

**EMOTIONAL INTELLIGENCE AND  
LEADERSHIP EFFECTIVENESS OF  
MANAGERS IN MANUFACTURING FIRMS**

by

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## ABSTRAK

Tujuan kajian ini adalah untuk menyiasat hubungan di antara Emotional Intelligence (EI) dengan keberkesanan kepimpinan pengurus di kilang-kilang pembuatan. Kajian ini juga menyiasat kesan “mediating” amalan kepimpinan yang berkesan ke atas hubungan di antara Emotional Intelligence dengan keberkesanan kepimpinan. Data dikumpul daripada satu sample rawak 181 pekerja yang bekerja di kilang-kilang pembuatan di Bayan Lepas, Kulim, Perai, Shah Alam dan Ulu Klang. Model diuji dengan SPSS (Statistical Package for Social Science). Hasil kajian ini menunjukkan bahawa hanya sebahagian daripada hipotesis yang dikemukakan boleh diterima. Hasil kajian mendapati bahawa EI pemimpin mempunyai hubungan positif dengan keberkesanan kepimpinan dan amalan pemimpin yang berkesan. Amalan kepimpinan yang berkesan didapati “mediate” hubungan di antara Emotional Intelligence and keberkesanan kepimpinan. Akhir sekali, kajian ini mempunyai implikasi yang penting kepada kilang pembuatan di Malaysia. Adalah disarankan bahawa pihak pengurusan menggunakan Emotional Intelligence dalam pemilihan and pembangunan pekerja.

## ABSTRACT

The purpose of this study was to investigate the relationship between Emotional Intelligence and leadership effectiveness of managers in manufacturing firms. This study also examined the mediating effect of Effective Leadership Practices on the relationship between Emotional Intelligence and leadership effectiveness. Data were collected from a random sample of 181 employees in manufacturing firms located at Bayan Lepas, Kulim, Perai, Shah Alam and Ulu Klang. The model was evaluated by using Statistical Package for Social Science (SPSS Version 10.0.0 for Windows). The findings have resulted in partial acceptance of the hypotheses formulated. The results demonstrated that leader's Emotional Intelligence correlated positively with leadership effectiveness and Effective Leadership Practices. Effective Leadership Practices were found to mediate the relationship between Emotional Intelligence and leadership effectiveness. Lastly, this study has important implications to the manufacturing firms in Malaysia. It is recommended that management to use Emotional Intelligence in employee selection and development.

## Chapter 1

### INTRODUCTION

Anyone can become angry – that is easy. But to be angry with the right person, to the right degree, at the right time, for the right purpose, and in the right way – this is not easy.

- ARISTOTLE, The Nicomachean Ethics

#### 1.1 Background of the Study

Most of today's leaders fail while assuming leadership role because they were promoted or recruited solely based on their technical competence, without considering their interpersonal abilities. Increasingly, it is not how technically adept we are but how well we handle and manage ourselves and others that matters. As Goleman (1999) argued, it is our Emotional Intelligence (EI) rather than our Intelligence Quotient (IQ) that predicts our likely future personal achievements. Organizations are like organisms – they begin, flourish and die. Those organizations that continue to exist are certainly containing people with large doses of EI.

Emotional Intelligence is increasingly becoming a popular tool to identify potentially effective leaders and also as a tool to develop effective leadership. A 1997 survey of benchmark practices among major corporation, conducted by the American Society of Training and Development, found that four out of five companies in the US are trying to promote Emotional Intelligence in their employees through training and development, when evaluating performance and in hiring (Goleman, 1999).

Nowadays, American and German MNCs (Multinational companies) in Malaysia have started providing EI training to its employees here. Unfortunately, cultural setting in both western and eastern nations is utterly different. An effective

training program in western nation is not necessarily workable in eastern nation, particularly Malaysia. Lack of research in Emotional Intelligence in Malaysian context creates a gap between the understanding of Emotional Intelligence in the western and local culture. The present study was conducted to bridge this gap and aim at enhancing leadership skill of local leaders to face the ever-changing business environment of the future.

## **1.2 Workplace Emotional Intelligence and Its Importance**

Emotional Intelligence, as originally conceptualized by Salovey and Mayer (1990, p.10), “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.” (Gardner & Stough, 2002).

