

# RELATIONSHIP BETWEEN TRANSACTIONAL, TRANSFORMATIONAL LEADERSHIP STYLES, EMOTIONAL INTELLIGENCE AND JOB PERFORMANCE

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## ABSTRACT

Claims about the significant relationship or the positive influence of emotional intelligence on performance are numerous, in both the commercial and scientific literatures. However, despite the intense interest of the media and business consultants in the field of emotional intelligence or EI, and its increasingly popular use in organizations, there is little empirical evidence to support these claims. In this study, we investigated the relationships between EI, leadership styles among 192 managers. Emotional intelligence was evaluated employing the Schutte emotional intelligence scale and while the Bass and Avolve leadership styles scale was also adapted. Finally, job performance was measured by immediate managers. Results showed that emotional intelligence was positively correlated with emotion in job performance. Surprisingly, it also appears that transformational leadership style was correlated with job performance. These results suggest that emotional intelligence may provide an interesting new way of enhancing productivity through job performance.

**Keywords:** Emotional intelligence, leadership style, Transformational Leadership style, job performance.

## **INTRODUCTION:**

An examination of the literature in the fields of emotional intelligence and leadership styles finds that the two areas have been independently linked to job performance. For example, researchers have examined the links between emotional intelligence and job performance (e. g. Stubbs, 2005; Sy, Tram & O'Hara, 2006; Bipath, 2007; Rieck, 2008), and also between leadership styles and performance (Bycio et al., 1995; Howell & Avolio, 1993).

A few studies have been conducted on the effect of these factors in other non-bank organizations and separately. However, this study, discusses these factors simultaneously. This research study is an attempt to fill gaps in the literature. Additionally, no other research has utilized both EI and leadership styles for managers within the same research study in relation to performance or additionally compare both independent variables in the same study with managers' workplace performance reviews (in a banking setting). Therefore, this study may be a stepping stone to further enhance the field of emotional intelligence and leadership styles.

## **DEFINITION OF EI:**

Meyer and Salovey (1997) first developed the Theory of Emotional Intelligence. According to them, emotional intelligence is "the ability to perceive emotions, to access and generate emotions so as to assist thought, to understand emotions and emotional knowledge, and to reflectively regulate emotions so as to promote emotional and intellectual growth (p.5)".

## **EMOTIONAL INTELLIGENCE AND JOB PERFORMANCE:**

Many studies on the relationship between emotional intelligence and job performance have been conducted, especially in the service sector. It has emerged as one of the most important disciplines in management. Studies conducted by Hafey (2003), Seval Fer, (2004), Kernbach and Schutte (2005), Kiely (2005), Rao (2006), Mccallin and Bamford (2007), Susan and Pappas (2007) conclude that emotional intelligence is considered an important tool for increasing service performance and team effectiveness. EI skill is necessary for success in the business environment. It helps employees in learning service skills that ultimately result in job success and lead to employee satisfaction, customer satisfaction and customer loyalty in the service sector as well. The delivery and performance of services can be enhanced by linking them with the emotional intelligence skills.

## **LEADERSHIP STYLE AND JOB PERFORMANCE:**

Some researchers (Iverson & Roy, 1994; Sergiovanni & Corbally, 1984; Smith & Peterson, 1988) believe that there are certain characteristics leaders must have in order to create employee job satisfaction and commitment: (a) Empowerment and (b) clear vision. In order for transformational leaders to be effective, their followers must share their vision for the organization and be willing to put the goals of the organization before their own personal goals and objectives (Hater & Bass, 1988; Archbold, 2004). Other researchers (Bass, Avolio, & Goodheim, 1987; Bass, Waldman, Avolio, & Bebb, 1987; Bennis & Nanus, 1985; Conger & Kanungo, 1988; House, Spangler, & Woycke, 1991; Roberts, 1985) found that employee satisfaction is positively related to transformational leadership style. In further support of transformation leadership, some researchers (Bass, 1985; Bycio, Hackett, & Allen, 1995; Hater & Bass, 1988; Howell & Avolio, 1993; Shamir, Zakay, Breinin, & Popper, 1998; Yammarino & Bass, 1990) found that leaders who have transformational leadership characteristics have been known to motivate followers to exert effort to achieve organizational goals.

## **AIMS AND HYPOTHESES:**

This study aims to analyse the leadership styles, emotional intelligence and job performance of managers who are employed in the public and private sectors in Semnan, Iran.

The present study is to answer the following hypotheses:

1. There is a relationship between emotional intelligence of managers and their job performance in the banking sector of Iran.

2. There is a relationship between transformational leadership style and job performance in the banking sector of Iran.
3. There is a relationship between transactional leadership style and job performance in the banking sector of Iran.
4. How much Emotional intelligence, transformational leadership style, transactional leadership style explains the variance of managers' job performance.

