

# Original Article: Investigating the Relationship between Auditors' Social Intelligence and Performance Evaluation of Companies and Financial Institutions

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## ABSTRACT

The aim of this study was to investigate the relationship between auditors' social intelligence and performance appraisal of companies and financial institutions. In this study, the effect of social intelligence components such as social information processing, social awareness and social skills on the evaluation of the performance of financial institutions was investigated. The measurement tool was a questionnaire. The research method was correlational and descriptive in terms of purpose. The statistical population of this study included 30 auditing companies, of which 25 auditors were selected by stratified random sampling. Cronbach's alpha coefficient was 0.894 for the social intelligence questionnaire and 0.799 for the performance appraisal questionnaire. The obtained data were analyzed using statistical methods such as frequency, percentage, mean and inferential statistics such as correlation coefficient test, regression analysis, path analysis, and multivariate analysis of variance. The coefficient of determining social intelligence and performance evaluation was 0.89, the coefficient of determining social information processing and performance evaluation was 0.78, the coefficient of determining the level of social awareness and performance evaluation was 0.47 and the coefficient of determining social skills and performance evaluation was 0.65.

## Introduction

Threats and pressures from globalization and the growing growth of non-bank financial institutions in recent years have made them survive and compete in the market by establishing research centers and conducting research activities in the field of their situation in comparison with other institutions, to improve their performance in the domestic and foreign markets. In this regard, a logical and highly

efficient solution that can determine their status in terms of overall performance is to perform processes related to performance appraisal and benchmarking their position in the market. In this way, they can improve their current situation while identifying their strengths and weaknesses. One of those ways is "the process of influencing and influencing the behavior of members of the organization to help and guide them in performing organizational tasks and achieving the desired goals" [1]. Auditors need effective communication

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to gain access to accurate information. If the auditors do not know what they want and what their purpose is, they will not accept their assessment. Studies show that future competition will be robbed by auditors who can communicate effectively and efficiently with human resources. Many factors contribute to effective communication. Having the skills to communicate with others is one of these factors. Most researchers agree that auditors should have, in addition to cognitive skills, communication skills with which they can play a significant role in the auditor's relationship with members of the organization [2].

Vernon (1933) considers the broadest meaning of social intelligence in the form of the ability to adapt to others, have comfort in the society, have knowledge of social issues, be influenced by other members of the group, and be aware of transient states or context for the personal behaviors of others. Kill Strom (2015) defines social intelligence as "knowing the individual from the social world". Social intelligence determines the ability to do group work and plays an important role in the development and expansion of other intelligences and has a very close relationship with educational intelligence. Social intelligence is the ability to understand, control and express the social aspects of organizational life that are related to learning and effective relationships.

Silvera *et al.* (2001) consider the components of social intelligence including social information processing, social skills, and social awareness. In the present study, despite the differences in the definition and components of social intelligence, an attempt has been made to use the Silvera model to measure social intelligence due to its comprehensiveness in the studied components. This model refers to individual ability that facilitates interpersonal relationships.

Because all organizations need to measure performance to improve their performance, choosing the best auditor to evaluate performance is always a fundamental question for organizations. Among these, financial institutions, as one of the most important economic institutions, provide accurate, relevant and timely information to decision makers regarding the efficiency and effectiveness of the activities of different parts of the organization. To evaluate the performance, there should be measurable criteria and the results

of this measurement should be used to improve the performance of the organization and gain an advantage for them [3].

In Iran, in line with Article 44 policies on the privatization of state-owned banks and the development of private banks and financial institutions and the need to provide transparent information to investors about their performance and compare them in investment decisions, they need to be prepared to face the challenges ahead by evaluating their activities moment by moment and identifying their strengths and weaknesses. Therefore, financial institutions are the most important economic institutions of a country which on their growth and development the growth and prosperity of the country's economy depends. In developing countries, due to the lack of development of financial markets, these institutions also do not have the necessary efficiency. In this regard, auditors as the most important factors in evaluating financial institutions should be able to accurately and correctly assess the activities of companies. Therefore, it seems that evaluating the performance of financial institutions in the country in the light of social intelligence of auditors is very important.

#### *Methods and tools of data collection*

considering that the purpose of this study is to investigate the effect of auditors' social intelligence on performance appraisal of financial institutions, the correlation method has been used.

#### *Statistical population of interviewees*

The statistical population of this study includes all auditing companies in Shiraz and their auditors in 2021.

