Role of Emotional Intelligence on the Relationship among Leadership Styles, Decision Making Styles and Organizational Performance: A Review

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M.Phil Scholar, Quaid-i-Azam School of Management Sciences (QASMS), Quaid-i-Azam University, Islamabad, Pakistan.

Abstract

This paper constructs a conceptual model to study the impact of emotional intelligence on the relationship among leadership styles, decision making styles and organizational performance. Study also give the brief review of emotional intelligence, leadership styles and the relationship among leadership styles, emotional intelligence and other studied variables. The paper has conceptual based theoretical evidences to support the model. Research findings of the previous literature supports the idea that emotional intelligence moderates the relationship among leadership styles and decision making styles as emotional intelligence strongly associated with leadership styles and decision making styles. Emotional intelligence also moderates the relationship between leadership styles and organizational performance. Study further founds that decision making styles have an effect on organizational performance.

Keywords: Emotional Intelligence, Leadership styles, Decision making styles, Organizational performance.

1. Introduction

Leader is a personality who has the capability to influence others and the leadership is what leaders do to influence group to achieve some defined goals. To successfully perform the activities, leaders have to make decisions at every step to achieve the desired results. Thus, effective decision making is one of the attribute of an efficient leader (Tatum, Eberlin, & Kottraba, 2003). The fortune of every business relies upon the decision making capacity of business leadership. Every decision by the management of a business influences the overall business performance. Therefore, decision making process can be considered as think tank of any business. Past researchers found that emotional intelligent is an essential part of an effective leadership and have a strong association with decision making and organizational performance. One of the study by Abraham (2000) determines that an emotionally intelligent person have high organization commitment, and use positive emotions to boost their decision making competence. Holt and Jones (2005) found that emotional intelligence influences organizational performance. Based on the these findings, the present study propose the conceptual model by defining the relationship among emotional intelligence, leadership styles, decision making styles and organizational performance based on theoretical evidences from the previous research findings.

The paper consists of four sections which deal in turn with introduction of the study, literature review and methodology. The paper rounds off by discussing and concluding the major findings of the study supported by literature.

2. Literature Review

2.1 Emotional Intelligence

The definition of emotions and its measurement changes with the passage of time. Salovey and Meyer (1990) define emotions as an organized response which crosses the many psychological subsystems such as psychological, experimental, cognitive and motivational subsystems. At earlier stages, intelligence researcher measures emotions with respect to various subsystems such as occasionally emotions and social emotions (Gardner, 1983), and consider emotional intelligence as a part of social intelligence (Salovey &
Meyer, 1990). Salovay and Meyer (1990) are the first who uses term “emotional intelligence” and define it as the “ability to monitor one’s own and other’s feelings and emotions to discriminate among them and to use this information to guide one’s thinking and actions”. Author further elaborate the concept of emotional intelligence by explaining it through three dimensions of adaptive abilities; appraisal and expressing the emotions, utilizing and regulating the emotions in solving problems. Later on, Goleman (1995) expanded the construct of emotional intelligence by adding specific social and communication skills which influence by understanding and expression of emotions. Salovey and Mayer (1997) give the revised model of emotional intelligence by focusing more on the cognitive components of emotional intelligence. The revised model composed of four categories of emotional intelligence: perception appraisal and expression of emotions; employing and analyzing emotional information; emotional facilitation of thoughts and regulation of emotions for further emotional growth. Later on many researcher defines and measures emotional intelligence according to the scope of their studies such as GENOS EI Inventory which is specifically designed for workplace emotional intelligence, Bar-On emotional quotient inventory which deeply measures the emotional intelligence construct (Bar-On, 1996) and Bernet (1996) developed the Perception of Affect scale based on the premise that being able to attend rapidly, appropriately and effortlessly to feelings is the cornerstone of emotional intelligence. However, Saloney and Meyer (1990) definition of emotional intelligence provides the foundation of this conceptual model.

