An Empirical investigation of the relationship between Emotional Intelligence, Transactional and Transformational Leadership Styles in banking sector

Arindam Chatterjee a, Atik Kulakli b, a*

*a b American University of the Middle East, Egaila 15453, Kuwait

Abstract

Leadership theory and research have not adequately considered how leader’s emotions influence their effectiveness. While there exists a significant amount of research on leadership, literature is comparatively thin on the relationship between leadership and emotional intelligence. A better understanding of emotional intelligence and its relationship to leadership style can address the existing gaps in literature and provide a more informed link between theory and practice. This study attempts to broaden the knowledge base of Human Resource Development through the investigation of emotional intelligence and leadership style. The total sample of 381 employees participated in the study. The findings of this study suggest that the ability perspective of emotional intelligence does not have any relationship with perceptions of leadership style. This finding is contrary to what one would expect from reviewing the literature and the associated citations. Mixed reliability results obtained within the correlations among the items, pointing to some potential construct validity problems served as a possible explanation for no significant correlations found between the undertaken dimensions.

Keywords: Emotional Intelligence, Transformational Leadership, Transactional Leadership

1. Introduction

Many organizations today need to change rapidly to maintain their competitive edge. Rapid change requires that an organization has employees and leaders, who are adaptive, work effectively, constantly improve systems and processes, are customer focused, and who share the need to make a profit. The continuous environment of turmoil and change has been coined the “permanent white waters” of
modern life (Vaill, 1996). Leadership is a key element in driving and managing these “white waters”. One only needs to look at the recent corporate scandals such as Enron and World.Com and a corporate success such as Dell Computer to see that leadership makes a difference. Effective leaders are those that get results within timeframes that are considered appropriate for their industries and stakeholders (Goleman, 2000). Examples include Chrysler Corporation and their recovery under Lee Iacocca, Gillette under the leadership of Colman Mockler and Kimberly-Clark during the years of Darwin Smith’s tenure (Collins, J., 2001). Great leaders move us. They ignite our passion and inspire the best in us. When we try to explain why they are so effective, we speak of strategy, vision, or powerful ideas. But the reality is much more primal: Great leadership works through the emotions (Goleman, Boyatzis, McKee, 2002, p. 3). Emotional Intelligence has been identified, through the popular press and some researchers as that critical element needed for effective leadership. Goleman (1998b, p. 94) has said that, “the most effective leaders are alike in one crucial way; they all have a high degree of what has come to be known as emotional intelligence.” Others have said, “By now, most executives have accepted that emotional intelligence is as critical as IQ to an individual’s effectiveness” (Druskat & Wolff, 2001, p.81). Though there are significantly lot of studies done separately in the area of leadership and emotional intelligence but the linkage between two variables is not widely tested. This study attempts to fill this elusive dimension.

2. Literature Review and Hypotheses

2.1. Literature Review

Beginning in the 1980’s, many of the conceptions of leadership recognized the importance of emotions as a basis of influence (Yukl, 1998). It is those emotional, value-based aspects of leadership that are believed to influence the achievements of groups and organizations. Much of this leadership research, with its recognition on the importance of emotion, concentrated on the characteristics and effects of charismatic and transformational leadership (Bass, 1985; Kanungo, 1998; Tichy & Devanna, 1990).

Burns (1978) developed the original idea of transformational leadership. He defined it as a process in which “leaders and followers raise one another to higher levels of morality and motivation” (p. 20). This definition was further refined by Bass (1985) who looked at the theory as two distinct types of leadership processes, the first being transactional leadership and the second being transformational leadership. Though he defined these leadership processes as distinct, Bass did recognize that the same leader might use both types of leadership at different times in different situations. It was transformational leaders however, who would influence followers by arousing strong emotions and identification with the leader (Yukl, 1998).

Numerous studies have examined the correlation between emotional intelligence, transformational and transactional leadership styles (e.g., Avolio & Howell, 1992; Yammarino & Bass, 1990). A meta-analysis of results from 39 studies found that three transformational leadership behaviors (charisma, individualized consideration, intellectual stimulation) were related to emotional intelligence in most studies (Lowe, Kroeck & Sivasubramaniam, 1996). The transformational leadership behaviours correlated more strongly with emotional intelligence than did the transactional leadership behaviours. Utilizing the connection of emotion and leadership, Sosik and Megerian (1999) studied the relationship between transformational leadership behaviour, emotional intelligence and leader effectiveness. They collected data from 63 managers who responded about their transformational leadership behaviour and emotional intelligence, 192 subordinates who rated their manager’s transformational leadership behaviour and performance outcomes and 63 superiors who rated managerial performance. They found that categorizations of self-
awareness were correlated between emotional intelligence of leadership and leadership behaviour. Subordinate ratings of transformational leadership behavior were positively related to those leaders categorized as self-aware. They concluded “managers who maintain self-awareness (self-other rating agreement) possess more aspects of emotional intelligence and are rated as more effective by both superiors and subordinates than those who are not self-aware” (Sosik & Megerian, 1999, p. 386). This study explained the influence of several aspects of emotional intelligence on leadership styles.

