

Transformational Leadership Style as Predictor of Decision Making Styles: Moderating Role of Emotional Intelligence

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Abstract

The current study examines the relationship among transformational leadership style and decision making styles. It also determines the moderating role of emotional intelligence in predicting this relationship. Three hypotheses are generated for the study i.e., two hypotheses are to measure the relationship among transformational leadership style and decision making styles whereas third hypothesis is to assess the moderating effect of emotional intelligence. Questionnaire method is used to collect data from 113 respondents. Regression analysis is utilized to study the relationship among transformational leadership style and decision making styles and step-wise regression analysis is used to study moderating effect of emotional intelligence. The study found that transformational leadership style strongly predicts rational and dependant decision making styles and weakly predict intuitive and spontaneous decision making styles while no association founds with avoidant decision making styles. Present research also found that emotional intelligence moderates the relationship among transformational leadership style and decision making styles.

Keywords: Transformational leadership style, Decision making styles, Emotional intelligence.

1. Introduction

Leader is a person who has the abilities to influence others and the leadership is what leaders do to influence group to achieve some designated goal. Leadership is one of the management functions which require that every manager should be a leader (Robbins & Coulter, 2009). To perform activities as being a leader he / she have to make decisions at every step to get the desired results. So effective decision making is one of the characteristics of an efficient leader (Tatum et al., 2003). As per the leadership is concerned, contemporary theories of leadership provide different approaches to leadership i.e., (i) transactional; (ii) transformational; (iii) charismatic; and, (iv) team leadership (Robbins & Coulter, 2008). These approaches categorize leadership on the

basis of behaviors and styles that a leader can possess (Robbins & Coulter, 2009). Similarly as there are different approaches of leadership which indicate that these leaders also have a different decision making styles that can be predicted through their leadership styles (Vroom, 2000). The current study aims to describe transformational leadership style as a predictor of decision making styles. Many researchers, for instance Barling et al., (2000); Palmer et al., (2001) found that emotional intelligence has a positive influence on leadership. Whereas other researchers see that emotionally intelligent leaders have high level of organization commitment (Abraham, 2000), and use emotions to enhance their decision making (George, 2000). Based on these findings, the present research also investigates the moderating role of emotional intelligence on the relationship among transformational leadership styles and decision making styles.

This paper proceeds in the following order. Following this introduction is a brief synopsis of the literature on leadership styles and decision making and development of theoretical framework and discussion of methodology employed in this paper. The next section explains the results along with discussion. The paper rounds off by discussing the major findings of the study.

2. Review of Literature

The relationship between leadership behavior and decision making originate from contingency theories of leadership. As the leader participation model relates leadership behavior and participation on decision making (Vroom, 2000). The model describe the five leadership styles (Decide, Consult individually, Consult group, Facilitate and Delegate) depends upon the decision contingencies. These decision contingencies include leader expertise, decision significance, importance of commitment, likelihood of commitment, group support, group expertise and team competence. On the basis of these decision contingencies an appropriate leadership style can be chosen. As, all strips of leaders, but most important the organizational leaders must have to make day to day decisions and make long term decisions as well. Similarly, the research scholar must also have concerned with both aspects of leaders that how they make day to day decisions and how leaders make future projections / long term decisions (Tatum et al., 2003).

Transformational leadership style as defined by Bass and Avolio (2000) is a style through which a leader who conjures up awareness and interest in the group, boost the confidence level of individuals or groups and struggle to get concentration of subordinates towards achievement and growth (Bass and Avolio, 1994). Moreover, transformational leader are charismatic and try to create a vision of future and give an inspiration to followers to question status quo and urge for creativity. Transformational leaders behave like role model for their followers and are admired, respected and trusted. Bass and Avolio (2000) define transformational leadership style by five facets such as (a) Idealized Influence (Attributed) – involves communicating and embedding a sense of vision and mission in the followers. Followers show confidence on the leader and give him value. (b) Idealized Influence (Behavior) – the leader act as a role model, shows exemplary leadership and followers observe him and perform accordingly. (c) Inspirational motivation – the leader communicates the futuristic vision, clarifies the paths for the followers by eliminating ambiguities and uses referent power to persuade their supporters. (d) Intellectual Simulation – leader support creativity and encourage followers to solve old problems by adopting new ways, give confidence to do rational reasoning, and brainstorming. (e)

Individualized Consideration – leader truly attach with followers by considering their individual needs, give them care and attention and empowering power.

