

# **Emotional Intelligence as a tool for change initiation: Finnish SMEs**

**A practical guide to facilitate cross-border collaboration**

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## Abstract

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Title of the thesis <b>Emotional Intelligence as a tool for change initiation: Finnish SMEs</b> A practical guide to facilitate cross-border collaboration		
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Abstract <p>The present study encompasses two major aims: 1) To discover the role of emotional intelligence while leading through an organisational change 2) To design an appealing guide on EI that can be used by leaders within Finland while intending to step a new market, e.g., Russian one. Emotional Intelligence (EI) is as a core ability of a leader. It deserves greater exploration and recognition than it habitually has. Neglecting EI damages company's equilibrium both internally and externally. Inevitable effects would be dissatisfied employees, low productivity and market share loss. More resources should be afforded to developing an emotionally conscious enterprise.</p> <p>Data for this study was collected through qualitative research methods. Some quantitative data parts were though involved in data analysis. Secondary sources in forms of conceptual frameworks were used to form interview questionnaires. Some of them are transformational leadership framework, contingency theory, work performance framework and the model of stress.</p> <p>The final result of the study demonstrates that EI has a vital role in successful change management, especially in cross-border collaboration situation. Based on findings the concrete elements of EI were demonstrated and explained with hands-on example. The results can be applied to plan change vision and the way to communicate it before stepping a new market.</p>		
Keywords Emotional intelligence, change management, transformational leadership, self-awareness, relationship management, cross-border collaboration		

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## 1 Introduction to goals and objectives

### 1.1 Research Background

Intelligence is as an ability or capacity for comprehending the surroundings. Gardner (1983) formulated 9 types of intelligences: spatial, naturalist, musical, logical-mathematical, existential, intrapersonal, interpersonal, bodily-kinesthetic and linguistic. Emotional intelligence encompasses interpersonal and intrapersonal intelligences. It was initially defined as an ability to perceive and handle own emotions as well as the once of others while realizing the interdependent influence of both (Salovey & Mayer 1990).

The business world is severe. There is no chance to win while being weak, a highly rational mindset of a businessperson is the heritage acquired from industrial revolution and enhanced competition. Emotional intelligence or emotional equivalent (EI, EQ), as a set of cognitive competences, unlike rationalists may consider, is far from weakness; it unites heart and mind, bringing honesty to self and others. Carl Rogers, the father of 20th century American psychology mentioned that *business had got power dynamics*. He wondered if being supportive and honest would make a businessperson a more successful player. The professor named it being *authentic*. (Ryback, 1998). EI is still quite often seen as a second-category matter in business life. What worsens the situation, people tend to think notably short-term when sudden crisis happen. It seems that financial, research and marketing departments should be given primary attention to manage all business-associated risks. Nevertheless, the issue of handling emotions is sharp while *change execution* is intended.

March 2020 the great number of companies were bounded to proceed *organisational change* due to pandemic and, in many cases, the following drop of sales. Even powerful players, such as British bakery chain Greggs PLC, experienced intense alterations. As its sales rapidly dropped from £1.17 billion to £811.3 million due to restrictions' application, Greggs started active partnership with delivery services and proactively entered take-away food market. (Neville, 2021). The necessary capabilities, however, is not just about professional skills and advanced accountancy. As evidence shows, emotionally intelligent leaders are practically better performers. (Goleman et al 2015). Thus, every company undergoes a change and EI is one of the cores to ensure change's success. A long-term approach considers *team leader's mental state*. His or her emotions and the way it is handled inevitably influences the whole team, creating corporate climate. When mood starts at the top, it spreads quickly as everyone is watching the leader (Goleman et al 2015).

## 1.2 Objective

This study concentrates on leader's ability to understand emotions that help initiating an organisational change. Taking this path, both social and personal competencies of a leader are going to be examined. Namely, awareness and relationship management will be taken a closer look. Awareness guides leaders as they define the track to follow. Whereas relationship management is a key to communicate in business. As a core mechanism of a so-called business machine, a leader has to take great responsibility for own EQ. One's energy is influential and spreads rapidly within all the workers and partners. It is caused by open-loop nature of brains' limbic system; *people are affected by others' moods when it comes to interaction*. They unconsciously rely on connections with others. As a leader is seen by everyone, his mood is the most infectious. (Goleman et al 2015.) Hence, the key objective of present work is to measure how leader's emotional intelligence affects the overall business posture in organisational change circumstances. Furthermore, popularizing emotional intelligence practices at work is intended. A list of activities for enhancing EI at work and in cooperation is given as a practical research outcome.

## 1.3 Theoretical overview

Since the goal is to discover the role of leader's emotional intelligence during change initiation, there exist the main conceptual segments: *emotional intelligence, leadership, organisational change management and cross-border collaboration*. As for the first section, EI phenomenon has gained a broad interpretation. Goleman (1998) specified emotional intelligence as the capability to identify, assess and influence one's own emotions and emotions of others, and that of a group. EI encompasses cultural, personal and scientific realms. Since the term was formulated in the late 20th century, scholars from all the walks of life categorize it in one's own way. So-called zeitgeist definition, a historical one, refers to EI as stoic and romantic movement of history (Bar-On *et al*, 2000). It shares the idea of stoicism philosophy with the emphasized idea of conscious living. The affiliation with personality psychology exists due to trait theory formulation. For instance, impulse control, self-actualization, assertiveness and interpersonal skills are the traits that were both described in the theory and are considered as parts of EQ. (Burnes, 1978). However, unlike traits emotional intelligence can be learnt. Viewing it as a mental ability, scientists categorize emotional intelligence as a biological, genetic, and early-learning contribution of a personality (Mayer and Cobb, 2000). The meanings may seem controversial; however, it reinforces each other by providing basis for a more profound understanding of the phenomenon.

Goleman (1998) had organized EI competencies into five components: *self-awareness, motivation, self-regulation, social skills* and *empathy*. Each of the elements were explained and illustrated with a reference to some of the key research works connected with the art of leading. The conceptual framework is to proceed the investigation of these elements is *the transactional model of stress*. The model determines cognitive process that influences a coping strategy when response for a new encounter is needed. (Bar-On *et al* 2000). Cognitive processes illustrate which EI elements prevail while making a decision on change execution mode. Further, the model of Goleman, Boyatzis and McKee (2002) which is based on the five components of Goleman (1998) formulated earlier, was applied. It distinguishes between self-management, relationship management, social- and social-awareness; the four clusters of the model are directed to indicate great leaders (Karim, 2011). Named interpersonal and intrapersonal skills are seen as cores for leading process.

With the focus on leader's emotional intelligence, the construct of leadership is given a precise explanation within transformational frames. The link between visioning, motivating employees and job performance was highlighted. The research concentrates on ability theory rather than trait theory both in terms of EI and leadership in particular.

Likewise change management concepts and techniques are introduced. Kotter (1996) organised 8 stages as midpoints towards implementing an organisational change. Namely, the stages include *creating urgency, forming a powerful coalition, creating a vision for change, communicating the vision, removing obstacles, creating short-term wins, building on long-term change and maintaining the pace*. The study concentrates on the very beginning stages that are meant to create *climate for the change*: creating urgency, forming a coalition and vision. Talking about the very first step, urgency creation, it refers to assuring the team in change necessity. The strong reasons should be given to allocate company's resources in order to alter status quo. Next, influential people inside a team are united and assigned to be the once responsible for the change execution. They act as enablers of a change, stimulating the whole team to form positive attitude towards it. The last stage for the change climate creation intends to form vision within a team, the ability to think positively about the change execution and its results. These stages have primary attention in the model application which corresponds to the study purpose of emotional intelligence application during organisational change initiation.

#### 1.4 Research Method overview

Qualitative research methods were applied for conducting the research. The goal is to assess the awareness and relationship management capabilities of a leader while initiating a change such as entering a new market. Semi-structured interviews were conducted among

8 Finnish SMEs, primarily in South Karelian district. The companies that expressed readiness to move internationally were interviewed among these. Their contacts were discovered through Inclusive Cross-Border Business Networking of Tomorrow (INCROBB) project that aims at revealing potential for business collaboration between Finnish and Russian companies. The project is funded by South-East Finland Russia Cross-Border Cooperation Program 2014-2020, while being initiated as a research project at Lappeenranta University of Technology. INCROBB project lasts since January 2019 until January 2022. The interviewed companies were previously surveyed within the project on the subject of possibilities and obstacles towards international cooperation.

The author analysed results using conceptual frameworks described in theoretical review section; Finnish market specificities are considered while formulating conclusions about EI capabilities and job performance. In order to create a generalised view of EI application, the hypothesis of Goleman (1998) was tested. The acquired and researched data allowed to create a practical guide to utilize in working life for maintaining high EI capabilities.

### 1.5 Research Scope and Delimitations

Finnish companies that intend to or already go through organisational change are examined in terms of EI capabilities. The empirical study is set within the context of small- and medium-sized enterprises (SMEs) operating in Eastern and Central parts of Finland. Smaller companies are seen as more vulnerable to change in comparison with large corporations due to resource availability. For instance, companies that look forward to entering new markets were interviewed. Their aspiration to go international is seen as readiness for organisational change, for instance, in a joint venture situation or goods export. The principles can be applied outside of Finland if being adjusted to boundaries of a specific national culture.

The main research questions to concentrate on are:

**Does emotional intelligence help to go through an organisational change at work?**

**In which ways a leader's emotional competencies affect collaboration?**

Sub-questions of the research are (1) How organisational environment, individual aspects and job demands influences job performance? (2) Which EI competence determine coping strategy of a leader at most? (3) How does self-awareness help to initiate a change? (4) How does social awareness help to initiate a change?

## 1.6 Concept Definition

The work embraces significant constructs; yet not all its forms are well-known for publicity. Additionally, some of the core definitions for this research are given below to make the reading process uncomplicated. A reader is encouraged to come back to this page if terminology-related uncertainties occur.

- *Emotional Intelligence (EI, EQ)* – a set of cognitive abilities that allows to perceive, understand, manage, and regulate own emotions as well as emotions of others. Developed emotional intelligence facilitates releasing stress, conflicts resolution and efficient communication (Goleman, 1998.)
- *Organisational Change* – sequence of actions in which a business establishment alters a major component of its organization; for instance, its culture, technologies, infrastructure it uses to operate or internal processes (Stobierski, 2020.)
- *Change Management* – applying methods to leveraging change for a successful resolution; typically, there are three core stages: preparation, implementation and follow-through (Stobierski, 2020.)
- *Transformational Leadership* – “New Leadership” approach originated in the mid-1980. The main distinction of transformational leadership is its visionary and charismatic character; a leader inspires a team to build a brighter future together (Northouse, 2015.)
- *Trait EI Theory* – a psychological construct that provides a comprehensive operationalisation affect-related aspect of personality that lays outside of human cognitive ability but rather exists as personality characteristics (Sanchez-Ruiz *et al*, 2010.)
- *Ability EI Theory* – a construct that describes emotion-related cognitive abilities which can be measured within an IQ-like maximum performance test and can be acquired with learning (Petrides *et al*, 2008.)
- *Small and medium-sized enterprises (SMEs)* – according to European Commission 1996 small enterprise employs fewer than 50 people, and a medium-sized establishment employs from 49 to 250 people. (Atem de Carvalho & Johansson, 2009.)

## 2 Definitions of Emotional Intelligence

### 2.1 The Three Meanings of Emotional Intelligence

Goleman (1998) states emotional intelligence as *the capability to identify, assess and influence one's own emotions and emotions of other individuals, and that of a group*. Having a broad nature, EQ encompasses cultural, personal and scientific areas of life. Since the term was formulated in the late 20th century, scholars from diverse scientific fields have defined it in one's own way. There are presented three major meanings the construct received.

#### **Cultural Meaning**

The spirit of certain age, its dynamics and trends that characterize the moment is referred as zeitgeist. From this perspective, emotionally intelligent behaviour must correlate with social order existing in the time being. For instance, the ancient Greek philosophic school of stoicism states that a feeling is too individual to be relied on. A philosopher Epictetus observes stoicism as a way of living that distinguishes all the events in two categories: the ones under person's control and the ones that lay out of it. Epictetus states an individual is to experience no concern when an event outside one's control go not the way it was expected. (Hammond, 2006). Thus, zeitgeist definition indicates that stoic philosophy perceives self-control and rationality as foremost cognitive abilities to lead a life. On the contrary, 1960s brought a decade-long emotional rebellion against rationalism. Energetic political activists, hippies and the rise of women's movement encouraged the humanistic approach to emotional intelligence, necessity to experience one's emotions directly. Emotions are perceived in accordance with an era. (Bar-On *et al*, 2000.)

#### **Personal Meaning**

EI affiliation with personality psychology exists due to *EI Trait* theory formulation. For instance, impulse control, self-actualization, assertiveness and interpersonal skills are the traits that constitute EI. (Burnes, 1978.) Cognitive Abilities are believed to be affected by individual psychological parts of mind, organisation of those parts and their development. Correlating with brain structure explanation, personal approach to EI intends to connect parts of mind to reach balanced outcomes.

