ORGANIZATIONAL ENGAGEMENT, EMOTIONAL INTELLIGENCE AND PERFORMANCE

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Abstract

A three-year study of AMADORI, a supplier of McDonald’s in Europe, assesses links between emotional intelligence, individual performance, organizational engagement, and organizational performance. Emotional intelligence was found to predict 47% of the variation in manager’s performance management scores. Emotional intelligence was also massively correlated with increased organizational engagement with 76% of the variation in engagement predicted by manager EQ. Finally, plants with higher organizational engagement achieved higher bottom-line results building a link between EQ->Engagement->Performance. During this period, employee turnover also dropped by 63%.

Introduction

Many studies have identified the importance of employee engagement, others the value of emotional intelligence. This paper provides a unique intersection of three factors: Performance, Engagement, and Emotional Intelligence:

The study answers three questions:

- Does Emotional intelligence affect Individual Performance?
- Does Emotional Intelligence affect Organization Engagement?
- Does Organizational Engagement impact Organizational Performance?

To answer these questions the HR team at AMADORI, a major player in Europe’s food industry, and Six Seconds’ researchers conducted a multi-year study to assess these variables.
Background

Amadori is one of the leading companies in the Italian agro-food sector, an innovative company and an industry benchmark for meat processing. The turnover in 2011 was over 1.2 billion euros. Founded forty years ago in San Vittore di Cesena, the group relies on collaboration with over 6,000 workers and has industrial plants, subsidiaries and branches all over Italy. A supplier of poultry to McDonalds in several countries in Europe. Amadori is subject to intense market pressure which requires constant innovation.

An internal analysis in 2007 led the senior leadership to focus on people management and development as a strategic priority. The Human Resources department was charged with leading transformation. In the words of HR Director Paolo Pampanini, “Managers, in particular, considered the renewal a business priority in order to achieve tighter integration among different business areas, better communication processes and sharing of information and mainly support management growth in terms of the development of personnel.”

In 2008, the HR team evaluated the company’s performance management process, and determined that a key ingredient for success would be integrating emotional intelligence into the leadership culture. The company created a new performance management process along with “The Amadori Academy” to focus on practical, real-world training.

Pampanini and the leadership team identified two key goals:

1. Application of the company’s competencies to be stronger as a learning organization.
2. Development of a manager-coach perspective where managers guide and support the development of employees with the use of feedback and individual development plans.

In 2009, the company partnered with Six Seconds, The Emotional Intelligence Network, to develop stronger people-leadership skills for managers. The goal was for top and middle managers to have new “emotional intelligence” skills and insights that would enable them to lead the complex changes that were underway. In 2011, the project expanded to measure organizational engagement in all of Amadori’s plants.

The project timeline is on the next page.
Tools

Emotional Intelligence

Emotional Intelligence was measured with the Six Seconds Emotional Intelligence Assessment (SEI).\(^1\) The SEI is based on the Six Seconds Model of Emotional Intelligence consisting of eight core competencies divided into three macro areas:

- **Self Awareness**, called “Know Yourself” includes two competencies: Enhance Emotional Literacy and Recognize Patterns.

- **Self Management**, called “Choose Yourself” includes four competencies: Apply Consequential Thinking, Navigate Emotions, Engage Intrinsic Motivation, Exercise Optimism.

- **The Self Direction area**, called “Give Yourself,” includes Increase Empathy and Pursue Noble Goals.

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\(^1\) The only tool based on Six Seconds’ model, the SEI is focused on developing key capacities for living and leading with emotional intelligence. ([www.6seconds.org](http://www.6seconds.org))
The assessment provides an overall EQ score plus scores for each of the three macro areas and each of the eight competencies for a total of 12 normative values.

**Organizational Engagement**

Organizational Engagement was measured with OVS (Organizational Vital Signs), a statistically reliable research process to pinpoint areas assisting and interfering with growth and bottom-line success.

There are five key drivers in the Vital Signs Model: Trust, Motivation, Change, Teamwork, and Execution.

According to the Vital Signs Manual\(^2\), a high performing organizational climate is driven by these five factors:

- **Trust.** People have a sense of safety and assurance so they’ll take risks, share, innovate, and go beyond their own comfort zones.
- **Motivation.** People need to feel energized and committed to doing more than the minimum requirement.
- **Change.** Employees and the institution are adaptable and innovative.
- **Teamwork.** People feel collaboration and communicate to take on the challenges.
- **Execution.** Individuals are both focused and accountable.