## METHOD:

### 6-1 PARTICIPANTS:

The sample consisted of 192 managers from public and private banks in Iran. Participants ranged in age from 28 to 62 years and the average age was 43.11 (S.D. = 6.94). The respondents' average work experience in their present organization was 20.56 years (S.D. = 6.24), with a range from three to 28 years. The highest frequency was 11 to 15 years (123 people/29.2%); 10 to 19 years of work experience (44/ 22.9%); over 30 years of work experience (14/7.3%); under 9 years of work experience (11/ 5.7%). The average tenure in position was 9.7 years (S.D. = 6.28), with a range from 1 year to 28 years. These results are presented in Table 1.

**Table 1: Demographic characteristics of participants**

Demographic		Frequency(n=192)	percent	M
				43.11
Age	<29	4	2.1	20.54
	30-39	54	23.4	
	40-49	117	60.9	
	>49	26	13.5	
Work Experience	1 - 9	11	5.7	9.71
	10-19	44	22.9	
	20-29	123	64.1	
	>30	14	7.3	
Management	<5	61	31.8	-
	6-10	52	27.1	
	11-15	56	29.2	
	16-20	15	7.8	
	21-25	5	2.6	
	>25	3	1.6	
Level of education	Diploma	78	40.6	
	S.	37	19.3	
	Diploma	72	37.5	
	Bachelor	5	2.6	
	Master and above			

### 6-2 MEASURES:

The instrument is divided into three sections: 1- The adapted Multifactor leadership questionnaire (MLQ), 2- The Schutte Self Report Emotional Intelligence Test (SSEIT), and 3 -job performance (JP).

#### 6-2-1 DEMOGRAPHICS:

Participants indicated their age, Level of education, Work Experience, and Management (tenure in position)

### 6-2-2 EMOTIONAL INTELLIGENCE:

The SSEIT (Schutte et al. (1998) was used to assess emotional intelligence. The SSEIT which is also known as Assessing Emotions Scale or the Self-Report Emotional Intelligence Test (SREIT), is a self-report instrument with 33 items and four scales used to assess EI.

- 1) Assessment of personal emotion and that of others (Verbal and nonverbal assessment of emotion)
- 2) The expression of emotion (Verbal and nonverbal expression of emotion)
- 3) The regulation of emotion in self and others (Using emotion to motivate)
- 4) The use of emotion to solve problems. (employing emotion as a motivational tool). The internal consistencies for our sample; reported reliabilities of  $\alpha = 0.89$  for full scale,  $\alpha = 0.79$  for appraisal of emotion,  $\alpha = 0.67$  for expression of emotion,  $\alpha = 0.83$  for regulation of emotion and  $\alpha = 0.78$  utilization of emotion in problem solving.

### 6-2-3 LEADERSHIP STYLE:

Leaders used the adapted Multifactor leadership questionnaire "Leader Form"(Avolio and Bass, 2004), for self-assessment of their leadership style. This particular study measured only transformational leadership and transactional leadership styles and as it does not assess behavior outcome, the items used were reduced to 32 from the original 45. Internal consistency was acceptable for transformational leadership ( $\alpha = .89$ ), and transactional leadership style ( $\alpha = .79$ ).

### 6-2-4 JOB PERFORMANCE:

#### RESULTS:

Results from Table 2 show a positive and significant correlation between emotional intelligence and job performance ( $r = .55$ ,  $n = 192$ ,  $p < 0.01$ ), as well as a positive and significant correlation between transformational leadership style and job performance ( $r = .45$ ,  $n = 192$ ,  $p < 0.01$ ).but in this study, there wasn't any significant correlation between transactional leadership style and job performance ( $r = .07$ ,  $n = 192$ ,  $p > 0.05$ ).

**Table 2: Pearson Product-Moment Correlations Between independent and dependent variables.**

Variables	1	2	3	4	
(1)Job performance	1				
(2) Emotion intelligence	.554**	1			
(3)Transformational leadership	.452**	.496**	1		
(4)Transactional leadership	.076	.197**	.120	1	

\*\* $p < .01$

Prior to analysis, checks of the assumptions underlying multiple regressions were undertaken, including normality, linearity, and homoscedasticity. These assumptions were met and indeed Tabachnick and Fidell (2001) have stated that multiple regression is quite resistant to any violations.

Multiple regression analysis was used to answer the fourth hypothesis of this study which was to determine the contribution of the independent variables toward variance of job performance of bank managers. In addition, the index B (partial regression coefficient) and  $\beta$  beta (Standardised regression coefficients) were used to examine the linear relationship between certain independent variables.

The summarized results presented above the model of this study explain about 35% of the variance in the job performance of bank managers. The ANOVA Table revealed that the f-statistic (33.716) was large and the corresponding p-value was highly significant (.000) or lower than the alpha value of .05. This indicated that the slope of the estimated linear regression model line was not equal to zero confirming that there was linear relationship between job performance and the three predictor variables. The multiple regression results are reported in Table 3.

