

# CFMA Building Profits

THE MAGAZINE FOR CONSTRUCTION FINANCIAL PROFESSIONALS

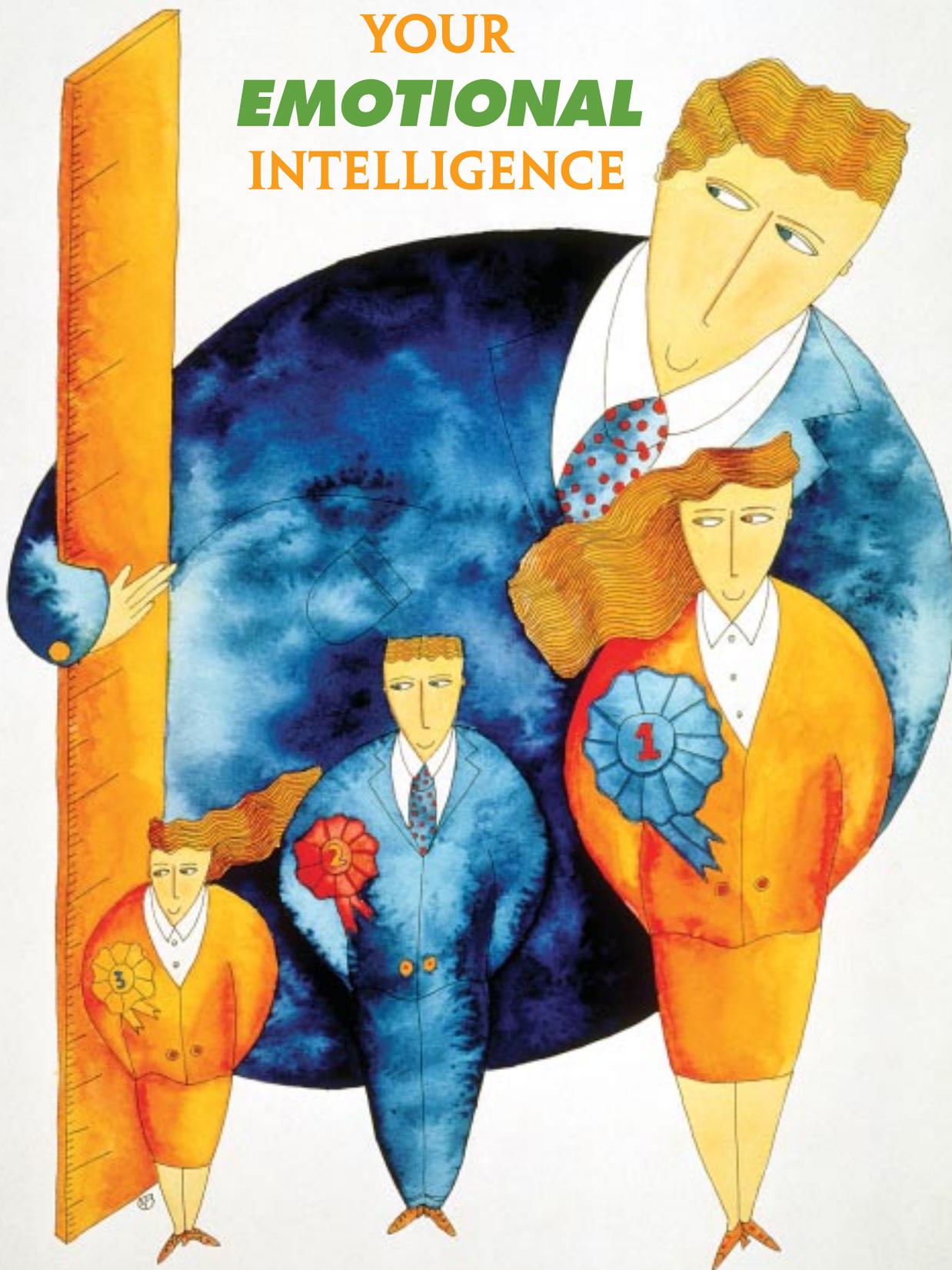
R E P R I N T



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**CONSTRUCTION FINANCIAL MANAGEMENT ASSOCIATION**  
*The Source and Resource for Construction Financial Professionals*

