BANKING ON EMOTION

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1. Introduction

Like a courtship, the biggest investment of any customer care plan is acquisition. Securing new customers is estimated to cost around four times as much as holding on to existing ones. The business case for a good customer care program is compelling, but evidence of such logic in action is often scant....

In the banking industry there is ample evidence that companies are often over-investing in the routine & mundane whilst ignoring areas of the customer experience that is shown to make a greater difference to a healthier bottom line (Beaujean et al[1] '06). As in 'love', the spark that converts a neutral, or even suspicious, consumer into a strong and committed follower is shown to be emotionally driven.

Being wooed by a bank is probably an absurd thought for most customers, especially when one considers the stereotypic bank manager - straight faced, dark suited, matter-of-fact, and evoking the same emotion in customers as their old head-master! Equally, a visit to the local bank for most would be dull and mundane, being unable to even recall the solemn face of the clerk behind the counter. Unless, there was a problem that needed to be resolved.

The events that truly earn customer trust and loyalty, research reveals, are those interactions that have customers investing a high level of emotional energy in the outcome (ie. a lost credit card, loan application, investment advice etc). The way in which these moments are handled will have a profound effect on the customer's perception of the bank, and their future decision to stay or move away. These are the opportunities that a bank must not ignore if they are to win over and keep their existing customers, and make a significant impact on their bottom line.

In a study of what makes customers stay, Beaujean et al ('06) found that a positive experience led more than 85% of customers to increase their value to the bank by purchasing more products or investing more of their assets, whilst more than 70% reduced their commitment to the bank following a negative experience. Notably, these authors point out that, in the latter group 'a vote of no confidence' is not always immediate nor visible, but that it can be subtle, with parts of the customer's business being moved to other institution(s) over time.

IT systems and complex protocols are all essential to smooth out transactions and reduce human error, but it is clear that these technological solutions are, by themselves, unable to ignite that all important emotional spark between a bank frontline employee and customer to create those valuable positive moments. With the emergent popularity of inter-net banking, a lack of loyalty by customers, despite the high quality of 'service' on offer, is fast becoming a dilemma faced by many banks – a phenomenon that is attributed to the lack of an opportunity to form an 'emotional bond' with their customers.

2. Emotional Intelligence

'Emotional bonding' with customers, it is suggested, is not a scripted process, but a spontaneous series of events that emerge from the **Emotional Intelligence** of frontline employees. Daniel Goleman[2] who coined the term "Emotional Intelligence" (EI) in the late 1990s, stirred quite a debate when he said that 'people endowed with a higher level of emotional dexterity excel in life, perhaps more so than those with a high IQ (a measure of Cognitive Ability)'.

Goleman's claim triggered criticism as well as further investigation in to the notion of EI – and increasingly, support seems to be growing. Research evidence from over 200 companies worldwide reveal that at least two thirds of the difference between the 'star' performers in a company and 'average' performers is due to the individual's Emotional Intelligence. Only a third is due to technical/intellectual abilities (Dr.Gaffney[3], 2005). Even cognitive processes, once thought to be independent of emotion, are now understood to be intimately connected in the practical decision making process (Barnes et al, 1996).

Commenting on the importance of EI in the workplace, Goldman points out that people who represent the organisation to the public, like the frontline staff in the banking industry for instance, must possess a high level of EI to be successful in their jobs. In my own research within the service industry, mental ability and personality variables were indeed found interact in predicting performance on the job (Dissanayake[4] 1993).

Thus, in the quest to win over (and keep) customers, it makes sense to ensure that employees on the front line are suitably equipped with EI to seize the opportunities that make a difference to customers; and from an organisational standpoint, it also makes sense to pre-identify some of these areas in customer service where such high value opportunities could take place.

Southwest Airlines example

In the airline industry, around 30 potential 'opportunities' when something could go badly wrong with customer service, have been identified. Regrettably, only a few companies take advantage of these opportunities to intensify the customers' loyalty to their carrier. One such a carrier is **Southwest Airlines**, whose dedicated employees take positive care; in handling a customer's call, by resolving a problem, by providing in-flight service. As a result, consumers rank Southwest as the number-one US airline, though it provides no onboard meals or pre-assigned seats and sometimes requires a lengthy wait to check in[5].

FORTUNE magazine - For the tenth year in a row, Southwest Airlines has been recognised for its corporate reputations. Among all industries in 2006, FORTUNE has listed Southwest Airlines as number three among America's Top Ten most admired corporations.

The American Customer Satisfaction Index (ACSI)- in 2005 - Southwest Airlines has been recognised as leading the industry in customer satisfaction.

Business Week along with The Boston Consulting Group named Southwest Airlines in their 2006 Top 25 ranking of "The Worlds Most Innovative Companies." Southwest was included in the list for being "a whiz at wielding operational improvements to out fly its competitors."

