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## The importance of emotional capital in companies

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### Abstract

In today's fast-growing world, there is a certain need for companies to stay ahead of others in terms of a well-structured and strategic sustainable management.

When we speak about human resources, we mainly speak about not only rational beings, but also people endowed with certain emotions and feelings, expectations and motivations, which in case being taken into consideration may have a huge impact on the overall labour output.

The present paper sheds light on the importance of emotional capital in businesses and its relevance for the success of therein.

**Keywords:** Emotions, emotional capital, emotion management

### Introduction

Being humans, we almost always experience a certain emotion or feeling that may vary throughout the whole day depending on various outward stimuli making our emotional repertoire that guide us during our entire lives.

When speaking about humans, Dale Carnegie truly stated, "When dealing with people, remember, you are not dealing with creatures of logic, but creatures of emotion". This statement truly hints to the fact that we humans are mostly governed by our internal emotional states that have an immense impact on our verbal and non-verbal extra linguistic behaviour (Rostomyan, 2022a) <sup>[9]</sup> that greatly shapes our relationships both in our personal lives and in business.

Therefore, while dealing with Human Capital in businesses all over the world, especially in emerging countries where the economy is unstable, and in particular in family businesses, we have by all means also to take into consideration the so-called "*emotional capital*" that any company can greatly benefit from.

According to Oxford Business English Dictionary (2005) <sup>[8]</sup>, "*emotional capital*" in HR is the feelings, beliefs and values of a certain company's employees that make good relationships possible and help a business to be successful and grow.

This includes all our internal states, our awareness of therein and our ability to manage, harness and express our very own emotions, as well as recognizing them in ourselves and in the others in our surroundings (Rostomyan, 2022b) <sup>[10]</sup>.

The Oxford definition comes to suggest that for a company to succeed and flourish the emotional capabilities of its employees, especially in building lasting bonds with their partners, customers and consumers, are of paramount importance since without the latter no business can flourish in the real sense of the word, since the people make up the business. This holds true especially for family business, where it is all about the people involved.

Like economic capital, emotional capital is unequally distributed in society and is distinct from practice—in this case, the situated activation and embodiment of emotional experience, expression, and management (Hochschild, 1983, 1979) <sup>[6, 5]</sup>.

For this, a new term has been introduced to science, namely "emotional labour", which indicates that people must act in certain ways in terms of expressing and suppressing their emotions according to their professions.

So, in fact, the term "emotional labour" was first coined by the sociologist Arlie Hochschild in her book "The Managed Heart" published in 1983.

According to the author, emotional labour referred to managing one's very own emotions according to their profession (Hochschild, 1983) <sup>[6]</sup>. Hence, the author actually suggested that there are certain professions that require management of the expression of emotions.

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According to Hochschild, we all have to act in a certain way depending the provisions and demands of our professions (Hochschild, 1983) [6]. This happens based on pre-learned norms, as well as the norms of the companies we work for, where we have to deal both with the emotions in the others while doing business, and our very own personal emotions, which make up our beings.

**Emotional Capital and its Vitality in Business**

According to the definition of Cottingham (2016) [1], *emotional capital is a tripartite concept composed of emotion-based knowledge, management skills, and capacities to feel that links self-processes and resources to group membership and social location.*

Nowotny (1981) [7] is mostly cited as the one who has coined the term “emotional capital”. She defines emotional capital as “*knowledge, contacts, and relations as well as access to emotionally valued skills and assets*” (p. 148). Froyum (2010) [3] extends this definition to see emotional capital as an interpersonal resource that “*treats emotions and their management as skills or habits that translate into social advantages*” (p. 39). Knowledge of situationally appropriate emotional experiences and expressions complements the skills needed to manage emotions. Adding to this definition further, Thoits (2004) [12] argues that emotional capital encompasses not only emotion-based knowledge and skills, but also the capacity to experience “*social emotions*” predicated on role-taking.

Combining these definitions, Cottingham (2016) [1] uses the term “emotional capital” to refer to one’s trans-situational, emotion-based knowledge, emotion management skills, and feeling capacities, which are both socially emergent and critical to the maintenance of power.

