Emotional Intelligence: Does Leadership Style Matter? Employees Perception in Ghana’s Banking Sector

Kwasi Dartey-Baah\textsuperscript{a} and Benjamin Mekpor\textsuperscript{b}

\textsuperscript{a} University of Ghana Business School
Department of Organization & Human Resource Management
P.O. Box LG 78, Legon, Accra – Ghana, West Africa
kdartey-baah@ug.edu.gh

\textsuperscript{b} University of Ghana Business School
Department of Organization & Human Resource Management
P.O. Box LG 78, Legon, Accra – Ghana, West Africa
Bmekpor@yahoo.com

ABSTRACT
The purpose of this study was to determine whether employees in Ghana’s banking sector perceive their leaders to be emotionally intelligent based on their style of leadership. The study was cross-sectional in nature and made use of structured questionnaires to collect quantitative data. Out of 300 questionnaires administered, 234 were returned (comprising of 115 males and 119 females). The findings of the study revealed that a positive relationship exists between transformational leadership and emotional intelligence (EI) whereas a negative relationship was found between transactional leadership and EI of leaders. The study also noted that transformational leaders are more emotionally intelligent; thus, it is recommended that EI an attribute associated with leader effectiveness be made part of leadership development in organizations.

\textit{JEL Classification:} M12

\textit{Keywords:} transformational leadership; transactional leadership; emotional intelligence; Ghana
I. INTRODUCTION

The banking sector has generally been described as a kind of work environment where employees are often busy, work under pressure and are constantly in an emotionally laborious state (Rizwan et al., 2014). This is attributable to the demand of work, prudency in financial management and extended time of interaction between employees of banks and customers directly on daily basis. As such, many banking institutions are seeking strategic means to create conducive work environments for their employees where work is less stressful and productivity as well as staff motivation is high. Scholars such as Kessler et al. (2013) have advanced that to achieve this, leadership is the best place to begin.

According to Bar-on (1996), one important characteristic that is common in the operation of all leadership styles is their emotional prowess – measured as Emotional Intelligence (EI). EI is the leaders’ ability to “….perceive accurately, appraise, and express emotion; the ability to access and/or generate feelings when they facilitate thought; the ability to understand emotion and emotional knowledge; and the ability to regulate emotions to promote emotional and intellectual growth” (Salovey and Mayer, 1990, p. 10). The concept of EI is important because the expression of emotions in the workplace, either negative or positive, cannot be wished away but must rather be managed effectively (Ashforth and Humphrey, 1995).

Additionally, EI is the skill that determines whether a leader will be successful or not in dealing with followers (Goleman, 1998; Sosik and Megerian, 1999). It has also been proven that EI contributes about 80 to 90% to leadership competence (Goleman, 1998). EI is sometimes more of the qualities that separate outstanding leaders from average ones (Goleman, 1998). Extant research also revealed that EI influences various employee outcomes: employee commitment (Tung, Khuong, and Phuong, 2014), employee performance (Jorfi, Jorfi and Moghadam, 2010), occupational stress (Gardner and Stough, 2003), employee turnover (Siddiqui and Hassan, 2013) among others.

Thus, when employees perceive that leaders understand their needs, they tend to give off the best of their skills to the execution of organizational goals (Korkmaz and Arpaci, 2009) and the opposite is true when they perceive they are not handled in an emotionally intelligent manner (Ayoko, Callan and Härtel, 2003). Hence, the need for organizations to be interested in the EI of their leaders since it has the propensity to induce favorable behaviors from employees. More so, amongst the numerous leadership styles identified in literature (e.g., charismatic, ethical, servant, adaptive, dispersed, authentic, spiritual, transcendent, transformational, transactional, laissez-faire leadership styles among others), the ones that have been mostly identified to be used in organizations especially to influence employees’ behavior are the transformational and transactional styles of leadership. This study therefore construed leadership styles as transformational and transactional and investigates how employees perceive how emotionally intelligent their leaders are based on their leadership styles within the Ghanaian banking industry.