In today’s workplace, Emotional Intelligence carries much more weight than IQ in determining who will emerge as an effective leader. IQ and expertise do not predict who will be the effective leader; rather, they are largely entry-level barriers. The reason we do not get people’s full potential is their EI incompetence (Goleman, 1999).

The importance of Emotional Intelligence becomes obvious as people go higher in the organizational hierarchy. In the globalized business environment, things change radically, sometimes almost every day. Your experience is not as crucial as your adaptability (Goleman, 1999).

High IQ and technical expertise can have a paradoxical effect among seemingly promising people who fail. Their technical skills were often the very reason they were promoted to management position in the first place. But once they reached higher management position, their technical strength became a liability:

Arrogance led some to offend their peers by acting superior, others to micromanage subordinates (Goleman, 1999).

### **1.3 Leadership Effectiveness and Effective Leadership Practices**

Leadership is the process of influencing others to understand and agree about what needs to be done and how it can be done effectively and the process of facilitating individual and collective efforts to accomplish the shared objectives (Yukl, 2002). Effective Leadership Practices are the key practices and actions of a high-performing leader in a work group that lead to leadership effectiveness. Leadership effectiveness is the consequence of the leader's action on the followers and other organization stakeholders.

### **1.4 Research Problem**

Despite popularity, there is little empirical research done on this area. Furthermore, almost all of these limited empirical researches transpired in the western countries. This study attempts to turn the spotlight on Asia, specifically on Malaysian manufacturing firms. This study attempts to examine the following questions:

- (a) Is there any significant relationship between manager's Emotional Intelligence and leadership effectiveness?
- (b) Is there any significant relationship between manager's Emotional Intelligence and their Effective Leadership Practices?
- (c) Is there any significant relationship between manager's Effective Leadership Practices and leadership effectiveness?
- (d) Does Effective Leadership Practices mediate the relationship between Emotional Intelligence and leadership effectiveness?

## 1.5 Objective of the Study

The objective of this study was to explore the relationship between EI and leadership effectiveness of managers in manufacturing firms of Malaysia. The relationship between leader's EI and their Effective Leadership Practices was also explored. The outcome of this study will show us whether EI can be a useful yardstick in measuring and understanding the promotion readiness of managers in manufacturing firms. It also shows us whether EI can be a useful tool for Human Resource (HR) development and selection.

Due to the obvious cultural differences in the western and eastern countries, it is deemed crucial to access the relationship between EI and leadership effectiveness in Malaysia, with a unique multicultural setting. In addition, Emotional Intelligence is increasingly identified and proved to be an important factor contributing to exceptional performance of leaders, in western organizations (Goleman, 1996).

Specifically, this study attempts to explore and examine the following objectives:

- (a) To explore the relationship between manager's EI and leadership effectiveness.
- (b) To explore the relationship between manager's EI and Effective Leadership Practices.
- (c) To empirically examine the relationship between manager's Effective Leadership Practices and leadership effectiveness.
- (d) To understand whether manager's Effective Leadership Practices mediate the relationship between Emotional Intelligence and leadership effectiveness.

## **1.6 Research Questions**

The above objective raises a few questions related to the influence of EI on leadership effectiveness. These are:

- (a) Is there any significant relationship between manager's Emotional Intelligence and leadership effectiveness?
- (b) Is there any significant relationship between manager's Emotional Intelligence and their Effective Leadership Practices?
- (c) Is there any significant relationship between manager's Effective Leadership Practices and leadership effectiveness?
- (d) Does Effective Leadership Practices mediate the relationship between Emotional Intelligence and leadership effectiveness?

## **1.7 Scope of the Study**

The scope of this study focuses on exploring the relationship between EI and leadership effectiveness of managers in the manufacturing firms of Malaysia. It also attempts to explore the relationship between manager's EI and their Effective Leadership Practices. This is an exploratory research, which was conducted in the manufacturing firms operating in Bayan Lepas, Kulim, Perai, Shah Alam and Ulu Klang. The data was collected by means of self-administered questionnaire and statistical tools were used to analyze and test the hypotheses.