3. What is Emotional Intelligence?

Based on Goleman's work, Emotional Intelligence in business settings typically reveals itself through four inter-related characteristics:

- A strong sense of **self-empowerment** and **self-regulation**, which together helps employees to make decisions right on the spot if that should be necessary
- A **positive outlook**, promoting constructive responses to the challenges of work
- An **awareness** of your own and other people's feelings, creating empathy and facilitating better conversations with customers
- A **mastery of fear and anxiety** and the ability to tap into selfless motives, which make it possible for employees to express feelings of empathy and caring

In the business setting, there are invariably some individuals who are noticeably very skilled in all of the above areas, as they could be intrinsic features of his or her personality. However, there are many who are clearly not as skilled. Morieux[6], describing the banking industry, points out that many U.K. banks employ 'first-class Oxbridge types, but they cannot be let loose on clients as, despite their technical brilliance, they simply cannot deal with other people.'

A survey of Sri Lankan workers, conducted by Oxford Psychometrics earlier this year, found ***organisational injustice***[7] *and* ***poor self- confidence***[8] *(both EI factors) as the two most common blocks to individual success in the workplace. The third was poor work/family balance Dr. C.Dissanayake (2006)*

In creating an emotionally intelligent workforce, an obvious starting point for banks is to begin by hiring emotionally intelligent frontline workers in the first place. This, it is suggested will give the business 'an obvious advantage by having people born or brought up with the right emotional instincts for frontline employment'. More than half of the branch managers hired by Bank of America in 2004, for instance, came from the retail industry (ie. Best Buy, The Gap, and Safeway) outside of financial services. According to Bank of America, "They get the retail mind-set and we get them to understand banking. They like being up on their feet and don't want to sit behind a desk." [9].

4. Can We Learn to be More Emotionally Intelligent?

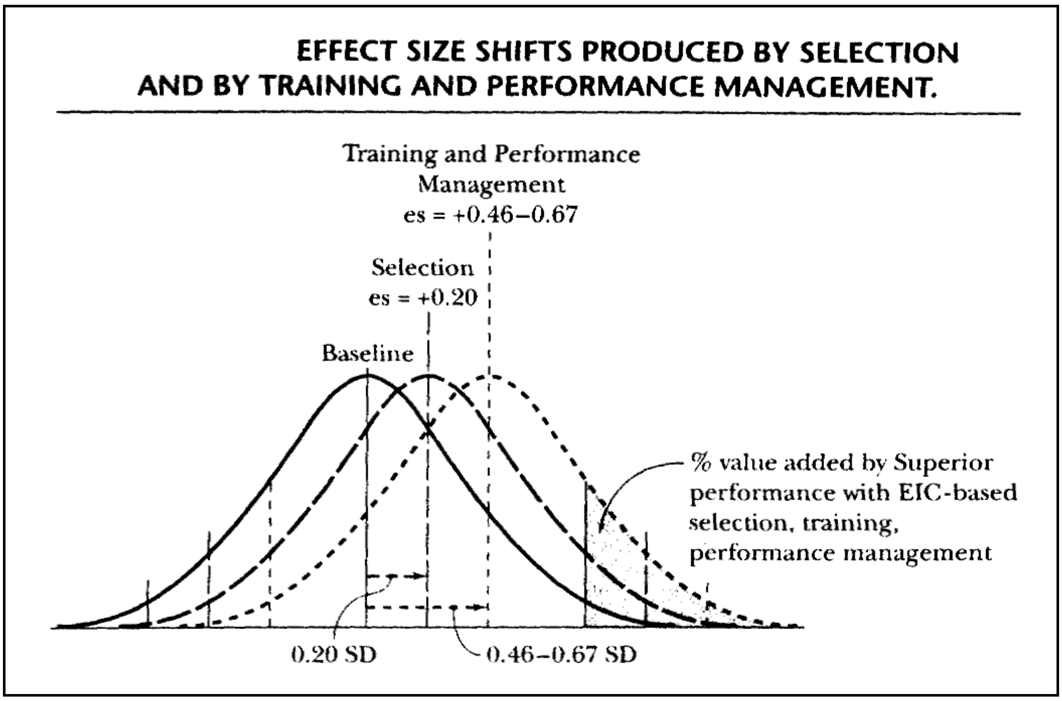
According to Goleman[10], 'IQ is relatively stable throughout life, but much of emotional skill is learned'. He suggests that as patterns of Emotional Intelligence are not fixed, men and women can successfully boost their all-round EI by building their emotional capability in the areas where they lack them.