II. LITERATURE REVIEW

This section highlights both the theoretical and the empirical aspects of the study. Theoretically, it touches on the concept of EI, the difference between transformational
and transactional leadership styles and the theories underlining the study. Empirically, it reviews the relationship between the leaders’ EI and the two leadership styles.

A. Emotional Intelligence

The impact of emotions in the workplace has been given much attention in extant literature. For instance, it has been championed by works like “The Managed Heart” by Hochschild (1983) and “Emotional Intelligence” by Goleman (1995). More so, a study conducted on the impact of leadership style and emotions on subordinates’ performance stated that both leaders and workers are expected to express themselves by their emotions even in the workplace (McColl-Kennedy and Anderson, 2002). That is to say, emotions are not excluded from the workplace setting because both leaders and their subordinates are equally exposed to work demands that influence their feelings, attitudes and behaviors. However, it is also important to know that these emotions can either be positive (e.g., optimism and joy) or negative (e.g., frustration and anger). These emotional expressions necessitated the introduction of the concept of EI both in the organizational and educational settings to help organize day-to-day work effectively (Caruso and Salovey, 2004; Lam and O'Higgins, 2012).

Leaders’ EI has been viewed as a major influence on the positive attitudes, behaviors and outcomes of employees in the workplace (Carmeli, 2003). More importantly, organizations require competent leaders whose cardinal quality is being emotionally intelligent (Dulewicz, Young and Dulewicz, 2005; Goleman, 1998). EI has also been adjudged as being twice as important when compared to both technical and intellectual intelligence required for jobs on all levels (Dulewicz, Young and Dulewicz, 2005; Goleman, Boyatzis, and McKee, 2002; Druskat and Wolff, 2001). According to Goleman (1995), whereas 20 percent of success in life is perceived to be contributed by intellectual intelligence, 80 percent is attributed to other factors. Neely-Martinez (1997) further commented in his writing on “The smart count” in an HR magazine that 80 percent of success can be accounted for by the art of being emotionally intelligent.

Numerous scholars in literature have contributed to defining the concept of EI. The common definitions used are by Goleman (1995), Bar-On (1996) and Mayer and Salovey (1997) prominent scholars of EI. It is, however, important to note that even though these authors have different definitions of the concept of EI; they are not contradictory but rather complementary. For instance, Goleman (1995) referred to EI as one’s ability to be self-motivated, control impulses and delay gratification, regulate moods, empathize, as well as recognize and manage appropriately one’s feelings and those of others. In addition, he defined EI as “the capacity for recognizing our own feelings and those of others, for motivating ourselves and for managing emotions well in ourselves and in our relationships” (Goleman, 1998a, p. 317). EI according to Bar-On has been criticized as being overly broad as it encapsulates abilities such as emotional self-awareness, independence, empathy, interpersonal relationship, social responsibility, problem solving, stress tolerance, impulse control, happiness and optimism (cited in Zeng and Miller, 2001).

EI has been sub-dimensional into various components. Goleman (1998a), for instance, developed five (5) dimensions of EI made up of self-awareness, self-regulation, motivation, empathy and social skills. However, to have a more concrete and solid scope of all the emotional competencies, Boyatzis, Goleman and Rhee (2000) further grouped
them into four (4): self-awareness, self-management, social awareness and relationship management. In congruence with Goleman, the first three components (i.e., self-awareness, self-regulation and motivation) are all self-management skills whiles the last two (i.e., empathy and social skills) are related to a person’s ability to manage his or her relationships with others referred to as relationship management by Boyatzis et al. (2000). These are further explained below:

Self-awareness refers to “knowing one’s emotions, recognizing a feeling as it happens – is identified as the keystone of EI” (Goleman, 1996, p. 43). Self-regulation requires a reflective approach to feelings before acting them out and this helps us to be free from being imprisoned by our feelings (Goleman, 2006). Motivation, on the other hand, is deemed as one that is possessed by all effective leaders as it helps to drive employees to perform beyond expectation (Goleman, 1998). Empathy centers on understanding and considering the feelings of employees when it comes to making intelligent decisions in the workplace (Goleman, 1998). Social skills, however, are the ability of leaders to consciously build and maintain relationships being mindful that such relationships help in the workplace for outstanding work outcomes (Goleman, 2006).