Based on the leadership styles it is logical to ask whether these leadership styles have different decision making styles or not? Driver and Brousseau (1990) argues 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. Other researchers found that transformational leaders are the rational decision makers (Tambe and Krishna, 2000) and do not avoid decisions (Steplen and Roberts, 2004). Spice and Sadler (2005) conclude that rational decision cannot be taken in haste and require time.

As there is no universally accepted model of decision making style so the model of decision making styles developed by Scott and Bruce (1995) is utilized in this study. These authors define that a person involve in the decision making process by utilizing any of the following decision making styles (DMS): (a) Rational DMS – is ascribed by use of reasoning and logical approaches to decision making; (b) Intuitive DMS – is defined by dependence upon hunches, instinct experience and gut feelings; (c) Dependant DMS – is characterized by getting support of others before making a decision; (d) Avoidant DMS– is defined by withdrawing, postponing, moving back and negating the decision scenarios; and, (e) Spontaneous DMS – is characterized by making rapid, quick and impulsive decision.

Generally in organizations, a transformational leadership style is considered to be more effective than a transactional style (Lowe and Kroeck, 1996). Researchers found that an emotionally intelligent are more committed towards organization (Abraham, 2000), high success rate (Miller, 1999), and use positive emotions to improve their decision making and embedded a sense of trust and co-operation among employees through interpersonal relationships (George, 2000).

Salovey and Mayer (1990) defines emotional intelligence that it involves the 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. There is positive correlation between transformational leadership and emotional intelligence (Palmer et al., 2001). Research conducted by Barling et al., (2000) founds that that emotional intelligence is positively correlated with three components of transformational leadership (idealized influence, inspirational motivation, and individualized consideration). George (2000) argues that:

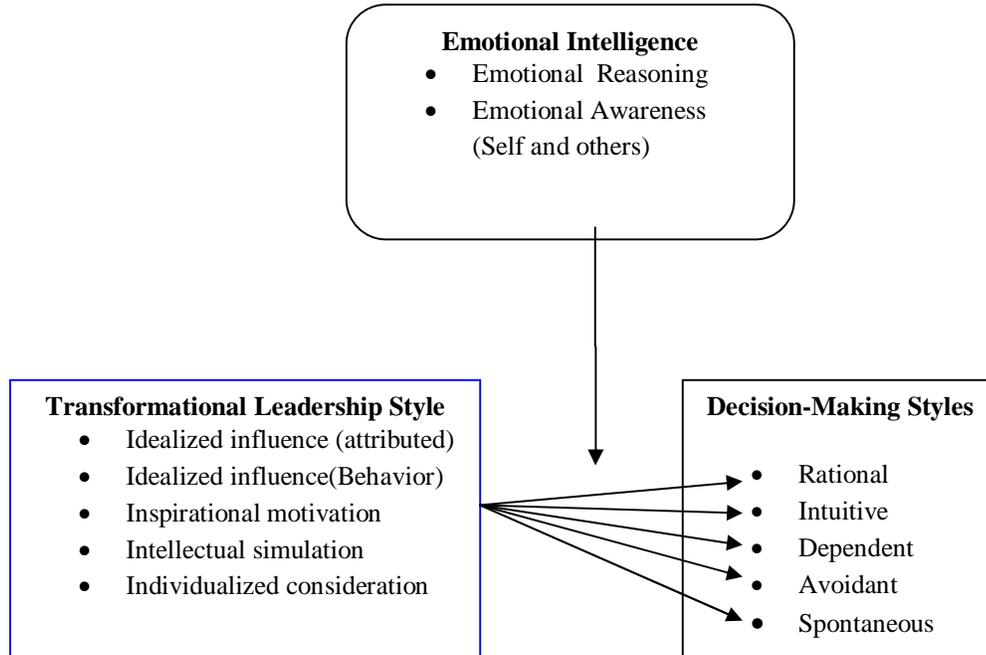
“Emotional intelligence enhances leaders’ ability to solve problems and to address issues and opportunities facing them and their organization. Leaders within this conceptualization are able to improve decision making via their knowledge and management of emotions, and those who are able to accurately recognize emotions are more able to determine whether the emotion is linked to opportunities or problems and

