

## **Emotional Intelligence: its Role and Importance in Knowledge Management**

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### **ABSTRACT**

Knowledge management is the systematic management of an organization's knowledge assets for the purpose of creating value and meeting tactical & strategic requirements. It consists of the initiatives, processes, strategies, and systems that sustain and enhance the storage, assessment, sharing, refinement, and creation of knowledge. This is the main component of knowledge-based society to the aspect of management. Learning organizations are aware of the potential that lies in human resources, and are prone to developing new concepts of leadership, where hierarchy and pyramid structured decision making no longer play the main role. The new concept is built on partnership between professionals from different sectors of the organization. Partnership alliances depend on quality of human relations for effectiveness. We suggest that emotional intelligence enhanced with new concepts of leadership increases learning, generating and sharing of knowledge. The study has a qualitative approach taken through interviews that were conducted with top management in order to investigate the role of emotional intelligence and its impact on management in correlation with sharing knowledge. The findings confirmed our two hypotheses, since research has shown how the leadership strategy & leaning reflects on input of employees, and the way resulting in stimulation or discouragement of the sharing of knowledge in the organizational aspect.

***Keywords:** Knowledge Management, Leadership, Development, Human Resources, Emotional Intelligence.*

**K**nowledge management is a discipline that promotes an integrated approach to identifying, capturing, evaluating, retrieving, and sharing all of an enterprise's information assets. These assets may include databases, documents, policies, procedures, and previously un-captured expertise and experience in individual workers."Modern ways of doing business are changing considerably the original structure which was initially based solely on an authoritarian model of leadership. Experts believe that integration of personal potential of an individual plays a

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significant role in developing a successful management style. Referring to human relations, success depends on recognition and awareness of our emotional reactions towards obstacles and conflict situations. The intensity of conflicts reflects on organization climate within the company, and the quality of relations between individuals. In this paper, we will identify and examine dimensions of emotional intelligence, and its impact on leadership and creative decision-making, while trying to encourage the Board of Executives for using more innovative decisions concerning human resource management. Emotional intelligence serves as an added value in leading people. Emotionally intelligent abilities are not innate gifts, but learned skills, and each of them contributes in its own way to a more effective management. In the theoretical part of this paper, a descriptive method will be used to define the basic concepts within the thesis, namely leadership, emotional intelligence and knowledge management. The empirical part is based on a qualitative research; whereby, the research instrument is presented through semi-structured interviews. The analysis will be based on interviews conducted with ten senior managers, of which seven will be male and three female, all employed with a small to medium-sized business organizations. Throughout this paper, we underline that creating added value among employees, which results in positive stimulation of their potential, is equivalent to approximation of the company's vision to personal values of employees.



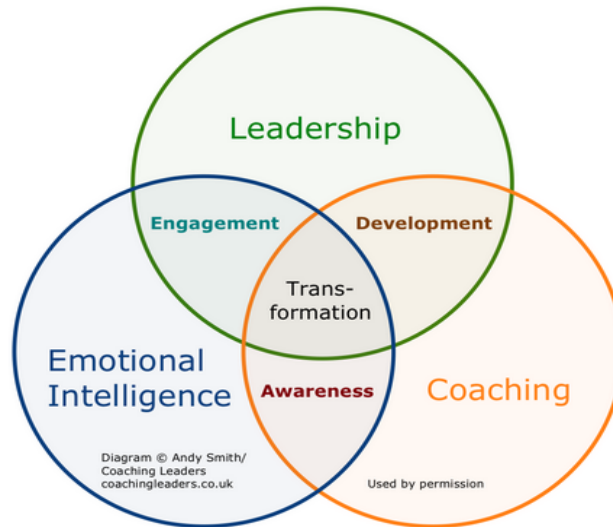
### EMOTIONAL INTELLIGENCE & LEADERSHIP

Emotional intelligence bears an important impact on self-development of the manager and his leadership qualities. Practicing activities that support EI behavior illuminates positive effects that can be observed and measured by higher productivity. Its impact is visible in building positive relations and gaining emotional commitment of employees.

At a higher level this strengthens organizational culture, sharpens its resilience and stretches its flexibility, both in the long run lead to greater competitive advantage in the market. Empathic communication between CEOs and employees develops a culture of trust that increases synergy among team members. Synergy stimulates employees' creativity, which is essential in

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developing new solutions and forming innovative responds to the increasingly complex demands of learning society.



