

# Linking Emotional Intelligence and Transformational Leadership Among Multinational Corporations' Managers

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## Abstract

Transformational leadership is claimed to have several positive organizational and individual effects in various contexts. There is a general consensus among researchers that transformational leadership is the most effective leadership style in today's dynamic and unpredictable business environment. However, the underlying competencies that predispose leaders into adopting transformational leadership style are still being scrutinized. Previous studies have identified emotional intelligence (EI) as one of the core competencies of transformational leadership. However, majority of studies on emotional intelligence and leadership in Malaysia were in education field. Thus, the objective of this study is to examine the relationship between emotional intelligence components and transformational leadership style among multinational corporations' managers in Johor. Self-

administered questionnaires were distributed to 86 managers working at five electronic multinational corporations. It was found that emotional intelligence explained 33% of the variance in transformational leadership. However, only relationship management significantly explained 39% of variance in transformational relationship while self-awareness explained 26% of changes in transformational leadership. The other two components were not significant. These findings indicate that relationship management and self awareness are the key competencies of transformational leadership and should receive greater emphasis if emotional intelligence is to be used as a useful tool for management selection, development and assessment.

**Keywords:** emotional intelligence, transformational leadership, multinational corporations

## **1. Introduction**

Leadership is a key element in organizational effectiveness (Day & Lord, 1988) and it is regarded as the most critical determinant of future organizational development and success (Yulk, 2001). Effective leadership would boost organization's ability to achieve its objectives, to maintain its competitiveness, and to satisfy social responsibilities. Given the paramount importance of leadership in organizations, the next question is what type of leadership is the most effective? Most scholars agreed (e.g. Yulk, 2001; Bass, 1985; Avolio et al., 2004) that transformational leadership is the most suitable leadership style in today's business environment. Substantial evidence has shown advantageous effects of transformational leadership on both individual and organizational outcomes. In particular, transformational leadership is found to enhance subordinates' satisfaction, trust in leadership, employees' commitment, team and leadership effectiveness and business performance (Brown et al., 2005; Barling & Slater, 2000; Lowe et al., 1996) across contexts and nationalities (Bass, 1997).

Therefore, transformational leadership style should be inculcated not only among seasoned managers but also among new managers. Nonetheless, the underlying competencies that would propel a leader to display the desirable transformational characteristics have not been fully understood. Garner and Stough (2001) claimed that transformational leadership is dependent upon the evocation, framing and mobilization of emotions while Tjosvold and Tjosvold (1995) emphasized personal integrity, self-awareness and sensitivity to other people as vital qualities of transformational leaders. According to Kempler (1999), emotional intelligence (EI) accounts for close to 90 percent of what distinguishes outstanding leaders

from those who are judged as average. Yulk (2002) believed that a leader with high emotional intelligence have more insight into types of rational or emotional appeals and is most likely to be effective in a particular situation. Thus, it is expected that transformational leaders possess a combination of competencies, and one of them is emotional intelligence.

Most studies on emotional intelligence in Malaysia were done in the education field whereby their findings might not be generalizable in the context of corporate business environment. Therefore, the main objective of this study is to examine the relationship between transformational leadership and emotional intelligence among multinational corporations' managers in Batu Pahat Johor.

## **2. Literature Review**

### **2.1 Transformational Leadership**

Several theories of transformational leadership (Bass, 1985; Kouzes & Posner, 1999) are originally based on the ideas of Burns (1978). However, there have been more empirical research on the version of transformational leadership formulated by Bass (1985) as he extended the concept to include general supervisory-subordinates relation. Bass (1985) identified three dimensions of transformational leadership, which are charismatic leadership (including inspirational leadership), individual consideration and intellectual stimulation. He asserted that although the attribution of charisma is among the most important parts of transformational behavior, it is not sufficient to account for transformational process (Bass, 1985). He departed radically from Burns in terms of degrees of transformational behavior versus transactional behavior. While Burns (1978) regarded transformational leadership as the opposite end of a single continuum from transactional leadership,

Bass (1985) argued that leaders display varying degrees of both transformational and transactional leadership behavior. Bass and Avolio (1997) have further refined Bass's theory of transformational leadership by providing an empirically validated measurement of transformational leadership named MLQ or Multifactorial Leadership Questionnaires (2000). They viewed transformational leadership as an expansion of transactional leadership with the employment of four 'I's', which are Idealized Influence, Inspirational Motivation, Intellectual Stimulation and Individualized Consideration. They also expanded the concept of transactional leadership to include contingent reinforcement (positive and negative) and management-by-exception (negative active or passive forms) and laissez-faire leadership (total avoidance of leadership). Components of transformational leadership as used in this study are described as follows;

**Inspirational Motivation:** Leaders' behavior to communicate the importance of company's mission and the use of symbols to focus followers' efforts.

