

When To Hold or Fold 'Em

Part One: EIQ

Many companies encounter downturns. Lenders and other professionals face a real challenge in distinguishing between those which can be saved and where there is no hope.

Is the overall market growing? Are the competitors too strong in the marketplace? Has the company's reputation been hurt by poor service, product recalls or other factors? Can the company be adequately financed? Are the products old? Does the company have innovative products ready to launch or on the drawing boards? What is the state of its internal operations? Perhaps most importantly, is management up to the task?

These are just a few of the questions that face lenders and turnaround consultants. Today we are going to address a method for assessing management.

Some people say that to attain a high position in an organization, an individual must possess brains and technical competence. I agree. Put in poker terms, however this is just the ante.

If one were to look at both successful and failed business leaders, one would find that they all had brains and technical competence. Jack Welch. Bill Gates. Laurence Cassidy. Dennis Kozlowski. Scott Sullivan. Richard Scrushy. The list goes on.

There is another factor. It's called Emotional Intelligence or EIQ. The EIQ consists of five components:

- Self-awareness
- Self-motivation
- Self-regulation
- Ability to read others
- Ability to inspire trust

The successful leaders above possessed all five of these characteristics in abundance. Those whose companies failed and/or who personally faced criminal sanctions failed the test in one or more areas. Take Dennis Kozlowski. Blinded by his success, he was no longer self-aware; he was certainly not self-regulated (witness the party in Sardinia); he lost his ability to read others; and, at the end, inspired no trust.

When a company is in trouble, assess the management's EIQ. If it is high, they may be part of the solution. If not, they must be replaced no matter what other strengths the company may possess.

If you'd like to read more about EIQ, please refer to David Goldman's excellent book, *Emotional Intelligence: Why It Can Matter More Than IQ*.