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# The Role of Emotions in Business

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In 1776 Adam Smith wrote *The Wealth of Nations* – a treatise on economics and business that is still used to this day. In it Smith talks about the division of labour. Everyone in a business was to have a particular job and they only did that job. People were rewarded for doing the tasks they were assigned and punished if they didn't. Simple - and during the Industrial Revolution – very effective.

But getting people to do what you want them to do is not just about reward and punishment. In fact social science has conclusively proven that reward and punishment only works for very specific types of tasks – known as algorithmic tasks. These are tasks that follow a set path to a set outcome and as such are often monotonous and boring. For everything else, known as heuristic tasks or those that require creativity, innovation and trial and error to perfect, reward and punishment do not work and can often illicit the very behaviour you are trying to stamp out. One hundred years ago most people spent most of their time doing algorithmic tasks, today technology and innovation have replaced many of those jobs and according to McKinsey & Co this type of work will account for only 30 percent of job growth now and into the future .

Regardless of what we might want to believe, people are people and not machines so treating them like machine is no longer effective.

And people have emotions so to ask them to leave their emotions at the door is like asking them to stop their heart beating while they are in the office because the noise is a little distracting. Besides negating emotion in the work place is not commercially smart because it renders employees incapable of making good decisions, unable to work hard, unlock their discretionary effort and feel a sense of fulfilment. Plus it facilitates terrible customer service. If we are serious about securing a commercial edge over our competitors then we really must understand how central emotions are to human functioning and the development of potential.

It was MIT management professor Douglas McGregor who really started to question this "leave emotion at the door" approach to business back in 1960. Drawing on the work of motivation luminaries such as Harry Harlow and Abraham Maslow McGregor refuted the notion that people, men included, were basically walking machines that needed to be programmed to do a job and kept in line.



McGregor believed that the productivity and performance problems that plague business – then and now - are caused by a fundamental error in our understanding of human behaviour. He described two very different types of management – Theory X and Theory Y . Theory X assumes people are lazy and to make them conform you need a command and control approach. Emotion has no place in Theory X and if anything is considered a show of weakness. Theory Y on the other hand assumes that work is as universal and necessary as rest and play and when you bring people together toward a shared vision that everyone is emotionally connected to then truly amazing things are possible. McGregor’s insights, made all the more palatable because he had real leadership experience as well as a Harvard Ph.D. in psychology, did help to shift work practises a little but for the most part Theory X is still the predominant management style in modern business. We still seem reluctant to embrace the very thing that makes us human in the first place – emotions.

I think that the biggest reason we cling on to Theory X in some form or another is because the alternative is terrifying. Theory Y requires that we break down the barriers and start really communicating with each other, it means facing the messy and unpredictable side of humanity and if we don’t even appreciate our own emotions and how we feel on a daily basis ‘feelings’ can seem like an alien and unfathomable black hole. It’s just too hard! So instead we try to ignore that business is first and foremost a collection of human beings. It’s like owning a Formula One team but refusing to hire mechanics to look under the shiny red exterior! In her case study at [www.coherence-book.com](http://www.coherence-book.com) Orlagh Hunt, one of the best HR Directors (HRD) in the FTSE reflects on her time as

Group HRD for RSA Insurance and discusses the critical importance of embracing the human element of business – and that means emotion. With a 300-year heritage, RSA is one of the world’s leading multinational insurance groups employing around 23,000 people, serving 17 million customers in around 140 countries. Talking about her time with RSA Orlagh said, “In theory we worked together, but our old way of operating had been all about driving individual performance. That was how our performance management and people management processes were set up. But to think bigger you need to have more collaboration and innovation and that requires different ways of working... Individually, for members of the executive team, it was very much about being open. We needed to stop the sense that you have to have all the answers just because you’re in a senior position. That means being open to including more people in decision-making... Moving our leadership style on in that way was very important.” And the effort paid off, by looking under the hood of the team dynamic and really seeking to understand human behaviour in a more sophisticated way RSA achieved significant wins. “We moved to a more human and engaging leadership style that supported the organic growth phase and teed up opportunities for us to think differently about how ambitious our strategy could be... The outcome has been that the organisation moved from failing to being well respected on the FTSE. Not only that, but the organisation has seen benefits in terms of significant levels of organic growth despite a difficult economic environment, world class levels of employee engagement (as measured by Gallup) and it achieved sixth place in The Sunday Times Best 100 Big Companies to work for scheme in 2012.”