Going further following these definitions, I do firmly believe that the concept “emotional capital” does not only refer to the emotional social bonds and relations that the employees form, but also to the internal emotional treasures of each and every employee and employer as a whole entity that add to the value of the whole organization, where the emotional assets of the workers accumulate the positive features of the undertaking and re-defining the notion of its success.

Some authors as MD Cottingham oppose the concepts of “emotional intelligence” and “emotional capital”, whereas I believe that the level of the basic skills of emotional intelligence of the employees and employers greatly adds to the “emotional capital” of the whole company.

So, according to my viewpoint in case emotional capital is considered to be the result of the relationships with partners and customers of the company built by its employees, one cannot do without strong emotional intelligence skills, since they are the backbone of the emotional repertoire of a person, especially when we speak about the formation of long-lasting business relations, where the social skills of the workers of any organization are the pivotal points.

As we know, social skills are formed based on our self-awareness and social awareness, where, by means of managing our very own emotions and the emotions of the others, we end up building lasting emotional bonds in business with our co-workers, partners, customers, etc. since social bonds tend to be weak in case of no emotions applied in interactions; therefore, in case the representatives of companies bear this in mind, success will be guaranteed.



**Chart 1:** The Key Components of EQ after D. Goleman (1995) [4]

Thus, I strongly take the position that the aforementioned EQ skills of the people of the company, including (a) self-awareness, (b) self-regulation, (c) social skills, (d) motivation, and (e) empathy, greatly add value to the emotional capital of any organization, be it in business, education, law, or whatever other field of human activity. Moreover, when we are speaking of family businesses especially in developing countries with emerging economies, the human factor is of utmost importance and when we are speaking of humans, we are mainly speaking of creatures endowed with very different emotions and feelings and in case they are able to recognize and apply those very emotions in building long-lasting interpersonal relations, any such businesses are sure to blossom. The Chart below depicts the factors that are highly important in building human capital.



**Source:** Zarić and Babic (2020) [13]

**Chart 2:** The Factors of Human Capital

It follows from the Chart above that all these factors add value to the formation of human capital that is the value of any company on the micro-level and any society on the macro-level.

Thence, human capital includes all the above, especially on the level of accumulation of knowledge and skills that raise our productivity and stimulate our performance that amplifies the output of the whole organization at hand in work context and societies at large.

And in case we are speaking of human beings, who are not only rational, but also emotional beings, we should also pay attention to their emotion skills that highly impact their performance as well.

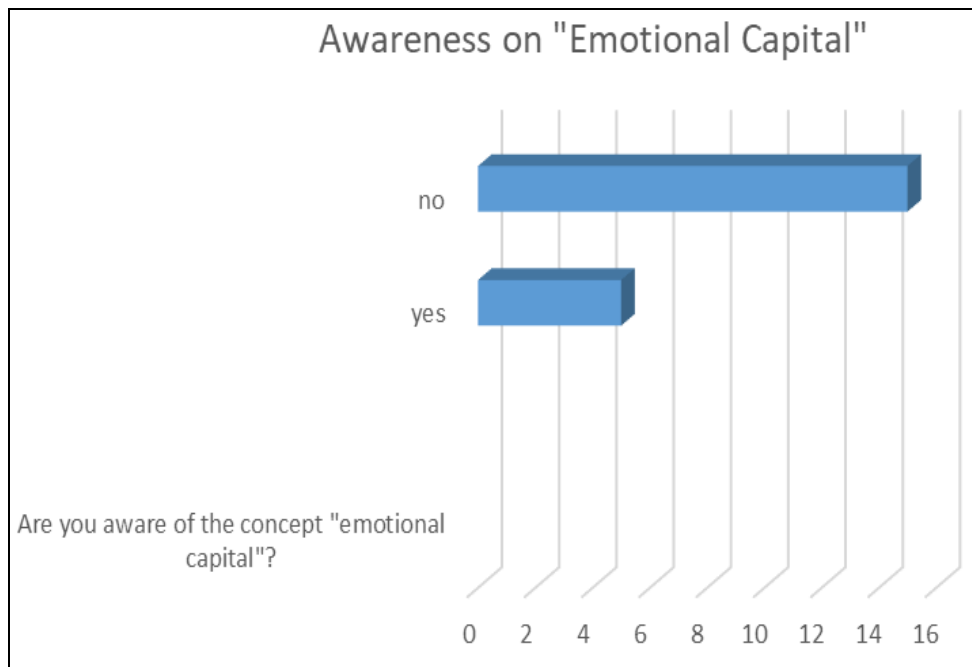
Besides, when we speak about business, we speak about interpersonal relations, which are highly impacted by the emotions and emotional reactions of the interact ants. This comes to prove that in case the business partners are emotionally savvy, they will stand a better chance of having much more efficient bonds and build stronger business

relations.

