Examining the Relationship between Emotional Intelligence and Brokerage Firms' Performance in Tehran Stock Exchange

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\textbf{ABSTRACT:}\ Adopting Daniel Goleman’s model of Emotional Intelligence (EI) Competencies, this study investigates the relationship between “EI” and “Performance”. To measure EI, therefore, a standard questionnaire introduced in “Emotional Intelligence; Skills and Tests” written by Bradbury and Grivus is employed and using the above-mentioned model, it is tried to measure EI and its components including self-awareness, self-management, social consciousness and relationship management. On the other hand, ranking of brokerage firms conducted by Stock Exchange is used to measure performance. Having verified the reliability and validity of the questionnaire, it is delivered among 68 stock brokers. The possible relationship between these two variables (EI and performance) is measured by SPSS and Testing. The results showed that there is a significant relationship between EI and brokers’ performance. It is noteworthy that relationship management, as one component of EI, indicated greatest impact on organizational performance.

\textbf{Keywords:} Emotional Intelligence, self-awareness, self-management, social consciousness, Stock Exchange

\textbf{Introduction}

Managers with high IQ are not necessarily successful managers. Although high IQ is believed to be one of the factors affecting effective management, other factors such as EI can have the same effect. EI is a modern behavioral model since its principles open new horizons in detecting and measuring individuals’ behavior, management style and interpersonal trends and skills. EI is an important factor in human resource planning, choosing, management improvement, relationship with customers and job design. The proponents of EI argue that IQ has limited role in individuals’ success, while EI enables them to achieve more success. Many people shine scientifically, but they are socially weak people (Rahnavard & Jooybar, 2009).

Many studies have been conducted since 1992. Before introducing Goleman’s book entitled “Emotional Intelligence”, there was a little knowledge about the concept of EI. This book raising this question that “Why EI is more important than IQ?” drew the attention of lots of people, media and researchers and supported this claim that EI could be a powerful factor, at times more powerful than IQ in predicting success (Shipley et al., 2010).

Many studies have proven that senior executives’ performance in the top echelons of the organization resulted from their EI than cognitive abilities. Using self-awareness, managers with high EI control their emotions, try to improve them through self-management, perceive their effects through empathy and improve individuals’ emotions through relationship management (Goleman, 2003).

Literature reveals that many studies have put emphasis on cognitive aspects of employees’ performance and consequently, the effect of emotional dimensions is widely ignored in researches considering organizational behavior. Jordan (2002) stated that paying attention to emotional variables can explain differences in results of early studies about behavioral issues (Rezaeian & Keshtgar, 2009).

Therefore, the ongoing research seeks to add to this empirical evidence and using empirical test measures the effect of stock brokers’ EI, whose performance and communication have played essential role in the efficiency of other sections and the whole organization, on developing their brokerages performance.
Literature Review

Rahim and Malik (2010) examined the effect of demographic factors including age, education, job tenure, gender and marital status on EI. The findings of their study suggest that female clerks of banks are in higher level of their male colleagues with respect to EI. In another research, Al Hajj and Dagher (2010) considered the role of EI as an effective factor in various aspects of job satisfaction among service employees in Beirut city. The results indicated that employees with higher EI have positive attitudes towards the nature of job, their colleagues and being monitored. Eventually, these positive attitudes resulting from EI may lead to their job satisfaction (Al Hajj & Dagher, 2010).

In a research in 2010, Shipley and his colleagues found that EI is believed to be one of the predictive factors of success in leadership and job performance. This study revealed that there is a positive relationship between EI and job experience and the existence of EI in students showed a significant effect on their academic achievements (Shipley et al., 2010). Barchard (2007) investigated the ability of EI in predicting academic success rate using the final score of a sample of students majoring in psychology. The results of his study showed that the predictive validity of EI in comparison with predictive validity of traditional and cognitive abilities is more and more visible. Barchard et al (2007) made use of EI theories, as a framework, in examining the role of emotional abilities in social performance using both self-reporting and actual performance measurement. Carmeli (2003) studied the empirical limits gap between work and EI, and how much senior executives’ EI may affect developing positive attitude towards work, behavior and its results. The findings pointed out that EI may result in increasing positive attitudes toward work, altruistic behavior and its positive results. Moderation in work and exchange information with colleagues, teamwork, professional commitment in work and finally, job satisfaction. Petrides et al (2002) examined the role of EI in educational performance and abnormal behavior among 650 school students. The findings revealed that EI has moderated the relationship between cognitive abilities and educational performance. Gardner and Stough have conducted another research in 2002 in Sunbern University in which they considered the relationship between EI and various leadership styles. The results pointed to a significant relationship between EI and all characteristics of leadership and it is also found out that perceiving managers’ external emotions and feelings, i.e. their EI is the best predictive factor of their leadership style. Thi Lam and Kirby (2002) attempted to examine whether people with higher EI than traditional intelligence have better performance. This study illustrated that the total EI is unique in perceiving, understanding and organizing feelings in each individual and revealed that people with higher EI have better performance. Jordan et al (2002) tried to find a relationship between EI and doing things better in all management dimensions. The findings of this study indicated that teams with lower EI are lower than teams with higher EI with respect to the features including effectiveness and focus on the goal. Gradually, however, teams with lower EI try to improve their performance to match teams with higher EI.

Research Hypothesis

According to the literature and the research conceptual model, at least one main hypothesis and four secondary hypotheses are presented as follow:

Main hypothesis: there is a significant relationship between managers’ EI and brokerage firms’ performance.

Secondary hypotheses:
1. There is a significant relationship between managers’ self-awareness and brokerage firms’ performance.
2. There is a significant relationship between managers’ self-management and brokerage firms’ performance.
3. There is a significant relationship between managers’ social consciousness and brokerage firms’ performance.
4. There is a significant relationship between managers’ relationship management and brokerage firms’ performance.