## **1.8 Significance of the Study**

Knowledge gained from this research will help to produce a powerful tool for the selection, training and development of effective leaders. If the personal attributes and social abilities that reflect high Emotional Intelligence can be proved to significantly account for highly effective leadership, then not only do we gain a new perspective on management development but also steps can be taken to enhance people's potential.



## 1.9 Organization of Chapters

The remaining chapters of this study are organized as follows: Chapter 2 presents an overview of literature on EI and leadership effectiveness. Chapter 3 describes theoretical framework, hypotheses and research methodology of the study while Chapter 4 presents the results of the statistical analyses of the study. In conclusion, Chapter 5 will include discussion of findings, limitations, implications of this study and offers some suggestions for future research.

## Chapter 2

### LITERATURE REVIEW

#### 2.1 Introduction

This study focused on the workplace Emotional Intelligence and leadership effectiveness of managers in manufacturing firms. Thus, the literature review will mainly cover these two areas.

#### 2.2 Literature Overview

The rules of work are changing. We are being judged by a new yardstick: not just by how smart we are, or by our training and expertise, but also by how well we handle ourselves and each other. This yardstick is increasingly applied in choosing who will be hired and who will not, who will be retained and who made redundant, who passed over and who promoted (Hamel & Prahalad, 1991).

The past policies of down-sizing, right-sizing and outplacement, despite creating immediate bottom-line benefits, often in return create longer-term human resource problems leading to a range of human resource problems which impacts organization's capability to deliver its objectives. Not only is the cost of recruitment increasing, due to the increasing importance of knowledge as organizational core competency, but the cost of promoting a person with inappropriate abilities and competencies can also be substantial. Corporate interest appears to be strongly related to the continuing search for a way of securing sustainable competitive advantages, which can be developed through the attention to human capital (Langley, 2002).

#### 2.3 Workplace Emotional Intelligence

The literature in this emerging field contains a range of terminology, which can be confusing. EI has its roots in studies of "social intelligence" in the 1920s and perhaps earlier. It was "discovered" again by Salovey and Mayer (1990) who first called it

“Emotional Intelligence” and represented two of the seven (“multiple”) intelligences theorized by Gardner (1993): interpersonal and intra-personal intelligences. Goleman popularized the concept in his 1996 book, as well as the notion that EI might “matter more” than IQ (which represents one of Gardner’s seven intelligences) (Tischler, Biberman & McKeage, 2002).

Goleman (1996) provides a useful definition of the construct of Emotional Intelligence, which is:

- Knowing what you are feeling and being able to handle those feelings without having them swamp you;
- Being able to motivate yourself to get jobs done, be creative and perform at your peak; and
- Sensing what others are feeling, and handling relationship effectively.

In his article entitled "What Makes a Leader", Goleman argued that EI is often the distinguishing factor between great leaders and average leaders. Goleman posited that the foundation of emotional competency is Self-Awareness, the knowledge of ones own abilities and limitations as well as a solid understanding of factors and situations that evoke emotion in one's self and others. Equipped with this awareness, an individual can better manage his own emotions and behaviors and better understand and relate to other individuals and systems (Goleman, 1998).

Leadership transitions are fraught with emotional tension. If they are unprepared to manage the emotional turmoil that accompanies such a transition, most boards, CEOs and successors may find it difficult to handle the situation well. However, boards that do allow for discussion and resolution of both positive and negative emotions are more effective (Byron, 2000).

### **2.3.1 *Emotional Intelligence and Intelligence Quotient***

The roots of the development of the concept of Emotional Intelligence appear to lie in the apparent inability of traditional measure of rational thinking (e.g.: IQ [Intelligence Quotient] test, SAT [Scholastic Aptitude Test] scores, etc.) to predict who will succeed in life or emerge as effective leaders (Dulewicz & Higgs, 2000).

Other authors writing on the topic of Emotional Intelligence also pointed to the impact of IQ and Emotional Intelligence, in combination determines successful performance outcomes (Dulewicz & Higgs, 2000). IQ by itself is not a good predictor of job performance. Hunter and Hunter (1984) estimated that at best, IQ accounts for about 25 percent of the variance. Sternberg (1996) pointed out that studies vary and that 10 percent may be a more realistic estimate. In some studies, IQ accounts for as little as 4 percent of the variance (Cherniss, 2000).