The OVS is a validated measure normed by hundreds of organizations and over 10,000 administrations across Asia, Europe, and the Americas. Normed scores are generated for each factor on a scale from 50-150 with 100 as the mean.

An additional scale in the OVS is a measure of engagement, which represents an overall score on the five factors. “Engagement Index” is a cumulative OVS benchmark based on ratio of the number of employees who are actively engaged (fully committed) vs neutral vs disengaged (not committed). The Engagement Index is reported on a scale from 0 to 100%, with 50% as a mean score.

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Performance

AMADORI’S internal performance management data was used to assess performance. As shown in the graphic below, the evaluation is comprised of competencies (the “how”) and results (the “what”), resulting in a quantitative performance score from 0-100.

Intervention

To equip managers with new skills, in 2009, Amadori had enrolled 18 top managers in the “Six Seconds' EQ Management Certification - developing the managerial intelligence." The program was customized for Amadori’s needs. The structure follows the Change MAP, Six Seconds’ framework for transformation.

3There are three phases in this process: Engage, Activate, and Reflect.

The Engage phase focuses on creating readiness, and included pre-assessment and initial training.

The Activate phase focuses on building capability, and included additional training and individual coaching.

The Reflect phase is about solidifying learning, and included post-assessment and evaluation.

In total, the program included six days of classroom training, individual coaching, assessment using the SEI and/or SEI 360°, distance learning, and two days of outdoor training.

“The feedback we received from the participants were extremely positive,” said HR Director Paolo Pampanini, “We were impressed by the pragmatism of the training - the results are measurable and that

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3 Freedman & Ghini (2012) INSIDE CHANGE. Also see "Structuring Transformational Learning"
created a clear return on investment for the project. It was also powerful to see the depth of the approach to the topic of leadership.”

Four years later, 38 managers and 120 intermediate managers, sales managers, and high-potential employees have participated in the Six Seconds training.

Analysis

A variety of techniques were used to analyze the data to answer the three questions:

3. Does Emotional intelligence affect Individual Performance?
4. Does Emotional Intelligence affect Organization Engagement?
5. Does Organizational Engagement impact Organizational Performance?

Does Emotional Intelligence affect Individual Performance?

To assess this question, two variables were evaluated: EQ scores and Performance scores.

**EMOTIONAL QUOTIENT**

**Score** between 50-150 deriving from SEI Assessment administration

**Sample** – 147 managers and middle managers completed the online assessment.

**INDIVIDUAL PERFORMANCE**

**Score** between 0-100 - Performance results were measured using the company’s Performance Management System – year 2010.

**Sample** – 147 managers and middle managers.
Results: High and Low EQ
The managers in the top 25% of EQ scored higher on the company’s performance management system:

![Bar chart showing Objectives Score, Competencies Score, and Performance Score for Highest and Lowest 25% of EQ]

Results: Predictive Value
To assess the power of the relationship between EQ and performance, a linear regression analysis was conducted, revealing a statistically significant positive relationship between the managers’ EQ scores and their Results scores.

**Finding**: EQ scores predict 47% of the variation in managers’ performance results.

<table>
<thead>
<tr>
<th>MANAGERS</th>
<th>EQ Competencies</th>
<th>R Square</th>
<th>Sig.</th>
<th>Impact (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Results 2010</td>
<td>Complete Model</td>
<td>0.47</td>
<td>0.042</td>
<td>47%</td>
</tr>
</tbody>
</table>

4 Linear regression reveals not only the relationship between the two variables, but also the impact of one variable (EQ) on the other (Results).
To further explore this finding, a similar analysis was conducted on Amadori’s sales force. EQ, particularly the “Self-Awareness” and “Self-Management” portions of EQ, are significant predictors of performance for this population.

<table>
<thead>
<tr>
<th></th>
<th>EQ Competencies</th>
<th>R Square</th>
<th>Sig.</th>
<th>Impact (%) -Square of R partial</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance</td>
<td>Self Awareness</td>
<td>0.46</td>
<td>0.048</td>
<td>21%</td>
</tr>
<tr>
<td>2010</td>
<td>Self Management</td>
<td>0.58</td>
<td>0.010</td>
<td>33.1%</td>
</tr>
</tbody>
</table>

**Discussion: Question 1**

While many studies correlate emotional intelligence with business performance, this finding is unique because of the strong, significant link between the “hard” outcome of results and the “soft skills” of emotional intelligence. Since we know that emotional intelligence is learnable, this finding suggests that massive individual performance benefits can be reached by developing these skills, and by selecting managers who already exhibit these skills.

