

## **Influence of Emotional Intelligence on Decision Making by Leaders**

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### **Abstract**

*Emotional Intelligence is the aggregate of abilities, competencies and skills that represent a collection of knowledge meant for coping with life effectively. Thus it is closely related to the personal and professional growth of the individuals who have to take decisions under stressful and difficult situations. The aim of the present study is to explore the impact of emotional intelligence on Leadership and his decision making skills of the leaders. 150 respondents had been selected from various levels of executives from a Government organization in Trichirapalli district, Tamil Nadu. Data were collected using a questionnaire. Data were analyzed using canonical correlation method. The result indicated that there is association between the level of emotional intelligence and the decision making. Further, the results indicated that emotional intelligence had highly influenced the transactional leader's decision making than the transformational leader's decision making. The participation dimension in decision making highly influences the transformational leader's decision making and felt accountability influences the transactional leader's decision making. Both the type of leaders, decision making is more influenced by the empathy dimension of emotional intelligence.*

**Keywords:** Action, Decision making, Emotional Intelligence, Leadership, Self-Control, Skill

### **Introduction**

Emotional intelligence plays a significant role in many aspects of leaders. It is important to make effective decisions in day to day life in an organization. Strong emotions help leaders to make effective decisions. All workplaces require decision making and all decisions have both cognitive and emotional components. A decision maker's emotional processing ability depends on previous experience, current emotional capital or capacity and the emotional investment an individual is willing to make in the decision's outcome (Dahling & Perez, 2010).

Leadership is often referred to a powerful and dynamic person who emerges because they offer an alternative to continuous change, growing business complexity, increasingly global work environments and the uncertainty of the times. Tannenbaum and Schmidt (1958) identified the six leadership parameters namely Concern for people or relationships, Concern for production, Use of authority, Involvement of the team in decision-making (formulating decisions) Involvement of the team in decision-taking (choosing options) and Flexibility versus the application of rules.

Tamil Language, offers simple definitions of leadership by promoting adakkam or humility and requiring "loyalty, a discriminating mind, clear-headedness, and freedom from the lure of property" as the four requirements of anyone who wants to manage or lead people (Rajagopalachari, 1999). The most valuable aspects of jobs in an intellectual economy are sensing, judging, creating and building relationships.

These are not altogether dissimilar to the skill sets most often identified with emotional intelligence and also represent the very skills necessary to ensure the success of the implementation of the knowledge-based organization mission (Stewart, 1998).

Dvir, et. al (2003) stated that there is significant relationship between traditional leadership (transactional leadership) and emotional intelligence. One of the components of transactional leadership such as contingent reward is more significant with emotional intelligence. Barling, et. al, (2000) concluded that the contingent component of transactional leadership can be best explained because of the task oriented nature and the positive and discretionary behaviors associated with contingent rewards. Bass (1999) explained management by exception active occurs when the leader takes corrective actions quickly in order to avoid errors, whereas in management by exception passive, the leader waits for those mistakes to occur then intervenes. Many studies confirmed that there is positive and strong relationship between transformational leadership and emotional intelligence. Skinner and Spurgeon (2005) emphasized the components of transformational leadership namely individual consideration, intellectual motivation; inspirational stimulation and idealized influence are conceptually related to emotional expression and personal consideration. They look for a potential motive in followers, seeks to satisfy higher needs and engages the full person of the follower. Transformation leaders inspire both leaders and followers to higher levels of performance.

### ***Literature Review***

Goleman (2005) argued that emotional intelligence is the strongest indicator of human success. Our emotions play a much greater role in thought, decision-making and individual success. Bar-On (1997) argues that various facets and components of emotional intelligence have been claimed to contribute to success and productivity in the work place. George (2000) stated that feelings are intricately bound up in the ways that people think, behave, and make decisions. Emotional intelligence refers to one's ability to be aware of one's own feelings and feelings of others, to differentiate among them, and to use the information to guide one's thinking and behavior (Salovey and Mayer, 1990). It consists of three categories of abilities; evaluation and expression of emotion, regulation of emotion and using emotions in decision making. Goleman's (1998) argued five dimensions model of emotional intelligence such as 1) Self-Awareness, 2) Self-Regulation 3) Motivation 4) Empathy and 5) Social Skills these skills in emotional intelligence are essential for successful leadership. Self-awareness and its representative competencies of accurate self-assessment and self-confidence help emotionally intelligent decision-makers to determine their appropriate role in the decision-making process (Goleman, 2001; Boyatzis et al., 2000). Self-management and its behavioral components of self-control, trustworthiness, conscientiousness, adaptability, achievement drive and initiative are equally important emotional intelligence skills for decision-makers (Goleman, 2001; Boyatzis et al., 2000).

