

# The Impact of Emotional Intelligence on Crisis Management Capabilities Case Study: Small and Medium Enterprises in the Province of Isfahan

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## Abstract

In the modern world, managers must possess a certain degree of emotional intelligence so that they can cope with rapid changes in their environment. With this in mind, it seems that emotional intelligence is an evolved form of human focus and modern equipment for managers to manage crises and help members of the organization achieve their goals. This study aims to study the impact of emotional intelligence on crisis management capabilities in managers of small and medium enterprises in the province of Isfahan. After a review of literature, we formulate one main and four supporting hypotheses. The data required for the study are collected using questionnaire filled out by managers of those companies. The data are analyzed using SPSS 18.0 and Amos 20.0 software packages. The results indicate that emotional intelligence as well as its components, excluding social skills, has a significant positive impact on crisis management capabilities in managers.

**Keywords:** Emotional Intelligence, Self-Awareness, Self-Management, Social Awareness, Social Skills

## 1- Introduction

There are certain characteristics a manager needs to possess in order to be able to adapt to change, survive, and prosper. Unfortunately, many current managers do not fit these criteria. Not long ago, scientists discovered the influence of human emotions on behavior and further findings are helping to determine the role of emotions in everyday activities. Emotional

intelligence can be a very effective tool for managers in adapting to these changes. Other than capital and raw material, particular resources are required in order to advance and move towards a better future, the most important of which is human workforce. It seems that emotional intelligence is an evolved form of human focus and modern equipment for managers to manage crises and help members of the organization achieve their goals (Moslehi et al., 2013).

Emotional intelligence is a recent discovery in the field of psychology, which has found its way into management as well. It involves understanding and identifying feelings and emotions and using them in everyday life (Tabari and Ghorbani, 2009). Emotional intelligence is on the cutting-edge of the research on the relationship between the mind and emotions and could trigger a revolution in the field of mental health. In fact, emotional intelligence covers a multi-agent area of social skillsets and competencies, which affect the individual's ability to identify, understand, and manage emotions; solve problems; and adapt to changes (Safavi et al., 2009). In all organized human activities, measures are taken against unexpected events and phenomena, which require planning, organization, investment, and equipment. However, sometimes there are unforeseeable consequences which are out of everyone's control. Containing such situations requires a special kind of management formally called *Crisis Management* (Biroudian, 2006).

Because individuals with high EQs own superior problem solving skills and are more adaptable, it is probable that they respond better than others in case of crisis (Moslehi et al., 2013). Therefore, this study aims to study the impact of emotional intelligence on crisis management capabilities. The rest of the paper is organized as follows. In the next section we provide a review of literature followed by the hypotheses and the conceptual model of the study. Next we present our methodology. Data analysis comes in the section after that. Finally, we conclude the paper with a discussion of the results.

## **2- Research Background**

### **Emotional Intelligence**

In the past, words such as chaos or uncertainty were not frequent in business jargon. This, however, has changed dramatically and many companies are now affected by chaos in their environment. While working to improve an organization suffering from chaos, the environment, its requirements, and the staff should receive special attention. Managers should achieve their goals through their workforce. For years, managers have been taught that their ability to achieve goals is directly tied to their ability to motivate their employees to achieve those goals. In the new approach to organizational behavior management teamwork and manager-staff collaboration styles are very important. Research suggests that under similar circumstances, managers whose methods involve positive emotions and effective relationships with their staff are without a doubt more successful (Tabari, Ghorbani, 2009).

Emotional intelligence encompasses a wide set of skills and traits, often referred to as inter- and intra-personal skills, beyond previously known areas of science such as intelligence or technical skills (Rasouli et al., 2010).

Golman (1998) defines emotional intelligence as the capacity or ability to organize feelings and emotions of one's self as well as others' in order to motivate one's self and effectively control one's feelings and use them in relationships with others.

Emotional intelligence is a set of non-cognitive skills and capabilities, which increase the individual's ability to overcome mental pressure (Baron, 1999).

Emotional intelligence refers to an ability to recognize meanings of emotions and their relationships and to reason and solve problems on their basis. Emotional intelligence is involved in the capacity to perceive emotions, assimilate emotion-related feelings, understand the information of those emotions, and manage them (Mayer et al., 1999).

Emotional intelligence is the ability to effectively control one's self and learn methods to cope with stress, anger, and self-responsibility (Forgas et al., 2001).

Emotional intelligence refers to the informed use of emotions and feelings (Poontengfatt, 2005).

Goleman and Boyatzis (1999) identify four dimensions for emotional intelligence, two of which are related to the person's relationship with himself (intrapersonal dimensions) and the other two are related to the person's relationship with others (interpersonal dimensions). In the following we provide some details on each dimension.

#### 1- Self-awareness

Recognizing emotions we feel and know the reason to. Self-awareness is being aware of one's mental status and our thoughts about it. Emotional intelligence begins with self-awareness so that we can express our feelings in an appropriate and constructive way. Self-awareness means can the manager recognize his feelings correctly when they occur.