### *Developing leadership skills*

Effective leadership requires strong engagement and all-embracing commitment for developing personal potentials of an individual (leader). The process requires a great deal of self-discipline, hard work, effort, and continuous learning. Seeking knowledge is a lifelong journey, and a successful leader is aware of it at all times. By developing his/her inner potentials and transforming them into personality traits, he/she sets a mile stone for his/her career development.

His/her input in leadership strategy reflects his/her authentic power based on his/her integrity. Manager's integrity is crucial when addressing the organizational culture and stimulating the emotional potential of the organization.



Every manager who desires to become a great leader should impersonate active and permanent dedication to understanding the extension between assigned positional power, and his/her own personal power. This connection forms a context which applies feedback information regarding

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emotional commitment of employees, their orientation towards the common goal and their willingness for behavioral change. A manager who does not pay enough attention to his/her leadership potential is able to achieve only short-term results, otherwise he/she is not able to establish a relationship that encourages employee's innovation, creativity and emotional affiliation to the organization. In other words, the leader will operate his/her team members, but will not lead them.

### ***Impact of leadership skills***

Joseph LeDoux, neurologist and researcher at the Centre for Neurological Sciences at New York, refuted traditional views of neurology on the operation of our limbic brain. In his discoveries, he pointed out the complexity of our emotional mind. His research represents a major turning point in understanding the emotional life, as there were for the first time explained ways in which emotions literally bypass neocortex<sup>1</sup> (Goleman, 1997, p. 31–38).

Based on LeDoux's analyses of his research data, Daniel Goleman formed a model of emotional intelligence that connects individual's set of skills powered by the brain dynamics in the background with one's reactions. He divided emotionally intelligent skills into two groups; the first group indicates abilities for successful management of ourselves as individuals, while the second group determinates how receptive we are to the guidance of others. His findings are based on scientific disciplines that study human complexity, such as biopsychology and neurology. According to his conclusions, the oldest centre's of the human brain, those responsible for feelings, are also responsible for managing ourselves and our social skills. These are skills that are contained in the genetic development of people and serve for the survival and adaptation of mankind. The emotional part of the brain perceives the world differently than the reasonable part. This conclusion brings new perspective on an enormous gap between cognition and emotion. Some skills are just cognitive, such as analytical thinking and technical skills. Some of them are a mixture of combined parts between cognition and emotion; this is called emotional intelligence (Goleman, 2001, p. 18– 36).

Development of emotional intelligence and illumination of the important insights that we benefit from, is not meant to be magnified to the extent that overshadows the importance of intellectual intelligence. We are simply underlining the importance of making a connection between our mind and our emotional triggers in a way that they do not dominate us. The findings that focus on managing our emotional responses suggest the possibility of building a more effective working environment. We wish to emphasize that the concept of leadership and the concept of emotional intelligence may not exist in isolation; anyone who wants to become a successful manager/leader, must learn at first how to manage/lead himself/herself, and then set an example in leading others successfully. Emotional intelligence can therefore be defined as the ability to recognize and adjust our emotions that trigger our responses with certain situations or people. We can learn how to gain control over our responses and actively participate in forming our social skills. Emotional intelligence – the ability to manage ourselves and our relationships –

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consists of four fundamental capabilities: self-awareness, self-management, social awareness, and social skill. Each capability, in turn, is composed of specific sets of competencies (Goleman, Boyatziss & McKee, 2002, 263–265).

Goleman's model contains four main EI constructs:

- Self-awareness- the ability to read one's emotions and recognize their impact while using gut feelings to guide decisions.
- Self-management- involves controlling one's emotions and impulses and adapting to changing circumstances.
- Social awareness- the ability to sense, understand and react to other's emotions while comprehending social networks.
- Relationship management- the ability to inspire, influence and develop others while managing conflict.

### *Creating teams Management*

Goleman et al. (2002, p. 39) state that employees under the leadership of emotionally intelligent individuals are more prone to give mutual support to each other. Their participation is evident in an exchange of ideas, transfer of knowledge, and taking responsibility for making and carrying out joint tasks. Emotionally intelligent leader will also be able to spontaneously develop and create emotionally intelligent teams. Goleman et al. (2002, p. 199) describe emotionally intelligent teams with the same characteristics as individuals, as for EI skills are interrelated and cumulated in a group. Self-awareness of team members and parallel recognition of needs and moods bring more empathy into the work environment. On a team level, empathy is the basis for building effective relationships within the team as well as with other parts of the organization. Therefore, leaders who are able to develop empathy and other important social skills, must bound themselves to forming emotionally intelligent organizations. Employees should be given the opportunity to develop their potentials and participate in forming organizational integrity. Managers on the other hand, should find appropriate ways to transform organization's vision into actions that support emotionally intelligent practice. On a strategic level, this reflects measures that create systems, where rules, statutes and personnel practice in human resource management are aligned with the desired objectives. Goleman et al. (2002, p. 210) indicate triple benefits from creating emotionally intelligent organization for CEOs. Firstly, open conversation and honest assessment of behavioural and emotional aspects of an organizational culture and leadership style create new, healthy relations among employees. Secondly, new process reflects in generating new habits: when employees see the behavioural change in head managers, they are more likely to verbalize their needs and develop a more respectful attitude towards their co-workers, since they try to replicate the behaviour from their team leaders. And thirdly, if a head manager is someone people can look up to, a person of integrity, all employees, especially those in lower positions, are more willing to take risks.