Emotions must be understood if the leadership journey is to be successfully navigated. Of course it is possible to be a powerful business figure with low levels of emotional and social intelligence (ESQ). But individuals who become more emotionally and socially intelligent will significantly improve results. Emotional mastery can:

1. Improve clarity of thought & ability to learn
2. Improve the quality of decision making
3. Improve relationships at work to avoid 'leadership by numbers'
4. Facilitate effective management of change
5. Increase leadership presence
6. Improve health & well-being
7. Increase enjoyment & quality of life
8. Ignite meaning, significance & purpose
9. Improve motivation and resilience
10. Expand sense of self

## Improve clarity of thought & ability to learn

We've all found ourselves in the middle of a heated argument saying something stupid only to think of the most brilliant come back five minutes after the other person has stormed out the room? Unfortunately it's impossible to think of smart comebacks or great ideas when our internal emotional signals are going haywire - even if we look the picture of indifference on the outside.

Whether we feel the emotion or not doesn't alter the fact that the emotion is present. And it's already impacting your clarity of thought and the outcome.

We will explore this idea in more detail in the next chapter but ultimately chaotic physiology and turbulent emotions cause the frontal lobes to shut down. So the clear thinking that we believe we are engaged in is actually just the emotional early warning system of the amygdala, not the neocortex. Emotion is constantly influencing our clarity of thought and ability to learn the only real question is whether that influence is unconscious and potentially negative or consciously managed and therefore positive.

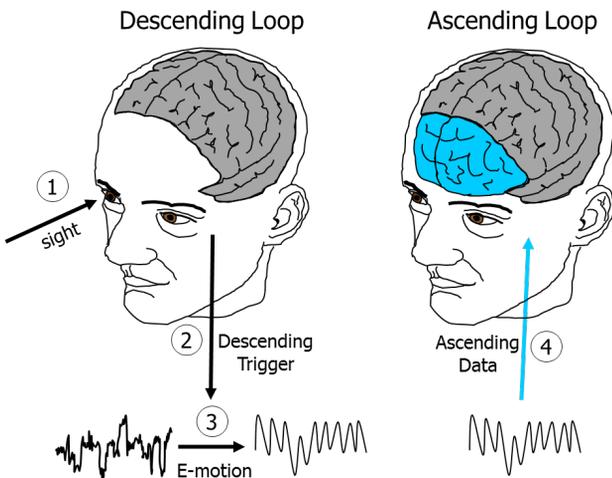
There are millions of bits of information from the internal and external world that are competing to get into our conscious awareness. Unless you learn emotional mastery and self management so that you take conscious control of that filtering process what you become aware of will largely be determined by long forgotten conditioning and the hyper-vigilant and over protective amygdala. Plus it takes at least 500 milliseconds longer for the information to reach the frontal cortex and a thought to emerge than it does to activate the emotional early warning system of the amygdala. That's why we said something stupid in the argument - our amygdala reacted before our thinking, rational frontal cortex even knew what was going on.

This process is incredibly fast. If the amygdala detects danger, real or perceived, it will send a signal to our heart and cause it to speed up. This is the 'descending loop' of the construction of a feeling.



The heart rate can jump from 70 beats per minute to 150 bpm – within one beat. This change in the energy of the heart (e-motion) is then sent back into our amygdala, the anterior cingulate cortex, hippocampus and the motor cortex. This is the ‘ascending loop’ of the construction of a feeling.

### Figure 3.1 Construction of a Feeling



In that half a second our physiology has already changed, the emotion emerged and whether we were aware of that emotion as a feeling or not it has already initiated a response that the neocortex is not yet even aware of.

This biological phenomenon means that we are all living half a second behind reality and also explains why feeling dominates thinking and not the other way around. Feeling is faster than thought and sets the context in which thoughts even occur. Thoughts are slower and they are an emergent phenomena, they do not occur independently of changes in our emotion. The thought wouldn't have emerged had our physiology and emotion not changed first.

This mechanism can be useful in alerting us to danger but without greater emotional intelligence our amygdala can become “trigger happy” and that’s not that useful in business. In fact it can be extremely costly. If we are aware of a tiny fraction of what we could potentially be aware of it makes sense to develop a much greater awareness of our internal data. By doing so we are able to make better decisions and accurately determine what’s really commercially relevant instead of making knee jerk emotional reactions that can pollute our thinking and hamper performance.