**GROWING**  
**YOUR**  
**EMOTIONAL**  
**INTELLIGENCE**



**FOR BETTER BUSINESS RESULTS**



***Technical and financial skills are among the typical components of any (CFM's) toolbox. Yet, given the challenges currently facing the construction industry, accounting and financial knowledge comprise only part of the requisite skill set . . .***

BY PATRICIA WHEELER

### **CFM Responsibilities**

CFMs are tasked with guarding the financial health of their organizations. In addition to knowing the numbers, they must increasingly serve as powerful advocates for overall financial decisions and corporate strategy – interpreting and evolving numbers into tactics and goals, plus understanding how to drive change.

And, they must communicate both the good and bad news, identifying opportunities for growth and times for restraint to their CEOs, Boards, and employee bodies.

### **THE CONSTRUCTION CONTEXT**

Consider the words of Brantley Barrow, CFO of Hardin Construction Company and a former CFMA president:

“Traditional entrepreneurial CEOs and presidents of closely held construction companies may not be open to the opinions of ‘outsiders’ (unfortunately, this is often the position and perception of the financial professional).

“This makes it essential that CFMs have the interpersonal skills to confront the hard issues, bring them to the table, and advocate for sound fiscal strategy.”

Few financial executives, says Barrow, have received the training necessary for performance at this level. He also adds that accounting and financial courses do not teach the skills required for understanding organizational dynamics and influence.

And, to compound the problem, CFMs (who generally hail from a white-collar education and experience) must interact with a variety of individuals from many diverse backgrounds within the construction context.

### **THE KEY**

Since organizational dynamics and communicative flexibility are not the primary focus of a traditional financial education, how can CFMs expand their skill sets in order to effectively deal with a wide variety of perspectives and personalities within the industry?

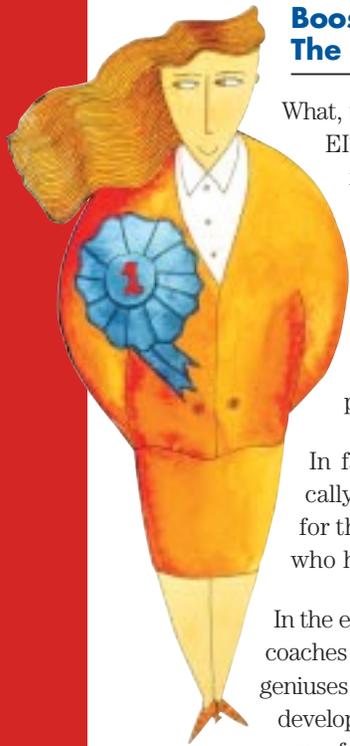
The key is a construct referred to as “Emotional Intelligence” or EI – a small constellation of critical competencies that make the difference between highly performing, creative financial professionals and solid, but average, performers.

### **The Emotional Intelligence Skill Set**

What are the EI skills that can boost a CFM's performance? These core skills, which may seem “soft” on the surface, actually translate into improved performance and a better bottom line. They are:

- **Conscious Self-Knowledge** – The ability to recognize thoughts and emotions, strengths and weaknesses as they occur.
- **Maintaining Appropriate Control** – The ability to deal with situations without over- or under-reacting.
- **Maintaining Motivation** – The ability to keep a healthy and realistic perspective.
- **Recognizing Others' Interests** – The ability to recognize the needs and perspectives of others.
- **Communicating with Flexibility** – The ability to vary your influence style based on the needs of your audience.

While we tend to think of such skills as intangible qualities that one is either born with or not, our experience demonstrates that executives can develop greater competency in these skills once they set that outcome as a goal.



## Boosting Bottom-Line Results: The Business Case

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What, then, is the business case for developing EI? Barrow states that EI is critical to professional growth and success because, "With every business problem, there's a personality attached to it."

Recent research repeatedly points to the presence of EI as a crucial distinction between good executives and star performers.