## **CORRELATION BETWEEN EI SKILL & KNOWLEDGE MANAGEMENT**

Knowledge management is the centre of all strategic planning on how to increase the value of human resources while trying to conduct the most effective form of stimulating their potential. From a manager's perspective, knowledge, its effective use, and integration in all pores of the work process stand for a corporal value that must be nurtured and respected. Effective leadership and management skills that reflect in a successful stimulation of generating new knowledge, transfer of knowledge, and other knowledge-based processes delineate the company as a learning organization. Knowledge, like innovation and creativity, needs to be encouraged and stimulated in appropriate ways, it can not be produced on command. Commitment to acquiring new knowledge is related to the quality of interpersonal relations. Those relations rely to a great extent on emotional intelligence of key individuals. They create synergistic effects at all levels of the organization, which leads to enrichment of intellectual capital, while allowing a transparent flow and transfer of knowledge through different sectors of the organization.

### ***Knowledge management***

Knowledge management is by definition part of the overall management process that focuses on systematic analysis, acquirement, creation, development, storage and use of knowledge. Its main purpose is to maximize human capital to the extent where we can transform it into structural capital, a part of intellectual property which allows organizations to develop competitive advantages and efficiently reach goals (Možina, 2006, p. 131).

According to Sitar (2006, p. 67–68), human capital can be further characterized as employees' competencies, their attitude towards work and intellectual flexibility. Competencies reflect the understanding and use of knowledge, both theoretical and academic, corresponding to the level of individual's education as well as learned skills – practical knowledge, gained by training or learned and obtained by experience; this also includes talents of an individual. Attitude towards work mainly depends on personal traits of each individual and represents the creation of added value through work motivation and testing of employees' responses to new circumstances, including behavioural reactions and tendency to stay positive in terms of optimism and enthusiasm. Intellectual flexibility reflects in ability to transfer knowledge from one situation to another, the ability to integrate skills, to provide constant development of knowledge, the ability to be innovative and to transform ideas into products and services – all this can be understood as part of human capital.

The definitions above imply the importance of creating conditions for effective use of knowledge management. The responsibility for creating such circumstances lies with the CEOs, while the co-responsibility lies with the employees' engagement to the transfer of knowledge. Terms for creating added value depend on stimulation of acquiring knowledge and circumstances that integrate knowledge into the corporal strategy along with the work process itself. All requirements must be fulfilled; knowledge management should summarize all aspects of operation, which shape and support the core strategy of the organization.

***Creating synergy effects of Knowledge Management***

A simple definition of synergy insinuates the state in which two or more things working together in a particularly fruitful way produce an effect greater than the sum of their individual effects. The definition can also be interpreted as »the whole is greater than the sum of its parts«. The description points out the importance of relations between different parts, which are an important component of the total. Those relationships present a valuable resource for catalyzing and strengthening as well as encouraging the operation of each part. Synergy is therefore the essence of successful management, for it is activating, releasing and combining creative forces of employees.

Dziechciarz (2003, p. 288) believes that a successful synergy management performance requires a lot of practice in managing leader's emotions and inner views. We highlighted some of the main components of this process. Manager's performance is the key to success, because there is a close correlation between his/her personality and further business development.

EI leadership is a foundation for performing synergy-oriented management. Furthermore, this encourages conversion of implicit knowledge on an individual level into explicit knowledge, accessible to everyone. Implicit knowledge, that can not or will not be converted into explicit knowledge, does not bear the value of usefulness. Self-awareness, an element of emotional intelligence, is an important cognitive process which points us into direction of revealing hidden, internal knowledge. The externalization of knowledge may also indirectly influence the negative attitudes and behavioural patterns of management and employees. Only quality interpersonal relations constitute a fertile ground for effective knowledge transfer.