#### **Scientific Meaning**

Viewing EI as a mental ability, scientists categorize emotional intelligence as a biological, genetic, and early-learning contribution of a personality (Mayer and Cobb, 2000). The three

meanings may seem controversial. However, it reinforces each other by giving a more profound understanding of the phenomenon. The interconnection of last two meanings is described below viewing them as intense constructs.

## 2.2 Ability versus Trait Emotional Intelligence

There are different approaches to classify and measure emotional intelligence; the theoretical pluralism mainly distinguishes between the two fundamental constructs: *Trait EI* as self-efficacy and *Ability EI* as cognitive emotional ability. These are to define whether EI is something to be learnt or should be an integral part of personality. Typically, in order to measure the findings, personality questionnaire is used in Trait EI case and maximum performance test is used when Ability EI is being measured. (Petrides et al 2008.)

Still there exist heated debate in terms of emotional intelligence taxonomy: some perceive EI as a broad ability (Mayer et al 2016) and others as a set of personal characteristics (Petrides & Furnham, 2001); both theories have received a considerable amount of criticism for the lack of all-embrace (Elfenbein & MacCann, 2017). For instance, ability EI is problematic to measure due to subjectivity of emotional experience; though IQ-like test measures certain aspects of EI accurately, there is a concern of inability to create tasks that would reflect truly objective criteria of estimation (Petrides et al 2008). Whereas in case of Trait EI theory, the extensive number of so-called traits led to an idea that the construct is redundant; it means that specific focus of evaluation is challenging to establish while working within Trait EI theory only (Siegling et al 2015). Additionally, Trait EI theory does not view emotional intelligence as a skill that can be acquired, which does reduce emotion regulation strength and aspiration to learn EI competencies.

The co-existence of discussed constructs had been identified (Tett et al, 2005.) The conjunction of approaches allows analysing status quo EI of a leader at a larger scale. The psychological constructs can be observed in the ways that do not contradict. For instance, Meyer and Salovey (1997) concentrated on connection between emotional intelligence and cognitive processes in the brain, and Bar-On (2001) emphasized EI effect on well-being and performance. Whereas Goleman (1998) views competencies of emotional intelligence as learnt abilities. The hybrid construct is applied within the study, though the primary focus is gained by *Ability EI theory* due to the aspiration of enhancing hands-on emotional intelligence skills of target audience, leaders of SMEs in Finland.

### 3 Elements of Emotional Intelligence

Functioning as a complex phenomenon, emotional intelligence includes elements that build it as indispensable gears in a single mechanism. The elements were categorised and interpreted within systems of numerous researchers. Even though Salovey & Mayer (1990) had primarily introduced the construct of emotional intelligence to scientific world, Goleman (1998) widely popularized emotional intelligence. His initial classification and approach imply EI as an extent to which an individual mastered a specific skill. The classification encompasses public and private elements; namely, these are *self-awareness*, *motivation*, *emotional management or self-regulation*, *empathy and social skills*. 25 concise competencies are described within the five EI component model (Figure 1).

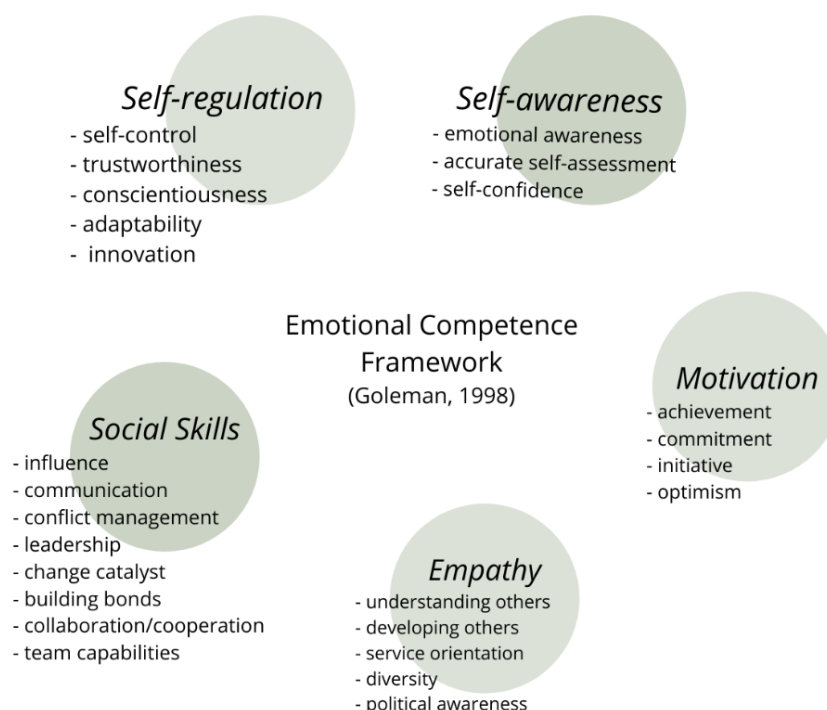


Figure 1. The Emotional Competence Framework

Though being contextual, the elements serve as benchmarks to follow for individuals in multiple situations. This EI model is a prevalent one in distinct fields. Having leadership focus, certain elements that received deepened investigation also through social and personal competencies in cluster model, were highlighted with darker colour. Notably there exist no bias of hierarchy inside the model. Each component connects to one another and matters for the balanced intelligence. For instance, when a chief is highly self-regulated but at the same time one lacks empathy, he or she is unlikely to be a successful leader.

### 3.1 Self-Awareness

Goleman (1998) defined self-awareness as an ability to know own emotions, being conscious about which emotions one experiences and why. Self-aware individuals understand their strengths and limitations. They are able and most likely strive to receive constructive criticism. They perceive it as an opportunity to learn and grow, rather than a drawback's emphasis. (Goleman, 2017.) Self-awareness allows people to plan realistically, which makes it core for a business leader to possess.

The element consists of three competencies: *emotional awareness*, *accurate self-assessment* and *self-confidence* (Karim, 2011). The first competence, the state of being aware of an emotion, requires emotional perception and emotion understanding that are linked between each other. Process of emotion understanding includes recognition of a cause that elicited a certain emotion, whereas the process of perception involves categorizing emotion expression (Elfenbein & MacCann, 2017). For instance, when anger is elicited, one realizes what was the cause and how he or she expresses the emotion. Hence activation of cause-effect thinking process about own feelings is an emotional awareness precursor.

Further, *self-assessment* competence refers to detailed understanding of own cognitive processes, abilities and actions. Boyatzis (1982) marks self-assessment as a distinct feature of superior performance. When average performers quite naturally overestimate their strengths, excellent performers rarely do so; as an indicator of high standard, they rather underestimate own capacity to a fair degree. *Accurate self-assessment* provides a realistic view on abilities and limitations. However, there must exist a balance between estimation of own strengths and certitude. *Self-confidence* competence has an overall positive effect on performance; it was reported within numerous investigations. As for the business management branch, top performers have acquired higher *self-confidence* than average once (Boyatzis, 1982). Further, the long-term study results indicated better career results of over a thousand of individuals whose self-confidence was high at the early age. (Cherniss & Goleman, 2001.) In school leadership practice, self-confidence is seen as a pillar of well-being that refers to self-esteem; availability of it witnesses a higher degree of optimism (Benson *et al*, 2014).

### 3.2 Self-Regulation

The elements refer to managing one's internal state, impulses and resources (Goleman, 1998). It constitutes of self-control, which is a general desires and impulses control; trustworthiness, being honest and responsive; consciousness, though being similar to aware-

ness refers to taking active responsibility for one's deeds. The next competence, adaptability, has a vital role in this research as referred to managing a change; it is described by an ability to flexibly adjust own boundaries to a new encounter. The comfort with ambiguity of a situation is learnt through self-regulation, not to mention the efficacy. It drives to be self-reflexive and control things better. Lastly, internal self-regulation includes an ability to invent, gain new ideas and approaches. Innovativeness is a must-have skill for a leader in modern times. (Cherniss & Goleman, 2001.) Moreover, self-regulation includes emotion facilitation at the stage when the emotion has been generated and needs to be expressed properly to match the given circumstances. (Elfenbein & MacCann, 2017.)

Apart from that, regulation of attitude to external processes and actions matters. For this reason, Elfenbein *et al* (2017) introduced emotion attention regulation, it supposes an ability to activate and deactivate attention to external emotional stimuli. This kind of self-regulation also contributes into social skills, namely into an ability to negotiate. For example, while turning out nonverbal cues, if the words are spoken with negative tone but positive content. Hence this kind of emotion regulation allows regulating attention with a purpose of external information processing rather than regulating internal feelings (MacCann *et al.*, 2011.)

### 3.3 Motivation

Numerous research works had indicated that high motivation quite often acts as a predictor of leadership performance. Nevertheless, it is not the case when motivation for a specific task completion occurs. (Wirawan *et al* 2019). As for the competence assortment of motivation, there are *achievement*, described by an aspiration to meet to standard of excellence or improve the existing state; the readiness to conform with team's objectives that is stated as *commitment*; *initiative*, as an ability to act on opportunities and requirements; Lastly, in accordance with the conceptual model shown in Figure 1, a motivated individual is likewise *optimistic* in approaching goals notwithstanding obstacles. (Cherniss & Goleman, 2001).

Positive emotions raised from fruitful learning or working experience act as an internal reward and therefore enhance motivation. For instance, participants of mindfulness-based programme reported that their interest in self-care appeared as a reflective process, calling it automotive motivation. (Mashed *et al*, 2020.) Thus, motivation dynamically interconnected to creativity, interest in learning new things; job-satisfaction factor influence motivation the same way. Typically, a simple rule works here: the larger commitment, the greater motivation. (Goleman, 2017.) Therefore, leaders, having a wide zone of responsibility and power, are known to possess a high motivation score in an organisation.

### 3.4 Social Skills

Unlike the previous three elements of the framework, its second part refers to *social competence* set; it includes social awareness expressed in *empathy* and *social skills*. The concept of *personal* and *social competences* is discussed in more detail in the section of cluster performance theory. As a vast communication expertise, *social skills* increase an ability to manage relationships and extend a network. (Goleman, 1998.) This result can only be reached through labelling and recognizing others' emotion and simultaneous managing interactions, helping others to manage their emotions in order to reach the desirable outcome. For example, when lifting positive spirit is needed during a rough time period to moderate negative outcomes such as downsizing. (Cherniss & Goleman, 2001).

As a powerful all-embracing tool, *social skills* encompass a wide number of cognitive competencies, Goleman (1998) described 8 of them: *influence* in a form of persuasion tactics careful undertaking; *communication*, as active listening and sending exact convincing messages; *conflict management* through negotiating, for instance using BATNA technique (best alternative to negotiate an agreement). The remaining competencies refer to the present research most directly. First, *leadership* is an ability to inspire a team or an individual, to guide them on the whole way; next, *change catalyst* is another key competence that allows initiating and proceeding a change; building bonds competence is described by proactive relationship management; *collaboration and communication* allow reaching a shared goal whereas *team capabilities* enable group synergy for the best approaching of the goal. (Cherniss & Goleman, 2001). Further, in the cluster theory section illustrates the role of social skills in group effectiveness.

### 3.5 Empathy

Goleman (1998) defined *empathy* as awareness about others' feelings and needs. Namely, employing empathy requires *understanding others*, as McKee (2017) referred to it as an ability to *read* other people, sense their feelings and perspectives; another key competence is *developing others*, it means providing aid that helps growing, bolstering others' abilities. Moreover, an empathic individual is *service oriented* and *politically aware*. Hence, he or she is willing to recognize and meet others' needs as much as to read groups dynamics. For instance, these competencies are urgent to possess for a leader when a new member joins and needs to be connected to the team. The last competence described within the framework is *leveraging diversity*; it is expressed in unbiased attitude to other people notwithstanding nationality, welfare and social status. Following the example, diversity leveraging

allows to give opportunity to different kinds of people as a new member; the more diverse team, the better it can perform. (Cherniss & Goleman, 2001).

Considering the competencies mentioned, *empathy* undoubtedly counts as a leader's most desired companion. It allows one to increase team's efficiency, reacting in a proper way on team's dynamics. *Empathy* is especially viable in globalization era as cross-cultural specificities of foreign partners must be considered. McKee (2017) paired the power of empathy to self-management of a leader; empathy helps indicating how employees respond to him or her. As an influential person, one may mention that employees "mirror" feelings and general tone. As a key competence among other self-management is analysed in the frames of cluster performance theory below.

### 3.6 Emotional Competence vs Emotional Intelligence

Bar-On & Parker (2000) defined emotional competence as the evidence of self-efficacy while facing emotion-eliciting social action. *Self-efficacy* is the ability to assess own coping behavior and enhance it with personal effort (Bandura, 1978). The key distinction between emotional intelligence and emotional competence is that in emotional competence paradigm the coping outcome is influenced by an individual exclusively, it is one's control zone. Whereas emotional intelligence describes both inborn traits and a set of competencies that can be learnt. Though existence of the last ones is clear, Goleman draws an analogy with musical training in order to show the significance of learning: the ones being born with perfect pitch can never blossom in opera singing without continuous training. The same way, only emotionally intelligent workers who learnt social skill on practice can lead excellent negotiations. (Abraham, 2010).