It’s also worth noting that unlike many of the other studies of emotional intelligence, this study is looking at an industrial sector. Thus, even in a basic infrastructure industry, it appears that emotional intelligence is a critical success factor.

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5 Freedman (2010), The Business Case for Emotional Intelligence, www.6seconds.org/case

To assess this question, two variables were evaluated: EQ scores and Engagement scores.

**EMOTIONAL QUOTIENT**

*Score* between 50-150 deriving from SEI Assessment administration

*Sample* – This analysis considers 125 individuals who comprise the management of Amadori’s three largest plants.

**ENGAGEMENT INDEX**

*Score* between 0-100 from the Organizational Vital Signs assessment.

*Sample* – The OVS was administered to every Amadori plant and office. This analysis focuses on results from the three largest plants.

**Results: EQ and Engagement Correlate**

Average manager EQ, and average Engagement Index were calculated for the three largest plants in the Amadori Group: Cesena, Santa Sofia, and Teramo.

The plants with higher EQ managers also had higher levels of engagement:

<table>
<thead>
<tr>
<th></th>
<th>Cesena</th>
<th>Santa Sofia</th>
<th>Teramo</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emotional Intelligence Score (x)</td>
<td>103.8</td>
<td>106.2</td>
<td>110.2</td>
</tr>
<tr>
<td>Office Engagement Index (y)</td>
<td>77</td>
<td>82</td>
<td>83</td>
</tr>
</tbody>
</table>
These data can be presented visually. Each plant is represented by one circle. In the circle is the EQ score above mean EQ (100), which is also the size of the circle. On the vertical axis is the Engagement Index Score for each plant.

![Engagement & EQ](image)

While this is a large sample of individuals, it’s a small sample of plants. However, if we graph the three plants with a linear regression, to the right, it appears that 76% of the variation in Employee Engagement is predicted by the variation in Manager EQ scores.

![Engagement vs EQ](image)

**Discussion: Question 2**

The managers’ level of emotional intelligence appears to positively influence employee engagement. While this is a small number of plants, the trend is very powerful. In this sample, 76% of the variation in engagement is predicted by variation in manager EQ -- suggesting that increasing manager EQ is imperative for organizations concerned with increasing employee engagement.
Does Organizational Engagement impact Organizational Performance?

ENGAGEMENT INDEX AND OUTCOME SCORES

**Score** between 0-100 from the Organizational Vital Signs assessment.

**Sample** – The OVS was administered to every Amadori plant and office. This analysis focuses on results from the three largest plants.

PLANT PERFORMANCE SCORE

**Score** between 0-100 from Amadori’s performance management system, based on the “Global Key Performance Indicator” (Global KPI) of overall performance.

**Sample** – The Global KPIs were collected from Amadori’s three largest plants.

Results: Correlations of Engagement and Performance

The Plant with a lower level of engagement (Cesena) performed worse:

<table>
<thead>
<tr>
<th>Plant Engagement Index (x)</th>
<th>Cesena</th>
<th>Santa Sofia</th>
<th>Teramo</th>
</tr>
</thead>
<tbody>
<tr>
<td>58</td>
<td>67</td>
<td>70</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Plant Performance Score (y)</th>
<th>Cesena</th>
<th>Santa Sofia</th>
<th>Teramo</th>
</tr>
</thead>
<tbody>
<tr>
<td>61.5%</td>
<td>72%</td>
<td>72%</td>
<td></td>
</tr>
</tbody>
</table>

These data are graphed on the following page, with the size of the bubbles corresponding with the engagement scores above the mean (50).
In addition, the OVS also measures key performance outcomes, including Motivation (drive toward results), Retention (commitment to remain in the workplace), Productivity (perception of effectiveness). These outcome scores for each plant are shown to the right and below:

<table>
<thead>
<tr>
<th></th>
<th>Cesena</th>
<th>Santa Sofia</th>
<th>Teramo</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motivation</td>
<td>112</td>
<td>113</td>
<td>114.2</td>
</tr>
<tr>
<td>Retention</td>
<td>108.8</td>
<td>109.2</td>
<td>112</td>
</tr>
<tr>
<td>Productivity</td>
<td>109.5</td>
<td>110.2</td>
<td>117.8</td>
</tr>
</tbody>
</table>
Discussion: Question 3

While the link between engagement and outcomes as measured by the OVS is well established\(^7\), this study provides an important additional ingredient. The objective performance data from the company’s Key Performance Indicator substantiates the link between employee engagement and performance. Further, this finding adds evidence that the outcomes measure by the Organizational Vital Signs assessment are linked to “real world” performance.

Conclusion

The study provides evidence to affirm the three of the questions:

- Does Emotional intelligence affect Individual Performance? Yes, strongly.
- Does Emotional Intelligence affect Organization Engagement? Yes.
- Does Organizational Engagement impact Organizational Performance? Yes.

There is strong evidence that emotional intelligence is predictive of individual performance; we found that 47% of the variation in performance is predicted by variation in EQ. Plants with more emotionally intelligent managers had higher organizational engagement. Plants with higher organizational engagement reached better performance. This graphic captures these findings:

\(\begin{array}{c}
\text{Individual Performance} \\
\text{Organizational Performance}
\end{array}\)

It appears that Emotional Intelligence, as measured by the Six Seconds Emotional Intelligence Assessment, is a significant (perhaps even essential) capacity to only for individuals but also for entire organizations. These findings suggest that emotional intelligence and organizational engagement are key drivers of performance.

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\(^7\) Freedman, Ghini, Fariselli (2010). The Vitals Signs Technical Manual. [www.6seconds.org/tools/vs](http://www.6seconds.org/tools/vs)
In Pampanini’s words:

“In general it is possible to say that within a few years of using the performance and talent management system we have witnessed an improvement of the managerial competencies of the whole structure and especially in those of middle management.”

“This is a not a negligible result, as it affects both corporate culture and the management approach towards change and complexity. We can certainly say that the Six Seconds training proved decisive in pushing managers and middle managers towards improving their leadership skills and towards applying at best the personnel development practices offered by our department.”

In addition to the results of the study, one striking result was a drastic 63% reduction of personnel turnover of Amadori’s sales force. Sales managers participated in the EQ training, and the competency framework and manager-coach process was extended to the external sales force (300 sales agents all over Italy). The employee turnover rates are shown in this graph:

![Employee Turnover Rates Graph]

**Recommendations**

For other companies considering this type of implementation, there were several “lessons learned” in the Amadori case. The first is the value of metrics. The project started with robust data and the creation of a meaningful performance management system.

Many organizations are moving toward a “balanced scorecard” approach to performance management. It can be a difficult transition when most operations have traditionally only focused on results. Senior leaders need to be very serious if they are going to commit to measure both the “what” and “how.”
this case, we can see that focus is part of the bottom line too. It’s about having a longer-term vision; if we only focus on the short-term, “good results“ in one quarter could actually be undermining value. When those results are created in a healthy way, the organization becomes stronger.

These systems are often imperfect, but Pampanini points out that it’s important to have the data and refine. Using tools like SEI and VS provided normative data that is robust and meaningful for individuals as well as the whole organizations.

This “refining” concept is consistent with the best practices of the Change MAP process. The three stages of Engage, Activate, Reflect are presented in a cycle. A multi-year project goes through this cycle many times, continuously building awareness and commitment. As the project progresses, the people involved become more deeply engaged and build the emotional energy that brings others along (shown in the graphic to the right, the feelings on the outer ring become a driving force for continuous improvement as a learning organization).

Finally, Pampanini points to the importance of HR working strategically as a partner to operational leadership: “We believe that HR systems can produce value only if properly executed by the people within the company. This is why investing in the development of emotional intelligence for all key managers is a critical success factor.”

**About Six Seconds**

Six Seconds is a global network supporting people to create positive change - everywhere, all the time. Our experience and research shows that the skills of emotional intelligence (EQ) are invaluable for leading change. Therefore, we conduct research, develop powerful measures and tools for EQ development, and support a world-wide network of experts to put the learnable, measurable skills of emotional intelligence into action. Our vision is that by 2039, one billion people will be practicing the skills of EQ. For more information, see www.6seconds.org/about.