2.2 Leadership Styles

Transformational and transactional leadership are the most widely studied leadership styles in behavioral sciences. The evolution of transformational leadership can be traced from the developing theory of transformational leadership in 1978 and concept enriched with different aspect with the passage of time. Burn’s theory of transformational leadership argued that transformational leader has high moral qualities and leader prefer group interest over his own interest (Burns, 1978). Tichy and Devanna (1986) determine the characteristics of transformational leadership which includes courage, values, openness, visionary and showing off learning behavior on the part of transformational leaders. Bass and Avolio (2000) explain transformational leadership style by five aspects that is (1) Idealized Influence (Attributed) –attributed by communicating and imparting the sense of mission in the followers. (2) Idealized Influence (Behavior) – the leader act as a role model towards the followers. (3) Inspirational motivation – The leader simplify the paths for the followers by eliminating problems. (4) Intellectual Simulation – leader encourage rational reasoning, creativity and encourage the followers to solve traditional problems in a new way. (5) Individualized Consideration – leader considers individuals needs of the followers and truly affiliate with them and give them care and respect.

Krishnan (2004) argues that transformational leader is the leader’s ability to motivate followers in achieving more than they planned. Many researchers (Bass and Riggio, 2006; Baldoni, 2005) agree that transformational leadership has four elements including idealized influence, inspirational motivation, intellectual stimulation and individualized consideration. Simic (1998) argue transformational leadership qualities is an important determinant for management success. Burns (1978), a pioneer of transactional leadership defines transactional leadership as development of relationship between leader and followers. The main focus of the transactional leadership is to know about the needs of the followers and clarifies role for them to meet organizational goals. Bass (1985) defines transactional leadership as one who builds leader-member exchange relationship, fulfills their needs in exchange of follower’s performance and has ability to build confidence in subordinates. Bass and Stogdills (1990); and Avolio et al. (2004) describe the qualities of the transactional leadership in two ways; contingent rewards and management by exception. Hellriegel and Slocum (2006) define transactional leadership by dividing management by exception in two facets; active and passive management by exception and by contingent rewards. Author define active management by exception as leader monitor the follower performance and guide them to achieve the goal while passive management by exception includes leaders involvement when followers give unexpected
performance. Transactional leader provides rewards for the achievement of goals while no penalties for the failure in achieving the goals.

3. Methodology

The aim of this paper is to provide the conceptual understanding of the proposed model through literature reviews. The core concept of the study is to determine the relationship among emotional intelligence, leadership styles, decision making styles and organizational performance. After defining the main variables of this study; the following part of the study explains the relationship among studied variables and provides theoretical evidences that emotional intelligence moderates the relationship between leadership styles, decision making styles and organizational performance. Paper also provides link between decision making styles and organizational performance from the literature.

3.1 Leadership styles and decision making Styles

Decision making is one of the most important aspects of the leadership. Scott and Bruce (1995) define that an individual can involve in decision making process by adopting any of the five decision making styles (DMS). (1) Rational DMS. (2) Intuitive DMS. (3) Dependent DMS. (4) Avoidant DMS. and (5) Spontaneous DMS. Based on the leadership styles it is logical to ask whether these leadership styles have different decision making styles or not? Drive and Brousseau (1990) determine that people have different decision making styles and these decision making styles differ with respect to number of alternatives used, amount of information and the extent they coordinate different resources of input. Kedia and Nordtvedt (2002) founds that there is a relation exist between leadership styles and decision making styles and argue that transformational leaders use more comprehensive style (high number of alternatives used, large amount of information and high coordination of different resources of input) of decision making while transactional leaders use less comprehensive styles as compared to transformational leadership. Researchers further found that transformational leaders are the rational decision makers (Tambe & krishan, 2000) and don’t avoid decisions (Steplen & Roberts, 2004). Spice and Sadler (2005) conclude that rational decision cannot be taken in haste and require time which determine that transformational leaders are unrelated to spontaneous decision making style. Based on this review of literature, we can say that leadership styles have an impact on decision making styles.

3.2 Leadership Styles and Organizational Performance

Leadership styles have been studies against numerous variables such as organization commitment, perceived performance and satisfaction. Many researchers reported a relationship between transformational leadership and higher levels of follower effort, satisfaction with the job and leader, and perceived performance which ultimately affect organizational performance. (Bass, 1985; Bass, 1990; Yammarino & Bass, 1990; Yukl, 1994). In organizations, transformational leadership is considered a more effective leadership style and is constantly found to promote organizational performance (Lowe and Kroeck, 1996). Compelling vision of the future, defining and communicating high level of performance expectations, acting as role model, and displaying a sense of confidence in followers’ ability to meet expected goals, transformational leaders have been found to positively influence performance of the followers and consequently, the organizational performance (Shea, 1999; Waldman & Yammarino, 1999). Elenkov (2002) founds that transformational leadership directly and positively predicted organizational performance. Author further argues that managers who displayed more transactional-leadership behaviors also made a positive contribution to the achievement of organizational goals. Researcher founds that contingent reward leadership (a part of transactional leadership) was positively related to follower performance and job satisfaction which ultimately effect organizational performance (Podsakoff, Todor, Grover & Huber, 1984).
On the basis of these research findings, we found that leadership styles have an impact on organizational performance.

