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

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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

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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

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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-

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