In the framework of Goleman (1998) the competencies are broaden into concise skills. This method has become universal. As the construct of EI is flexible by its nature, the competencies and their groups has been altered repeatedly. The refinement of the model was presented by Richard Boyatzis who divided 25 competencies into 20 and allocated them into four domains instead of five. Model's rearrangement was required due to changing environmental circumstances as much as specific purpose of the model. (Khalili, 2012). The modified model is presented in the next section with a highlight on performing efficiency. In order to explain performance under new conditions, Emotional Competence Inventory (ECI) was undertaken, and a new model appeared (Abraham, 2010). ECI sets criteria for emotional competence categorising.

#### 4 EI-based Theory of Performance at Work

As an ample psychological construct, EI can be viewed as a set of competencies, skills, cultural outcomes, or social phenomenon (Petrides et al 2008). In this chapter emotional intelligence capabilities are examined as a performance driver. The approach has a direct correlation with *EI Ability theory*, Goleman (1998) mentioned that emotional competence acquired from learning lead to outstanding performance at work. EI-based cluster theory of performance is to distinguish excellent performers from average. Yet being based on the emotional intelligence elements described in the previous chapter, the present model has a focus on working life success that is caused by efficient job performance.

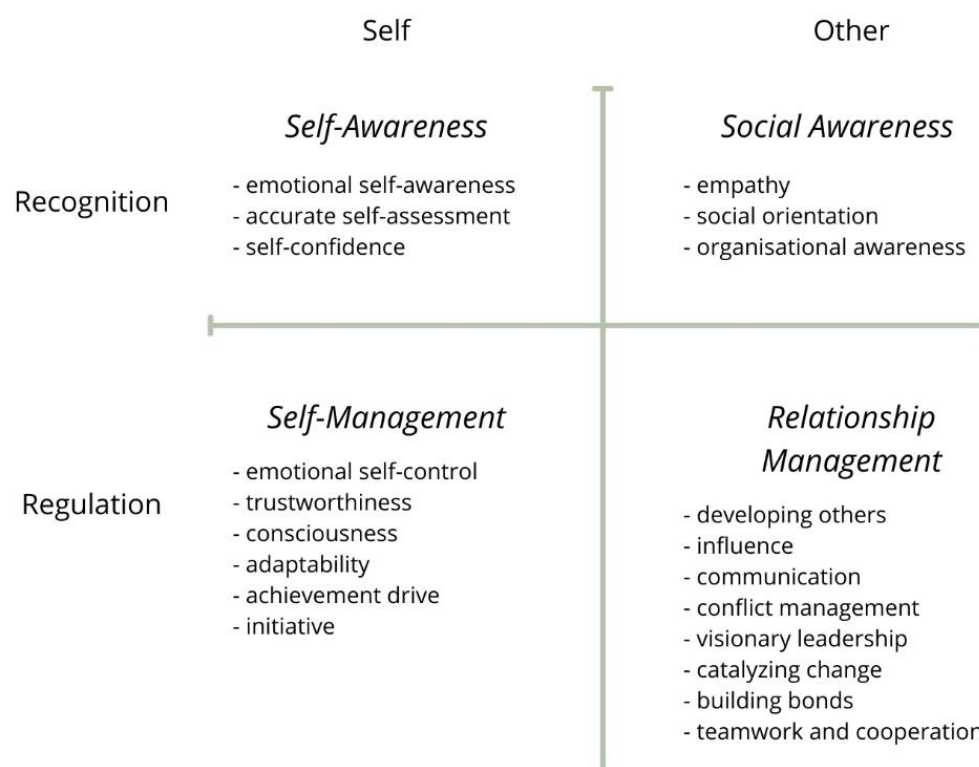


Figure 2. Personal and social EI competencies

Hence, Figure 2 displays a modified version of five EI components formulated by Goleman in 1998; 25 competencies and five elements were allocated to four branches of personal and social competencies, having been rearranged to 20 competencies. The model refinement occurred due to the aspiration to define corporate managing efficiency rather than general EI validity.

By the end of 20<sup>th</sup> century, researchers started active application of EI knowledge in managing sector; McClelland (1998) analysed business data from diverse enterprises and identified that excellent performers at work obtain certain EI competencies: *achievement driver, developing others, adaptability, influence, self-confidence, and leadership*. Additionally, the tendency to possess analytical thinking was detected among the leaders likewise.

#### 4.1 Personal EI Competencies: Self-Awareness Cluster

The first personal competence referred in the model is *self-awareness*. As a working life skill, recognizing own feelings and how they affect actions is core. Goleman (1998) estimated *emotional self-awareness* as a key requirement in financial planner job performance. The interaction between financial resources and a client is delicate, especially concerning personal issues like life insurance, both morality and money matters should be handled with proper emotional reactions (Cherniss & Goleman, 2001).

Green (2006) reported that only 25% of human's cognition consists of a conscious mind whereas the rest is below our primal awareness. Nevertheless, this untouched ground can be partially stepped into with practice of *accurate self-assessment*. Traditionally, the practices aimed at improving self-assessment skills are not as encouraged as intellectual and physical development; it often causes individuals being unaware of own feelings and following inappropriate expression of their emotions. Alternatively, the feelings might be hidden by an individual deeply inside which leads to stress and dissatisfaction (Graham, 2008). The quality of life decreases inevitably either way. To make difference, practice of *accurate self-assessment* can be implemented through "Inner Child" conceptual framework; the concept helps understanding the emotional patterns, motives and the ways to manage it all effectively. The framework considers reflecting on own experiences, including traumatic periods of childhood, realization of how these experiences influence one's behaviour and, as a part of working towards normalizing emotional responses, self-compassion practices. Taking responsibilities for the things happening is another realm of "Inner child" investigation. Some of the practices aimed at the growth process within this framework are meditation, self-observation through witness state, creating daily review and self-expression in multiple forms, for example, journaling, drawing, dialoguing (Green, 2006.)

Further, *self-confidence* allows outstanding performance to happen; in work practices, negotiation and sales branches are highly dependent on degree of confidence in own promotion. (Cherniss & Goleman, 2001.) Hence, following the path of self-awareness, an individual increases one's quality of life as well as working performance.

## 4.2 Personal EI Competencies: Self-Management Cluster

The next cluster of Figure 2 relates to the way an individual manages own emotions, impulses and reactions. *Self-management* correlates with *self-regulation* and *motivation* elements of the primary emotional competence framework that was presented in the previous chapter. The six components of self-management cluster are summarized from the elements whereas the ones shown in present model are most desirable for a corporate leader to possess. Yet, it seems needless repeating the content of competencies but rather highlighting the advantages of its application in working life practices. To begin, *emotional self-control*, as an ability to be calm in stressful situations, tends to be a fragile quality in working life. Rahim & Psenicka (1996) reported that owners of small businesses and employees may struggle while facing job stress even if possessing strong sense of self-control in personal life. As for the top performers, they are known to be willing to manage personal stress and have the business unaffected by emotions that got out of control. Hence, disruptive feelings should be excluded to enable excellent performance.

Next, sensible transparency concerning values, feelings and intentions at work can only be reached through *trustworthiness*. This competence refers to letting other people know what the true situation is, whether the subject is market, company state or an aspiration to be promoted. Thought-provoking, trustworthiness is fully cognitive and not behavioural; actions may be only the evidence of trust however the sense of trust is long-lasting, not just appear in certain moments. However, Hardin (2002) emphasized that trustworthiness in working life is often based not only on emotional belief but also on the experience and reputation. As an example, there would be less confidence in an unexperienced recent graduate as a project manager in comparison with the one who had been familiarized with this type of work as a project assistant or a coordinator. This condition is caused by interdependence of emotional and rational brain that gained a deeper investigation further in the study.

Careful and disciplined attitude to work tasks originates from *consciousness*. In the research related to job performance, Barrick *et al* (1993) detected that most conscious producers have the largest revenue. This competence is believed to be a driver of a balanced strategic planning. For instance, cognitive school of thought understands mental abilities, and conscious attitude to responsibilities in particular, as a major component for success in ever-changing business environment (Mintzberg, 2008). Likewise, it refers to *adaptability* competence as the strategy is rather incremental as it has to be adjusted to the business environment requirements. In terms of performance effectiveness, flexibility as a willingness to rearrange a certain element or project, results in multi-disciplinary team and innovative approaches (Amabile, 1988.) As for public self-consciousness, it drives individuals to maintain

consistent behaviors in accordance with established norms in an entity. This effect may have strong usability for an employee who maximizes own performance, foreseeing rankings from a supervisor. (Sosik & Megerian, 1999).

The last two competencies that can be directed to self-management refer to motivational capabilities; these are *achievement drive* and *initiative*. The competencies are highly required by owners of a small and young enterprises; as for *achievement drive*, Cherniss & Goleman (2001) point that optimistic striving to improve current performance and general optimistic attitude improves sales and enable other corporate accomplishments markedly. Apart from that, *initiative* in corporate context means taking action and gaining opportunities on the one hand and avoiding obstacles by acting beforehand from the other hand. Being initiative has a vital role in such sectors as consulting, sales and services; when the communication with a client gets involved, an initiative individual always wins. (Rosier, 1996). In conclusion of the cluster, personal competencies must be acquired before social awareness is developed. Only when emotional recognition and regulation exist within a person oneself, he or she can start communicating these moods to a larger group of people. (Bar-On *et al*, 2000).

#### 4.3 Social EI Competencies: Social Awareness Cluster

The next cluster describes the competencies that help understanding other people's emotions. In accordance with the definition itself, the major competence of *social awareness* is expected to be *empathy*. In working life, an ability to be aware about emotions, concerns and needs of others brings benefits both while cooperating with work team and clients. For instance, in marketing department the whole process of defining target audience is based on *empathy*. (Cherniss & Goleman, 2001). Even though being referred as a passive stage of realization, social awareness includes *social orientation*; some of the behaviours that manifest this competence are taking care of partner's perspective, comparing with own mission and based on the conclusion steering a partner towards the option that suits all at its best. Hence, social orientation competence is especially urgent in diplomatic professions and broadly while proceeding B2B collaboration.

Awareness on multiple levels acts as a base of overall emotional intelligence power. At work there is no exceptions. Organisational awareness presents a more profound level of this state. "Organisational" stands for an all-embracing approach; a person who possesses this competence is able of viewing a situation objectively while responding as effectively as possible without biases involved (Boyatzis, 1982.) Yet it may sound undeliverable at a certain stage, *organisational awareness* is reached through self-awareness and a state of *authentic* being (Ryback, 1998). On the whole, as a manager obtains these three social

awareness competencies with repeated practice, he or she is one stage closer to the star performer's title.

#### 4.4 Social EI Competencies: Relationship Management

The last most challenging for implementation cluster encompasses the whole range of *Social Skills* and some active competencies of *Empathy* following the initial model of Goleman (1998). Yet, some components were modified in accordance with typical requirements of a managing party from a business perspective. For example, there was supposed *visionary leadership* within current framework replacing broad leadership from Goleman's first model; communicating vision to a team may seem rather a simplistic task in comparison with other decisions managers make at work daily. Nevertheless, articulating the grand idea and making people inspired with their work tasks is crucial. Outstanding performers integrate optimistic energy and sincere attitudes into their cooperation with a team. This kind of leadership referred as "*transformational*" the author discusses in more details in the further chapters. In addition, leaders are ought to constantly contribute into followers' development through boosting their abilities. This competence, as illustrated before, concerned as *developing others*. Cherniss & Goleman (2001) comment that this competence is typical for sales management, however on high levels developing others has no less power. The skill of unlocking other people's talents is a hallmark of excellent performers.

Some other social skills included in the cluster constitute *influence, communication, conflict management change catalyst, building bonds, cooperation and teamwork* (McClelland, 1998). First, top performers obtain a range of persuasion strategies, both among colleagues and with external partners, customers. However, to distinguish between manipulation and consistent influence, a leader considers common goal before satisfying personal interest. Otherwise, the influence cannot be ethical and resonate with collective wellness. Further, *communication* emotional competence at work, though keeping formal in style, can be explained on an example of tonic friendship. For instance, friends tend to share and receive information through a healthy dialogue; they stay responsive to both bad and good news. There exist mutual respect and acceptance. In working life, the same principle of information flow applies. Goleman (1998) marked that the better manager approaches this competence, the more employees aspire to cooperate with one.

In working life, the conflict of interests happens frequently. Whereas the art of negotiation and active listening proceed *conflict management*. This competence has undeniable power in all walks of life, however Ganesan (1993) reported that in supply chain management, the relationship between manufacturer and retailer become healthier through win-win negotiation, not to mention the performance outcomes.

*Change catalyst* is a competence that associates with efficient proceeding and implementing a change notwithstanding the obstacles. Powerful performers manage to catalyse change even if none would expect such an agile approach. There is a business lesson of change catalysation learnt from Schultz (1999). The way he challenges status quo in Starbucks back in 1992 is inspiring; he brought the whole new philosophy to coffee traditions in the States of America, combining ones with open-minded high-quality service. As a result, the company possesses the highest ranks all over the globe by this time. Schultz articulated new vision not only to his team but broad public as well.