B. Transformational Leadership Theory

The transformational leadership style was first introduced by Burns (1978) and was developed further by Bass (1997, 1998). Burns defined the concept as the ability of the leader to inspire his or her followers to achieve the goals of the organization rather than their own interests. More so, Yukl and Fleet (1992, p. 174) defined transformational leadership as “the process of influencing major changes in the attitudes and assumptions of organizational members and building commitment for the major changes in the organization’s objectives and strategies”. According to Bass and Avolio (2004), four qualities make up a transformational leader. They are intellectual stimulation, idealized influence, individualized consideration and inspirational motivation.

Inspirational motivation: this is the leaders’ inspirational motivational quality to display optimism and enthusiasm in creating innovative goals for the future of the organization (Bruch and Walter, 2007). Idealized influence: this is when the leader is seen by the followers as a role model and behaves in admirable ways by displaying strong convictions in decisions and operating by clearly defined set of values (Warrilow, 2012). Individual consideration: This is where the leader is concerned with relating to employees individually and not just as a group (Modassir and Singh, 2008). Intellectual stimulation: Warrilow (2012) explained that leaders with intellectual stimulation help by giving the followers a clear picture of how they are connected to the leader, other employees and to the organization as a whole.

C. Transactional Leadership Theory

In addition to the transformational style of leadership, Bass and Avolio (1997) introduced the transactional style of leadership. According to Chandan and Devi (2014), transactional leadership uses extrinsic rewards as their method of motivating employees and has its grounding in both social learning and exchange theories. Furthermore, transactional leadership is posited to be characterized by bureaucratic authority, strict compliance by employees, legitimate working methods as well as the use of
organizational rewards and punishments to influence the performance and behavior of employees (Burns, 1978).

Bass (1990) defines transactional leadership as contingent reward, management-by-exception (active) and management-by-exception (passive). Contingent reward is often an exchange relationship that exists between the leader and the follower (Masi and Cooke, 2000). Management-by-exception (active) adopts an active approach to detecting and appropriately dealing with lapses in the performance of the organization (Lai, 2011). Management-by-exception (passive), on the other hand, reflects a leadership attitude that is reactive in its nature (Lai, 2011; Bass and Avolio, 1990).

D. Transformational and Transactional Leadership’s Relationship with EI

Leadership coupled with EI have been portrayed in extant literature as key to outstanding employees and organizational performance (Goleman, 1998). According to Goleman, without EI, a person can be intellectually and technically equipped but will still not display very good leadership abilities. Thus, the ability to understand and regulate one’s emotions and that of others enhances the effectiveness of leadership styles (George, 2000). Empirical studies in general posit a positive relationship between leadership and EI and this is reviewed in the following research works.

Barbuto and Burbach (2006) conducted a study on the effect of the EI of transformational leaders among 80 elected public officials in the United States. The study used a 3-6 direct report staffers for each leader and the results revealed that EI plays a major role in making leadership effective in its operation. Specifically, the transformational style of leadership was found to be positively related with all items of EI. In agreement, a recent study on the correlation between transformational leadership and EI confirmed that the two variables (transformational leadership and EI) are positively related and complementary in their use (Naznin, 2013). Thus, positing that transformational leaders exhibit traits of emotional intelligence in their leadership display. Furthermore, Gardner and Stough (2002) examined the relationship between leadership and EI among senior level managers in an organization. Their finding showed that there exists a strong connection particularly between transformational leadership and all the components that make up EI.

Additionally, in comparing the relationship between EI and the two key leadership styles (transformational and transactional), Gardner and Stough (2002) confirmed that leaders who were transformational were found to be more capable of managing their own feelings and that of their subordinates thereby exhibiting EI in their work environment. Thus, when leaders are perceived to be transformational in their approach of leading than being transactional, they are identified as being more emotionally intelligent. The researchers concluded that EI is the most significant predictor of transformational leadership. It is therefore not surprising that Goleman, Boyatzis, and McKee (2002) made bold claims that the components of EI form the core of transformational leadership.