**Idealized Influence:** Leaders' charismatic qualities such as self-confidence, vision, display of extraordinary behaviors, being an agent of change and being sensitive to the environment.

**Individualized Consideration:** Leaders' behavior that supports, encourages and pays attention to their followers' performance.

**Intellectual Stimulation:** Leaders' behavior that stimulates followers by presenting them with challenging new ideas and different ways to tackle new problems.

## **2.2 Emotional Intelligence**

The concept of emotional intelligence has its root in the concept of social intelligence, which is introduced by Thorndike in the 1920s. At that time, social intelligence was proposed as the missing variation in the outcomes' measures not accounted for by IQ. However, inability to accurately measure social intelligence at that time lead to the abandonment of the concept. Gardner (1983) reintroduced the EI concept in his model of Multiple Intelligence. However, Multiple Intelligence has been discussed mostly in an academic context and deprived from many real world's applications. Subsequently, seminal work by Bar-On to develop an experimental instrument to measure EI in the early 1980s (2000) could be regarded as a turning point of EI's popularity. According to Bar-On (2000), EI is an array of emotional and social knowledge and the abilities to influence our overall activity to cope effectively with environmental demands. It has five major domains; namely, intra personal skills, adaptability, stress management, and general mood stability. These domains are further operationalized into 15 factors including emotional awareness, assertiveness, empathy, problem solving, stress tolerance, impulse control and optimism. The recent version of Bar-On model of EI includes more factors such as self-regard, interpersonal relationship, reality testing and flexibility. He also identified five facilitators of EI which are optimism, self-actualization, happiness, independence and social responsibilities. Bar-On's model of EI aims to estimate both social and emotional competencies and thus it is classified as general health approach of EI. Such classification limits its applicability in workplaces. Salovey and Mayer (1997) reinvented the concept of EI by focusing on specific mental aptitudes for recognizing and marshalling emotions while simultaneously perceiving and

regulating these emotions. Therefore, Salovey and Mayer's model of EI comprises four levels of abilities that are developmental in nature which are identifying emotions, using emotions to facilitate thought, understanding emotion and managing emotions. These levels indicate complexity of emotional skills that grow from the first level to the fourth level. Cooper and Sawaf (1997) identified four cornerstones of EI using personal growth approach, which include emotional literacy, emotional fitness, emotional depth and emotional alchemy. Similar with previous models of EI, Cooper and Sawaf's model is developmental in nature and thus limiting its application. Eventually, it is Goleman (1995,1998) who introduced the performance-based model of EI. He saw EI as comprising a discrete set of abilities that integrate affective and cognitive skills. The earlier framework by Goleman identified five dimensions of EI, which are further broken down into twenty-five competencies. However, following a research done by Goleman et al. (2002), the dimensions of EI were reduced to four and twenty competencies. These dimensions of EI are self-awareness, self-management, social awareness and relationship management. Since Goleman's model of EI is based on performance competency and thus more applicable in the organizational context, this research utilized Goleman's framework of EI.

### **2.3 Relationship between Transformational Leadership and Emotional Intelligence**

In Malaysia, there are limited studies on the relationship between transformational leadership and emotional intelligence. Most empirical research on EI in Malaysia were done in the education field and descriptive in nature (Zainuddin, 2000; Reimy, 2001; Sarina, 2007; Yahya & Ng,

2001; Mohd Najib et al., 2002; Liew et al., 2002).

Sivanathan and Fekken (2002), Gardner and Stough (2002) and Polychoniou (2009) found positive relationship not only between EI and transformational leadership styles but also leadership effectiveness. Interestingly, in a study among project managers, Leban and Zulauf (2004) found that EI is significantly related not only with transformational but also transactional leadership and laissez-faire. Although EI explains higher variance in transformational leadership compared to other styles, this study indicates that EI is a precursor to any leadership style. Studies done by Palmer et al. (2001) and Barling et al. (2000) indicate that not all dimensions of transformational leadership are significantly related to EI and its dimensions. They found that Inspirational Motivation, Idealized Influence and Individualized Considerations are significantly correlated with either EI or its dimensions but not Intellectual Stimulation.