Considering prior literature and offered definition, the following conceptual model is drawn to show how effective are the above-mentioned variables:
Methodology

Regarding its goal, this study is an applied research and in terms of data collection procedure, it is a descriptive-survey research. Since researcher seeks to examine the relationship between these two characteristics, this study is a correlational research.

The research population consists of all the managers of brokerage firms in Tehran Stock Exchange. According to the official statistics announced by the end of 2011, the number of brokerage firms in Tehran is 87 including 11 firms in rank A, 25 firms in rank B, 33 firms in rank C, 11 firms in rank D and 7 firms in rank E. The research population is comprised of the managers of the above-mentioned firms. Using random sampling method, eventually, 68 firms were randomly selected.

To collect research data, one questionnaire is delivered among research population and the information provided by database is also used. To measure EI, therefore, a standard questionnaire introduced in “Emotional Intelligence; Skills and Tests” written by Bradbury and Grivus is employed and using the above-mentioned model, it is tried to measure EI and its components including self-awareness, self-management, social consciousness and relationship management. The validity of the questionnaire is verified based on Cronbach’s \( \alpha \) (= 86.8%).

Regarding the performance of the brokerage firms, the official statistics broadcasted by Tehran Stock Exchange by the end of 2011 is used and functional levels of brokerages (being in ranks A, B, C, D, or E) is considered as a criterion for measuring the quality of these firms’ performance.

Having collected data and information through questionnaire and database, on the other hand, the SPSS software is also employed to examine the relationship between variables and hypothesis testing.

Results

Examining the relationship between variables

The ongoing study enjoys SPSS software to examine the relationship between variables (EI and performance). The results of testing hypotheses are presented in Table 1.

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Sig.</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emotional intelligence &amp; performance</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>Self-awareness &amp; performance</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>Self-management &amp; performance</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>Social consciousness &amp; performance</td>
<td>0.301</td>
<td>Rejected</td>
</tr>
<tr>
<td>Relationship management &amp; performance</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
</tbody>
</table>

As mentioned, the SPSS software is employed to test the relationship between variables at 0.05 level of significance. The results indicated that the significant level resulting from testing hypotheses is less than 0.05 for all hypotheses except the third secondary hypothesis. In other words, since the significant level
resulting from testing two variables is less than 0.05, the main hypothesis is confirmed and a relationship was found between brokers’ EI rate and their performance. The hypothesis pointing to the existence of a relationship between self-management and performance is also confirmed. Having achieved the 0.301 level of significance which is larger than 0.05, however, no relationship was found between social consciousness and performance. Last but not least, the final research hypothesis, i.e. the existence of a relationship between relationship management and performance was confirmed.

**Friedman Test to assess the importance of EI variables on performance**

This study enjoys Friedman Test to examine whether the importance of each variable is equal, or to reveal which variable is of greater importance than other variables. In Friedman Test, H0 and H1 are defined as follow:

The importance of variable is equal
At least one variable is of greater importance

Since the significance of statistic is larger than 0.05, H0 is confirmed. That is, if the significance of statistic is larger than 0.05, the importance of variables will be equal, otherwise H1 will be confirmed. It means at least one of the variables is of greater importance. Using SPSS software, this test is performed for those variables of EI whose relationship with brokers’ performance is confirmed (Table 2). Regarding the significance of the statistic, the output of this test is presented as follow:

**Table 2. Friedman Test**

<table>
<thead>
<tr>
<th>N</th>
<th>68</th>
</tr>
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<tbody>
<tr>
<td>Chi-Square</td>
<td>52.184</td>
</tr>
<tr>
<td>df</td>
<td>2</td>
</tr>
<tr>
<td>Asymp. Si</td>
<td>0.000</td>
</tr>
</tbody>
</table>

The results indicate that the significance of the statistic is smaller than 0.05 (Asymp. Sig. = .000) and also point to this fact that the importance of the variable is not equal, i.e. H0 is rejected, but H1 is confirmed (Table 3).

Regarding the importance of variables on affecting brokers’ performance, the output of test is shown in the following table:

**Table 3. Mean Rank**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Self_Awareness</td>
<td>1.54</td>
</tr>
<tr>
<td>Self_Management</td>
<td>2.04</td>
</tr>
<tr>
<td>Relationship_Mangement</td>
<td>2.43</td>
</tr>
</tbody>
</table>

Considering the figures presented under the Mean Rank column, one can find that among EI variables, relationship management, self-management and self-awareness play essential role in brokers’ performance, respectively, i.e. relationship management has the most impact and self-awareness has the least impact on performance.

**Discussion and Conclusion**

The results of this study point to a significant relationship between brokers’ EI and their performance. Therefore, EI is one of the important factors should be evaluated in any organizations, especially when an organization necessitates to evaluate its human resource’s pros and cons to make necessary changes, it becomes more apparent. As mentioned before, EI affects performance. Therefore, training to improve them can have positive effect on group performance and consequently organization. Accordingly, part of human resource strategies should focus on proper training regarding how to control employees’ EI. Considering the research findings, the relationship management has commanded the most attention to itself. Human resource managers should put educational issues on their agenda. In this regard, it is noteworthy that strengthening relationship among employees in form of formal and informal groups may increase the feelings and emotions, and cause increase in emotional attachment between them. It is also suggested that managers pay more attention to EI and its characteristics and measure these characteristics in their employees every two years and eventually, compare the process of changes of these variables in their employees to decide to improve these characteristics either in top-level managers or middle level managers and employees in order to achieve high and ideal performance in all organizations especially, in one of the most important parts of Iran capital market, i.e. stock brokerage firms.
References