thus use those emotions in the process of decision making” (as cited in Gardner and Stough, 2001).

There are three models of emotional intelligence such as (i) ability model; (ii) non-cognitive model; and, (iii) competency based model. The competency based model was specially designed for workplace application of emotional intelligence. Based on this model GENOS-Emotional Intelligence inventory utilize in this study which is specifically designed for workplace emotional intelligence. Three dimensions of GENOS-Emotional Intelligence inventory are utilized to define workplace emotional intelligence. Emotional Awareness (self and others) –measures the comparative frequency with which a person recognize the emotions of self and others at workplace and make use of these emotions in the process of decision making and solving problems (emotional reasoning).

Based on the review of literature above, following research framework is developed in which transformational leadership styles (Bass & Avolio, 2000) work as predictor variable, decision making styles (Scott & Bruce, 1995) as criterion variable and emotional intelligence as moderator between the relationship of predictor and criterion variable.

Figure 1: Conceptual Framework



3. Methodology

Three hypotheses are generated for present study as follows:

H₁₀: Transformational leadership style will not predict the rational, intuitive and dependent decision making styles.

H₁: Transformational leadership style will predict the rational, intuitive and dependent decision making styles.

H₂₀: Transformational leadership style will not predict the avoidant and spontaneous decision making styles.

H₂: Transformational leadership style will predict the avoidant and spontaneous decision making styles.

H₃₀: Emotional Intelligence will not moderate the relationship between transformational leadership and decision making styles.

H₃: Emotional Intelligence will moderate the relationship between transformational leadership and decision making styles.

3.1 Sample

Data is collected on the convenience sampling basis which consists of 113 employees from public and private sector banks located in Islamabad; the capital city of Pakistan and Rawalpindi. Public sector banks include National bank of Pakistan and the private sector include Habib bank limited, United bank limited, Bank Alfalah and Allied bank limited. Respondents consist of 86% of male and 14% of female. Moreover, respondents have following grade and functional designations as depicted in Table 1.

Table 1: Grade and Functional Designation of Respondents

Designations	No. of Respondents	Percentage
<i>Grade Designation</i>		
Vice President	2	2
Assistant Vice President	34	30
Official Grade 1	60	53
Official Grade 2	17	15
Total	113	100
<i>Functional Designation</i>		
Branch manager	40	35
Operation manager	26	23
Trade manager	13	12
Credit manager	21	19
Assistant manager	13	11
Total	113	100

3.2 Measures and Procedures

Instrument used for data collection is questionnaire which consists of three types of scales. The first scale used is Multifactor leadership questionnaire developed by Bass and Avolio (2000). It is a 15-items scale with a cronbach’s alpha 0.87, which measure only transformational leadership style. The second scale used to measure Decision making

style is the 18-item scale developed by Scott and Bruce (1995) with a Cronbach's alpha of 0.80. The third scale used to measure workplace Emotional intelligence of the employees. This is 12-items scale developed by GENOS EI inventory with a Cronbach's alpha of 0.89 which measures the three facets of emotional intelligence i.e., (i) emotional awareness of self; (ii) others; and, (iii) emotional reasoning. The five point Likert rating scale is used to measure all responses ranging from 1 = strongly disagree to 5 = strongly agree. A total of 200 questionnaires were distributed from which 113 questionnaire received back with a response rate of 57%. All the Questionnaires are self administered so it will be helpful to respondent to response with ease and ensures reliability of data.