In fact, many executives who are technically talented but lack EI end up working for those who are less smart and skilled, but who have better people skills.

In the executive development arena, professional coaches are often asked to help these technical geniuses develop the qualities that will help them develop better management skills and a more powerful executive presence.

### INTELLIGENCE VS. EMOTIONAL COMPETENCE

Consider the following: The consulting firm of Hay/McBer interviewed hundreds of top executives at such global companies as PepsiCo and Volvo as part of its research on executive success.

They found that the only *intellectual ability* that distinguished star performers from average performers was the ability to "see the big picture" and pick meaningful trends out of all the data available to them.

But, close to 90% of a star performer's success was attributable to such *emotional competencies* as team leadership, self-confidence, achievement drive, the ability to influence, and the ability to read situations accurately.

### HOW IMPORTANT IS IT?

From a company's perspective, how much more valuable is a top performer than an average performer? The answer depends on the complexity of the job.

For the most complex occupations (including the "C" level positions of CEO, CFO, etc.), executives who were ranked within the top 1% on measures of EI performed 127% better than the average executive in a similar position.

Research has also demonstrated that emotional competency makes a difference even in fields as technical as computer programming, where top performers who possess emotional competency outperform average workers by as much as 1000%.

### TEAMWORK COUNTS

Researcher Lyle Spencer described the crucial difference in terms of teamwork skills. Top performers tend to:

- Form relationships with their colleagues that are collaborative rather than competitive,
- Focus on building relationships with co-workers and clients, and
- Operate with a very good understanding of the needs of others.

What would it be worth to your company if your department operated even 10% more effectively than it does now?

## How Emotional Intelligence Can Help You & Your Company

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Emotional competency enhances a manager's ability to:

- Read a situation accurately,
- Muster up the courage and conviction to confront,
- Utilize a communication style that will be truly listened to by the intended audience, and
- Work together as a team to combine vision with financial realities to produce successful results.

Today's CFMs are on the organizational front lines more than ever. Given the current climate of corporate oversight, auditors are significantly less flexible about what they will allow financially. However, the perceptions of construction owners have not changed; nor has the strong personality style that drives toward demonstrative financial success on the books.

And, it is you, the financial professional, who is in the middle of this situation and who must communicate to many different audiences a solution tolerable to all.

### Beyond "Bean Counters"

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Jeff Platt, CFO of Penhall Company and former CFMA president, describes the prototypical financial executive as one whose value is measured by the quality and quantity of the numbers provided to superiors.

Financial types tend to be "pleasers," he says, and often make the mistake of assuming that others in the organization have the same values and perspectives and talk the same language.

And, in the too-oft repeated scenario of the "Corporate Emperor's New Clothes," where top leadership fixates on an unrealistic and financially unsupported result, it generally falls to the CFM to point out the brutal realities and naked truth.

**“When executives train themselves  
to recognize their emotions  
and examine the reasons for their occurrence,  
they are better prepared  
to evaluate complex situations  
and make clear decisions.”**

In such a situation, numbers alone are likely to be insufficient in influencing a corporate culture intent on delivering only good news to the leadership, stakeholders, or Board of Directors.

Note the failures of the recent past, such as MCI and Enron, in which some financial professionals knew about fraudulent practices, but were unable or unwilling to stand up against two forces: the prevailing corporate culture and the stakeholders who insisted on seeing continual growth and astronomical profits despite massive cash outflow.

Given your professional history, what “tough issues” or costly mistakes could have been prevented or more quickly resolved had the players shown greater emotional competence? How different would the impact have been on the bottom line?

### **Don't Be a Statistic**

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Emotional intelligence, or the lack of it, can also have a direct impact on your own professional trajectory. Research on the derailed careers of top American and European executives has repeatedly shown that the lack of strong leadership skills and the inability to build well-functioning teams were the most common reasons for failure. Other contributors to executive failure include:

- Problems in hearing and acting on feedback,
- Difficulty in changing one's leadership style to meet the needs of the organization, and
- A critical, insensitive communication style.