#### *Statistical sample of interviewees*

In this study, in order to measure the two variables of social intelligence and performance evaluation, the group of senior auditors of auditing firms has been used. As for sampling method, due to the limited statistical population, which includes all auditors in Shiraz, the census method was used to select the sample group and 25 auditors were included in the sample. In the present study, in order to examine the hypotheses, the following two questionnaires have been used.

### Social Intelligence Assessment Questionnaire

This questionnaire was prepared by Silura (2001) and has 21 questions with a range of five options, very high, high, medium, low, and very low, which are assigned a score of 5-4-3-2-1, respectively. This questionnaire assesses three components of social intelligence of department heads. Content and face validity were used to assess the validity of this questionnaire. Although the questionnaire was standard, after translation into Persian, it was edited by supervisors, consultants and researchers. In order to assess the validity of Silvera's (2001) social intelligence test, the correlation of each subscale with the whole test was measured. In the social information processing component, the correlation rate was 0.75, in the social awareness component was 0.78 and in the correlation skills component it was equal to 0.89, in all of which the correlation was significant at the level of  $P < 0.001$ . In the present study, the Cronbach's alpha value for this questionnaire was 0.894 [4].

### Performance Evaluation Questionnaire

In order to collect data in the performance evaluation variable, a researcher-made questionnaire was used. This questionnaire consists of 15 questions with a range of 5 Likert options including intervals, strongly agree, agree,

indifferent, disagree, strongly disagree, which evaluates performance in the form of five components, employee satisfaction, income, rate of return on investment, number of customers per employee, number of customer complaints. In the present study, in order to determine the face and content validity of the standard questionnaire, the opinions of the supervisor and consultant were used and after studying and reviewing a number of questions, it was modified and thus the content validity of the questionnaire was confirmed. The reliability of the organizational learning questionnaire was also calculated using Cronbach's alpha, which was equal to 0.79.

### Data analysis

In the present study, to analyze the data, Pearson correlation tests, analysis of variance, independent t-test and multivariate regression analysis were computed to investigate the research hypotheses.

### Research Findings

In this section, the findings are presented according to the research hypotheses in Tables 1 to 4.

The main hypothesis of the study was auditors' social intelligence affects the performance of financial institutions [5].

**Table 1.** Regression coefficient results of the effect of auditors' social intelligence on performance evaluation of financial institutions

Source	Benchmark errors	The regression coefficient	t Value	The coefficient of determination	Significance level
Employee satisfaction	0.47	0.32	2.98	0.77	0.001
Capital return rate	0.51	0.35	2.53	0.77	0.001
Number of customers per employee	0.48	0.36	3.14	0.77	0.001
Number of customer complaints	0.45	0.25	1.75	0.15	0.09
Income	0.35	0.11	1.17	0.14	0.37

According to the results of Table 1, social intelligence affects the components of income, rate of return on investment, number of customers per employee. If auditors have social intelligence, it can

be predicted that employee satisfaction and the number of customers per employee in financial institutions will increase and the number of customer complaints will decrease. Therefore, to

construct a regression equation, this component must be next to the social intelligence of auditors. The coefficient of determination shows that 0.89 of the scores of the mentioned components are affected by the social intelligence of the auditors.

The first hypothesis of the research was the social information processing component of auditors affects the performance appraisal of financial institutions [6].

**Table 2.** Regression coefficient results of the effect of social information processing component of auditors' social intelligence on performance evaluation of financial institutions

Source	Benchmark errors	The regression coefficient	t Value	The coefficient of determination	Significance level
Employee satisfaction	0.21	0.48	4.23	0.74	0.002
Capital return rate	0.23	0.52	4.81	0.74	0.002
Number of customers per employee	0.22	0.41	3.94	0.74	0.002
Number of customer complaints	0.26	0.08	0.51	0.12	0.64
Income	0.19	0.19	0.99	0.12	0.37

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According to Table 2, the social information processing component affects the components of employee satisfaction, income, and return on investment. And if auditors of financial institutions have the skills to process social information, it can be expected that income and rate of return and employee satisfaction will increase. Therefore, to construct a regression equation, these components must be in addition to the auditors' social information processing skills. The coefficient of determination shows that 0.78 of the scores of incomes, employee satisfaction and rate of return on investment is affected by the social information processing skills of auditors.

The second hypothesis of the research was the social skills component of auditors affects the performance appraisal of financial institutions.