The topic of emotional intelligence and its impact on organizations and its leaders, grew largely through the popular publications of Goleman’s (1995) book titled Emotional Intelligence and his subsequent book Working with Emotional Intelligence (Goleman, 1998b). The interest in emotional intelligence continues today. The scholarly study of emotional intelligence began in the early 1990’s when Salovey and Mayer (1990) first defined it. Since that early inception, there continues to be refinement, debate and dialogue around the topic of emotional intelligence in the research community. The foundation of the study of emotional intelligence began in the early workings of the study of emotion and the study of intelligence. The initial research around the topic of emotion was in the sociological and psychological domains. Sociologically, the early researchers looked at such areas as emotional labor (Hochschild 1979; 1983), emotional contagion (Rafaeli & Sutton, 1987), feeling rules (Goffman, 1969), and emotion and rationality (Fineman, 1993; 1999). Additionally, within the psychological realm, the areas of emotion and motivation (Pinder, 1998), empathy (Mehrabian & Epstein, 1972), mood (Mayer & Bremer, 1985), and emotion (Plutchik, 1984) were all researched.

The research around intelligence was also rich and diverse. Numerous definitions of intelligence emerged. Thorndike (1920) divided intelligent activity into three components: social intelligence, concrete intelligence, and abstract intelligence. Others defined intelligence as “the aggregate or global capacity of the individual to act purposefully, to think rationally, and to deal effectively with his environment” (Wechsler, 1958, p. 10) or as a “finite set of independent abilities operating as a complex system” (Detterman, 1986, p. 57). These two topics (intelligence and emotion) of research were undertaken independently until the early 1990’s when ‘emotional intelligence’ was first defined (Salovey & Mayer, 1990). This was initially described as a “type of social intelligence that involves the ability to monitor one’s own and others emotions, to discriminate among them, and to use the information to guide one’s thinking and actions” (Salovey & Mayer, 1990, p. 189). The connection of emotion to intelligence was made through the social intelligence construct. Social intelligence was first defined as “the ability to understand and manage men and women, boys and girls – to act wisely in human relations” (Thorndike, 1920, p. 228). A slightly different approach viewed social intelligence within the more general theory of intelligence as “the mental processes and structures used to attain contextual success” (Sternberg, 1985, p. 330). The definition of multiple intelligences however (Gardner, 1983), provided the connection for Salovey and Mayer. Gardner defined the interpersonal and intrapersonal intelligences as: “Interpersonal intelligence is the ability to understand other people: what motivates them, how they work, how to work cooperatively with them. Intrapersonal Intelligence is a correlative ability turned inward. It is a capacity to form an accurate, veridical model of oneself and to be able to use that model to operate effectively in life”(p. 25). Emotional intelligence is described as involving abilities that may be categorized into five domains: (a) self-awareness, (b) managing emotions, (c) motivating oneself, (d) empathy, and (e) handling relationships. It was this foundation that provided the impetus for the emotional intelligence work throughout the 1990’s (Salovey & Mayer, 1990).

“Leadership theory and research have not adequately considered how leader’s moods and emotions influence their effectiveness” (George, 2000, p.1028). This study aims to get at part of that question. A great deal of research has been conducted surrounding many theories that have led to a better
understanding of leadership. But understanding how and why leaders have (or fail to have) positive influences on their followers is still a compelling question for researchers (George, 2000). Feelings and moods have been shown to influence the judgments people make, attributions for success and failure and inductive and deductive reasoning. It is likely then, that feelings play an important role in leadership. These emotion/mood capabilities have been addressed by emotional intelligence. Emotional intelligence describes that ability to join emotions and reasoning, using emotions to facilitate reasoning and reasoning intelligently about them (Mayer & Salovey, 1997). Several researchers have begun to evaluate this role of emotional intelligence and leadership.