**Table 3: Multiple Regressions between the independent variables and dependent variable.**

Variable	R	R <sup>2</sup>	ΔR <sup>2</sup>	df	ΔF	B	SEB	β	t
	.591	.350	.339	188	33.716				
constant						24.807	526		47.195
EI						.597	.092	.444	6.476***
TRF						.554	.159	.236	3.490**
TRS						-.064	.099	-.039	-.655

\*\*\* $P < .001$ , \*\* $P < .01$ . Dependent variable: job performance, EI=emotional intelligence, TRF= transformational leadership, TRS = transactional leadership

Based on the values in Table 3, the highest beta coefficient was .444, which was derived from emotional intelligence. This means that emotional intelligence was the strongest contribution to the overall equation. This variable was followed by Transformational leadership (beta= .236). This means that transformational leadership has the lowest effect with a beta coefficient of .236 as compared to other predictors. The beta value for transaction leadership was the smallest (-.039) indicating that it made the least contribution to the dependent variable, job performance. To conclude, the multiple regression model for job performance in standard score unit was as follows:

$$\hat{Y} (\text{Job performance}) = .44 (\text{Emotional intelligence}) + .23 (\text{Transformational leadership}) - .039 (\text{transactional leadership style})$$

This model suggests that job performance of the managers could be significantly enhanced by improving the emotional intelligence skills, and transformational leadership toward the bank.

## DISCUSSION AND CONCLUSION:

The purpose of this study was to examine the relationships between emotional intelligence, transformational leadership style, transactional leadership style, and job performance of bank managers in the banking sector in Iran. It was also to examine the contribution of prediction variables toward the variance of job performance. The first purpose of this study was to examine whether emotional intelligence was related to individual performance.

These results matched with the results of Terani (2004), Hosseini (2007), Reissi and Malehi (2008). These researchers posited that an individual's emotional intelligence is effective in increasing performance. In confirming the above hypothesis, we can apply the programs of developing emotional intelligence for bank managers to improve their job performance.

This study showed that there is a relationship between transformational leadership style and job performance. Even though the linear relationship of transformational leadership style and job performance is not as strong as emotional intelligence, it is nevertheless an effective factor. This study shows that people with transformational leadership style show better performance. Results of this study are consistent with those of Bass (1985). Bass agrees that people who use transformational leadership style show high performance. This is because development-oriented leaders have a great role in rapid changes and excite staff under their supervision, and use motivational techniques to lead their staff. It is this kind of managers who have higher and better job performance that will guide the future path of the organizations.

The result of the present study is confirmed by some experts and well-known researchers about the relationship of transformational leadership style and performance. The result of the present research is also consistent with the findings of well-known authors such as Bass and Avolio (1997) who agree that employee performance is associated with high level of transformation leadership. In other words, results of the first and second hypotheses (/emotional intelligence and performance / transformation leadership style and performance) are consistent with the findings in the literature (Cooper, 1997; Goleman, 1998; and Yuki, 1998) who believed in a positive relationship between transformation leadership and performance and also emotional intelligence and performance.

In computing the multiple regression from among three existing variables (emotional intelligence, transformational and transactional leadership styles), the emotional intelligence and transformational leadership style contributed 35% of the variance in job performance. In fact the best predictors are emotional intelligence followed by the transformational leadership style.

The current models are concerned with how emotional intelligence affects people's performance either in their life or in their organization. Carrying out similar studies with various statistical tools and methods will help present other models and theories. As has been mentioned earlier, there are inconsistent results by other researchers of the relationship between emotional intelligence and performance. Some researchers such as Stubb (2005); Sy, Tram, and O'Hara (2006); Bipah (2007), Rieck (2008) believe that there is a relationship between emotional intelligence and performance while some other researchers such as Brook (2002); Bresnik (2004); Shaffer and Shaffer (2005) and Bohere (2007) have not found any relationship between the two variables.

In recent years, leadership has had a special position in educational research and so many studies have been done by prominent scholars. The terms transformational and transactional leadership are discussed and used more than other terms in leadership concepts. Another variable that has affected managers' performance is transformational leadership style. Managers who practice transformational leadership have a major role in affecting rapid changes and motivating their staff to improve their knowledge about the importance of the organization they work for. Such leaders can unite their followers and change their beliefs and purposes and positively affect staff performance. In so doing, these leaders can also affect their own performance.

Successful organizations like banks need leaders who have the vision to identify the future path of the organization with their deliberations. They can lead, stimulate and motivate their staff, and this hypothesis that there is a significant relationship between transformational leadership style and performance means that managers who use transformational leadership style have high performance. Transactional leadership style has no significant relationship with job performance. The nature and effect of each leadership style depends on organization type. A military organization, for example, differs from educational or administrative organizations and subsequently needs a different type of leadership. For example, the leadership style of an educational organization like a university is mostly transformational leadership style, but for a military organization it is transactional. It therefore appears that the type of organization determines whether there is a relationship between leadership style and managers' performance.

#### **LIMITATIONS OF THIS STUDY:**

- 1.The managers' responses to the Multifactor Leadership Questionnaire (MLQ 5X) and Schutte 33-item Emotional Intelligence Scale are based on self-reports. Self -report responses are often affected by the participants' biases.
- 2.The study does not focus on all the variables that could affect manager's job performance, since a multitude of variables may affect job performance in the banking industry.
- 3.Another limitation of this study is related to social factors. Research variables are affected by external factors like the economy, culture and politics. So, the findings cannot be generalized to other countries, however it is believed that these principles are applicable to any situation.

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