Another core competence in managing relationship is *collaboration and teamwork*. There is so few great businesses that are run without teamwork; people and the dynamics inside a company are vital for outstanding performance. There is no excuse not to employ this competence; it was indicated that lack of cooperative ability inside the team is the most frequent motive for manager's dismissal. Last competence to concentrate on while forming efficient relationship management is building bonds; at all times networking was success indication. In business sphere, buildings accounts of goodwill with others results in enhanced opportunities for developing career, own projects and organisation rankings. Excellent performers combine consistent work with careful distribution of its results through information exchange with bonds. (Cherniss & Goleman, 2001).

## 5 Emotional Balance and Job Performance

After observing EI competences both in personal life and at work, there are presented diverse factors that determine performance. Boyatzis (1982) proposes a scheme concisely showing the major factors within three section *Individual*, *Job Demands* and *Organisational Environment* that should cross in order to reach *Best Fit* – an area of maximum stimulation, challenge and performance (Boyatzis, 1982). The common cognitive abilities and external encounters mentioned previously as *factors* are shown in Figure 3.

The framework of contingency theory allows shifting focus form one group of factors to another. For example, when an individual works in a large company with high degree of trust on the market, well-planned structure and stable organisational culture, attention shifts rather to *Individual* factors and *Job Demands*; recent graduate who gets promoted in Google company may experience this shift. Otherwise, a businessperson with broad experience and professional competencies who plans to establish a new company, rather focuses on *Job Demand* and *Organisational Environment*. Therefore, contingency theory is applied within the scheme in order highlight the diversity of approaches. The theory considers pluralism of viewpoints on a single issue when the same goal, in this case – *Best Fit*, intends to be achieved. (Burnes, 2017.)



Figure 3. Contingency theory of action and job performance (Boyatzis, 1982).

Monizjr (2010) states that management can look differently based on situational variables. Exploration of the theory of action raises awareness about one's maximum performance

drivers and working balance. The contingency theory supposes a unique position of a *Best Fit* for each individual. The theory considers pluralism of viewpoints on a single issue when the same goal, in this case – *Best Fit*, tends to be achieved. (Burnes, 2017.)

Figure 3 invokes emotional intelligence competencies discussed in the chapter above. Due to the working life focus, the linkage to EI-based theory of performance is built. Primarily the model draws attention to the factors that define a worker's performance; personal consideration of *Individual* group of factors enhances self-awareness. Further, as an individual realises own weak points, self-regulation is stimulated. For example, when possessing insufficient professional skills, one involves *adaptability* and *achievement drive* in order to improve the skill and reach the desired *Best Fit*. As for *Organisational Environment* and *Job Demands* groups of factors, analysis of these provokes increased *social awareness*. Namely, *organisational awareness* is activated while examining factors of these elements. Then, to achieve quality growth of certain factors, an individual undergoes *regulation* clusters from Figure 2. Taking Role factor as an example, an individual may employ communication competence to upgrade the factor and reach *Best Fit*. Hence, emotional intelligence components correlate with contingency theory while applying a unique set of EI competencies in order to reach the top performance (Bar-On *et al*, 2000).

Job performance is tightly linked with competencies in use. Being articulated in form of action and aim, the competencies form a behavioural approach. As *Best Fit* shows, maximum performance happens when individual's capabilities are applied to fulfill job demands and suit the given environment. When job demands create the responsibility to act, applying the competencies, organisational environment affects their demonstration, and the design of working role. (Boyatzis, 2011.) For example, in the environment of medical surgery sector, the competencies are proved by years of practical experience and deep theoretical knowledge therefore design of role is based on applying constant self-motivation and regulation competencies. Accordingly, Bray *et al* (1974) stated that there are three core clusters of competencies that distinguish average performers from outstanding ones, like AT&T top American telecommunication company: experience and proficiency, knowledge, principal cognitive competencies such as memory and decision-making.

The framework proclaims that emotional, social and cognitive intelligence competencies influence job performance. The emotional intelligence competences are seen as the ones that ensure balance in *Individual* field, such as self-awareness and emotional self-control. Social and cognitive competencies allow relationship management and system thinking; these concern both organisational environment and job demands. (Boyatzis, 2011.)

## 6 Neuroscience and Emotional Intelligence

For a more comprehensive view on emotional intelligence, the basic perspective of neuro-anatomy is reflected. Goleman (1998) stated that there coexist two brains: rational and emotional. The coexistence condition allows actions to be consistent and appropriate. Ryback (1998) supports the given suggestion highlighting that emotional intelligence is not about letting emotions rule the situation uncontrollably. EI rather refers to realization of emotional aspects of cognition that affect rationality. This linkage is especially tangible when one becomes easily irritated, upset or angered. Typically, it happens when critical moments occur. Though depending on numerous conditions, working environment involves many critical moments. Furthermore, when it comes to a leader, his emotions are highly transmittable. A collective mind is dependent on the strongest participant (Goleman, 2015.)

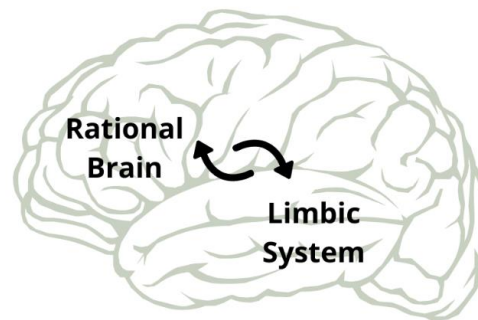


Figure 4. Connection between Rational and Emotional Brain.

Concerning anatomy aspect of the brain, an open-loop limbic system manages emotional side of cognition. It is called “open-loop” due to a contagious effect it has on other individuals. Rational brain theory explains that amygdala, among other limbic structures, suppresses rational processes that happen due to neocortex and interprets a situation to a person in a certain way. For instance, if the conflict between colleagues happened, the emotional brain initially may interpret it as hostile or even dangerous. Then depending on the degree of criticality, featured biological reactions as increased blood pressure, palpitations and sweating may appear. Therefore, emotional brain dominates rational. (Kunnanatt, 2004.) However, emotionally intelligent individuals learn to detect processes that happen in amygdala and take control over the situation. They return to the present moment and realize the feelings. Meyer *et al* (1997) named this ability meta-regulation; the more one enhances EI capabilities, the more meta-regulation allows emotions to contribute into rational brain activation. It serves as stimulation for constructive thinking since emotions are not being suppressed, instead it is realized and accepted. (Kunnanatt, 2004.) Figure 4 visualizes the interconnection of emotional and rational brain.

## 7 Criticism on Emotional Intelligence construct

As any multi-purpose construct, emotional intelligence has gained a significant amount of criticism from academic community. Matthew *et al* (2002) mentioned that due to bordering between social science, psychology, corporate culture, education and more, the construct often confound theoretical limitations and measurement matter. Cherniss (2015) agrees that there are seemingly conflicting models and definitions, whereas better and a more concrete assessment of EI is required.

As for the requirements towards terminology, to be classified as intelligence, the concept should include a series of dimensions fulfilled:

1. Direct connection to neural processes and functioning.
2. Possibility to observe behaviour.
3. Relation to working life and performance.
4. Being distinct from other personality features while providing understanding of human personality.
5. Satisfaction of basic criteria for a proper measurement and validity.

The link to cognitive processes is seen as a key critical point. When there are many competencies, these are to be allocated to different neuro-endocrine pathways. Having this aspect would facilitate measurement matter. (Boyatzis & Sala, 2002.) Another large group of critic refers to all-inclusiveness so that the concept becomes unintelligible. Whereas many of the EI definitions contradict, Locke (2005) calls for its reconsideration. For instance, if mastering own emotions and emotions of others means being more or less intelligent, it refers to acquiring a skill, not new type of intelligence. Hence, it would be less confusing to assess emotional intelligence as a skill then the whole other complex intelligence. However, the supposed redefinition of EI may not be proceeded due to dual nature of emotional intelligence, its understanding as a personal trait. (McCleskey, 2014.)

The role of emotional intelligence in working life is likewise criticised. Lindebaum and Cartwright (2011) state that enhanced attention to emotions may bring negative outcomes to an organisation and external cooperation parties. The high extent of tolerance toward the emotions and connectedly behaviours may result in unethical working approach. The subsequent level of ethics prevents inappropriate behaviours within an organisation and while cooperating externally. Hence, the construct of emotional intelligence has not got a known and trusted form and extent to which it should be used at work; it is a unique mixture that appears due to the climate leader creates.

## 8 Transformational Leadership

Leadership is an inherent part of organising and managing processes; further, within Goleman's (1998) *Emotional Competence Framework*, leadership is viewed as a social skill competence. The phenomenon of leadership exists from ancient times, and its investigation has begun in the end of 19<sup>th</sup> century. Since then, the study of leadership has been evolving gradually. For instance, the early research dates back to Galton's book of 1869 "*Hereditary Genius*"; it was the first scientific study on genius and excellence. Galton presented two elements of leadership that form a basis for popular ideas about the phenomenon. First, leadership is a distinctive ability of persons who are able of changing the course of history. Second, the *theory of a Great Man* which argues that leadership qualities are naturally awarded and pass from one generation to the next. Through 100 years investigation, the perception of leadership has been altering; some (Gardner, 1989; Porter et al 1975) consider it as a trait of character that exists notwithstanding the situation and others (Hackman, 2010) view leadership as a contextual occurrence. (McCleskey, 2014). Nowadays, it is widely accepted that leaders with strong analytical skills perform better than ones who lack these skills. However, intellect alone cannot make a great leader. It was reported that IQ has a minor correlation with job performance whereas emotional quotient constitutes 27% of it. (Matherw & Gupta, 2015).

Burns (1978) defined leadership as an ability to successfully integrate and maximize internal and external resources in order to achieve a goal that was set by a group. Connectively, a compulsory condition for *leadership* is *followership*; existence of ones who are aspired to *follow* a leader. Goleman (2017) marked leader's role as a vital in team's emotional background formation. This study concentrates on transformational leadership due its intense linkage with change culture and emotional capabilities. This type of leadership starts with the approach of Burns (1978) and Bass (1985) that transformational leaders stimulate the followers by giving a new perspective, support and inspiration.

In mid-1980s transformational leadership was presented as a new approach. It has mainly a visionary and charismatic character. A leading persona drives the whole team towards building a better future, while inspiring them with an own example. (Northouse, 2015.) This type of leadership exists if emotional response from followers is elicited. Therefore, transformational leader must possess emotional intelligence capabilities to a high extent. Being a competence of EI-based theory of performance, *visionary leadership* is based on emotions as followers need to be inspired by a leader's example (George, 2000.) Furthermore, to handle themselves and others, leaders are ought to guide, motivate, listen and create

significance. Thus, relationship between leader and his or her followers largely includes emotions. (Matherw & Gupta, 2015).

Figure 5 visualises interdependencies between transformational leadership and work performance concisely. Eliyana & Ma'arif (2018) executed research that indicates a significant impact of transformational leadership on work performance through job satisfaction and organisational commitment. By its nature, transformational leadership contributes into team's self-motivation which is also a core competence of emotional intelligence framework. Self-motivation, therefore, results into increased job satisfaction and level of commitment. Though this model concentrated on transformational leadership, attention is subtly drawn to *self-motivation* both as a mental health aspect and a corporate productivity driver.



Figure 5. Transformational Leadership and Work Performance Framework

Next, motivation enhances an aspiration to contribute into an organisation. Eliyana & Ma'arif (2018) identified that middle-level leaders in Indonesia believe that their transformational leadership style influences organisational commitment of employees. Certain characteristics of transformational leadership have strong relation to contribution into employee's work performance through satisfaction. Bass *et al* (2006) marks that the transformational leaders transform follower individually as well as the larger group into stronger ones. Thus, having more than just a task to do but rather gaining unique competencies, followers gain satisfaction while being supervised by transformational leaders. However, Eliyana & Ma'arif (2018) detected that transformational leadership variable is not able to give significant impacts on work performance through job satisfaction channel in case of middle-level leaders participating in the empirical research. Nevertheless, Figure 5 provides a precise view on transformational leadership specificities that make difference in organisational context.

## 9 Collaborative Leadership

### 9.1 Enhanced cooperation in business

Ibarra and Hansen (2011) highlight that nowadays businesspeople are as collaborative as never before. The cooperation happens at all the levels; not just companies, but customers, educational institutions and other types of shareholders interact to a greater extent. Global virtual networks contributed into establishment of such partnerships; videoconferences and social media enabled the kind of collaboration that could not exist before that. In recent research on best performing CEOs, the necessity to serve and engage not only employees and customers but also suppliers and communities was detected (Hansen *et al* 2019). The ability to enable this engagement originates from leader's emotional competence application that is named in Goleman's framework *social skills*. Similar research on best performing CEOs in year 2010 showed that cooperation demands several concise skills:

- Playing a linkage role between connected parties
- Attracting diverse and promising actors to cooperate with
- Thinking the collaborating through in advance at a top level
- Keeping the collaboration process away from blockage

However, the collaboration process demands strategic thinking as much, social skills allow outbound business activities to be proceeded smoothly. In frames of current research, business cooperation of bordering countries, Finland and Russia, are drawn attention to; it is seen as one significant type of organisational changes. Peterson (2001) states that transnational integration demands cross-cultural behavioural approach and higher involvement in comparison with domestic ones.