To activate these skills arsenal of the employees, it is highly recommended to train the staff, with the help of which any company is bound to succeed in building a stronger emotional capital that it will in the long run benefit from.

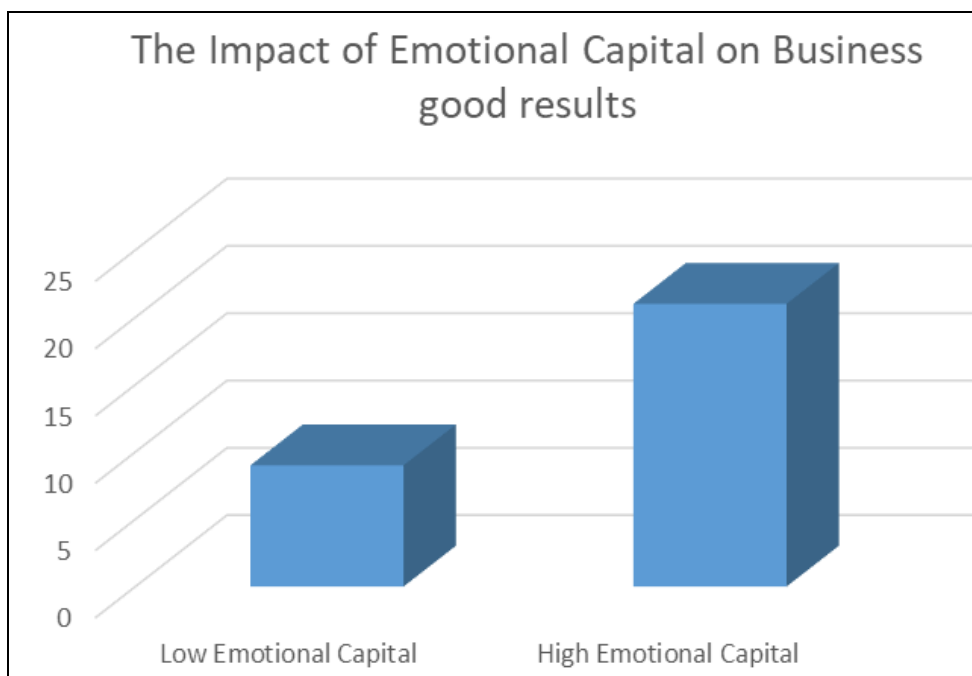
**Research methodology and Data analysis**

To find out more about the awareness and significance of emotional capital in business amongst businesspeople across cultures, for acquiring primary data a quantitative research analysis has been conducted by us. The results come to suggest that though the people are not yet very well acquainted with the term, after its explanation, they confirm its vitality for positive business results.



Source: Dr. Anna Rostomyan Research (2022-23)