For 515 senior executives analyzed by the search firm Egon Zehnder International, those who were primarily strong in Emotional Intelligence were more likely to succeed than those who were strongest in either relevant previous experience or IQ. In other words, Emotional Intelligence was a better predictor of success than either relevant previous experience or high IQ. More specifically, the executive was high in Emotional Intelligence in 74 percent of the successes and only in 24 percent of the failures. The study included executives in Latin America, Germany, and Japan, and the results were almost identical in all three cultures (Cherniss, 2001).

### **2.3.2 *Misconception of Workplace Emotional Intelligence***

Although EI has become increasingly popular at workplace, lack of research on this area has led to some misconceptions in practice. Some of the common misconceptions from the literature are as listed below (Goleman, 1999).

1. Emotional Intelligence does not mean merely “being nice”. At strategic moments it may demand not “being nice”, but rather, for example, bluntly confronting someone with an uncomfortable but consequential truth they have been avoiding (Goleman, 1999).
2. Emotional Intelligence does not mean giving free rein to feelings – “letting it all hang out”. Rather, it means managing feeling so that they are expressed appropriately and effectively, enabling people to work together smoothly toward their common goals (Goleman, 1999).
3. Our level of Emotional Intelligence is not fixed genetically, nor does it develop only in early childhood. Unlike IQ, which changes little after our teen years, Emotional Intelligence seems to largely learn and it continues to develop as we go through life and learn from our experiences (Goleman, 1999).

### ***2.3.3 Learning Emotional Intelligence***

When we are courageous enough to learn from the pain of the mistakes we have made in dealing with others, we become emotionally intelligent leaders through trial and error. A quicker way to learn EI is through the day-to-day example of an emotionally intelligent mentor. We feel emotions passionately and honestly as children but later, as adults, the early clarity is usually lost (Bagshaw, 2000).

### ***2.3.4 Emotional Intelligence and Management Level***

In studying hundreds of companies, it became clear to me that the importance of Emotional Intelligence increases, the higher you go in the organization (Goleman, 1999). Langley (2002) also reported that senior managers all scored statistically higher in Goleman’s EI sub-competency framework than the middle level managers. Gardner and Stough (2002) again reported that there is a significant relationship

between Emotional Intelligence and effective leadership in senior level managers. There was also no empirical research done on this relationship in Malaysian context. In top leadership positions, over four-fifths of the difference is due to emotional competence (Cherniss, 2001).

### ***2.3.5 Emotional Intelligence and Gender Difference***

Rigg and Sparrow (1994) concluded that female leaders emphasized the team approach more than men and men were considered more paternalistic and authoritarian than female leaders. Female leaders tend to be more relationship oriented and democratic and male leaders are more task-oriented and autocratic (Pounder & Coleman, 2002). Women, on the average are more aware of their emotions, show more empathy and are more adept interpersonally. Men, on the other hand, are more self-confident and optimistic, adapt more easily and handle stress better (Goleman, 1999).

### ***2.3.6 Emotional Intelligence and Leader's Age***

Though children grow ever smarter in IQ, their Emotional Intelligence is on the decline. A massive survey of parents and teachers show that the present generation of children is more emotionally troubled than the last. On average, children are growing more lonely and depressed, more angry and unruly, more nervous and prone to worry, more impulsive and aggressive (Goleman, 1999).

### ***2.3.7 Emotional Intelligence and Regional Difference***

Some scattered differences in ratings by region were observed. For example, leaders from Asia received lower scores from Supervisors compared to other participants, while peers rated the North American leaders significantly higher than other participants. Direct reports gave higher ratings to leaders from Europe and North American than they did to leaders from the other two regions. The variations found

likely reflect cultural differences in rating standards as opposed to a true reflection of performance difference (Cavallo & Brienza, 2001).

### ***2.3.8 The Problem of Dropping Emotional Intelligence among the Younger Generation***

There is a dangerous paradox at work: As children grow ever smarter in IQ, their Emotional Intelligence is on the decline. A massive survey of parents and teachers show that the present generation of children is more emotionally troubled than the last. On average, children are growing more lonely and depressed, more angry and unruly, more nervous and prone to worry, more impulsive and aggressive. Although poorer children started out at a lower level on average, the rate of decline was the same across all economic groups (Goleman, 1999).