Goleman describes different types (or combinations) of emotional intelligence being suited for different jobs. For example, success in sales requires the empathic ability to gauge a customer's mood and the interpersonal skill to decide when to pitch a product and when to keep quiet. By comparison, success in painting or professional tennis requires a more individual form of self-discipline and motivation[11].

Research reveals gender differences in Emotional Intelligence - in a study of 4,500 men and 3,200 women, Stein found that women score higher than men on measures of empathy and social responsibility, but men score higher on stress tolerance and self-confidence. In other words, says Stein, women and men are equally as intelligent emotionally, but they're strong in different areas[12].

The real value of the growing work on Emotional Intelligence, Goleman says, is its implications for workplace training. He envisages companies increasingly opting for EQ training as they realize that it raises job productivity and customer satisfaction.

The figure below, taken from Spencer[13](2001), illustrates how an Emotional Intelligence Competency based intervention program, which includes Selection, Training and Performance Management can successfully shift employees' performance toward greater average economic value added per employee (a shift to the right on the figure).



4. Emotionally Intelligent Leaders

The science of finance is typically taken as managing risk, but according to some, that is a product-orientated definition. From the customer viewpoint, it's much more about managing trust and banks need to develop systems which foster "trust".

Professor Sparrow of Sheffield University Management School, observes a shift in attitudes towards the concept of management in Europe, and comments "Managers today are operating in a highly uncertain situation. They are making decisions on the basis of their experience and intuition and not just rational analysis". According to Sparrow, finance and banking are high-risk occupations where subjective decision-making and personality factors having more of an influence. Thus today's managers require the emotional capacity to be able to handle these highly charged atmospheres effectively.[14]

The acceptance of EI across the banking industry in Europe is clearly growing: In the Netherlands, EI is widely accepted. The ING Business School at Heemskerk assesses managers' EQ through a personality test and makes use of the results in its management-training program. ABN Amro has also signed up to the idea, with its senior human-resources executives working on the topic with the University of Nijmegan. Staff are also trained in social skills and EQ awareness, and its principles are used in the selection process. Flemish-speaking Belgium, Scandinavia and Switzerland are also very responsive. UBS Warburg are building elements reflecting EI into their leadership programs and are using it at team-building events with their business teams world-wide.

Emotionally intelligent leadership is increasingly found to be key to creating a working climate that nurtures employees and encourages them to give their best. That enthusiasm, in turn, it has been shown pays off in improved business performance. This trickle-down effect can be seen to emerge in better financial results as measured by both profit and growth as shown below.

A survey of the ***20 Best Big Companies to work*** for in the UK (conducted by the newspaper Sunday Times) saw four of the top five companies, voted for by their employees, in the banking industry (*KPMG, Nationwide Building Society, Royal Bank of Scotland* and *Morgan Stanley*, respectively). The Sunday Times noted that in 2006, *Leadership* ratings had made the most striking improvement with a positive score rise from 64.8% to 70.3%, and with the score for *employees' faith in the leaders of their organisations* leaping from 62.4% to 70.5%, the biggest rise of any question in the employee survey. In these top companies, the results of the survey are further substantiated by a low rate of staff turnover (between 10 %– 16%) and rewarded with a healthy rise in company profits of between 16% – 20 % over the year.

5. Conclusion

The rewards being enjoyed by the banking industry in the UK was not by chance nor was it instant. As an industrial psychologist, my own work over the last decade, within UK's banking sector, is a testament to the commitment the industry has devoted to change their way of thinking on how people should be managed – especially within such a hard-nosed financial world. Ultimately, the industry has come to realise that it is *people* that matter. Good people win good clients. If a company wants to attract good people then they must be 'treated like grown-ups', with strong working and social relationships, good career development, stimulating work and the flexibility to enjoy a rewarding home life – Banking on Emotion it would seem does have many rewards - £307m in profits to be exact, as KPMG would testify!

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2. Daniel Goleman, Emotional Intelligence: Why It Can Matter More than IQ, reprint edition, New York, NY: Bantam, 1997

3. Dr.Gaffney WIBF Ireland 27 January 2005 in the Bank of Ireland Arts Centre, Dublin.

4. Dissanayake, C. (1994) PhD thesis 'Personality vs ability tests within an assessment center'. Cranfield University.

5. M. Beaujean, J. Davidson & S. Madge, The 'Moment of Truth' In Customer Service, The McKinsey Quarterly 2006

6. L. Rowland, 'Emotional Intelligence' Wins Recognition in Europe, eFinancialCareers.com

7. Organisational Injustice is described as – poor superiors, lack of appreciation, unjust environment, poor management by boss, work politics, lack of recognition for work done and unfairness, including nepotism.

8. Anxiety and fear of failure.

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11. B. Murray, Does 'emotional intelligence' matter in the workplace? APA's Annual Convention. (1998)

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