Learning to induce an appropriate emotional state is also key for optimal learning. In the training and development industry this is called “learner readiness” but it is little more than common sense. If we are spending a fortune on internal training that isn't working then at least part of the reason is down to emotion. If someone is in a negative emotional state, if they are hostile or resentful at having to be in the training in the first place, or they think the course is a waste of time then they won't learn and they certainly won't implement. When their physiology is chaotic they are generating much higher levels of the stress hormone cortisol. Cortisol is well known to inhibit learning and memory.

As an Enlightened Leader we can help to shift the emotional response of the people around us which can improve their ability to learn and enhance their performance.



## Improve the quality of decision making

All commercial success ultimately depends on the quality of decision making. Most executives, particularly male executives, believe that decisions are a logical process. You analyze the data, determine the best option and make the decision. Unfortunately this is not how decisions are actually made.

In the mid-19th Century there was a breakthrough in the neuroscientific understanding of decision making, although this breakthrough wasn't fully understood until 20 years ago. It all started with Phineas Gage who was a railway construction foreman in the USA in the 1840s. Rather than weave the railway around rock it was easier to blast through the rock. Gage, an explosives expert was employed for that task. The process involved drilling a hole in the rock, half filling it with gunpowder, inserting a fuse and filling the rest of the hole with sand. The sand would then be "tamped in" very carefully with a 'tamping rod' to pack the sand and explosive in place, before finally lighting the fuse. Unfortunately on the 13th September 1848, 25 year old Gage suffered a traumatic brain injury. Momentarily distracted Gage started tamping before the sand was packed in and a spark from the tamping rod ignited the gunpowder sending the six foot long iron tamping rod straight through his brain, landing 80 feet away. Amazingly Gage survived – conscious and talking just a few minutes after the accident.

## Phineas Gage Traumatic Brain Injury Survivor

Antonio Damasio has written extensively on the consequences of Gage's injury and its implications for decision making. Based on medical records at the time and brain reconstructions Damasio suggests that the iron pole cut through his brain and disconnected the logic centres located in his frontal cortex from the emotional centres located further back in his amygdala. Prior to the accident the railway company that employed Gage considered him to be one of the most capable men in their business. However, after the accident his character changed completely and although he could answer basic logic problems he was unable to make decisions, or he would make decisions and abandon them almost immediately.

Gage's inability to make effective decisions led neuroscientists to realise that decision making requires emotion. In order to decide anything we have a 'feeling' first and then we simply look for rational data to support that initial feeling. As a result all decisions we ever make are really just feelings justified by logic. Quite simply, we can't exclude feelings from the decision-making process. Even the most hard-bitten neuroscientist will tell you that the emotional system and logical system are inseparable.

If you put this book down and find yourself saying 'that's rubbish' – then it is likely that you are having an emotional reaction to the information that is causing you to 'feel' like rejecting what is written here.



Chances are you pride yourself on your logic and the mere idea that your decision making is anything other than supremely rational is offensive to you. But the fact remains, emotion is driving your decisions whether you like it or not. In fact the emotional basis of decision making in financial markets has recently received much attention. John Coates PhD, former Wall Street trader and now neuroscientist at Cambridge University, suggests that city traders live on instinct and operate largely below the level of conscious awareness.

At Complete Coherence we have also conducted a study at the European School of Management. Using the simulated trading floor 30 MBA students were let loose with £1 million in fake money to trade shares. During the experiment each student had their biology monitored using CardioSense Trainers. The initial analysis of the data indicates that while most of the students traded very little, there were two small cohorts that were either very successful or very unsuccessful. Preliminary evidence suggests that those that were successful and made better decision were more coherent and the people who were unsuccessful were more incoherent.

Coates looked at this same issue although he suggested the driving force was testosterone . Our findings are entirely compatible with Coates data. In fact we have shown in a previous study that coherence training increased DHEA levels, the precursor of testosterone (on the left hand side of the performance grid in figure 3.0) . We believe, therefore, that it isn't testosterone that is making the difference it is coherence. Creating a coherent physiological and emotional signal can facilitate clarity of thought and better decision making in traders.



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