Practitioners have incorporated the concept of emotional intelligence into performance management systems and training and development programs as the result of the influence of the popular press and consultants. At this point in time, practices related to embracing emotional intelligence appear to be far ahead of what is actually known from the research and theory. Researchers in the field of human resource development have also looked at the role of emotions and emotional intelligence (Bryant, 2000; Callahan Fabian, 1999; Callahan & McCollum, 2002; Drodge & Murphy, 2002; Jordan & Troth, 2002; Landen, 2002; Lecamorsiri & Schwindt, 2002; Opengart, 2003; Opengart & Bierma, 2002; Short & Yorks, 2002; Turnbull, 2002; Weinberger, 2002a, 2002b; Wells & Callahan, 2002). The question asked by many of these authors is what role is emotions and/or emotional intelligence playing in the organization through change efforts, leadership effectiveness, training and organizational performance. Studies of leadership, its effectiveness and overall impact on improving performance are important to advancing the understanding in the field of human resource development and its role in advancing the strategic capability of organizations.

2.2. Development of Hypotheses

The purpose of this study is to investigate the relationships between emotional intelligence and leadership style. Based upon the literature review, hypotheses were proposed based upon set of relationships between the variables and subsequently put to test.

H1: There is a significant and positive correlation (p<.05) between perceiving emotions and transformational leadership styles as perceived by subordinates.

H2: There is a significant and positive correlation (p<.05) between facilitating thought and transformational leadership styles as perceived by subordinates.

H3: There is a significant and positive correlation (p<.05) between understanding emotions and transformational leadership styles as perceived by subordinates.

H4: There is a significant and positive correlation (p<.05) between managing emotions and transformational leadership styles as perceived by subordinates.

H5: There is no significant correlation between perceiving emotions and transactional leadership style as perceived by subordinates.

H6: There is no significant correlation between facilitating thought and transactional leadership style as perceived by subordinates.

H7: There is no significant correlation between understanding emotions and transactional leadership style as perceived by subordinates.

H8: There is no significant correlation between managing emotions and transactional leadership style as perceived by subordinates.
3. Methodology

3.1. Research Goal

The objective of this study is to empirically investigate the relationship between emotional intelligence, leadership style and perceived leadership effectiveness.

3.2. Research Design

Two commercially available survey instruments were administered. One instrument was the Mayer Salovey Caruso Emotional Intelligence Test (MSCEIT) (Mayer, Salovey, & Caruso, 2002). The MSCEIT is based on the work of Mayer, Salovey and Caruso (2002) and presents the most recent revision of the original instrument, the MEIS and is the only version that is available for professional use. This is a new instrument, with few studies testing its reported validity and reliability metrics. The MSCEIT (Mayer, Salovey & Caruso, 2002) has reported full-scale reliability of .91, with area reliabilities of .90 (experiential emotional intelligence) and .85 (strategic emotional intelligence). The MSCEIT is an outcome of the first instrument the MEIS (Mayer, Salovey & Caruso, 1999), which consists of a four-branch model of emotional intelligence measured through 12 subscales. This instrument reported five scores in the areas of: (a) perceiving emotions, (b) facilitating emotions, (c) understanding emotions, (d) managing emotions, and (e) overall emotional intelligence. The emotional intelligence scores can be calculated according to general consensus (what most people say) and/or according to the criterion of expert consensus (what the experts say). The four branch score reliabilities ranged from .74 to .89. The MSCEIT is 141 items long, less than one third the length of its original predecessor the MEIS. The MSCEIT offers a means to measure emotional intelligence on objective ability-based data that are not overly subject to response bias (Mayer, Salovey & Caruso, 2002).

The second instrument was, the Multifactor Leadership Questionnaire (MLQ5x) (Bass & Avolio, 2000). This instrument measured the variables of transformational and transactional leadership style. There were generally adequate reliabilities (Cronbach’s alpha) ranging from $\alpha = .63$ to $\alpha = .92$. Estimates of internal consistency were above $\alpha = .70$ for all scales except for active management by exception (Bass & Avolio).

3.3. Sample and Data Collection

Seven public sector banks, along with their different branches based in Allahabad city (India) were selected for this study. The total sample of 451 employees participated in the study; among them 151 were the managers and 300 were the subordinates working under them. Starting at the top of the organization and working down within the hierarchy, managers who have more than three direct reports were identified. These managers included executives and branch managers of the company, managers across all functions of the organization and supervisors in customer service. From the company’s human resource records, the 151 managers were made up of 27 females and 124 males.