4. Results

Table 2: Inter Scale Correlation of Variables

Correlation Scales	Rational DMS	Intuitive DMS	Dependant DMS	Avoidant DMS	Spontaneous DMS	Emotional Intelligence
TLS	.673**	.333**	.760**	.173*	.297**	.901**

a. ** Correlation is significant at the 0.01 level (2-tailed),
 b. * Correlation is significant at the 0.05 level (2-tailed).

As can be seen from Table 2 that transformational leadership style is positively correlated with rational decision making style, dependant decision making style and emotional intelligence. Moreover, avoidant, intuitive and spontaneous decision making styles are weakly correlated with transformational leadership style.

Table 3: Regression Analysis of Transformational Leadership Style and Rational Decision Making Style

Model	B	SE	B	T	p
Constant	1.992	1.529		1.302	
TLS	.302	.031	.673	9.593	.000
R = .673					
R Square = .453 ΔR Square = .448					

a. B: Unstandardized coefficients, b. SE: Standard error, c. β: Standardized coefficients

Table 4: Regression Analysis of Transformational Leadership Style and Intuitive Decision Making Style

Model	B	SE	B	T	p
Constant	7.640	1.1503		6.621	
TLS	0.88	0.24	.333	3.718	.000
R = .333					
R Square = .111 ΔR Square = .103					

a. B: Unstandardized coefficients, b. SE: Standard error, c. β: Standardized coefficients

Table 5: Regression Analysis of Transformational Leadership Style and Dependant Decision Making Style

Model	B	SE	B	t	p
Constant	.151	.764		.198	
TLS	.194	.016	.760	12.330	.000
R= .760					
R Square = .578 ΔR Square = .574					

a. B: Unstandardized coefficients, b. SE: Standard error, c. β: Standardized coefficients

Regression analysis is computed with transformational leadership style as predictor and rational decision making styles as outcome variable. The current study fully support the H1 hypothesis as from Table 3, it can be concluded that transformational leadership style positively predict the rational decision making style ($t= 9.593, p < 0.05$). The ΔR Square = .448 shows that 45% variance in rational decision making style is defined by transformational leadership. Table 4 and 5 conclude that a transformational leadership style also predicts intuitive and dependant decision making style and the regression analyses are statistically significant as $p < 0.05$ in both cases. 10% (ΔR Square = .103) variance is caused by intuitive decision making style which shows that transformational leadership style weakly predict the intuitive decision making style where as 57% (ΔR Square = .574) variance in dependant decision making style is explained by transformational leadership style describing strong association between transformational leadership style and dependant decision making style.

Table 6: Regression Analysis of Transformational Leadership Style and Avoidant Decision Making Style

Model	B	SE	B	t	p
Constant	6.633	1.204		5.508	
TLS	0.34	0.25	0.129	1.373	.173
R = .129					
R Square = .017 ΔR Square = .008					

a. B: Unstandardized coefficients, b. SE: Standard error, c. β: Standardized coefficients

Table 7: Regression Analysis of Transformational Leadership Style and Spontaneous Decision Making Style

Model	B	SE	B	t	p
Constant	5.007	1.158		4.323	
TLS	.078	.024	.297	3.277	.001
R= .297					
R Square = .088 ΔR Square = .080					

B: Unstandardized coefficients, b. SE: Standard error, c. β: Standardized coefficients

Present study partially supports the hypothesis H2. Table (6 and 7) shows the results of regression analysis among transformational leadership style, avoidant and spontaneous decision making styles. As can be seen from Table 6, that regression test analysis between transformational leadership style and avoidant decision making style is not statistically significant ($t= 1.373$, $p> 0.05$) from which it can be concluded that transformational leadership style does not predict avoidant decision making style. From Table 7, Regression analysis is computed with transformational leadership style as predictor and spontaneous decision making style as outcome variable. The p-value =.001 shows that transformational leadership predicts spontaneous decision making style. The ΔR Square = .080 shows that only 8% variance in spontaneous decision making style is explained by transformational leadership. Moreover, analysis shows that transformational leadership style also predicts spontaneous decision making style.