***Summary of the interviews***

The empirical part consists of a qualitative research focusing on the role and importance of emotional intelligence in management skills. We were trying to discover how integrating the emotional potential of employees benefits the management process, improves the functioning of the knowledge management and thus result in a more efficient and profitable management of human resources. We were particularly interested in performing knowledge management solutions and how this is reflected through organization's basic management policies. We also dealt with the role of emotions and their influence on the leadership strategy; whether they reflect the manager's creativity in the decision-making process and concern for efficient transfer of knowledge and thus lead to added value creation.

In the scope of conducting semi-structured interviews with key management personnel from ten business organizations, managers were asked a set of twenty-nine questions that were divided into three categories: the first set of questions referred to general information about the interviewee; the second set of questions focused on the management of intellectual capital, and the third set of questions reflected the integration of emotions in the leadership strategy.

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The field research served as a primary source for our study. A descriptive method and subsequent analysis (desk research) led us to key findings and conclusions. Analytic induction was used to determine how the studied areas are related to each other (Malnar, 1999/2000, p. 3). The interviews provided us with a sufficient representative sample, together with some additional insights. Semi-structured interviews are mainly focused on the quality of interaction between the interviewee and the researcher, while still allowing open responses. Interview location and time were arranged in advance; and each interview was held individually. Interviews were conducted with ten leading managers employed with commercial organizations in October 2011.

The survey results indicate the distinction between professional knowledge and leadership skills of line managers. According to our respondents the latter depend on individual's personality and their level of emotional intelligence. They reflect on competencies, such as emotional self-awareness, the ability to successfully resolve conflicts, a high level of self-confidence, transparency and leadership by example. Emotional self-awareness gives managers better possibilities for understanding their own emotional dynamics. This knowledge also helps them to regulate group emotions inside the team and directly affect their productivity. Ability to successfully resolve conflicts reflects in empathic communication which provides a deeper insight into the emotional background which led to a conflict situation in the first place. This creates conditions for smoother transfer of knowledge. Self-confidence shows the susceptibility for receiving feedback information and accurate evaluation of individual's strengths and weaknesses. It reflects clear decision-making while evaluating complex situations. Transparency allows line managers to act in accordance with their integrity. Manager's integrity presents a foundation for respect and inspiration of employees. Inspiration stimulates the team's creativity. Leadership by example inspires trust, a sense of belonging and self-confidence. This strengthens the desire to acquire new knowledge, which is reflected in the professional development of employees. Middle management is the first membrane through whom knowledge is transmitted, therefore it is essential that all managers operating at this level understand the importance of sharing knowledge. Their role must be primarily focused on leading the team members in a manner that stimulates them to acquire and share knowledge.

We find that managers in general have more than enough of expert knowledge, however they lack of leadership skills. Most of them acknowledge and recognize the role of emotions and use it for a better approach to resolving conflicts. However, in this area there are still remaining untapped reserves, suggesting the importance of systematic development of emotional intelligence. There is a lack of proactive thinking in ways that emphasize the emotional potential of employees and their emotional affiliation. Managers should practice synergy-oriented management and put more effort into stimulating the added value of each individual. Top management must oblige to create synergy effects, which resolve in win-win situations, forming positive outcome for all parties involved. Emotional intelligence is certainly a necessary foundation for contributing to effective management, as the leader with developed EI skills



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achieves better results, as his/her team's performance is measured with higher productivity and finally he/she has allies on both sides; with the employees as well as the CEOs.

### CONCLUSIONS

The main objective of this study was to outline new dimensions of leadership practice, which incorporate elements of emotional intelligence in order to strengthen mutual relations and employee loyalty. The analysis provided evidence that this creates an organizational culture, which is based on knowledge and trust and which allows and encourages knowledge sharing among employees. Top management is responsible for creation of company's culture, therefore their strategy must not be focused on retention of knowledge by individuals who feel threatened and consequently have low level of confidence. The primary task of all line managers focuses on promoting the emotional potential of employees, whereby each participant provides a unique contribution to overall team performance in accordance with its capabilities. This promotes synergy instead of leading to conflicts and competitive behavior. The survey also indicates the importance of developing leadership competencies, since all line managers must be able to recognize the potentials and limitations of their team members, which could then be systematically developed in the areas, where such progress is needed. Our overall conclusion states, that emotional intelligence, which starts on top with the Head managers and CEO's and operates throughout the company, affects all levels of the organization. Obtaining employee commitment to achieve common objectives remains an art of those managers who have internalized the desire to continuously develop their leadership potential and create synergistic effects that can be noticed and measured in the entire organization.

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