In an exploratory study, Barling, Slater and Kelloway (2000) sought to further study the dimensions of the transactional and transformational styles of leadership and how they relate to EI. Using a total number of 60 managers including vice presidents, general and middle managers as well as supervisors, their findings concluded that leaders with high EI are perceived by their employees as exhibiting more transformational leadership behaviors rather than those noted to exhibit transactional leadership behaviors.
They further suggested that transactional leaders should be supported by training them in order to enhance the display of EI in their daily engagements with employees.

In contrast to most results, Modassir and Singh (2008) in a study revealed that no significant relationship was found between the two variables (i.e., transformational leadership and EI). Similarly, a research based on 62 independent samples by Harms and Credé (2010) adopted two methods for rating; which are the same and multisource methods of data collection. The overall results of the test revealed that EI did not have a strong link with transformational leadership. Harms and Credé (2010) further commented that the lower effects could be attributed to the multiple raters adopted by the research. However, the researchers concluded that the fact that low effects were recorded between the variables does not debunk the notion that EI still plays a key role in making leaders effective.

Lam and O’Higgins (2012) conducted a study in two large organizations in Shanghai, China. The study sampled 323 individuals made up of both managers and employees. The study sought to investigate the effect the managers’ EI has on both leadership styles and employees’ outcomes. After a rigorous analysis of the collected data, the findings revealed that the leaders’ EI had a direct influence on the display of transformational leadership skills. The researchers further posited that an organization that seeks to boost the performance of the employees must adopt the transformational style of leadership coupled with an enhancement of the leaders’ EI.

Following the review of literature on leadership and EI, the following hypotheses are stated:

H1: Transformational leadership will have a significant positive relationship with EI.
H2: Transactional leadership will have a significant negative relationship with EI.

**Figure 1**
Conceptual framework before analysis

**III. METHODOLOGY**

A. **Research Design**

According to Orodho (2003), a research design refers to the outline or plan adopted by the researcher to generate answers to the questions posed in the research. It elaborates on issues such as the time frame, data collection, implementation and number of groups...
involved in a research (Edmonds and Kennedy, 2012). The study adopted a quantitative, cross-sectional and correlational survey approach.

According to various authors, the quantitative approach is used when the variables in a study can be measured in terms of quantity (Kothari, 2004) and further used to test objective theories (Creswell, 2009). Furthermore, the study is described as adopting a cross-sectional approach because according to Neuman (2007), a cross-sectional approach to research is one that takes a snapshot description of the sampled population at a single point in time (see also: Cohen, Manion and Morrison, 2007). Lastly, the correlational approach was used. According to Leedy and Ormrod (2010), the correlational approach of conducting research evinces both magnitude and direction of the relationships existing between the variables adopted for the study.

B. Participants

The total population of the study consisted of the employees of the commercial banks that were consistently listed on the Ghana Club 100 rankings from the year 2010 to 2012. The underlying reason for selecting these companies over the three-year period is to assess the consistency of a bank in terms of their performance as measured by the Ghana Club 100. The Ghana Club 100, launched by the Ghana Investment Promotion Council (GIPC) is an annual compilation of the top 100 companies in the country who have exhibited corporate excellence in their business.

Per the three-year rankings (2010-2012), thirteen (13) banks were identified and selected for the study out of the thirty-one (31) licensed banks in the country. The thirteen (13) banks were selected based on their consistent performance and appearance on the Ghana Club 100 listing over the three-year period under consideration. Out of the accessible population of about 1000 employees, a sample of 278 was estimated using the mathematical equation developed by Krejcie and Morgan (1970). Krejcie and Morgan’s mathematical equation assists in sample size determination from an estimated population of study and is represented in a tabular form indicating the various sample sizes and their associated population. This study administered 300 questionnaires out of which 234 were successfully retrieved. The purposive and simple random sampling techniques were used for the selection of respondents.

The demographic details of the respondents are displayed in the Table 1 below.