### **The Focus Is Now on You!**

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So, how can a CFM increase his or her skills in this arena? Here is a breakdown of the five EI competencies, as well as a series of self-directed questions and corresponding coaching tips.

#### **CONSCIOUS SELF-KNOWLEDGE**

Self-knowledge, at its most basic level, involves recognizing one's thoughts and emotions, decisions and biases, strengths and weaknesses in real time. When executives train themselves to recognize their emotions and examine

the reasons for their occurrence, they are better prepared to evaluate complex situations and make clear decisions. Make no mistake: Your emotions affect others, whether you are aware of them or not. Operating with no awareness of your emotions is like trying to operate heavy equipment with one hand tied behind your back.

#### **? ASK YOURSELF ?**

How well and how often do I recognize my own array of thoughts, feelings, values, biases, and my emotional state? How accurately do I assess my job performance or my relationship with different individuals? Am I often surprised by the feedback on my performance? How intuitive am I?

#### **! COACH'S TIP: KNOW THYSELF !**

Self-knowledge is the basic cornerstone of emotional competency and one of the fundamental characteristics of good leaders. To build this competency, you must build insight. One highly effective tool is the 360° feedback survey – an assessment process which gathers information from all directions (including direct reports, peers, and senior leaders) to identify existing strengths and needs. Working with a professional coach to review your history of successes and failures can also be invaluable.

Self-knowledge is a journey, as well as a destination. Begin by identifying a difficult situation or relationship at work. Examine your own emotional reaction and look for patterns. Are your responses deliberately chosen or are you reactive? Do similar types of people or situations trip you up? In what situations are you comfortable? In what situations are you not?

#### **MAINTAINING APPROPRIATE CONTROL**

Briefly stated, this is the development of “grace under fire.” This means maintaining an even keel even when others around you are losing control. A key point is neither over- nor underreacting to a tense situation. This is a crucial skill in building trust and being perceived as a powerful and effective leader.

#### **? ASK YOURSELF ?**

If I measured my level of control on a 10-point scale (1 meaning “very conflict-avoidant” and 10 meaning “often

aggressive”), where would I typically place myself? How easy or difficult is it for me to delay the impulse to act on strong feelings? How passionately do I express myself?

**! COACH'S TIP: PRACTICE SELF-CONTROL !**

One effective strategy involves training yourself to pause and reflect on your thoughts and emotions before responding to a difficult situation. While unbridled aggression is never a recommended emotional strategy, remember that passion has power in the workplace.

Assess when you need to tone down your passion to make an effective statement and when you need to ramp it up. As a rule, CFMs tend to understate their passion.

**MAINTAINING MOTIVATION**

Optimism and perseverance are emotion-based competencies that can be learned and enhanced. Healthy optimism means accepting the facts of the situation while maintaining the perspective that you can deal constructively with whatever reality you are facing. This has nothing to do with denying the truth of an unpleasant situation or “burying your head in the sand.”

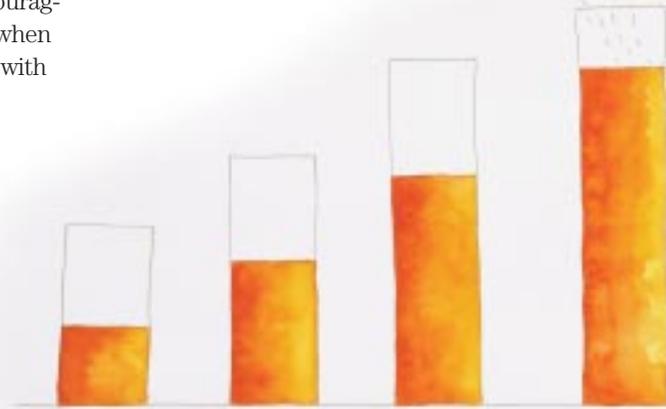
**? ASK YOURSELF ?**

How easy or difficult is it for me to overcome obstacles or crises of confidence? What sort of inner dialogue do I have about my abilities? How much do I tend to worry or avoid difficult situations? Where do I tend to give up? How well do I sense when to push and when to back off? Do others see me as optimistic and motivational?

