Part 3 Engineering in Employment
28.0 Emotional Intelligence – the missing link to superior business performance

Emotional Intelligence

Bob Windmill, Energy and Utility Skills

Introduction

In our work and home lives we have all had experience of 'go-to' people. Often not the best qualified individuals available, these are the high performers who we turn to when challenging or non-standard tasks need to be delivered.

This case study illustrates how Wales and the West Utilities (WWU) identified its high performers and what differentiates them from their colleagues, and then put in place a change programme to bring the balance of the workforce up to the same standard. The outcome was a measurable seven figure saving in the first year.

While the research was centred on WWU, the general applicability of their programme was confirmed by a joint workshop between themselves and BT Openreach.

The conclusion is that, by combining softer, personal competences with the harder technical skills in a systematic fashion, an organisation can realise immediate bottom line benefits.

Aims/objectives of research

The aim of the research was to understand what differentiates a high performing individual from their lower performing peers in WWU. This investigation would cover both technical industry specific skills and the more general personal behaviours and competences.

The key outcome of the research was that WWU would use the knowledge gained on the performance drivers of its high performing staff to improve its bottom line results.

Business performance

It is arguable that business performance results from a combination of people and processes. Much has been written on the process side of the equation and it is unquestionable that good performance is built on excellent technical skills. However, there appears to be rather less focus on the effect of the personal behaviours of individuals on organisational performance.

Productivity

OECD data[225] shows that France and the USA are nearly 20% more productive than the UK. To give our competitors a 20% head start in an increasingly global economy puts UK plc at an immediate disadvantage and is something that must be addressed.

Total Factor Productivity – the missing link?

From an economics perspective, skills contribute around 20% to business performance[226] but at least a similar percentage is attributed to Total Factor Productivity (TFP).[227]

In economics TFP is *"a variable which accounts for effects in total output not caused by inputs"*.[228] Comin[229] characterises TFP as being a function of resource utilisation stating that *"its level is determined by how efficiently and intensely the inputs are utilised in production"*. Mason[230] similarly notes that "*at national level it [TFP] captures the ability of different countries to achieve growth in output from, in particular, more efficient deployment of existing resources.*"

In everyday language these definitions intuitively link to the concept of 'go-to' people doing a better job with the resources they have. If we accept the proposition that TFP is a key performance driver, the question then becomes that of what TFP might be in a practical, real world, sense.

225 http://stats.oecd.org/Index.aspx?DataSetCode=LEVEL

226 Leitch review 2006

227 Broadberry, S. and O'Mahony, M. (2004), `Britain's productivity gap with the United States and Europe: a historical perspective',

228 http://en.wikipedia.org/wiki/Total_factor_productivity

229 Comin, D., (2006). Total Factor Productivity

230 Mason, G., (2009). Productivity and skills at national level

Wales and the West research project

In 2007 EU Skills commissioned Business Navigators[231] to undertake a research project into the relationship between skills development and productivity improvements.[232] Working with Wales and the West Utilities[233] (WWU), one of the four Gas Distribution Network operators in the UK, the key purpose of the project was to get behind the high level economic assessments of productivity drivers in order to understand the contribution of skills development in improving their bottom line performance and the implication of the findings for WWU's day to day operations.

Performance measurement

A key enabler to this project was that WWU run a companywide performance management system which gives them visibility of the productivity of each part of their business. Data from this system showed that on average, measured over a 13 week period, productivity was only 44%. Within that measure they were able to demonstrate that 20% of employees performed better than average, 60% were in an acceptable range and 20% performed significantly below average.

This visibility was critical in understanding the performance issues, developing solutions and monitoring the effect of those solutions.

231 Further details of Business Navigators from roy.leach@bussinessnavigators.co.uk

232 EU Skills (2007) Skills Development and Performance

233 http://www.wwutilities.co.uk/

Technical skills

Investigation into the technical abilities of the three groups using established time and motion techniques showed no significant performance differences between them and that the overall efficiency of undertaking technical tasks was 94%. This clearly demonstrated that improving the technical abilities of the employees could only give a limited improvement in their overall productivity score.

Non-technical skills

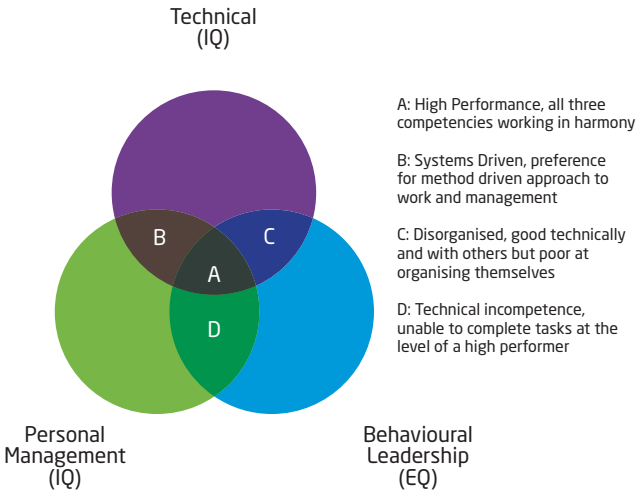
By contrast, using a mix of performance measures and qualitative interviews, the research was able to identify clear differences in both the Personal (Self) Management Competencies and Emotional & Behavioural Competencies between the three groups.