<table>
<thead>
<tr>
<th>Table 1</th>
<th>Demographics</th>
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<tbody>
<tr>
<td></td>
<td>Frequency</td>
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<tr>
<td>Gender</td>
<td></td>
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<tr>
<td>Female</td>
<td>119</td>
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<tr>
<td>Male</td>
<td>115</td>
</tr>
<tr>
<td>Total</td>
<td>234</td>
</tr>
<tr>
<td>Age</td>
<td></td>
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<tr>
<td>Below 25 years</td>
<td>27</td>
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<tr>
<td>25-35 years</td>
<td>154</td>
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<tr>
<td>36-45 years</td>
<td>40</td>
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<tr>
<td>46-55 years</td>
<td>10</td>
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<tr>
<td>56-60 years</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>234</td>
</tr>
</tbody>
</table>
C. Measures

Below are details of the scales/instrument used to measure the variables of the study.

1. Emotional Intelligence

EI was measured using the scale designed by Goleman, Boyatzis and McKee (2002). It is an 18-item instrument with its Likert scale response ranging from 1 = Totally Disagree to 5 = Totally Agree. The items in the scale include my manager understands the implications of his or her emotions on subordinates; manager is open to feedback from his or her subordinates and my manager is confident in the execution of his or her duties. The Cronbach’s alpha of the scale was recorded as 0.63. However, this study recorded a very high Cronbach’s alpha of .966.

2. Leadership Styles

The study used the Multifactor Leadership Questionnaire (MLQ) developed by Bass and Avolio (2004). MLQ has 31 items for measuring the transformational (19 items) and transactional (12 items) leadership styles of the respondents. Items are however measured on a 5-point Likert scale including: (1) Not at all, (2) Once in a while, (3) Sometimes, (4) Fairly often, and (5) Frequently if not always. However, a study by Wells and Pearch (2011) recorded its average internal consistency reliability (Cronbach’s alpha) as 0.88 whereas this current study had .840 as its Cronbach’s alpha.

The same instrument was also used to measure transactional style of leadership. The items were also measured on a 5 point Likert scale ranging from 1 (Not at all) to 5 (Frequently if not always). However, in the same work by Wells and Pearch (2011) above, a Cronbach’s alpha of 0.71 was recorded for transactional leadership whereas the pilot study for this study recorded .79.

3. Data Analysis

Coding and data entry were both done using the Statistical Package for the Social Sciences (SPSS) version 20. Furthermore, the research employed both descriptive and
inferential methods of representing and analyzing the data. The descriptive analysis approach was however used to analyze the demographic data of the respondents. This method helps to represent data in the form of summary statistics such as frequencies, mean, median, standard deviation of the various responses to items on the measuring scales (Pallant, 2001). More so, the standard multiple regression was used to analyze hypotheses 1 and 2 because these hypotheses sought to examine the effect of two independent variables (transformational and transactional leadership styles) on one dependent variable (EI).

IV. RESULTS

The hypotheses were stated as:

H1: Transformational leadership will have a significant positive relationship with EI.
H2: Transactional leadership will have a significant negative relationship with EI.

These hypotheses sought to investigate the relationships that exist between the two leadership styles and EI of the leaders. The standard multiple regression shown below was used to test the hypotheses and results are contained in Table 2.

\[
EI = \beta_0 + \beta_1 \text{TFL} + \beta_2 \text{TSL} + e
\]  

(1)

where \(\beta_0 = \text{Constant} ; \beta_0 = \text{Constant} ; \beta_1 \text{TFL} = \text{Unstandardized coefficient beta of Transformational leadership} ; \beta_2 \text{TSL} = \text{Unstandardized coefficient beta of Transactional leadership} ; \text{and } e = \text{Error. Thus, Emotional Intelligence} = 2.432 + 0.525 \text{(TFL)} - 0.205 \text{(TSL)} + \text{Error}

\[
\begin{array}{|c|c|c|c|c|}
\hline
\text{Model} & \text{Unstandardized Coefficients} & \text{Standardized Coefficients} & t & \text{Sig.} \\
\hline
1 \quad (\text{Constant}) & 2.432 & .251 & 9.695 & .000 \\
\text{TFL} & 0.525 & .060 & 0.520 & 8.813 & .000^* \\
\text{TSL} & -0.205 & .057 & -0.214 & -3.625 & .000^* \\
\hline
\end{array}
\]