## **2.4 Leadership Effectiveness**

Companies have become desperate for leaders who can manage through crisis. And despite budget cutbacks, they seem willing to send their rising stars to executive education courses that will help them to learn those skills, like Emotional Intelligence.

Most researchers evaluate leadership effectiveness in terms of the consequences of the leader's action on followers and other organizational stakeholders. The most commonly used measure of leadership effectiveness is the extent to which the leader's organizational unit performs its task successfully and attains its goals. Examples of objective measures of performance are profit margin, sales volume, production yield and cost per unit of output. Examples of subjective measures include rating of effectiveness obtained from the leader's superiors, peers or subordinates (Yukl, 2002).

The attitude of followers towards the leaders is another common indicator of leadership effectiveness. Some indicators of satisfied followers are like commitments

to leaders' request, low absenteeism and low voluntary turnover. Leadership effectiveness is occasionally measured in terms of the leaders contribution to the quality of group process, like member motivation, group cohesiveness and member cooperation (Yukl, 2002).

It is difficult to evaluate the effectiveness of leaders when there are so many alternative measures of effectiveness and it is not clear which measure is most relevant. Multiple criteria are especially troublesome when they are negatively correlated (Yukl, 2002).

The effect of a leader can be viewed as a causal chain of variables, with each intervening variable mediating the effects of the preceding one on the next one. An example is presented in figure 2.1 below. When the delay of outcome is long and there is considerable "criterion contamination", the end-result criteria are less useful than more immediate outcomes as an indicator of leadership effectiveness (Yukl, 2002).

Articulate appealing vision → Increase follower commitment → Increase follower efforts → Increase quality and productivity → Increase sales and profit
--

*Figure 2.1: Causal Chain of Effects by Leaders*

To cope with the problems of incompatible criteria, delayed effects and the preferences of different stakeholders, it is usually best to include a variety of criteria in research on leadership effectiveness and to examine the impact of the leader on each criterion over an extended period of time (Yukl, 2002).

## **2.5 Effective Leadership Practices**

Leadership is an observable, learnable set of practices. Leadership is not something mystical and ethereal that cannot be understood by ordinary people. Given the



opportunity for feedback and practice, those with the desire and persistence to lead can substantially improve their abilities to do so. In their Leadership Practices Inventory (LPI), Kouzes and Posner (1990) identified five practices that were common to most extraordinary leadership achievements. When performing at their best, an effective leader challenge, inspires, enable, model and encourage. Research indicates that the more frequently you are perceived to do the things identified in the LPI, the more likely you will be perceived to be an effective leader (Kouzes & Posner, 1990).

## **2.6 The Primal Leadership – Emotional Dimension of Leadership**

Primal leadership as defined by Goleman (2002) refers to the emotional dimension of leadership. The emotional task of the leader is primal. It is both the original and the most important act of leadership. Its effects extend beyond ensuring that a job is well done. Leadership is the art of getting work done through other people. In the climate of uncertainty, primal leadership becomes more important than ever, because people needs a leader who lends an air of certainty, or at least conviction, a sense of “this is where we are heading these days,” at a time when fears and anxieties can overtake them. That is the ability to get work done depends on our emotions not being out of control (Goleman, 2002).

## **2.7 Follower-centric Approach**

Leadership is very much in the eye of the followers. As Meindl (1995, p. 131) claims: “followers, not leader and not researchers define it.” Follower-centric approach places more weight on the images of leaders constructed by the followers (Popper & Druyan, 2001). A manager’s perceived leadership behavior may be different from actual leadership behavior, as managers tend to rate themselves as more competent than others rate them. This discrepancy in ratings is particularly true for males where there

is a larger difference between self-ratings and ratings of followers than females (Burke & Collins, 2001).

## **2.8 Reasons of Leadership Failure**

Davis (1981) suggested that: "Scientific and professional employees are a major source of talent for promotion to management, but sometimes their transition to management is difficult. Their orientation towards logic, the physical world and / or the framework of their specialty may result in narrow viewpoint and blind spots" (Thite, 1999). According to Rosenbaum (1991): "Technical leaders often come to management positions because of their technical competence, not their interpersonal abilities. Many such leaders assume their responsibilities without adequate role models" (Thite, 1999). Inadequacy of interpersonal skill and EI competence of managers resulted in their failure as they assume higher position in the organizational hierarchy.