**! COACH'S TIP: ACCENTUATE THE POSITIVE !**

Look at what lights your fire! It's important to have a realistic definition of success for yourself, and a clear knowledge of your core values to help you maintain perspective and balance during difficult times.

It's also crucial to find ways of encouraging yourself when you're faced with obstacles.



Stay mindful of your past successes and have your own personal “Board of Advisors” who can help you keep your perspective and spirit.

Having style flexibility is also key; knowing when to forge ahead and when to take a step back and change your strategy is also extremely important.

**RECOGNIZING OTHERS' INTERESTS**

This is the fundamental basis of all conflict resolution. All good leaders have the ability to take a situation headed in a win-lose direction and craft a win-win or a tolerable outcome, at the very least.

To do this, you must be mindful of the needs and perspectives of others and be able to use this knowledge to develop solutions. Motivating others is largely based on understanding their wants and needs and including them in your overall strategy.

**? ASK YOURSELF ?**

How easy or difficult is it for me to accurately gauge the needs of others, especially in the middle of conflict? How often am I described as a good listener or someone who really cares about others?

**! COACH'S TIP: FOCUS ON OTHERS !**

Look at what lights their fires! When you encounter what seems to be an impasse, ask questions rather than simply restating your point. “How” and “What” questions are more powerful than “Why” questions.



For example, asking, “What are the results you want to achieve here?” is likely to produce a more substantial and less defensive answer than, “Why do you think your plan is the best?”

When you uncover what motivates and drives the behavior of others, you increase your leverage in any and all situations.

### COMMUNICATING WITH FLEXIBILITY

Flexible communication is the hallmark of great leaders. Platt states that there are two types of CFOs: those that are always “right” and those that are successful. The successful CFOs, he says, know how to manage relationships; they do not need to rigidly defend their position or their facts.

He stresses that successful CFOs are also aware of their audiences and their different needs. Communication style should vary with the audience. For example, supervising clerical staff often requires a softer personal style, while that style would be ineffective dealing with the high-powered Wall Street MBAs that may populate your Board of Directors.

### ? ASK YOURSELF ?

Who are the different audiences I must interact with on the job? How do I vary my style with each? Which audiences am I strongest with? Weakest with? What feedback have I received from others regarding my communication style? What changes, if any, have I made in response to this feedback?

### ! COACH'S TIP: KNOW YOUR AUDIENCES !

Everyone has communication strengths and weaknesses. Become a feedback seeker. The most effective executives understand the impact of their communication and influence styles on those around them.

Your power as a CFM will increase dramatically if you take the time to develop a number of different influence styles, just as all talented athletes have a number of different plays they can execute competently.

## The ROI of Emotional Intelligence

In conclusion, EI skills are a valuable addition to your professional toolbox, increasing your ability to lead your organization toward profitability during tough times. Emotional competency also leads to the bottom-line results of increased retention of key direct reports and better development of your successors.

Even a small company will benefit from your faster and more accurate decision-making ability, not to mention your ability to better influence and foster more collaborative

decisions with multiple stakeholders. Add to this the benefit to your own personal career trajectory, choices, and earning potential – and the choice becomes clear.

### MAKING THE COMMITMENT

If you are among those interested in developing business results from your emotional “muscle power,” consider the following suggestions:

- As a first step, put EI competencies on your personal “radar screen.” Being aware that these skills make a difference is an important first step.
- Read Daniel P. Goleman’s *Working with Emotional Intelligence* (Bantam Books, 1998), which provides a thorough examination of emotional competencies and skill development strategies.
- Consider a 360° feedback survey to help you learn more about your style and how to build more flexibility and skill in influencing others.

Crafting a 360° instrument that specifically reflects your firm’s values and culture is not difficult and produces a tremendous payback.

- Consider hiring a coaching professional to help you, your senior team, and other key personnel develop and use the EI skills that can and will increase your company’s bottom line.

Any steps you take to increase your EI competency will clearly yield a good return on your investment. **BP**

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