In addition, the structure equation modeling (SEM) is used to test the theoretical model. The results of SEM analysis shows that the causal model has a Goodness of Fit Index (GFI) =.949, Adjusted Goodness of Fit Index (AGFI) =.872, Normed Fit Index (NFI) =.922, Comparative Fit Index (CFI) =.949, Incremental Fit Index (IFI) =.950, Relative Fit Index (RFI) =.870, Root Mean Square Residual (RMR) =.474, Root Mean Square (RMESA) =.121 and chi-square value (X^2) = 15.846 with a p-value =.015 concluding that theoretical model is good fit as depicted in figure 2. The values of CFI, GFI, AGFI, NFI, and IFI near to 0.90 and X^2 significance showing the properties of good fit model.

Figure 2: Model Testing

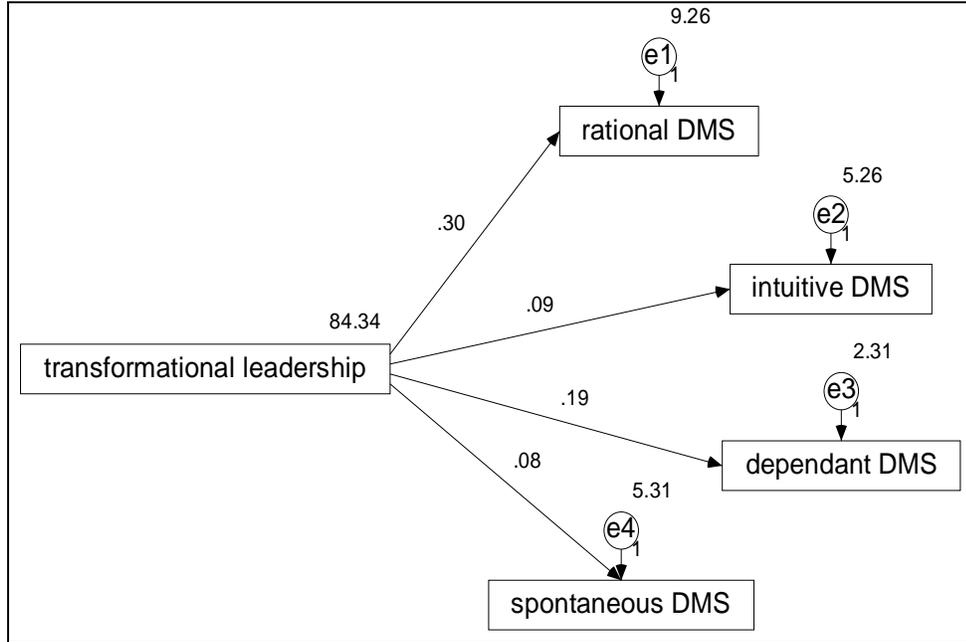


Table 8: Moderation Effect of Emotional Intelligence on the Relationship between Transformational Leadership Style and Decision Making Styles (Complete Model Regression Summary)