Table 2

Dependent Variable: EI; F value = 39.607, \(R^2 = .255, ^*\) indicates \(p<.001\)

From Table 2, the model test for this analysis was confirmed to be fit using an F value (2,231) = 39.607. Furthermore, the standard multiple regression analysis for the hypotheses revealed that both the transformational (\(\beta = .520, p<.001\)) and transactional (\(\beta = -.214, p<.001\)) styles of leadership were significantly related with EI. It was also found that 25.5% of the variance in the EI of leaders was explained by both transformational and transactional leadership styles. However, a positive relationship was established between transformational leadership and EI whereas a negative relationship was found between transactional leadership and EI. Thus, hypotheses H1 and H2 were both supported by the results of the present study.
V. DISCUSSIONS AND CONCLUSIONS

A. Transformational and Transactional Leadership’s Relationship with EI

The results of the analysis supported the speculations of the present study with respect to transformational and transactional leadership and their relationship with the leaders’ EI. The findings thus revealed a significant relationship between the variables and further found a positive relationship between transformational leadership and emotional intelligence whiles transactional leadership was found to be negatively related to leaders’ EI. This simply means that transformational leaders are perceived as being emotionally intelligent in relating with their employees than transactional leaders according to the findings of this study.

Even though studies done by authors like Harms and Credé (2010) and Modassir and Singh (2008) rather revealed that transformational leadership does not significantly predict EI, the findings of the present study are in congruence with the work of Barbuto and Burbach (2006). Barbuto and Burbach (2006) confirmed that the transformational style of leadership was positively related to EI. This was attributed to the fact that transformational leaders tend to relate well with employees (i.e. good interpersonal skills), hence rated as being emotionally intelligent.

More so Gardner and Stough (2002), in agreement with the current findings, argued that there is a strong connection between leaders who adopt the transformational style of leadership and their display of EI. That is, the more transformational they are, the more they are rated as being emotionally intelligent. This finding can also be explained by the fact that transformational leaders are known to be able to manage their own feelings and that of their employees. Goleman, Boyatzis, and McKee (2002) and Naznin (2013) also confirmed this assertion by advancing that the components of EI form a core of transformational leadership and the two are mostly complementary in their use.

However, the negative relationship between the transactional style of leadership and EI was explained by Barling, Slater and Kelloway (2000) as being as a result of the management-by-exception (active) component of transactional leaders which adopts a routine strategy to tackling organizational issues thereby perceived by employees as not being empathetic towards workers.

Figure 2
Conceptual framework after analysis
Some existing literature posit that leaders who are emotionally intelligent are comparatively more competent than those who are not and considered twice as important compared to both technical and intellectual intelligence of leaders on all job levels (Dulewicz, Young and Dulewicz, 2005; Goleman, 1998). The findings of the research imply that leaders who want to be effective in managing their employees and potentially boost their performance must adopt transformational leadership behaviors.

VI. LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

The research adopted the single rating method of collecting data from respondents. There could however be a level of biasness from the employees’ point of view. Future research could further examine the leaders’ EI from both the employees and leaders’ perspectives. Secondly, the adoption of only the quantitative approach to measuring the variables under the study was also identified as a limitation. This made it difficult to further peruse the details of the relationship between the variables under study. Further research could adopt the mixed method approach that will add to the rigor in terms of the analysis. Researchers could also explore the relationship between the leaders’ style and the display of emotional intelligence from the dimensional level.

VII. IMPLICATIONS FOR MANAGEMENT

In view of the findings, discussions and conclusion of the study, the researcher makes the following recommendations. In order for leaders to manage their employees in an emotionally intelligent way, organizational leaders should be more transformational in their leadership style. It is thus recommended that EI be made part of leadership development in organizations as it has a high propensity to boost the performance of employees.

REFERENCES