The administration of the questionnaire was carried out in two phases. First phase consisted of MSCEIT (Mayer, Salovey and Caruso, 2002), administered on 151 managers out of total number of 451 employees, to evaluate their level of emotional intelligence. 138 completed surveys were received, 3 managers refused to participate and 10 managers did not respond. A response rate of 93.3% occurred with the management group in first phase.
In second phase the MLQ5x (Bass & Avolio, 2000) was administered on the remaining 300 subordinates, working under the managers. 243 completed surveys were returned. The response rate in second stage was 81%. Overall response rate including both the stages was found 84.47%.

3.4. Data Analysis and Results

The following section provides the analysis and results of the proposed hypotheses to examine the relationship between emotional intelligence and leadership styles.

3.4.1. Hypothesis Testing

Based on the literature, directional research H1 to H4 stated a significant and positive correlation (p<.05) between the four branches of emotional intelligence and transformational leadership (as perceived by subordinates). See Table 1 for the results. All four research hypotheses were not supported.

Table 1. Correlation of Emotional Intelligence and Transformational Leadership Dimensions

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Dev (N=381)</th>
<th>Transformational Leadership</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transformational Leadership</td>
<td>2.78</td>
<td>.609</td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Branch 1: Perceiving Emotions</td>
<td>99.16</td>
<td>15.13</td>
<td>-.30</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Branch 2: Facilitating Thought</td>
<td>97.11</td>
<td>13.71</td>
<td>.118</td>
<td>.348**</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Branch 3: Understanding Emotions</td>
<td>95.38</td>
<td>9.82</td>
<td>.043</td>
<td>.236**</td>
<td>.328**</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>4 Branch 4: Managing Emotions</td>
<td>96.05</td>
<td>8.38</td>
<td>.101</td>
<td>.262**</td>
<td>.395**</td>
<td>.185**</td>
<td>1.00</td>
</tr>
<tr>
<td>EI Total</td>
<td>95.17</td>
<td>11.57</td>
<td>.078</td>
<td>.755**</td>
<td>.744**</td>
<td>.613**</td>
<td>.591**</td>
</tr>
</tbody>
</table>

*p < .05, ** p < .01

No significant correlation for the entire comparison between various dimensions of emotional intelligence and transformational leadership was obtained. All means and standard deviations for both the subordinate responses on the MLQ5x (Bass & Avolio, 2000) and the managers responses on the MSCEIT (Mayer, Salovey & Caruso, 2002) were within the range expected from the normed sample of each respective instrument.

For (H1): There was a negative (r = -.030), non-significant correlation (p< .05) between perceiving emotions, as measured by the MSCEIT and transformational leadership styles as perceived by subordinates.

For (H2): There was a positive (r = .118), non-significant correlation (p< .05) between facilitating thought, as measured by the MSCEIT and transformational leadership styles as perceived by subordinates.

For (H3): There was a positive (r= .043), non-significant correlation (p< .05) between understanding emotions as measured by the MSCEIT and transformational leadership styles as perceived by subordinates.

For (H4): There was a positive (r = .101), non-significant correlation (p< .05) between managing emotions as measured by the MSCEIT and transformational leadership styles as perceived by subordinates. These findings are completely contrary to what the prevailing literature would have
suggested. The relationship between emotional intelligence and transactional leadership style was explored through the next set of hypotheses.

Looking further into the relationship between emotional intelligence and transactional leadership, the null hypotheses (H5-H8) were stated. Table 2 shows the results from the data analyses regarding H5 to H8.

Table 2. Correlation of Emotional Intelligence and Transactional Leadership Dimensions

<table>
<thead>
<tr>
<th></th>
<th>Mean (N=381)</th>
<th>Transactional Leadership</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transactional Leadership</td>
<td>2.64</td>
<td>.627</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Branch 1: Perceiving Emotions</td>
<td>99.16</td>
<td>15.13</td>
<td>-.079</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Branch 2: Facilitating Thought</td>
<td>97.11</td>
<td>13.71</td>
<td>.143</td>
<td>.348**</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>3 Branch 3: Understanding Emotions</td>
<td>95.38</td>
<td>9.82</td>
<td>-.024</td>
<td>.236**</td>
<td>.328**</td>
<td>1.00</td>
</tr>
<tr>
<td>4 Branch 4: Managing Emotions</td>
<td>96.05</td>
<td>8.38</td>
<td>.085</td>
<td>.262**</td>
<td>.395**</td>
<td>.185**</td>
</tr>
<tr>
<td>EI Total</td>
<td>95.17</td>
<td>11.57</td>
<td>.038</td>
<td>.755**</td>
<td>.744**</td>
<td>.613**</td>
</tr>
</tbody>
</table>

* p < .05, ** p < .01

Due to minimal literature in the area of transactional leadership and emotional intelligence, transactional leadership had not been identified as having a base in emotions. Hence the Hypotheses H5 to H8 were presented as null hypotheses.