## **2.9 Leadership and Gender Difference**

Rosener (1990) argued that female leaders tend to be more transformational than male leaders. This argument is based on the idea that transformational leadership emphasizes the nurturance of subordinates and that through a process of socialization. The nurturing qualities of women are particularly well developed in comparison to men. This leads to the enactment of transformational leadership by female leaders and by implication, a tendency for male leaders, not privy to this socialization process, to incline more to transactional leadership.

Rigg and Sparrow (1994) concluded that female leaders emphasized the team approach more than men and men were considered more paternalistic and authoritarian than female leaders. Female leaders tend to be more relationship oriented and democratic and male leaders are more tasks oriented and autocratic

(Pounder & Coleman, 2002). In their most recent research, Burke and Collins (2001) also proved that gender differences in leadership style exist and that female are more transformational than males.

Nevertheless, there are researches found that there is no gender difference in leadership effectiveness (Landau, 1996; Eagly, Karau & Makhijani, 1995; Ragin, 1991). In particular, several studies have demonstrated that there is little to no difference in satisfaction levels of subordinates of either male or female leaders (Carless, 1998; Ragins, 1991; Osborn & Vicars, 1976).

## Chapter 3

### METHODOLOGY

#### 3.1 Introduction

This study seeks to explore the relationship between facets of EI as independent variable and leadership effectiveness as dependent variable. This chapter in particular presents population and sampling, design of questionnaire, data collection methods and statistical methods.

This study is co-relational in nature and seeks to explore the relationships between EI and leadership effectiveness through hypothesis testing. In order to answer key research questions of this study, a self-administered questionnaire was designed to collect data from the respondents of randomly selected manufacturing firms in Malaysia.

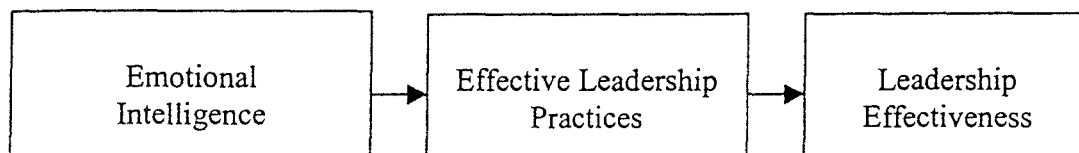
There are three types of variable focused in this study. They are:

1. Dependent Variable – Leadership Effectiveness.
2. Independent Variable – Manager’s Emotional Intelligence.
3. Mediating Variable – Manager’s Effective Leadership Practices.

#### 3.2 Theoretical Framework

An overall observation of the literature reviewed seems to suggest that EI is a strong predictor of leadership effectiveness, but there is no research done to study the mediating effect of Effective Leadership Practices on the relationship between EI and leadership effectiveness. Furthermore, almost all of the previous researches conducted on this area transpired in the western culture. Cavallo and Brienza (2001) posited that variation in EI rating do exist between Asian, European and American cultures. Due to this cultural variance in EI rating, it was deemed crucial examining the relationship between EI and leadership effectiveness in Malaysian context.

This study is exploratory in nature. It seeks to explore the relationship between EI and leadership effectiveness of managers in Malaysian context. At the same time, it also examined the relationship between EI and Effective Leadership Practices. This study also attempted to examine the mediating effect of Effective Leadership Practices on the relationship between EI and leadership effectiveness. Theoretical framework in figure 3.1 below posited the relationships among the studied variables.



*Figure 3.1: Theoretical Framework*

### **3.3 Hypotheses Generation**

Based on the theoretical framework above, four general hypotheses were developed for empirical verification in this research. One of the research objectives is to examine the relationship between EI and leadership effectiveness.