Nonetheless, Brown et al. (2006) in his study involving 2,411 employees found that EI is not related to transformational leadership and its dimensions. The presence of cultural and organizational diversity is claimed as one of the reasons for the contradictory findings. Furthermore, this study utilized subordinate assessment rather than self-rated assessment as compared to many previous studies.

Sosik and Magerian (1999) further examined whether self-awareness among managers would moderate the relationship between aspects of emotional intelligence and transformational leadership behavior and between transformational behaviors and managerial performance. The findings of this research suggested that transformational leaders who have high

levels of self-awareness, self-confidence and self-efficacy (all components of emotional intelligence) are perceived as high performers. The study also found that managers who maintain self-awareness possess more aspects of emotional intelligence and are rated as more effective by both their superiors and their subordinates.

### 3. The Conceptual Framework

Based on the existing literature, it is deduced that leaders who possess a high level of emotional intelligence would also tend to display transformational leadership behavior. Components of emotional intelligence should also have direct positive relationships with transformational leadership. Barling et al. (2000) explicitly explained why individuals with high emotional intelligence are more likely to display transformational leadership behavior. First, leaders who are aware and could manage their emotions would serve as role models to their followers, thereby, enhancing their followers' trust in them and respect their influence. This would be

consistent with the essence of idealized influence. Secondly, leaders who understand others' emotions would have the ability to realize the extent to which followers' expectations could be raised, a hallmark of inspirational motivation. Thirdly, a major component of individualized consideration is the ability to understand followers' needs and interact accordingly. Leaders manifesting emotional intelligence would be likely to manifest individual considerations by having positive relationship management and interaction. Finally, it is believed that intellectual stimulation not only requires the leaders' abilities to present intellectual challenges and change followers' perspectives, but it also requires the ability to recognize the motivating drives, to instill positive thinking, and to move people to embrace new ways of thinking. Facilitating and coaching require a great deal of emotional capabilities, which can be collectively referred to as emotional intelligence.

Hypothetically, the relationship between emotional intelligence and its sub-components and transformational leadership is depicted in Figure 1.

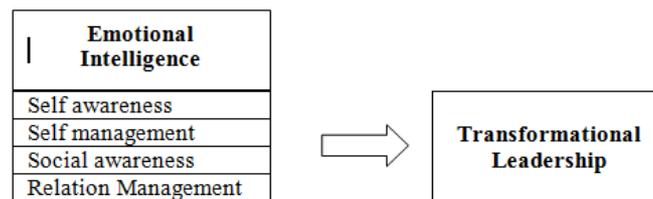


Figure 1 Research Framework on the Relationship between Emotional Intelligence and Transformational Leadership

Based on the conceptual framework, the objective of this research is to find the relationship between emotional intelligence and its sub-components with transformational leadership.

### 4. Methodology

The research design for this study was a cross-sectional survey. The selection of the research design was based on the nature of the research objectives that involved hypothesis testing and the need to observe the phenomenon in its natural setting. The targeted population in this study was all managers working in

Japanese Multinational manufacturing companies in Batu Pahat Johor. There are five Japanese MNCs with 112 managers. Using Krejcie and Morgan's table to determine sampling size, a sample size of 86 persons was found to be appropriate with 95 percent degree of confidence and 5 percent of error. Simple random sampling method was used to determine the respondents. The return rate of the distributed questionnaires was 100%. The respondents' profile shows that there were 92.8% male respondents and 7.2% female respondents. 72% of respondents were between 36 to 45 years old with only 7.3% above 46 years old, indicating a young composition of workforce in the participating companies. 15.9% of respondents had worked less than 10 years with 69.5% having worked between 11 to 20 years, and 14.4% had worked more than 21 years. 14.4% of the respondents had SPM or lower level of qualifications. Majority of respondents (42.2%) had bachelor degree, 31.3% with diploma, 7.2% with other types of qualifications and 1.2% with post-graduate degrees. 42.2% of respondents came from administration department while 57.8% came from production department.

Established Leadership Questionnaires (MLQ-5X) was used to measure transformational leadership style (20 items) while self-constructed questions adapted from Goleman et al. (2002) was used to measure EI. Data analyses were performed using SPSS software.