#### 2- Self-management

Emotional balance is called self-management, which is a fundamental capability and plays an important role in in controlling emotional behavior. Self-management is sometimes referred to as controlling emotions, feelings, and shocks. It is also the main reason for accepting responsibility for our actions. Managing one's emotions allows that person to make logical choices when faced with emotions. Self-management means can the manager direct his emotions towards results.

#### 3- Social awareness

This is the ability to sympathize with others and learn about their views. Sympathy is to see the world from another person's eyes and entering their zone of emotions. This requires an appropriate understanding of and response to other people's emotions.

Social awareness means can the manager recognize other people's emotions.

#### 4- Social skills

This is the ability to empathize, build relationships, listen, and cooperate. Social skills mean can the manager manage his relationships with others effectively and constructively and gain positive outcomes?

These four dimensions help a person build effective and continuous relationships with others (Goleman, 2003) and face unexpected events.

### **Crisis Management**

Crisis is an event that can potentially affect the entire organization and impose substantial financial and mental damages (Moslehi et al., 2013).

Crisis is a breakdown which can physically impact an organization, and threaten its survival (Barton, 2009).

Crisis management is the process of predicting and preventing crisis, intervening and recovering after the crisis. In other words, crisis management includes any measure taken to avoid, contemplate, and control a crisis in favor of national benefit (Tajik, 2004).

All crises show a series of signs before occurring. Management can prevent crises from happening by reacting appropriately to those signs. This is the best form of crisis

management. Even if crises cannot be prevented, on-time detection and proper resource planning can minimize the damage they do to the organization (John, 2008).

Major crises can be financial, information, human resources, reputation, mental, or natural. Other crises include loss of managers, loss of key employees, increased absence rate, increased mistakes, accidents, and anger in the workplace (Moslehi et al., 2013).

Although lack of comprehensive crisis management is the main reason for substantial losses in a crisis, human resources and other factors seem to have an impact as well. Modern human resources school of thought considers the human workforce as an unending resource. Furthermore, the ability to think and solve problems increases its importance. Experts in this field consider human resources so valuable that they regard any expenses in this area as an investment (Dulan and Shuller, 2002).

### **3- Hypothesis and Conceptual Model**

Since previous studies indicate that emotional intelligence positively affect inter-personal relationships, empathy, self-esteem, success, stress, and conflict and furthermore, no other studies explore the relationship between emotional intelligence as a personality trait and crisis management capabilities, this study aims to focus on this relationship among SME managers in the province of Isfahan. Based on the presented review of literature, the following are hypothesized.

#### **Main Hypotheses**

H<sub>0</sub>: There exists a relationship between emotional intelligence and crisis management capabilities.

#### **Secondary Hypotheses**

H<sub>1</sub>: There exists a relationship between self-awareness and crisis management capabilities.

H<sub>2</sub>: There exists a relationship between self-management and crisis management capabilities.

H<sub>3</sub>: There exists a relationship between social awareness and crisis management capabilities.

H<sub>4</sub>: There exists a relationship between social skills and crisis management capabilities.

### **4- Methods**

#### **Population and sample**

This is an applied descriptive survey. The statistical population includes the SME managers, at all organizational levels in the province of Isfahan. Using random sampling, 300 copies of the questionnaire were distributed among the participants, of which 130 were acceptable upon return. The questionnaire consists of two sections. The first section assesses demographic variables such as age, gender, education, and marital status. The section, on the other hand, focuses on study variables. Answers are given on Lickert scale of 1 (completely disagree) to 5 (completely agree).

#### **Study variables**

Content validity of the questionnaire was verified by experts and professors at the University of Isfahan. To determine the reliability of the test, Cronbach's alpha was calculated giving a result of 0.90, which is acceptable. Cronbach's alpha for individual variables can be seen in Table 1.

Table1. Cronbach's alpha

Variable	Number of Questions	Dimensions	Cronbach's alpha
Emotional intelligence	27	self-awareness self-management social awareness social skills	0/91
Crisis management	10	-	0/88

### 5- Data Analysis

After a review of literature it was decided to consider two demographic variables: gender and position. Table 2 presents descriptive statistics for each variable.

Table 2. Descriptive demographic statistics

	Variable	Frekuence	Percentage	Aggregate percentage
Gender	Male	99	76%/2	76%/2
	Female	31	23%/8	100%
Position	Top-level	12	9%/2	9%/2
	Middle-level	27	20%/8	30%
	First-level	91	70%	100%

### Confirmatory factor analysis

The first step is to determine the fit for the measurement model. Table 2 presents the fit indices of the models.