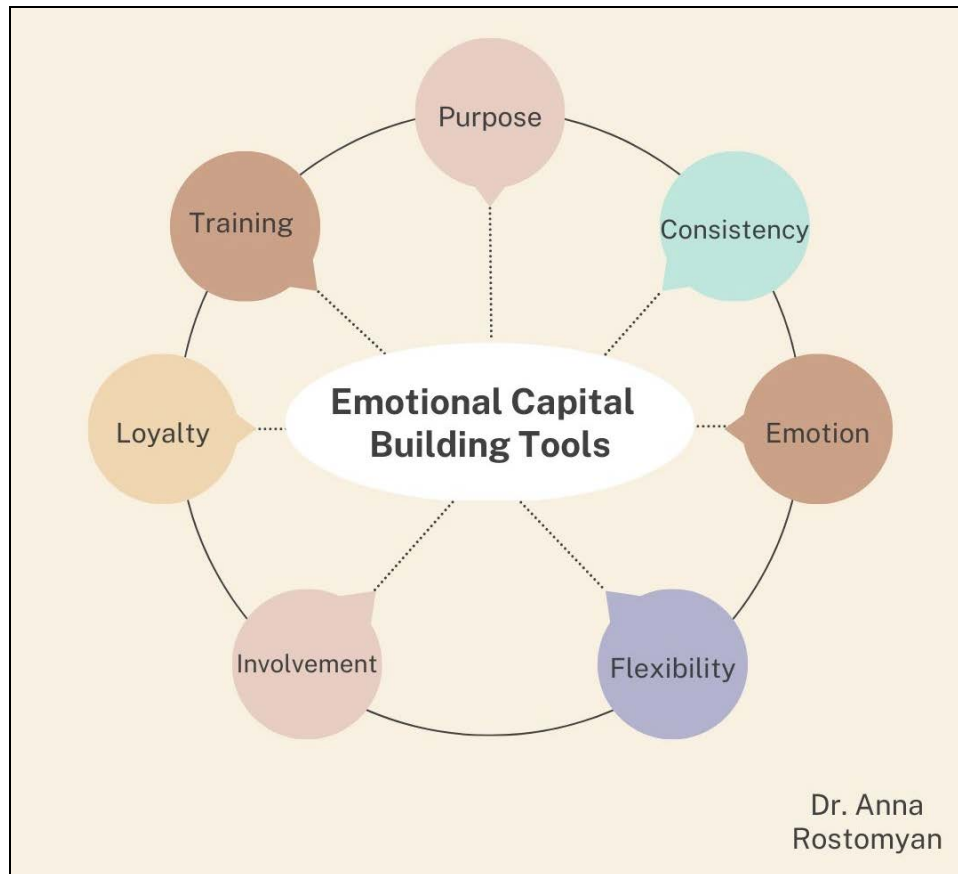
Diagram 1: Awareness on Emotional Capital



Source: Dr. Anna Rostomyan Research (2022-23)

**Diagram 2:** The Influence of emotional capital on business results  
The aforementioned diagrams come to suggest that the business people are well aware of the positive results of employee performance due to a high level of emotional capital, though the term itself is fairly new to them, instead

they are more familiar with the term human capital, which also includes in itself emotional capital as a sub-branch. Emotional Capital by itself can also has sub-fields and can be trained in the employees.



Source: Dr. Anna Rostomyan Research

**Chart 3:** Emotional Capital Building Key Tools

It is shown that in case employees feel cherished and involved they do more to achieve more. Indeed, any company, especially family businesses, which are formed up of very few people, which will apply the aforementioned techniques in building trust and credibility amongst its co-workers, they will greatly benefit from it, since those who feel encouraged, will resultantly perform better and at their best, which will in its turn reinforce the labour output of the company.

In this connection, taking into account that emotions play a no less role in human-human interactions, we are strongly convinced that the employees will do better in case they feel valued. For this, the managers should be aware of the importance of emotions at workplace as well, being able to recognize the positive/negative emotions of the latters and perform appropriate emotion management leading the whole team towards a certain common goal.

**Discussion**

In today’s globalized and digitalized world, there is a certain need for human resources development and sustainable management.

In case companies wish to keep their employees for the long run, they should pay closer attention to the HR capital, which not only involves pure performance but also emotional content.

That very emotional content makes up the so-called emotional capital, which in case cherished and valued has the ultimate chance of raising the overall labour output.

**Conclusion**

Being humans, we are almost always experiencing some sort of emotion or feeling which may vary throughout the whole day depending on the external stimuli that we may perceive. This comes to suggest that when speaking about the business field we cannot fully extract emotions from our daily operations.

Emotional capital being the way we recognize and deal with our emotions has the potential of magnifying our labour output and to positively influence our relationships, both in our personal and professional lives.

Therefore, if the management takes into consideration the importance of emotional capital of the co-workers of its company and takes steps towards ensuring a healthy working atmosphere, which will positively influence the well-being of its employees, the overall business will end up with immense success, since human being which are the most important sustainable force of the companies, will perform better in case of an emotionally healthy and secure environment, which will be the prerequisite for success, especially for family businesses, which also have strong traditions and family history, which add up to the value of

the company.

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