The reliability coefficients for all instruments are above 0.7 with MLQ-5X's

Cronbach's Alpha of 0.85 and EI's Cronbach's Alpha of 0.89. Factor analyses were performed to check the adequacy of measuring scales and to clarify the underlying factorial structures of the instruments (Pedhazur & Schmelkin, 1991; Tabachnick et al., 2001). Factor analysis on transformational leadership yielded six factors that had eigenvalues greater than one and Keiser-Meyer-Olkin (KMO) score of 0.725. These six factors accounted for 65.29% of the total variance for transformational leadership scores. The results of factor analysis for EI produced twenty-one factor solutions with eigenvalues greater than one accounting for 79.23% of the total variance in the emotional intelligence score. The Keiser-Meyer-Olkin (KMO) score was 0.632.

## **5. Results**

Table 1 presents the MLR results of EI and transformational leadership. The results indicated that 33% of variance in transformational leadership has significantly been explained by EI. However, when looking at sub-components of EI, only self awareness and relationship management are significantly related to transformational leadership with Beta 0.261 and 0.396, respectively. These results imply that self awareness and relationship management are necessary emotional competencies that contribute to transformational leadership behavior.

Table 1: Multiple Regression of EI on Transformational Leadership

<b>R Square = 0.332</b>		
<b>F = 9.933, <math>p &lt; 0.0001</math></b>		
Predictor Variables	Beta	<i>P</i>
<b>Self Awareness</b>	<b>0.261</b>	<b><math>p=0.017</math></b>
<b>Self Management</b>	<b>0.148</b>	<b><math>p=0.189</math></b>
<b>Social Awareness</b>	<b>0.410</b>	<b><math>p=0.794</math></b>
<b>Relationship Management</b>	<b>0.396</b>	<b><math>p = 0.005</math></b>

## 6. Discussion

The result of the present study shows that overall emotional intelligence has significant influence on transformational leadership. However, only self-awareness and relationship management are significant predictors of transformational leadership. As argued by Yulk (2001), transformational leadership relies heavily on emotional aspects of leadership especially in terms of how leaders influence followers to make self-sacrifices for the benefit of the organization. Development of such influence is based on trust. The process of attaining trust from the followers, consequently, is traced back to the emotional intelligence competencies especially self-awareness (Goleman, 1998). Leaders who have self-awareness would facilitate their abilities to empathize, which is the ability to be ‘in the follower’s shoes’. This process goes a step further when followers will then trust the leader because of this building bond. In short, the mechanics of interactions among dimensions of emotional intelligence provide the necessary basis for further development of transformational leadership. Similarly, relationship management is the integral component of transformational leadership as leaders need to be able to assess subordinates’ emotions, feelings and help them regulate their emotions and achieve desirable goals.

From a managerial selection viewpoint, emotional intelligence provides initial indication of leadership potential, thus would provide organizations with means for selecting organizational leadership. Organizations should be able to use an emotional intelligence test as a developmental tool to identify potential leaders’ strength and weaknesses and to assess ‘readiness’ of managers for promotion to fill in the leadership roles. According to Tucker et al. (2000), managerial derailment is frequently attributed to character flaws such as a lack of self-awareness, an inability to change, poor treatment of others, and an interpersonal deficiency. Managers who are promoted to lead must have strong emotional intelligence competencies together with the technical and educational skills in order to be successful. Therefore, emotional intelligence could be a useful yardstick in measuring and in understanding the promotion readiness among managers. It would assist organizations to make prudent decisions on promotions and reduce subjective appraisal.

Moreover, this finding is vital for the development of pre-selection tools for recruitment purposes. The increasingly complex human resource functions to develop a long-term human resource plan that is aligned with organizations’ visions include hiring leaders and employees who can withstand economic fluctuations and

taking advantage of any opportunity arising from these research and development efforts, competitor advances, and globalization (Rajkumar, 2001). In other words, human resource managers have to constantly re-engineer a systematic employment process or an approach that can bring forth the desired workforce and leaders who can work with changes and not against them. The present systematic employment approach, which relies on the use of either an IQ test alone or in combination with a personality test, might not be sufficient. Since emotional intelligence has been seen as a missing

component in the selection of potential leaders (Cooper & Sawaf, 1997), incorporating an EI test as a pre-selection tool will increase the recruitment efficiency and avoid expensive recruitment mistakes.

Nonetheless, this study is not without limitation. Small samples and the use of self-rated assessment are among the considerations. However, this study is among a few which were done in a Malaysian context and should be treated as a basis for future research.

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