3.3 Emotional Intelligence, Leadership Styles and Decision Making

Barling et al. (2000) studied the relationship between the transformational/transactional leadership and emotional intelligence. Authors argue that emotional intelligence prompt leaders to use transformational behaviors. Barling et al. (2000) founds that emotional intelligence is positively related to the transformational leadership and contingent reward (a component of transactional leadership). Later on, Palmer et al. (2001) concludes that emotional intelligence is strongly correlated with transformational leadership style. Abraham (2000) founds that an emotionally intelligent individuals have high organization commitment, high success rate (Miller, 1999), and use positive emotions to enhance their decision making capability. George (as cited in Gardner and Stough, 2001) argues that emotional intelligence enhances leaders’ ability to get solutions for the problems and to tackle issues and opportunities facing by them and by their organizations as well. Leaders within this context, are able to enhance decision making capability through their knowledge and management of emotions, and the leaders who are able to correctly recognize emotions are more able to decide whether the emotion is attached to opportunities or problems and therefore use those emotions in the procedure of decision making. Based on these literature findings, we can say that emotional intelligence has an impact on the relationship between leadership styles and decision making styles.

3.4 Emotional Intelligence, Organizational performance and Decision Making


In relation to the decision making and organizational performance; Allen, Amason, David & Schweiger (1994) founds that strategic decision making influence organizational performance. Amason (1996) founds that top management teams make decisions which influence the organizational performance. Irene, Abdul and Rasheed (1997) further found that rational decision making have a positive association with organizational performance. On the basis of this literature review we can say that emotional intelligence have an impact on the relationship between leadership styles and organizational performance and decision making styles affects organizational performance.

In nutshell, based on the above literature reviews and research findings, we can conclude that

1) Emotional intelligence will moderate the relationship between leadership styles and decision making styles.
2) Emotional intelligence will moderate the relationship between leadership styles and organizational performance.
3) Decision making styles influence the organizational performance.

[Insert Figure 1]
In this proposed model as depicted in Figure 1, transformational and transactional leadership styles are taken as independent variables while decision making styles and organizational performance act as dependent variables. Emotional intelligence is taken as moderating variable which influence (moderates) the relationship among independent and dependent variables.

4. Discussion and Conclusion

The present study examines the relationship among emotional intelligence, leadership styles, decision making styles and organizational performance. Efficiency of the organization depends on the leadership styles and decision making behavior prevailing in the organization through proper communication of the policies and plans, rules and regulations, allowing incentives, co-operation and build effective work environment which encourage the employees in a positive way. This can only be done through effective leadership and by adopting rational decision making processes. A study by George (as cited in Gardner and Stough, 2001) argues that emotional intelligence enhances leaders’ ability to solve problems and to address issues and opportunities facing them and by their organizations. Leaders within this context are able to enhance decision making capability through their knowledge and management of emotions, and use those emotions in the procedure of decision making. The present study found that emotional intelligence moderates the relationship between leadership styles and decision making styles. Many researchers (Melitaet al., 2003; Holt & Jones, 2005; Druskut et al., 2006) found that emotional intelligence have a positive influence on organizational performance. This study found that emotional intelligence moderates the relationship between leadership styles and organizational performance and decision making styles have an impact on organizational performance (Schweiger, 1994; Amason, 1996).

5. Limitations and Recommendation for Future Research

The present study is based on the theoretical evidences from the literature to supports the conceptual model while not on the qualitative or quantitative evidences. The validity and accuracy of the conceptual model is restricted to the variables defined in the conceptual model. The future studies can be conducted to empirically test the proposed relationships in the conceptual model.


Annexure

*Figure 1: Proposed Conceptual Model*