Cavallo and Brienza's (2001) study revealed a strong relationship between superior performing leaders and emotional competence, supporting theorist's suggestions that the social, emotional and relational competency set commonly referred to as Emotional Intelligence, is a distinguishing factor in leadership performance (Cavallo & Brienza, 2001). Leaders who received performance ratings of 4.1 or greater on a 5-point scale were rated significantly higher than other participants in all four of the Emotional Intelligence dimensions of Self-Awareness, Self-Management, Social Awareness, and Social Skills by Supervisors and Subordinates (Cavallo & Brienza, 2001).

Goleman (1999) reported that it is EI rather than IQ that predicts extraordinary performance of leader. After supervisors in a manufacturing plant received training in

emotional competencies such as how to listen better and help employees resolve problems on their own, lost-time accidents were reduced by 50 percent, formal grievances were reduced from an average of 15 per year to 3 per year, and the plant exceeded productivity goals by \$250,000 (Pesuric & Byham, 1996). In another manufacturing plant where supervisors received similar training, production increased 17 percent. There was no such increase in production for a group of matched supervisors who were not trained (Porrás & Anderson, 1981).

In a large beverage firm, using standard methods to hire division presidents, 50% left within two years, mostly because of poor performance. When they started selecting based on emotional competencies such as initiative, self-confidence, and leadership, only 6% left in two years. Furthermore, the executives selected based on emotional competence were far more likely to perform in the top third based on salary bonuses for performance of the divisions they led: 87% were in the top third. In addition, division leaders with these competencies outperformed their targets by 15 to 20 percent. For those who lacked them under-performed by almost 20% (McClelland, 1999).

Competency research in over 200 companies and organization worldwide suggested that about one-third of job performance difference is due to technical skill and cognitive ability while two-thirds is due to emotional competence (Goleman, 1999). Research by the Center for Creative Leadership found that the primary causes of derailment in executives involved deficits in emotional competence (Cherniss, 2001). A study of 130 executives found that how well people handle their own emotions determined how much people around them preferred to deal with them (Walter V. Clarke Associates, 1997).

The work of previous researches provides a theoretical rationale for linking EI and leadership effectiveness in Malaysian context. The following hypothesis was, therefore framed:

*H1: Emotional Intelligence correlates positively with leadership effectiveness.*

*H1a: Emotional Intelligence correlates positively with employee satisfaction and commitment.*

*H1b: Emotional Intelligence correlates positively with department performance.*

A recent study conducted by Palmer, Walls, Burgess and Stough (2001) reported that there were significant relationships between selected components of EI and effective leadership behavior. Yammarino and Dubinsky (1994) also found that transformational leadership is more emotion-based compared to transactional leadership and involves heightened emotional levels. Barling, Slater and Kelloway (2000) again, found that EI was associated with three aspects of transformational leadership (namely idealized influence, inspirational motivation and individualized consideration).

Research conducted by Sivanathan and Fekken (2001) revealed that followers' evaluations of leaders' transformational behaviors were positively related to leaders' self-reports of Emotional Intelligence and resident rating on leadership effectiveness. Gardner and Stough's (2001) study also supported the existence of a strong relationship between transformational leadership and overall Emotional Intelligence, as measured by Workplace Swinburne University Emotional Intelligence Test (SUEIT).

As discussed above, all the previous researches demonstrated the existence of strong relationship between EI and transformation leadership behavior. Although Kouzes and Posner's (1990) Leadership Practice Inventory (LPI) had been proven a

reliable tool to predict effective leadership, there was no research done to study the relationship between EI and LPI. LPI is a 30-item measure of effective leadership practices or behavior. Thus, a gap in literature was identified, and this study attempted to fill this literature gap by empirically examined the relationship between EI and effective leadership practices, as measured by Kouzes and Posner's LPI. With this theoretical rationale, hypothesis below was constructed:

*H2: Emotional Intelligence correlates positively with effective leadership practices*

Researches indicated that the more frequently you are perceived to do the things identified in the Leadership Practices Inventory (LPI), the more likely you will be perceived to be an effective leader (Kouzes & Posner, 1990). The purpose of this hypothesis was to empirically assess whether LPI can be a reliable tool to predict leadership effectiveness in Malaysian context. Thus, the hypothesis below was in order:

*H3: Effective leadership practices correlate positively with leadership effectiveness.*

*H3a: Effective leadership practices correlate positively with employee satisfaction and commitment.*

*H3b: Effective leadership practices correlate positively with department performance.*

There is no research available studying the mediating effect of effective leadership practices on the relationship between Emotional Intelligence and leadership effectiveness. As posited by Yukl (2002), the effect of a leader is a causal chain of variables, with each intervening variable mediating the effects of the preceding one on the next one. Based on this theory, a manager with high EI competency is expected to



be an effective leader through his / her possession of effective leadership practices.