### 9.2 The art of negotiation

As one of the most valued social skills, the ability to negotiate deserves commentary from leader's emotional intelligence perspective. The ultimate goal of negotiation on cooperation subject is to reach a consensus that will possibly result in win-win partnership. There exist essential conditions that joint decision-making. First, every participant of negotiation process should be to a certain extent agreed with the decision made, even if the one was not his or her priority. Such a decision must not be enforced; the indicators of mutual agreement usually appear as handshake, written legal contract or a verbal agreement. Moreover, the decision that was agreed affects joint payoff. In game theory, *payoff* means interdependence of separate interacting decisions, its inevitable cause-effect relation to negotiation outcomes.

Hence, joint decision taken on negotiation determines every participant's payoff. The next core element of negotiation process is communication style. At this point emotional competencies as well as rationality of participants and culture define whether they interact directly or using hidden meanings, whether participating parties are honest about own intentions and expectations or not. Most desired communication style can be addressed as Full, Open, Truthful Exchange (FOTE). Application of key EI skills as conflict management is highly demanded, as well as understanding cultural and other contextual constraints. The last highly valued condition of negotiation is creativity. The whole idea of joint decision making, and external cooperation refers to innovativeness and creating value with new unique combinations. (Raiffa *et al* 2002.)

Considering described above negotiation's features, the idea of interpersonal intelligence importance appears. First and foremost, negotiation is a social interaction in which emotion, cognition, social exchange and mutual effect interfere. Thus, so-called "external" part of emotional intelligence matters in negotiation; for instance, these are relationship management and social awareness expressed in active listening and an ability to explain thoughts constructively. However, intrapersonal intelligence is likewise engaged in negotiation process. Based on social interactions, an individual forms own senses about it. To conclude, the outcomes of negotiation originate rather from interpersonal intelligence of participants expressed in their actions. (Morris, 2004.)

### 9.3 Motives and concerns of cross-border integration

Tendency towards collaboration of bordering regions increased in 1980s; acceleration of global interexchange led to local development of integration mechanisms. Among some bright examples are European Union (EU) and North American Free Trade Area (NAFTA). Reducing political and trade boundaries result in securitization of bordering regions and overall sustainability. Thus, some of the key reasons to collaborate on cross-border company level are:

1. Territorial gateway that allows building international recognition, relationship with brand new customers and suppliers. The dark side is existence of international competitors that may both attack on domestic and foreign markets. Another attractive advantage of functional delimitation is a possibility to locate some activities to a bordering partner while still being close enough to consult or manage if necessary. The cooperation concern is however a possibility of local activity surplus causing hinterland local stagnation. (Sohn, 2014.)

2. Another reason to collaborate on a cross-border level is *transaction benefits* that appear in a certain context of two or more bordering states. It primarily refers to legal, administrative, political and cultural systems that involve transaction costs. Certain players, such as cross-border brokers in banking and real estate industries, take advantage from well-integrated cross-border regions that provide reduction of national regulations. (Sohn, 2014.)
3. A significant factor that brings an advantage is cost differentiation; it refers to labour, natural resources and currency. For instance, many European companies take advantage collaborating with Russian suppliers due to currency difference. Furthermore, *differentiation benefits* entail tax regime and regulations. However, there may appear problems with localization of foreign company's activities in terms of limited knowledge of local language, culture and legal aspects. On a long-term perspective, the concern might be currency rate fluctuation and consequent growth of prices. (Sohn, 2014.)
4. The *hybridisation* of ideas and resources is seen as another key motive to promote cross-border collaboration. The bordering regions share many aspects like geographical location, certain natural resources, yet being foreigners to each other; hence, there are similarities that can enable initial integration. After this stage innovativeness as well as EI competencies should be applied to create a brand-new product, service or another type of joint decision and action outcome. (Sohn, 2014.)

Nevertheless, there statistically exist an insignificant correlation between willingness to cooperate and the size of integration or similarities of bordering regions. Theoretically cross-border integration refers to shared social and political arrangements. Sohn (2014) suggests that there can be no correct way to integrate on a cross-border level most effectively; it depends on specific dynamics, geo-politics, economy and history. As for the connection between Finnish and Russian SMEs, Schneider *et al* (2020) discovered in the recent research on the named markets, average and small-scale companies benefit from cross-border integration that results in enhanced efficiency. Thus, cross-border integration is assessed as one of the most attractive organisational changes for SMEs of Finland.

## 10 Organisational Change Management: 8 Steps Model

Moran & Brightman (2001) defined change management as the process of continuous renewing an organisational direction, structure and capabilities that serve changing external and internal needs. Change exists at operational and strategic level whereas it inevitably appears during an organisation's life cycle (By, 2007). However, there is a very minor possibility to predict the change, for this reason organisational crisis typically occur when attempting to sustain it reactively (Burnes, 2017).

Organisational change is seen as an open-ended continuous process without foreseen set of events. However, this type of changes does include methods, strategies and structures. Stobierski (2020) marks that altering major aspects of an organization is a distinctive feature of organizational type of change. There are some frameworks that facilitate strategy planning for identifying the path to overcome an organizational change.

Now there exist many theories on a practical side of doing the change, and the model of Kotter (1996) is one of the widely recognized. The Harvard Business School professor supposes that a change can be leaden in 8 universal steps. Although being tactical, in a combination they form a comprehensive strategy and serve as a powerful tool for a transformational leader in ever-changing business world. In general, there are three major stages of the model referred as initiating the change, enabling change and sustaining the change. This study concentrates on the first phase of a change, where change climate needs to be created inside an organisation. It includes three steps shown in Figure 6, steps 1-3; the basic aspects of other steps and phases are reflected. On the stage of change initiation, emotional intelligence plays a notably vital role for a leader.

### Step 1: Create Urgency

The major purpose of this step is to instigate the change. The alterations become necessary in a concrete context at a certain moment of time. Typically, it occurs when a leader executes market research and certain opportunities, or critical points are detected. Kotter (1996) highlights that a leader has to convince to the lowest degree 75% of management department that keeping status quo is unsafe. At this step leadership capabilities are sharply required; an intention to *transform* the present activities may result in immobilisation of management that was going before (Burden, 2016). Yet, a leader only gives a message that current state of a company is dangerous. For instance, this sense of urgency appears when a stronger competitor presents a seemingly better promotion for the same buyer, or if a valuable customer is lost for another reason. The form of the message and channels for its transmission are crucial; for instance, a publication through corporate online form or press

is seen as a more effective mode than only narrative mention of the urgency to proceed the change. Yet, a transformational leader should provoke a wish to deal with a change. As practice shows, most leaders overestimate their ability to do it (Miller, 2010). Whereas dealing with emotions is a key to communicate the change in the right mode.

### Step 2: Form A Powerful Coalition

At the first step managers of a company should be convinced that the change is worthy of implementing. Next, a leader forms a powerful guiding coalition of management team. There are two compulsory conditions for the coalition. First, they have to share the commitment to attempting the change. The commitment results from leader's encouragement, not an undeniable order. Later, the encouragement transforms into emotional aspects that underline teamwork, shared learning and transparent communication (Chrusciel, 2006).



Figure 6. 8 Steps Model of Change (Kotter, 1996)

Second, coalition that guides a change has influential inside the corporation. It does not only concern the status but actual connection to organisation's members across the board. Apparently, this ability, which can be viewed as *building bonds* competence from EI framework, is going to facilitate the communicating vision of change on the next step.

However, before reaching this point appropriate teamwork is to be established between the coalition's members. It requires extensive EI capabilities for both coalition members and the leader. For instance, Kotter (1996) explains that company's transformations demand extra activities outside of formal boundaries and schedule.

### **Step 3: Create a Vision for Change**

At this point the coalition has to formulate a vision of change. In this context vision refers to the bright future of an organisation and individuals that can be reached through change execution. Kotter (1996) marks that the change should not be too complicated or theoretical; it acts as a memorable idea to explain concisely and relate simply. Following the example of altering organisational actions to save loyal customers who disappear, coalition invent a mode to persuade the larger corporate team to invent new product together with the customers as shareholders. Yet, the vision of a change requires strategies of realization form the guiding coalition. In the frames of the vision, all stakeholders and shareholders should be content.

Viewing coalition as a leading group, there exists demand for EI competences. For instance, intrapersonal intelligence includes competencies as *adaptability*, *innovation* and *self-confidence*. Whereas interpersonal intelligence must contain *understanding others*, *service orientation* and *change catalyst*. (Goleman, 1998.) These competencies are few to name, nevertheless, drawing the attention of a leader to ones, the chances of fruitful change initiation raise. Chrusciel (2006) reports that emotional intelligence has influence on organisational performance as well as on management decision making. Hence, on the first phase of change execution, EI competencies form a substantial basis for creating urgency, building a coalition that is responsible for the change and developing the vision. On the whole, emotional linkages allow transformations to happen and it all must start in leader' mind.

### **Step 4: Communicate the Vision**

At the next phase, as it is shown on Figure 6, actions are directed to engage the broad team into the change process. The phase of broad engagement starts with an act of conveying message to a larger group. Kotter (1998) as well as corporate practices of companies like Google and IBM indicates that deeply held trust and democratic values enable this step. This phenomenon is connected with try-and-error culture that exists when individuals are not punished for expressing their will and disagreeing. In a long-term it encourages innovation capabilities. Whereas on the 4<sup>th</sup> step, open discussions on the subject of change occur. The significant actions for guiding coalition are to use appropriate channels for vision communication and to inspire followers with an own example.

### **Step 5: Empower Action**

Following the previous step, Kotter (1996) refers that through open communication emotional obstacles and other misunderstandings can be resolved. General concerns on this

stage of active proceeding of change are linked with human resources, systems and insufficient information. The humans' role is core: employees enable the change in action. Simultaneously, the alteration of systems and structures happens. For example, when a company acquires a more convenient software to manage customer relationship, the partial system alteration happens. Additionally, Kotter (1996) mentions that while empowering the change, initiative individuals who express readiness to attempt the change, should not be silenced.

#### **Step 6: Plan and Create Short-term Wins**

By (2016) states that human beings are basically not comfortable with changes and, therefore, its implementing is still a considerable stress. The 6<sup>th</sup> step is taken to reduce this stress through paying attention to momentary wins. Guiding coalition recognize the achievements of the team towards implementing the change and reward them. It raises motivation in all participants and encourages to continue change implementation. Yet, the guiding coalition has another crucial assignment on this stage: to define and track visible performance improvements that can be rewarded afterwards. (Kotter, 1996.)

#### **Step 7: Sustain Acceleration**

The last phase of the change model is supporting change's long-term potential. It consists of only two steps but takes more resources than the previous ones due to the looking-forward orientation. To begin the phase, a leader and a guiding coalition reinforce the improvements gained with the change. They do it through referencing obtained reliability of change from the early wins in order to alter structures and policies further. Also *developing others* is an EI competence that is being applied on this step. The guiding coalition hires and promotes the trustworthy employees who relates with vision of a change and can help sustaining it. As for the leader's direct tasks, there appear new types of projects that he or she develops for the team. (Kotter, 1996.)

#### **Step 8: Institute the Change**

To make the new approach permanent, leader has to build an intense linkage between new behaviours and organisational effectiveness (Kotter,1996.) The attitudes that were altered during the change execution should be reflected in job performance. In terms of EI, the positive results are likely to act as a special kind of auto-motivation (Goleman, 1998.) An organisational change is implemented when it becomes an inherent part of actions at work.

## 11 Transactional Model of Stress

EI capabilities are necessary when sudden crisis or stressful encounters occur. Psychoanalysts state that emotionally stable people are able of dealing with unknown situation in an agile way. Being stored in long-term memory, emotional intelligence competencies influence selection and control of coping strategies directed toward an unknown situation (Bar-On *et al* 2000.) As a rule, *task-focused coping* is applied when external environment creates new challenges. In Figure 7 the challenges are referred as *environmental demands*. Before behaviour is generated, the *self-referent cognition* exists to reconceptualize a problem in the most appropriate way possible.