Table 3- fit indices of the measurement model

Variable	CIMIN/DF	RMSEA	RMR	GFI	TLI	IFI	NFI	CFI
<b>Self-awareness</b>	1/78	0/03	0/03	0/93	0/98	0/99	0/97	0/99
<b>Self-management</b>	1/94	0/04	0/008	0/93	0/99	0/99	0/99	0/99
<b>Social awareness</b>	2/61	0/05	0/01	0/95	0/99	0/99	0/99	0/99
<b>Social Skills</b>	2/67	0/05	0/02	0/91	0/98	0/99	0/99	0/99
<b>Crisis management capabilities</b>	2/45	0/04	0/01	0/90	0/99	0/99	0/98	0/99

The measurement models are good-fitting i.e. fit indices confirm the fact that the models provide adequate fit for the data. All factor loadings are greater than 0.5, with significance level equal to 0.000.

**Structural Equation Modeling**

After confirming the goodness of fit for the measurement models in the first step, the second step is to test the hypotheses using structural equation modeling. Model fit indices are shown in Table 4.

Table 4. Model fit indices

RMR	IFI	CFI	NFI	AGFI	GFI	RMSEA	CMIN/df	
0/07	0/97	0/97	0/92	0/88	0/90	0/05	2/18	
Near zero	0/90>	0/90>	/90> 0	0/90>	0/90>	0/08<	2 3< 1>	Acceptable region

The results of Table 4 can be interpreted as follows.

The standard estimation model from Amos indicate that the path analysis model is adequate. The chi-square is equal to 2.18, falling between 1 and 3. The RMSEA equals 0.07, which is adequate. Furthermore, GFI, AGFI, NFI, CFI, and IFI are all greater than 0.90. Finally, the RMR is near zero. The values for the fit indices are all in the acceptable region, which proves the models provide adequate fit for the data. The main hypothesis along with its partial indicators and regression coefficients can be seen in Table 5.

Table 5. Hypotheses test results

Hypothesis	Sample size	Significance value	Critical value	Correlation coefficient	Result
Emotional intelligence → Crisis management capabilities	130	0/000	6/28	0/57	Confirm

Figure 2. Structural equations model for H<sub>0</sub>

**Structural Equations Modelling for Secondary Hypotheses**

The secondary hypotheses of the study were also analyzed using structural equations modelling. Table 6 presents the fit indices for the secondary models.

Table 6. Fit indices for the secondary models

	CMIN/df	RMSEA	GFI	AGFI	NFI	CFI	IFI	RMR
H <sub>1</sub>	1/86	0/07	0/89	0/88	0/90	0/94	0/94	0/03
H <sub>2</sub>	1/43	0/05	0/91	0/90	0/90	0/95	0/95	0/04
H <sub>3</sub>	1/36	0/04	0/90	0/89	0/89	0/95	0/95	0/03
H <sub>4</sub>	1/98	0/06	0/90	0/90	0/90	0/93	0/93	0/05
Acceptable region	1> 2 3<	0/08<	0/90>	0/90>	/90> 0	0/90>	0/90>	Near zero

The values for the fit indices are all in the acceptable region, which proves the models provide adequate fit for the data. The secondary hypotheses along with their partial indicators and regression coefficients can be seen in Table 7.

Table 7. Secondary hypotheses test results

Hypothesis		Sample size	Critical value	Correlation coefficient	Significance	Result
self-awareness	← Crisis management capabilities	130	7/561	0/71	0/000	Confirm
self-management	← Crisis management capabilities	130	5/41	0/51	0/000	Confirm
social awareness	← Crisis management capabilities	130	0/031	0/26	0/000	Confirm
social skills	← Crisis management capabilities	130	0/40	0/04	0/62	Reject

## 6- Discussion and Conclusion

### Hypotheses Results

H<sub>0</sub>: There exists a relationship between emotional intelligence and crisis management capabilities. Path analysis proved that, with a 0.58 coefficient, emotional intelligence influences crisis management capabilities.

H<sub>1</sub>: There exists a relationship between self-awareness and crisis management capabilities. Path analysis proved that, with a 0.58 coefficient, self-awareness influences crisis management capabilities.

H<sub>2</sub>: There exists a relationship between self-management and crisis management capabilities. Path analysis proved that, with a 0.71 coefficient, self-management influences crisis management capabilities.

H<sub>3</sub>: There exists a relationship between social awareness and crisis management capabilities. Path analysis proved that, with a 0.51 coefficient, social awareness influences crisis management capabilities.

H<sub>4</sub>: There exists a relationship between social skills and crisis management capabilities. Path analysis rejected this, with a 0.05 coefficient.

- 1- The results of this study prove that emotional intelligence impacts crisis management capabilities. We, therefore, recommend that managers improve their emotional intelligence skills in order to make more effective decisions in face of unexpected events.
- 2- Unplanned decision making is a concern for most managers and those who do well in this area appear more successful. Because managers with higher emotional intelligence are able to make decisions better under unexpected circumstances, training managers in emotional intelligence skills can improve their unplanned decision making abilities.
- 3- Managers need more power and control to be able to make better decisions.

- 4- As the relationship between emotional intelligence and crisis management capabilities was established in this survey, it can be used as a criteria for hiring new recruits.
- 5- Since emotional intelligence can be learned, training courses for managers can be crucial to improving their skills.

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