Therefore, drawing on this idea, it was hypothesized that:

*H4: Effective leadership practices mediate the relationship between EI and leadership effectiveness.*

*H4a: Effective leadership practices mediate the relationship between EI and employee satisfaction and commitment.*

*H4b: Effective leadership practices mediate the relationship between EI and department performance.*

### **3.4 Population and Sampling Plan**

Questionnaire was distributed personally and via e-mail to cover wider geographical regions, which were otherwise, inconvenient to access. Unit of analysis for this study is individual. Stratified random sampling method was used and the population of this study was manufacturing firms in Peninsular Malaysia. Targeted respondents were selected randomly from the selected manufacturing firms in some major industrial areas in Malaysia, like Kulim, Perai, Bayan Lepas, Shah Alam and Ulu Klang. Five hundred (500) copies of questionnaire were distributed personally to the employees of the manufacturing firms in Perai and Bayan Lepas Free Industrial Zone. Another one hundred and twenty six (126) sets of questionnaire were distributed through e-mail to employees of manufacturing firms in Ulu Klang, Shah Alam, Kulim, Perai and Bayan Lepas Free Industrial Zone. Of the 626 questionnaires distributed, only 245 questionnaires were returned. However, only 181 questionnaires were used for this study, yielding a response rate of 29%. The 64 unused questionnaires were either incomplete questionnaires or the respondents for these questionnaires were below executive level. Table 3.1 below presents the sample distribution of this study.

Table 3.1

*Sample Distribution*

Area	No of Firms	Sample per Firm	Total	Method
Perai	10	20	200	Hand carry
	2	5	10	E-mail
Bayan Lepas	15	20	300	Hand carry
	4	7	28	E-mail
Ulu Klang	6	5	30	E-mail
Shah Alam	4	7	28	E-mail
Kulim	5	6	30	E-mail
<b>Grand Total</b>			<b>626</b>	

Prerequisite for the respondents of this survey was that the respondents must have at least one (1) year's working relationship with the manager / immediate superior they were rating. The respondents selected for this study were executives or engineers and above. It is to ensure adequate understanding of the questionnaire. Table 3.2 presents the demographic profile of the leaders selected for this study. The eighteen (18) leaders at executive level being studied in this study were all acting as Head of Departments or sections.

Table 3.2

*Demographic Profile of Leaders*

Variable	Category	Frequency	Percentage
Age	26 – 30	38	21.00
	31 – 35	41	22.70
	36 – 40	54	29.80
	41 – 45	34	18.80
	46 and above	14	7.70
Gender	Male	143	79.00
	Female	38	21.00
Level of Education	Completed SPM	7	3.90
	Completed STPM/Diploma	23	12.70
	Completed Bachelor's Degree	129	71.30
	Completed Master's Degree	20	11.00
	Completed PhD	2	1.10
Position in the Company	Executive Level	18	9.90
	Lower Level Manager	47	26.00
	Middle Level Manager	79	43.60
	Senior Level Manager	34	18.80
	Others (company owner)	3	1.70

### 3.5 Questionnaire Design

Based on literature review, leadership is very much in the eye of the followers. Hence, the 360 – Degree Version of Workplace Swinburne University Emotional Intelligence Test (SUEIT) were used to measure workplace Emotional Intelligence, and 360 – Degree Version of Leadership Practices Inventory (LPI) were used to measure manager's Effective Leadership Practices. The questionnaire consisted of four sections. The first section examined the workplace Emotional Intelligence of managers by using the 360 – Version of Workplace SUEIT (Palmer & Stough, 2001); the second section examined Effective Leadership Practices by using 360 – Degree Version of Leadership Practices Inventory (Kouzes & Posner, 1990); the third section examined leadership effectiveness and the fourth section examined the demographic factors of respondents and their leaders. The questionnaire on leadership effectiveness