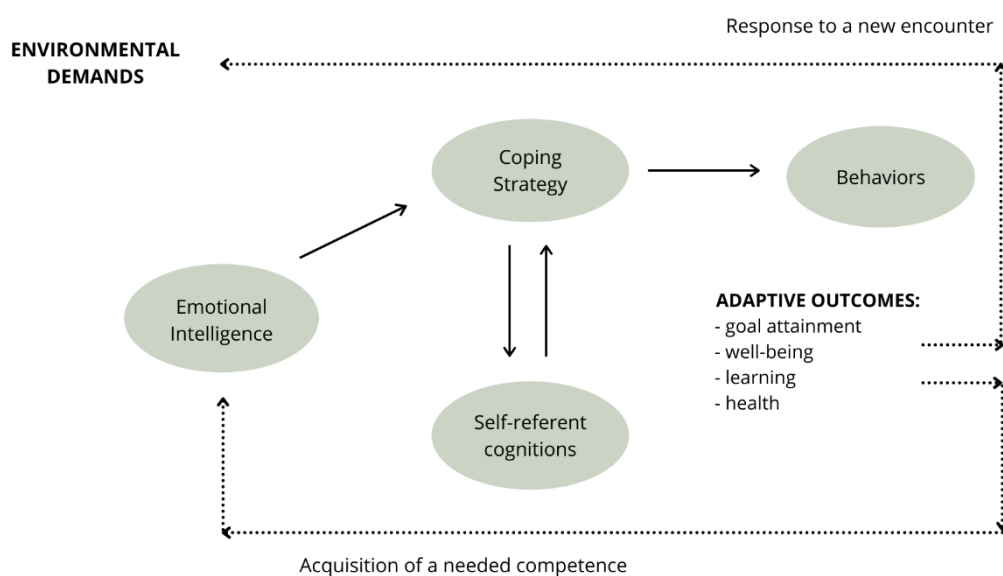


Figure 7. EI role within the transactional model of stress (Bar-On *et al* 2000)

EI is visualized as a single component of the model, when combination of competencies may differ. For instance, there might be a highly self-motivated manager, who is lacking empathy. The transactional model presented in Figure 7 itself suggests a conceptualization of EI as a psychological basis for adaptive coping. Importantly, the model presents dynamic interaction with appraisal of personal meanings as a compulsory condition. Thus, the substantial knowledge base should be brought to resolve the situation. (Lazarus 1993).

When change management is a wide term and refers to numerous kinds of modifications, it should be emphasised that transactional stress model focuses on changing cognitive and behavioural coping strategies. These changes are enhancing the effort to manage demands occurred due to external changes. (Folkman *et al.*, 1991). Hence, the analysis of the model is connected with the understanding of the 5 components of emotional intelligence formulated by Goleman (1998). The next chapter includes examination of the theories on practice.

## 12 Methodology

A profound analysis requires a combination of theoretical background and empirical data acquired from the researched environment. Proper data collection and interpretation facilitate the usability of results concerning a particular market context and, as a consequence, bridge the research gap. Methodology is a key to understand the experience and explain a complex situation in simplified manner. (Corbin and Strauss, 2008) For this purpose, the author applied personal semi-structured interviews onto Finnish market, primarily in bordering with Russia area. Thus, the connection between actions and emotional intelligence skills is demonstrated on practical examples.

### 12.1 Research Purpose

The aim of this empirical study was to determine how emotional intelligence drives leader's behaviour when change execution is required on a company level. Since the focus is primarily given to emotional intelligence skills and the readiness to initiate cross-border cooperation, the core question for the empirical study is the set of EI skills that matter while managing a change. As for the market stepping success, it is believed to be largely influenced by a leader (Goleman *et al* 2015). Hence, research purpose additionally includes the investigation of a connection between leader's emotional state and performance. In many respects it comes to organisational culture within a company and the micro-climate that appears consequently.

The empirical research is intended to define which behavioural style leads to the best outcome possible in specific circumstances. These are organisational change initiation on its beginning stage. Considering this data, the discussion part contains concrete modes of EI application that leads to a successful change. Therefore, the empirical research aims at defining what kind of a start the change is given while being influenced by leader's emotional intelligence abilities. Goleman *et al* (2015) estimated that emotional leadership can be compared with a spark that lights corporate performance up. It causes either a bonfire of success or area for aches.

### 12.2 Research Context

The particular market situation should be outlined in order to clarify research delimitations. The applicability and generalizing will then be concisely defined. As it was mentioned in the introduction chapter, the research is going to concentrate on South Karelian Finnish market. Only small and medium enterprises are taking part in the research; it is caused by a necessity to estimate how most vulnerable parts manage while dealing with a change situation.

Though possessing a number of different financing instruments, SMEs experience greater financial insecurity in comparison with large corporations (Masiak *et al* 2019). Though the fields differ, interviewed companies share the change initiation stage readiness. In particular context, organisational change means both willingness to establish cross-border cooperation and alteration of key activities due to pandemic and post-pandemic circumstances. Yet, these two changes are not always combined within the same corporation; rather both equally act as an organisational change. The selection is made due to the challenges most companies faced within the past year of COVID-19 spread and consequent necessity for organisational change. A challenge resolution is considered to be a key indicator of a company's vitality. Whereas cross-border cooperation is investigated in respects of Inclusive Cross-Border Business Networking of Tomorrow (INCROBB) project support, core goal of which is to reveal opportunities and obstacles for a sustainable cross-border cooperation between small and medium sized enterprises. The project is funded by South-East Finland Russia Cross-Border Cooperation Program 2014-2020. The research context is quite narrowly defined in terms of territory and the change situations. However professional fields in which interviewees operate are broad.

### 12.3 Interviewees' Profiles

The interviewed companies are located in Eastern and Central Finland. Some of them already operate globally whereas others seek for international cooperation and expanding markets in the future. Due to the need to observe leader's perspective on change and emotional intelligence, there were interviewed only representatives are taking managing positions like a founder, a director or a team lead. The industrial focus differs a lot, yet the major similarity of companies is readiness to enter a new market or previous experiences of it. Most companies looking forward to moving specifically to a bordering country, Russia. Notably, some of the interviewed individuals are foreigners that work on Finnish market either as a part of large multi-national team or in a smaller group. Hence, the unique individual perspective on the change situation should be considered while formulating the lessons learnt from interview sessions. On the whole, the interviewees shared their experience of leading through the change in Finland with a reflection on own emotional competencies.

### 12.4 Data Collection

Emotional intelligence in business administration field is often considered as a consequent phenomenon. It is raked as a psychological aspect rather than operational one. This paradigm may be affected by the early origination of emotional intelligence term through American psychoanalytical school representative Otto Rank who described a relationship as an

*emotional experience* (Ryback, 1998). Although by the end 20th century the topic was researched in business field likewise, the intersection between organisational change initiation and leader's level of awareness are to be examined further. The author decided to conduct personal structured interviews with 8 to 10 participant companies having their operation on market in Finland. Advantage of structured interview comparing to open interview is its systematic character that facilitates the questionnaire formation and analysis process. The interviewees are companies' leaders on different levels: department, project managers or company owner. Interview is expected to take 30 minutes in total.

The nature of the research is mainly qualitative since in-depth approach that engages a small and purposeful sample is used. Though certain similarities and distinctions are to be pointed through the scale 1-5, further quantitative information cannot be provided when it comes to the extent of the problem and its impact on the survey. In circumstances of post-pandemic, the data is expected to be collected through a series video-calls with interviewees. However, to keep the connection on and reduce misunderstandings, the interviewer used cognitive techniques, such as paraphrasing, observations and vignettes, which are short descriptions of hypothetical situations. (Collins, 2015.)

## 12.5 Data Analysis

Typically research methodology is conducted in order to enclosure the evidence on existing data on investigated phenomenon and research problem. Being presented in literature review section, existing data forms a significant pillar to analyse the data acquired during the empirical study. For instance, the transactional model of stress is used to interpret the motives of leaders while understanding their coping strategy. The linkage between components of emotional intelligence that drive behaviour and the environmental demands can be seen. Similarly, contingency theory of action and transformational leadership schemes are used to understand the drivers of a balance between job satisfaction and job performance.

To facilitate the analysis process, interviewer records the conversation and transcribe one on a paper right after. Moreover, small talk before and after interview is recommended to establish certain level of trust. Lastly, consistency of the interview is core for a good analysis. Having qualitative method in use, interviewer should be stick to the research purpose, not digging into unnecessary details. It is a key condition for constructing conceptionally meaningful analysis. (Josselson, 2013.)

## 13 Findings and Discussion

### 13.1 Background information on interviewees

There were interviewed 8 SMEs that operate on Finnish territory. Five of them are based in Eastern Finland and the other three – in central Finland with headquarter in Helsinki. Mostly, the participant-companies are small enterprises that employ fewer than 50 people but there are also some medium-sized ones with 60-200 people employed. The industries are widely different; for instance, there were a couple of IT companies, an open company that provides a range of services, consulting and a non-profit organisation among others. On the one hand, the nature of a sector and maturity stage of a company affect the way emotional intelligence capabilities are undertaken. On the other hand, the personality of an interviewed leader affects the practical outcomes; personal work experience in the company and number of subordinates matter greatly. The interviewed individuals were mainly companies' owners and directors, so the criteria of leadership have been fulfilled at least at a formal level. Yet not all the participants have got subordinates, which means the lack of follow-ership in certain cases. There are more details on the companies and interviewees revealed in Table 1.

Company	Date	Type, industry	Size	Job position and experience
<b>Company A</b>	25.08	Open company, seasonal tourism services	40-45 in total, all subordinates	Company's owner, 10 years of operating.
<b>Company B</b>	30.08	Quality Control and Automation Systems	3 employees in total, all subordinates	Company's owner, 12 years of operating
<b>Company C</b>	30.08	IT procurement analytics	200 employees in total, 20 subordinates	Customer team lead, 8 months operating
<b>Company D</b>	31.08	Non-profit management, recycling store	55-60 employees in total, 11 subordinates	Company's director, 5 months operating
<b>Company E</b>	7.09	Engineering consulting services	4 workers, no subordinates	Chief operational officer, 1 year of experience

<b>Company F</b>	09.09	Tourism and transportation services	40 employees in total, all subordinates	Company's owner, operating for 7 years
<b>Company G</b>	15.09	Software as a service, event platform	70-75 employees in total, 9 subordinates	Sales development team lead, operates for 1,5 months
<b>Company H</b>	01.10	Import/export consulting and education services	3 workers, no subordinates	Co-founder, operating for 5 years

Table 1. Background information of interviewed companies

Existence of followers is generally accepted as a preliminary condition for leadership. The large part of scientific community believes that one can only lead when there are people who *follow* him or her (Burns, 1978; Burnes, 2017; Bass *et al* 2006). However, there exist an alternative opinion. Kearsley & Lynch (1994) argued that a leader's key objective is not manage building assumptions about company's future. Instead, leader stimulates actions that transform the enterprise in present. As it becomes obvious from the Table 1, some companies' representatives do not create a large team in order to operate on the market; for instance, on beginning stage of business growth there is not such a need. Hence, the establishments that operate with no followers however using third-party services, are not excluded from the research. Fact of the matter is that their own actions allow transformative actions that are the major subject of current study. As the follower-leader relationship is not examined but the influence of a leader's EI on organisational change, the lack of followers creates minimal impact on the research.

Furthermore, another key background feature of participated companies is the source of contact. Some of the companies were reached due to the networking capabilities of the author, whereas another part was collected from the database of INCROBB project. Previously, the companies participated in project's survey on opportunities and obstacles of cross-border cooperation with Russian companies. Hence, companies' interest in stepping Russian market plays a vital role in this study.

### 13.2 Type of organisational change

A kind of change influences the application of emotional intelligence competencies, coping strategies and the overall performance. The intention of entering a new market is seen within all 8 companies. Nevertheless, the only company which is not interested into investigation of Russian market at the moment is *Company E* which concentrates on development of internal product instead. Additionally, the company has gained a loyal and influential

Business-to-Business customer, so that building new connections is not a priority at the moment. Yet, company's chief operational officer considers the significance of networking and strategic thinking; therefore, cross-border integration is a part of their long-term vision. The other interviewed companies are open towards and tend to seek for either cooperation with geographically or industrially new markets.

There were described a wide range of organisational changes that companies overcame as much as the ones planned for the future. Table 2 presents the change categorisation by a type. As organisational change alters key activities of the company, larger companies seem to execute it at a larger extent. For instance, *Company C* and *Company G* operate on both Finnish and American markets and play a role of medium enterprises in such a progressive sector as IT; the companies actively build new teams and implement fast strategic movements to reach more customers and increase profits. For instance, *Company C* expand their staff on American market and plan to assign more specific tasks to every employee. Similar examples of change were provided by *Company F* that separates company's divisions into independent organisations; by *Company D* that established own textile production and by *Company A* that experienced sharp demand rise. This type of organisational change is a *positive internal alteration*.

Change	Internal	External	Technological
<b>Positive</b>	<i>Company's A</i> popularity raises, starting own production line in <i>Company D</i> , restructuration in <i>Company F and E</i>	Stepping new education market by <i>Company H</i> , growth of sales team in <i>Company G</i> , Chicago office extension in <i>Company C</i>	New webpage launching by <i>Company A</i> , updating webpage design by <i>Company F</i>
<b>Negative</b>	Closing a kitchen unit production by <i>Company D</i>	End of contract with valuable partner by <i>Company B</i>	Does not apply in this study

Table 2. Types of changes

Other bright examples of changes are the ones that discouraged company's performance at a certain point. For *Company D* it was closing kitchen unit production, and for *Company B* it was contract expenditure with a valuable cross-border partner in Svetogorsk. These changes are *negative internal and external alterations*. An example of *positive external alteration* was presented by *Company H* that stepped education field. Apart from that, the

alterations executed within digital space, such as company's webpage design or functional update and digital marketing strategy change, are seen as *technological upgrade alterations*. On the whole, the author detected five groups of organisational changes. Their categorisation is based on character of change (positive or negative), participating parties (external or internal) and if the digital channels were engaged in change implementation or not. Typically, the same company faces all the alteration types within its lifecycle.

