human capital and the

relationships between expectations, perceptions and complexity, we can begin to understand more fully the actions needed for success a wide range of areas and activities.



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