For (H5): There was a negative (r = -.079), non-significant correlation between perceiving emotions as measured by the MSCEIT and the transactional leadership dimension as perceived by subordinates.

For (H6): There was a positive (r = .143), non-significant correlation between facilitating thought as measured by the MSCEIT and transactional leadership dimension as perceived by subordinates.

For (H7): There was a negative (r = -.024), non-significant correlation between understanding emotions as measured by the MSCEIT and the transactional leadership dimension as perceived by subordinates.

For (H8): There was a positive (r = .085), non-significant correlation between managing emotions as measured by the MSCEIT and the transactional leadership dimension as perceived by subordinates.

All the null hypotheses were not rejected. Similar to the transformational leadership dimensions, all means and standard deviations on the managers responses on the MLQ5x (Bass & Avolio, 2000) were within the expected range.

4. Discussions

Transformational Leadership and Emotional Intelligence

When comparing the data within the dimensions of emotional intelligence and components of transformational leadership (H1-H4), no significant relationships were found, which led to a finding of no support for the first set of directional hypotheses (H1-H4). The results of this study differed from those reported by Sosik and Megerian (1999). They evaluated the relationships of emotional intelligence, transformational leadership and leadership effectiveness, and found that managers who
were rated more effective leaders by their subordinates possessed more aspects of emotional intelligence. Sosik and Megeiran used a trait-based perspective of emotional intelligence, whereas in this study, the author limited the view of emotional intelligence to an ability perspective. Buford (2001), also using a mixed model perspective of emotional intelligence found a relationship between emotional intelligence and transformational leadership. Little relationship, however, has been found between the self-reported leadership practices of nurses and their emotional intelligence (Vitello-Ciciu, 2001) as reported by the MSCEIT (Mayer, Salovey & Caruso, 2002) and no support was found for the effect of emotional intelligence as a predictor of leadership success of top executives (Collins, V.L., 2001). The findings of this study suggest that the ability perspective of emotional intelligence does not have any relationship to perceptions of transformational leadership style. This finding is contrary to what one would expect from reviewing the test manual for the MSCEIT v2.0 (Mayer, Salovey, Caruso, 2002) and the associated citations. A further explanation for these findings could be that the MSCEIT, still in its infancy is not effectively capturing the significant differences in emotional intelligence from one individual to the next. Mixed reliability results were obtained within the correlations among items on the MSCEIT, pointing to some potential construct validity problems and this could be another possible explanation for no significant correlations found on some of the dimensions. Within the perceiving emotions branch of the MSCEIT, the item reliabilities were (split ½) .91. Therefore, a claim of weak instrumentation cannot explain the entire lack of significance found for the hypotheses H1, H2, H3 and H4.

5. Conclusion

The research hypotheses addressed in this study were related to the relationship between the emotional intelligence of managers and the perceptions those managers’ leadership style and various outcomes of leadership as held by their subordinates. The populations studied were the employees of seven public sector banks along with their different branches based in Allahabad city. The results of the study, relate to the employees who participated in this study. This presents a limitation as to the generalizability of the implications for the study; therefore, it is inappropriate to draw general implications for practice based on the results of this single study. Further replication of this type of study and empirical verification would determine the significance of the recommendations beyond the boundaries of the company.

This study focused the view of emotional intelligence to an ability perspective, one that could be measured using a performance-based instrument - the MSCEIT (Mayer, Salovey & Caruso, 2002). Within this perspective, the lack of significant relationships between the various components of leadership style and emotional intelligence is important to the organizations wanting to improve
performance. Organizational efforts may be expelled in the wrong areas (that of improving emotional intelligence) and could be used in other areas to provide more significant contributions to the organizations management team.

Though this study’s results should not be broadly generalized, they are still important to consider for today’s practitioners. It appears that many of the benefits espoused regarding emotional intelligence to an individual’s leadership success and effectiveness still need to be empirically confirmed. This study showed that those relationships between emotional intelligence and leadership style do not exist. Hence, further research is needed in the areas of this construct and associated measurement tools before this author would support its use in practice.

References


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