### 13.3 The process of creating vision and climate change

In this chapter the outcomes from application of 1-3 steps of Kotter's model on concrete companies are presented; namely, the attitude to change vision formation, communicating the change urgency and managing coalition formation are taken a closer look at. Kotter (1996) considers these steps as change initiation cores. The objective was to discover how the leaders undertake the first three steps of change in different Finnish-based SMEs. The Table 3 presents an example of change, typically one that was already executed, for each company and the way it was proceeded at the beginning stages: *creating urgency, forming a coalition and vision*.

Company's name	Date	The change	Initiating the change
<b>Company A</b>	25.08	Expanding staff due to enhanced demand.	Urgency is naturally on-demand originated. Due to lack of managing coalition, the owner takes decision himself.
<b>Company B</b>	30.08	End of contract with a partner from Russia.	Urgency is created by external conditions such as competition with big players, there isn't coalition, an owner faces it.
<b>Company C</b>	30.08	Chicago office extension, a lot of new employees.	Urgency is created naturally as the team is growing. Managing coalition of mid-senior level takes decision, the vision was revised by coalition, extended team is young and rotating.
<b>Company D</b>	31.08	Starting partnership on recycled textile market.	There are opportunities on the recycling market that can be reached through partnership with INCROBB project, change does not have urgent character.

<b>Company E</b>	7.09	Executing a big project for a valuable client-company.	Urgency originates from external demand as the major motivation, all 3 co-workers equally participate in visioning and applying the change.
<b>Company F</b>	9.09	Separation of a part of company into a separate establishment.	Urgency originates from natural growth, coalition of three people takes the decision, the vision is presented as a personal opportunity to grow to workers.
<b>Company G</b>	15.09	Launching outbound sales activities.	Urgency originates from decreased inbound sales; 3 mid-senior level workers are involved in change visioning.
<b>Company H</b>	01.10	Entering education market.	Change is seen as opportunity to grow, workers agreed on it positively.

Table 3. Kotter's steps: creating change climate

The perception of urgency in most interviewed companies was similar; external encounters, such as demand or competition influenced the change. Interesting vocabulary feature was mentioned among companies' representatives. The word *naturally* was used in cases when positive external encounters happened: such as increased demand and growth in number of employees due to a new office location. However, the same term *naturally* is not generally used if a crisis happens, such as contract termination or decreased sales. Hence, leaders often estimate positive organisational changes as normal and expected ones, since it was intended on. When change is not planned, leader has a more reactive attitude towards it.

On the step of managing coalition formation that is supposed to guide and enable the change at all the levels of a company, organisation size matters. Small enterprises typically do not have resources for formation of such a coalition and enable change alone. Alternatively, small companies, like *Company H* did, act as managing coalition with all the co-founder members, presenting their decision to outsourced partnering establishments. Medium-size enterprises, such as *Company C* and *Company G* are, form guiding coalition on middle-senior level, with 3 to 5 people responsible for change proceeding. The change vision appears as a consequence of taken actions. For example, in *Company G*, the outbound sales are no more seen as a new business function but rather as an inherent activity to keep the event platform sales on. Nevertheless, when the change is once-only, as company's separation or contract termination, the vision aspect is not directly applied. To conclude on change steps, the interviewed leaders mostly assess change initiation as one of the most challenging yet significant organisational change stage.

### 13.4 Willingness to collaborate on cross-border level

This research is supported by Inclusive Cross-Border Business Networking of Tomorrow (INCROBB) project that aims at revealing opportunities and obstacles in cross-border integration of Eastern Finland, St. Petersburg and Leningrad region. The project also does many activities outside of university to promote companies and experts; establish the cooperation. This section is devoted to analysis of companies' willingness to step Russian market as one possible kind of organisational changes. Notably, such kind of a change cannot be executed if company's financial or operational health is damaged at the moment. Nevertheless, the evidence shows that emotional intelligence competencies of a leader as much as strategic thinking allow to see Russia as a long-term potential business partnering territory. Table 4 reflects on representatives' opinions about their own relation to Russian business market.

<b>Company</b>	<b>Date</b>	<b>Attitude to collaboration with Russia</b>
<b>Company A</b>	25.08	There is previous experience of entering Russian market in tourism sector, no cross-border activities exist now due to covid-19 border restrictions. The owner is looking forward to work with Russian partners in the future.
<b>Company B</b>	30.08	There was a profitable cooperation with partner in Svetogorsk for a long time, one of objectives is to start a new partnership with similar Russian partner in the future.
<b>Company C</b>	30.08	No particular plans in the near future but may be considered due to fast growing of IT procurement industry and market relevance.
<b>Company D</b>	31.08	There is an intention to cooperate with Russian partners on the textile market with the aim of innovation and information exchange.
<b>Company E</b>	7.09	No plans to enter the market in the near future due to a big project being prepared for a valued client; yet a long-term development plan of a company may consider penetrating Russian bordering market with brand-new service (a type of engineering consulting).
<b>Company F</b>	9.09	There was previous experience of cross-border cooperation with Russia in location of tourism sector, the partnership ended due to covid-19, and it is planned to be entered again with local Russian agent's help.
<b>Company G</b>	15.09	There is no particular plan to enter Russian market in the near future, but it maybe considered in the future as the industry and

		company grows, only if there is a market in Russia for event platform industry.
<b>Company H</b>	01.10	There is an objective to begin partnership with Russian higher education institutions; the bureaucracy is seen as an obstacle, but Russia is still a promising market.

Table 4. Finnish SMEs representatives' ideas on collaboration with Russia

Theory application showed minor correlation between current size of bordering regions' integration and willingness of a company to begin the cross-border cooperation (Sohn, 2014.) Notwithstanding, the empirical results indicate high degree of interest towards Russian bordering partner with a reference on Russian market's relevance in terms of differentiation and hybridisation benefits. Taking into account Sohn's (2014) clarification about specific condition of each bordering region, the evidence becomes justified. The respondents did not show reluctance considering new market penetration. Connecting this as an aspect of organisational change with emotional intelligence construct, such behaviour might be an indicator of developed initiative, optimism, self-confidence and diversity. Remarkably, the companies that had a previous experience of stepping Russian market, indicate readiness to partner with a Russian party again. Additionally, the interviews' outcomes detected some popular obstacles in cross-border cooperation except for pandemic situation that obviously worsen the integration of bordering regions. The obstacles are challenges with custom formalities, legislation and insufficient information about market existence for the provided service. For the companies that provide urban service that may receive yet large spreading in Russia, such as IT procurement analytics or software platform service, the market is to be sought. However, for companies that are intended to offer tourism services, such as *Company A* and *F*, penetration to Russian market is a matter of resources that can be allocated to this activity. INCROBB project sponsored by South-East Finland Russia Cross-Border Cooperation Program 2014-2020, encourages such SMEs start with establishing partnership with project consultation; for instance, in form of joint events where potential partners may present or taking part in international conferences. The willingness to cooperate on cross-border level for Finnish SMEs is affected by the extent of market's familiarity and the possibility to discover a customer/partner for own service there.

### 13.5 The most significant EI competencies and key challenges

Ultimate goal of current research was to understand the role of emotional intelligence in organisational change initiated in a specific context of Finnish small and medium sized enterprises. To reach this objective, popular scientific conceptual frameworks were applied

through interview sessions. Key of these frameworks were Emotional Competence Framework (Goleman, 1998), Job Performance Framework (Boyatzis, 1982) and Transactional Model of Stress (Bar-On *et al*, 2000). For example, as the respondents were asked to define three most valued emotional competencies for change initiation, the most common answer included *social skills*, *motivation* and *empathy* (Figure 8).

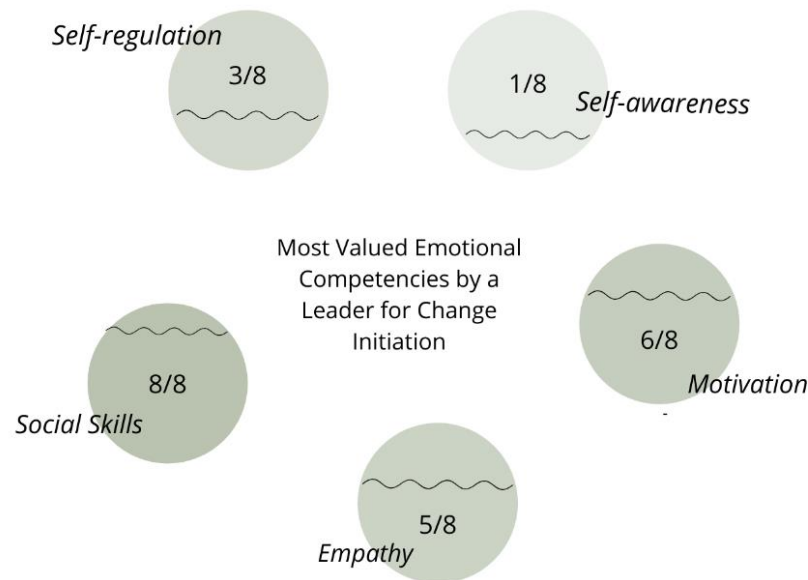


Figure 8. Practical Outcomes of Emotional Competence Framework Application.

As the respondents were asked to explain their preferences, the answers differed. For instance, the owner of *Company B* company referred in his choice to importance of empathy during negotiation and other external processes, similar opinion has got *Company A* CEO, pointing on urgency of relationship management. The representatives that manage relatively big team indicated the significance of cumulative emotional intelligence possession. Additionally, one of them mentioned that empathy plays a vital role inside the company while communicating to the team about company's alterations. The way in which this information presented defines the level of transformational leadership as the leader creates climate for change this way. Self-awareness competence received fewest level of attention in given circumstances; only one respondent named it as a core skill for change initiation. Hence, the respondents mostly concentrate on intrapersonal intelligence skills, such as social skills and empathy, when they are asked about change initiation. The potential reason is that organisational change primarily associates with external parties' cooperation. As an interpersonal intelligence skill, motivation, however, gained attention due to its forward-looking orientation; change requires strength and readiness for altering a status-quo.

Discussing Job Performance Framework application outcomes, the interviewees were asked to define the most demanding element of the skim during change initiation: *Job Demands*, *Personal Life* or *Organisational Environment*. Five respondents indicated *Job Demands* as a challenging element. Changing market situation and a need to plan and alter own internal strategy may cause it. Representative of *Company C* commented that execution of several functions simultaneously is challenging. This perception borders with *Organisational Environment* realm as external factors, like maturity of the field and competition cause the internal alternations. Second, a couple of companies named *Personal Life* as a demanding skim element and only one company reported that *Organisational Environment* is the most challenging sphere to maintain. The perspective on personal life was given with an example: if the mental state of a person is not in equilibrium, there could not be any chance for balanced work performance. Such a self-reflecting comment was given by the same respondent that chose self-awareness as one of the key emotional competencies. Thus, the common opinion is that *Job Demands* is most difficult sphere to maintain while initiating a change. Nevertheless, an individual presenting *Company F* argued personal aspects of life, such as general health and emotional well-being, are the crucial basis for job performance. The level of stress shifts “Best Fit” point within Job Performance Framework; for instance, if the situation is highly stressful, *Personal Life* aspects, such as life and career stages, might be involved. The next concept, Transactional Model of Stress, was applied on *Company’s G* outbound sales proceeding as an organisational change, to demonstrate on a real example, the connection between emotional intelligence, behavior and change as environmental encounter (Figure 9).

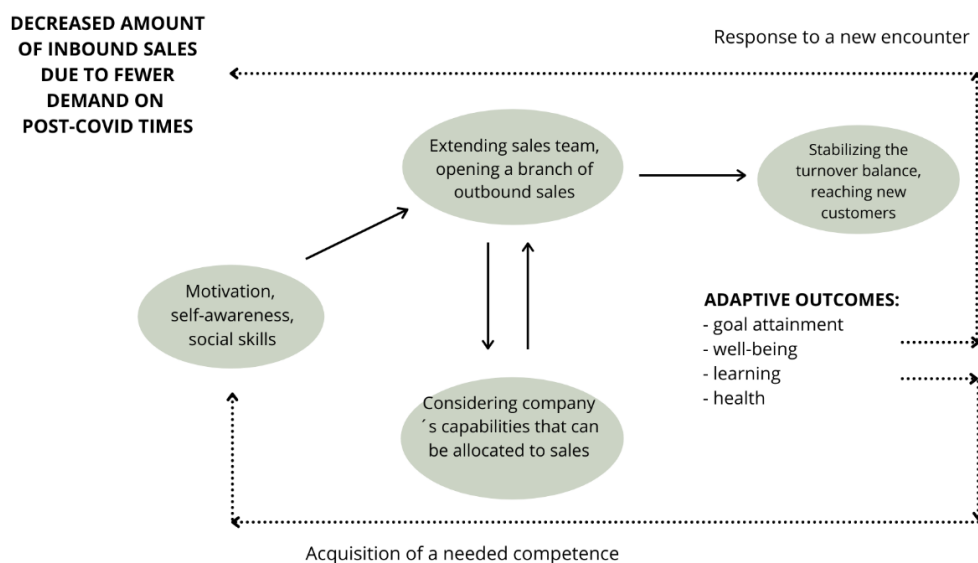


Figure 9. Application of the Transactional Model of Stress.