According to the results from Table 3, the social skills component has an effect on the components of customer number per employee, income, number of customer complaints and if auditors have social skills, it can be expected that the number of customers per employee and income will increase and the number of customer complaints will decrease. Therefore, to construct a regression equation, income, the number of customers per employee, and the number of customer complaints must be in line with the social skills of auditors. The coefficient of determination shows that 0.65 of the scores of these components are affected by the social skills of auditors. However, employee satisfaction and return on investment cannot be affected by the social skills of auditors.

The third hypothesis of the research the auditors' level of social awareness affects the performance of financial institutions.

**Table 3.** Regression coefficient results of the effect of auditors' social skills component on performance appraisal components of financial institutions.

Source	Benchmark errors	The regression coefficient	t Value	The coefficient of determination	Significance level
Employee satisfaction	0.31	0.49	4.17	0.62	0.001
Capital return rate	0.32	0.16	1	0.14	0.32
Number of customers per employee	0.33	0.36	2.17	0.62	0.01
Number of customer complaints	0.35	0.33	1.87	0.14	0.29
Income	0.27	0.23	1.27	0.14	0.001

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**Table 4.** Regression coefficient results of the effect of auditors' level of social awareness on performance appraisal components of financial institutions

Source	Benchmark errors	The regression coefficient	t Value	The coefficient of determination	Significance level
Employee satisfaction	0.14	0.50	5.31	0.44	0.001
Capital return rate	0.20	0.62	5.46	0.44	0.001
Number of customers per employee	0.16	0.28	1.33	0.11	0.18
Number of customer complaints	0.23	0.24	1.2	0.12	0.32
Income	0.16	0.12	0.44	0.12	0.001

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The results obtained from Table 4 indicate that the component of social awareness level has an effect on the components of rate of return and employee satisfaction and if auditors have a level of social awareness, these components can be expected to increase as well. Therefore, to construct a regression equation, employee satisfaction and return on investment must be next to the auditors' level of social awareness. The coefficient of determination shows that 0.47 of the scores of these components is affected by the level of social awareness of auditors [7].

#### Discussion and conclusion

Findings on the relationship between auditors' social intelligence and performance appraisal of financial institutions showed that there is a significant relationship between auditors' social intelligence and performance appraisal of financial institutions due to the significance level of  $P \leq 0.05$ .

The coefficient of determination shows that 0.89 of the scores of employee satisfaction components and the number of customers per employee and the number of customer complaints are affected by the social intelligence of auditors. Therefore, it can be said with 95% confidence that the main hypothesis has been confirmed and the increase in auditors' social intelligence has led to an increase in the quality of performance appraisal of financial institutions [8].

According to the results, auditors who have higher social intelligence thanks to having high communication skills, high adaptability and the ability to make accurate assessments, and in principle have desirable personalities and traits like creating a sincere and friendly atmosphere with managers, paying attention to employees' suggestions and sensitivity towards them, paying attention to and participating in decision-making, by creating respectful conditions, they try to express their firm opinion in evaluating the

performance of the organization and support the organization in achieving its goals [9].

The results of Kevin Grooz (2002) showed that managers with high social and emotional intelligence exhibit attractive managerial behavior.

Findings also showed that according to the significance level of  $P \leq 0.05$ , the relationship between social information processing and employee satisfaction, income and return on investment is significant and the relationship between social information processing and the number of customers per employee and the number of customer complaints is non-significant. The highest relationship is related to the component of employee satisfaction and the lowest relationship is related to the rate of return on investment. This means that the greater the ability of auditors to process social information, the higher the satisfaction of employees [10].

According to the results, auditors who have higher social information processing are more successful because they have the ability to understand and predict the behaviors and feelings of others.

Findings in the relationship between social skills and performance appraisal of financial institutions showed that there is a positive and significant relationship between social skills and performance appraisal due to the significance level of  $P \leq 0.05$ . Therefore, it can be said with 95% confidence that the second hypothesis has been confirmed and the more the social skills of the auditors increase, the better and more accurate the evaluation will be. Also, the relationship between social skills and the number of customers per employee, income, number of customer complaints is significant and the relationship between social skills and employee

satisfaction and the rate of return on investment is non-significant. The highest relationship is related to the revenue component and the number of customer complaints has the lowest relationship. This means that with 95% confidence it can be said that the greater the auditor's ability in social skills, the more that person develops the competencies of employees through high income generation.

Findings on the relationship between social awareness and performance appraisal of financial institutions showed that there is a positive and significant relationship between social awareness and performance appraisal with respect to the significance level of  $P \leq 0.05$ . Therefore, it can be said with 95% confidence that the third hypothesis has been confirmed.

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