Personal (Self) Management are broadly the skills and competencies needed to manage both self and others to achieve productive outputs such as planning, organising, monitoring, implementing and reviewing. While these skills are sometimes included under the heading of Intelligence Quotient (IQ), they are identified separately in this research from the technical skills needed for an individual to operate effectively in the industry.

The emotional and behavioural competencies are those behaviours which are needed to achieve productive outputs for self and others such as self confidence, achievement drive, conscientiousness, teamwork and collaboration. These are often grouped under the heading of Emotional Intelligence and are measured using the Emotional Quotient (EQ) scale.

It is important to recognise that there are no clear cut boundaries between these skills and competency groups but they are distinct complementary entities which together provide a basis of exceptional individual and organisational performance. This is illustrated in Figure 28.0

Fig. 28.0: Skills and competence mixes



This mix of non-technical skills and competences appears to mirror many of the properties of TFP in that they are designed to improve outputs without requiring additional input. As such it represents a practical and pragmatic interpretation of TFP.

All or nothing?

While a high performer will generally be strong in each area, this is not to say that individuals with a weakness in one of the areas cannot be a perfectly adequate performer. As the research shows, 60% of the WWU workforce studies are adequate in that they produce the same amount of work as their co-workers and this amount was acceptable to the organisation. Only when there is a drive for excellence through continuous improvement does this become an issue.

Regulation and productivity

WWU are subject to economic regulation. Their income is limited by the amount that OFGEM, the economic regulator for electricity and gas, will allow them to charge the gas producers and users. Their principal route to improving profitability is through increased efficiency. At this point having one in five of their workforce producing 25% less than average and 40% less than the best performer was not acceptable.

WWU's approach

With two of their six strategic objectives relating to creating a performance culture and a learning organisation respectively, WWU knew that they could not simply order the poor performers to 'shape up or ship out' and hope to realise a sustained growth in productivity. 'Shipping out' was part of the solution which is discussed later. Equally any performance system imposed from the top would have a limited chance of sustained success.

WWU implemented a companywide Performance Management Framework (PMF) underpinned by a series of Learning and Development Programmes. Two points were regarded as critical by WWU: that the programme be Board Room to Shop Floor including all support functions, and that those affected by it should be involved in its creation and development.

The central element of the PMF was that of Performance Coaching. This was summarised by Business Navigators as:

"Raising the awareness of individuals which is the key to unlocking their potential through the power of choice which achieves personal commitment, stimulates self belief and self confidence, which in turn achieves self responsibility to improve performance."

The key elements from this definition are self awareness, self management, social awareness and relationship management. This is very different from the traditional approach of technical roles only needing technical training.

Success factors

To be judged a success the PMF had to address the two following key issues:

Realising bottom line benefits:

This was addressed by requiring each individual on the programme to make a personal commitment to be responsible to identify and deliver tangible financial benefits at a minimum of £1,000 per person for WWU within the subsequent six month period. Processes were implemented to monitor delivery of the agreed benefits.

Managing poor performers:

This was considered to be a critical factor in maintaining the motivation and performance of other employees and was addressed by making an individual's performance part of the appraisal process. Where an individual was shown by data from the monitoring system to be underperforming over a sustained period their manager was required to agree an action plan with them to address the issue. Where an individual could not meet the accepted standard within agreed timescales, with the appropriate management support, they would have to leave the business.

Benefits

A different approach is all very well but only if it produces a better bottom line result. In the case of WWU, they were able to identify bottom line savings of £5m in the first year of the programme. While it is not possible to accurately distinguish the contributions to enhanced performance from innovation and investment, there is a belief within WWU that skills development was a significant contributor and that the overall saving would not have been realised without it.

As an aside it was notable that the very best performers in WWU's business were those who had been involved in the development of the PMF – a good argument for involving the whole organisation in the process.

Implications for the engineering community

An important question for the project was whether the research findings were specific to WWU or whether they were more generally applicable. To address this point a workshop was set up between WWU and BT Openreach, which had offices in the south west. The purpose of the meeting, which was attended by executive and senior managers of both organisations, was to draw any comparisons and share potential learning on the challenges of organisational skills.

While it was clear from the workshop outputs that many comparisons could be drawn between the two organisations, it was also clear that they were ultimately two different businesses operating in separate environments. In spite of this there was a clear agreement from the participants that the findings of the research and approach adopted by WWU would be appropriate for BT Openreach and hence could be generalised at least across broadly similar organisations.

Intuitively it appears that with WWU's focus being on personal leadership and responsibility rather than improving technical skills, their approach would be generally applicable within the engineering community.

Lessons for the engineering community

This case study is just that – a case study. However it is clear from the research that no element of WWU's performance management framework is specific to their industry. This was confirmed by the joint work between WWU and BT Openreach and suggests that it would be generally applicable.

The evidence from this example is that a companywide commitment to developing EQ skills, as an adjunct to excellent technical skills, can generate substantial bottom line benefits and a number of intangible benefits such as improved workforce morale.