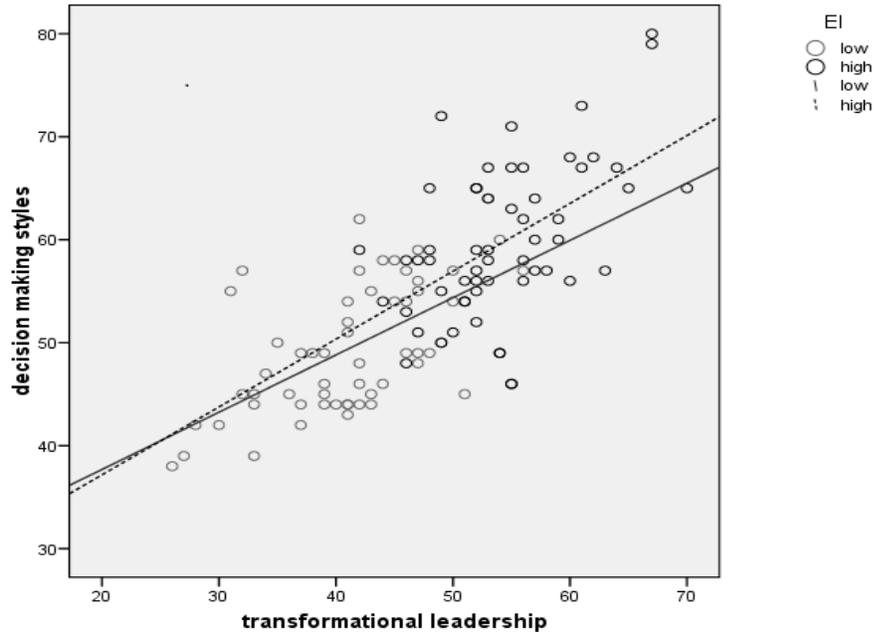
Model	B	SE	B	t	p	ΔR^2
1. Constant	21.423	2.912		7.357	.000	0.545
TLS	.696	.060	.741	11.618	.000	
2. Constant	22.173	2.851		7.777	.000	0.568
TLS (TLS x EI)	.375	.135	.400	2.789	.006	
EI	.378	.143	.378	2.639	.010	

1. Predictors: Transformational leadership style (TLS), 2. Predictors: transformational leadership style & emotional intelligence (EI), dependant variable: Decision Making Styles, b: unstandardized coefficients, SE: standard error, β : standardized coefficients, α : 0.05.

From Table 8, it is evident that emotional intelligence moderates the relationship between transformational leadership style and decision making styles. The entire tests are statistically significant ($p < 0.05$), which is fully supported the hypothesis H3. The ΔR -square = .545 which shows that 54% variance in decision making styles is explained by

transformational leadership style while 57% ($\Delta R\text{-square (2)} = .568$) variance is defined by transformational leadership style and emotional intelligence. . Consequently, we conclude that emotional intelligence moderates the relationship between transformational leadership style and decision making styles as figure 3 provides the visual depiction of the moderation effect of emotional intelligence by changing the level from low to high along with the change in relationship between dependent and independent variable.

Figure 3: Moderating Effect of Emotional Intelligence



5. Discussion

Present research study proposes the relationship between transformational leadership style and rational, intuitive, avoidant, spontaneous and dependant decision making styles. Furthermore, the impact of emotional intelligence more specifically emotional awareness (self and others) and emotional reasoning as a moderator are also considered in this study. The results of the study fully supported the H1 hypothesis that is transformational leadership style positively predicts the rational, intuitive and dependant decision making styles. The current findings are in line with the findings of Tambe and Krishna (2000) that the transformational leaders are rational decision makers. The H2 hypothesis is partially supported by the results that is transformational leadership style does not predicts avoidant decision making style but weakly associated with spontaneous decision making style (R-square adjusted = 8%). As, data is collected during the last three month of the financial year of banking sector in which managers have to take some quick decisions due to closing of financial records and heavy workload which results in weak association of transformational leadership style with spontaneous decision making style. Present research findings entirely support the H3 hypothesis that is emotional intelligence moderates the relationship between transformational leadership style and decision

making styles. These findings are in line with the studies by Palmer et al., (2001) and Barling et al., (2000) that transformational leadership style is strongly correlated with emotional intelligence and emotionally intelligent leaders are better decision makers (George, 2000).

6. Conclusion and Recommendations

The current research work concludes that transformational leadership style strongly predict rational, intuitive and dependant decision making styles and weakly associated with spontaneous decision making styles while no relation were found with avoidant decision making style. The study also concludes that emotional intelligence moderates the relationship between transformational leadership style and decision making styles.

The study sample size is not large enough due to unfavorable weather condition and financial restrictions. The similar study can be conducted in future with greater sample size. The present article only investigates the transformational leadership style while the future research can be conducted with similar pattern by utilizing the other styles of leadership such as transactional and laissez faire leadership styles along with other dimensions of emotional intelligence which are not included in current study.

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