As it is shown on the top left corner of the figure, reduced turnover in post-pandemic times played a role of change motive; the adaptive outcome of *Company G* included application of such EI components as Social Skills, Self-awareness and Motivation in order to reach the desired turnover of the company. The company undertook coping strategy as expanding the team and begin outbound selling through reaching potential customers. At this stage the referent cognition, as assessing company's capabilities to proceed the change, should appear. Behavior, as the last step of the framework, refers to implementing the coping strategy and reaching new customers through outbound selling. Therefore, the frameworks gave a more precise view on how leader's treat emotional intelligence themselves and what seem challenging to them while relating it to own work experience.

### 13.6 Practical application of research results

With academic data being applied on actual Finnish small and medium enterprises, the author indicated certain pain points and opportunities for growth in the field. The core objective of present work was to address the acquired knowledge to leaders that operate on Finnish market or personas that are looking forward to transformational leadership. Correspondingly, a concise guide that connects theory and responses of Finnish SMEs' representatives is released below. The orientation towards rising awareness and enhancement of management relationship skill in change initiation is seen as a central aspect. The guide presents actions that are recommended to transformational leaders particularly when change through cross-border collaboration is intended. These actions are likely to facilitate sustainable business cooperation and implementation of positive changes, using emotional intelligence as a practical tool.

#### *1. Active learning about emotional intelligence in business and private life.*

As the interview sessions showed, some leaders of small and medium sized companies did not consider awareness about emotions as an urgent matter in change initiation. Whereas Goleman (1998) stated that in working life particularly it played an indispensable role as the basis for actions, setting the climate. When planning to execute a change, the mood is core; there is a variety of things that can go the wrong direction at any stage. However, possessing strong knowledge about emotional intelligence and its neuro side in particular, allows an individual to understand own emotions which is already a nearly halfway towards positive transformation. Further, learning about each emotional competence and applying it on own example enhances an ability to analyse own actions and drivers.

#### *2. Assessment of the extent to which one is ready to devote to collaboration.*

Although self-awareness is an intrapersonal skill, the extent of its progression affects an interpersonal side of business life, such as cooperation with others. The resources such as time and energy are to be carefully considered before making an agreement with another party. Speaking in terms of personal and social EI competencies by McClelland (1998) referred to self-awareness cluster, *accurate self-assessment* is a preliminary element of a mindful cooperation decision-making. The step links commitment and awareness aspects.

### 3. *Understanding own motivation to collaborate.*

As the decision to cooperate is being formed, self-confidence and analysis skills interfere. The definition of own motives in the most concrete form possible facilitate future steps. This action is seen as the very root of Kotter (1998) change model. Before communicating urgency to subordinates, a leader defines it for oneself. The correlation of rationality and emotional intelligence exists at this step. A leader precisely analyses and predicts what the cooperation may bring, putting it against own contribution and relevance of the event.

### 4. *Attending conferences and related events; being initiative.*

Goleman (1998) ranked initiative as a motivation cluster competence. The ability to express own interest in cooperation depends on initiative degree greatly. Therefore, this action unites motivation and social skills, that most respondents pointed as the core ones. Making new contacts proactively and educating oneself is significant for sustainable growth of business and personality. Conferences and other business events are some of the most accessible opportunities for SME leaders to initiate a positive change through demonstrating own potential and partnership inquiry. Also, it enhances knowledge about the sector's trends.

### 5. *Getting practice in negotiating.*

Most respondents ranked interpersonal intelligence skills as the most urgent for the change process; namely, it was social skills and empathy. It refers to relationship management competence cluster that can only be learnt on practice. Negotiation includes positioning, explaining own demands and proposals and active listening. Hence, the perception of every negotiation as an exercise is recommended, it makes the atmosphere less stressful.

### 6. *Learning about a potential partner and his/her needs.*

A leader is to feel self-confident and calm about cooperation intention. Yet, an inherent realization of partner's motives, potentials and demands is required. Core empathy allows this sensation to be helpful in negotiation as the trust level also rises as a partner is listened to. This aspect is especially needed in cross-border partnership due to the cultural differences. Mastering empathy bridges the gap between two foreigners while collaborating.

## 14 Conclusion

### 14.1 Fundamental findings and research questions

The major findings of this study were gathered through combination of scientific frameworks and real Finnish SME market data. As there was not one sector but rather the size and location of company as selection criteria, significant differences were discovered. Leaders in small companies with many years of experience do plan companies' changes alone and present the ready idea to the team. When middle-sized young companies in a progressive sector such as IT, do define managing coalition and consult the team before change vision is ready to be presented. Apart from that, leaders do not usually consider intrapersonal intelligence as a core for change execution. It includes self-awareness, self-regulation and motivation. Whereas most of respondents indicated interpersonal skills as the major ones for change initiation. Likewise, they did consider *Job demands* as a more challenging aspect of life than *Individual* that includes vision, stage of career and other personal things. Thus, intrapersonal skills and awareness in particular do get underestimated in comparison with interpersonal among practitioners in Finnish SMEs.

The conclusions on the research questions are:

#### **Does emotional intelligence help to go through an organisational change at work?**

Certain emotional competencies do help in change management. Social skills, motivation and empathy are seen as cores. Whereas such skills as self-regulation and self-awareness are either taken for granted or not counted by some leaders. General attitude towards the change defines the way it is undertaken. The more a leader pays attention to own mood and the working climate while executing a change, the better for change flow.

#### **In which ways a leader's emotional competencies affect collaboration?**

The ability to collaborate originates from relationship management, awareness about own motives and analytical skills. Apart from emotional competencies, the limbic system itself plays a vital role in assuring collaboration success. It unites rationality side, which is highly needed in brainstorming and negotiation process, interpersonal and intrapersonal intelligences. Leader's emotional competences affect collaboration cumulative result.

#### **How organisational environment, individual aspects and job demands influences job performance?**

Every sphere of the named ones gives its influence on performing activity; however, *Job Demands* were ranked by respondents as the most challenging to maintain. Connectedly,

it should affect the performance at most. Yet, Individual was named an absolutely most significant one in defining job performance, as it comes to personal life that is most likely to be the priority in urgent situations as health problems. Organisational Environment was merely mentioned by interviewees. Nevertheless, it is believed to play an important role in cross-border collaboration due to the differences in organisational and national cultures.

### **Which EI competence determine coping strategy of a leader at most?**

According to interviewees, the most urgent competencies are social skills, motivation and empathy. However, these skills of emotional intelligence are the intended ones that required for change initiation. Whereas intrapersonal intelligence skills, have inevitable influence on behaviour of an individual, motivation determines the coping strategy. The other core intrapersonal competencies, self-awareness and self-regulation act as predictors of the coping strategy.

### **How does self-awareness help to initiate a change?**

Self-awareness is a necessary preliminary condition to proceed the change. Even though most leaders define interpersonal intelligence competencies as the ones most urgent for change proceeding, such as relationship management and social awareness, self-awareness lays deeply underneath all the actions. It does help to initiate the change through careful self-assessment of required conditions and actions for the change; thus, self-awareness is a basis for undertaking a change; it helps indirectly.

### **How does social awareness help to initiate a change?**

Social awareness cluster was seen as one the two most influential in terms of direct influence towards change initiation; the reason is that in business life the change is seldom taken by only one individual. Even the business leaders who operate in small teams do need understanding of other people's motives and needs. Social awareness facilitates the first step towards an external change as the person is able of defining the expected behaviour and adjust it accordingly. Most respondents ranked empathy, which is a part of social awareness cluster, as the top skill for change initiation.

## **14.2 Research reliability and validity**

After research was executed, the author intends to assure its reliability and validity measurements. To begin with, the aim of present research was to investigate the role of emotional intelligence in change management, and cross-border cooperation as an organisational change in particular. Both theoretical and empirical studies indicated the correlation of emotional intelligence capabilities and change management. The connection element is

transformational leadership that allows an individual who possesses strong charismatic personality, to encourage actions that transform the present of a company. Practical results also showed that intended changes have positive visionary character; companies located in South Karelia often plan to enter Russian market. As for the obstacles they face, legal aspects and linguistic diversification was named most often. The competencies of emotional intelligence that appeared most urgent for change initiation were social skills, motivation and empathy for the majority of respondents. Hence, emotional intelligence links to the change process quite tightly in terms of decision-making and negotiation.

Another key goal was to design a guide that leaders may apply while change is planned or happened unexpectedly, but one intends to go through it most sustainably. This guide presented in the previous chapter was based on interview outcomes and the theory. The author revealed certain pain points and potentials. Yet, the context of guide's application is narrow; only information about 8 SMEs on Finnish territory was applied as empirical source. Notwithstanding, the generalized format of the guide expands its usage possibilities. Therefore, the research responded to the key aims with reliable data. The validity exists as the data analysis is to be used for a company's need when change management happens.

### 14.3 The vision of shifting towards a more emotionally intelligent workplace

The current attitude towards emotional intelligence in change initiation among practitioners in business is mostly vague but its urgency is clearly defined by them. There is crucial understanding that as well as in private life, change decision about business are not simple to make. Therefore, the way emotions are identified and managed is significant. As the business undergoes the variety of stages, there is not a chance to escape stress encounters. When mastering emotional responses is a sustainable way to deal with the encounters.

Cross-border collaboration was examined from organisational change point of view. Accordingly, emotional capabilities needed for external cooperation were prioritised among the respondents. Events, such as business-seminars and workshops direct leaders of small and medium sized enterprises towards developing core interpersonal intelligence competencies. INCROBB project organised a series of such seminars for Russian and Finnish companies. For example, the seminar "Art of negotiation with Russian companies" provided certain benchmarks about Russian organisational culture for Finnish SME representatives. Nevertheless, the vision towards a more emotionally intelligent workplace encompasses both intrapersonal and interpersonal intelligence competencies. Self-education about the emotional intelligence practices, such as self-expression, journaling and dialoguing, should be encouraged on a local corporate level by a leader.

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## Appendices

### Appendix 1. Interview Questions

#### Part 1 Background Information:

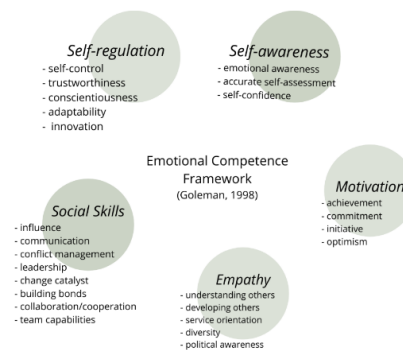
- 1) How many employees are there in the company?
- 2) What is your position in the company? How many subordinates you have?

#### Part 2 Change-specific Information:

- 3) Are there changes that the company is going to face in the near future?
- 4) Is there an objective to enter Russian market? How would you do that? What kind of information would you request in this case?
- 5) What was the last change that your company overcame? If there was one.
- 6) How was the team for a change proceeding formed if it was? How did you create the vision?
- 7) Did you communicate urgency of a change to your supervised ones? Vision? How?
- 8) What do you consider as a more fragile element that contributes into work performance? 1 – Personal life, 2 – Job Demands, 3 – Organisational Environment (corporate culture, sector) see Picture 1
- 9) How do you estimate your influence on team's readiness for the change? 1 – insignificant, 2 – minor, 3 – limited, 4 – decent, 5 – significant
- 10) What are the top 3 qualities for successful change execution? 1 – awareness, 2 – social skills, 3 – self-regulations, 4 – empathy, 5 – motivation. Why? (Primary explanation of the elements is needed) see Picture 2



Picture 1



Picture 2

## Appendix 2. Interview data table

What type of change is implemented/planned within interviewed companies?

<b>Company</b>	<b>Date</b>	<b>Implemented change</b>	<b>Planned change</b>
<b>Company A</b>	25.08	Larger demand in comparison with reduced demand due to covid	New web page launching
<b>Company B</b>	30.08	End of the contract with a partner in Svetogorsk; the website upgrading	Going to distinct markets, particularly Russian market
<b>Company C</b>	30.08	New working team in customer service was formed on US market	Chicago office extension, team members have got more specified roles
<b>Company D</b>	31.08	Starting own recycled textile production; closing a kitchen unit production as it was too expensive and challenging to implement	Creation of more working positions for people, growing production; supplying recycled textile material to a new BtoB customer
<b>Company E</b>	7.09	Reorganisation of company's formal state, linked with legal aspects and division of tasks, new CEO Updated webpage design	New big project to implement, caused by the demand of a valuable client
<b>Company F</b>	9.09	Division of company that started from February. Separation of the party into a single establishment	The change is ongoing and planned for the next 6 months; building digital marketing team.
<b>Company G</b>	15.09	Launching of outbound sales, expanding sales team	Ongoing, finalizes by end of October.
<b>Company H</b>	1.10	Alteration of digital marketing strategies; entering education market.	Cooperation with Russian and Finnish universities and employing staff.