Decision-makers can utilize self-management skills to establish a consistent record of achievement and emotional control, while simultaneously earning trust from both internal and external constituents. The emotional intelligence skill of social awareness and its core competencies of empathy, service orientation and organizational awareness of decision-makers are to judge the impact of not only their decisions but also the manner in which those decisions are made (Goleman, 2001; Boyatzis et al., 2000). According to Druker, P.F (2004), "Whatever a manager does he does through decision-making." Decision-making is so crucial to the job of managing that it is called the heart of management. However, decision-making is only one of the ways in which managers can influence effective accomplishment of goals. Thus decision-making is the primary task of management. Cary Cherniss and Michel Adler (2000) defined Emotional intelligence as the ability to accurately identify and understand one's own emotional reactions and those of others. It also involves the ability to regulate one's emotions, these to use of them to make good decision-making and act effectively. Jennifer M. George (2000) suggested that feeling (moods and emotion) play a central role in the leadership process. Further her study proposed that emotional intelligence, the ability to understand and manage moods emotions in the self and others, contributes to effective leadership in an organization. From the literature review, the researcher identified research problem and research gap. It is evident that the researcher has gone through various literatures pertaining to emotional intelligence with relation to leadership and decision making.

But none of the studies have been conducted in the study area. In order to fulfill the research gap this study makes an attempt to analyse the effect of emotional intelligence.

### Objectives of the Study

- To measure the level of self awareness, self regulation, self motivation, Empathy and social skills among the executives.
- To measure the level of components of decision making.
- To verify the relationship between emotional intelligence and decision making of the executives based on their type of leadership styles.

### Hypothesis

Based on the above research questions the following hypotheses are formulated,

1. Decision making status of the executives is significantly influenced by their level of emotional intelligence.
2. The level of influence of emotional intelligence on decision making of the executives differs according to the type of the leadership styles.

### Methodology

The study is conducted on the executives, who are all working in the Government sector in Trichirapalli during the period of Nov-- Dec2013 and total number of executives were 2049. Emotional intelligence and Decision making are the variables considered for this study. Here, Emotional intelligence is considered as an independent variable and decision making is treated as a dependent variable. A Sample of 150 executives has been selected by proportionate stratified random sampling method. Emotional intelligence is assessed through the standardized questionnaire developed by Asif et al (2011) .This instrument assess emotional intelligence in five dimensions, viz, self awareness, self regulation, motivation, empathy and social skills with twenty five questions . Leadership is measured by multifactor leadership questionnaire (MLQ) developed by Bass and Avolio (2004) .Decision making is measured by three dimensions namely willingness to participation, empowerment and felt accountability .These dimensions are taken from previous researchers Cree's (2000), Spreitzer (1995) and Hochwarter et al. (2003). Mean and standard deviation values are calculated to know the level of emotional intelligence, decision making skill and leadership skill. Canonical correlation analysis is applied to know the effect of emotional intelligence and leaders' decision making of the executives.

### Results and Discussion

**Table 1: Leadership Styles of Executives**

Leadership style	Frequency	Per cent
Transformational leadership	120	80.0
Transactional leadership	30	20.0

Downton (1973) first differentiated two types of leadership, transformational and transactional. The behavioral style selected by the leader should depend on the nature of the task and the needs of the subordinates (Griffin, 1979). From the information, out of 150 executives, 120 executives (80%) are having transformational leadership and 30 executives (20%) are having transactional leadership in the organization. It is inferred that transformational leader behavior is sought to be higher in this study.

**Table 2: Level of Emotional Intelligence and Decision Making**

Dimensions	Mean	Standard. deviation	Mean percent	
<b>Emotional intelligence</b>	Self- awareness	12.87	1.68	85.8
	Self- regulation	21.78	2.66	87.1
	Self motivation	17.58	2.48	87.9
	Empathy	22.13	2.99	88.5
	Social skills	35.18	4.87	88.0
<b>Decision Making</b>	Participation	47.62	5.26	85.0
	Empowerment	68.53	7.18	81.6
	Felt accountability	48.46	5.78	86.5

A leader in order to be very effective should possess components of Emotional Intelligence. It has been experienced that emotionally surcharged leaders embrace decisions and do bring good decisions. Goleman (2005) argued that emotional intelligence is the strongest indicator of human success. Our emotions play a much greater role in thought, decision-making and individual success. Table.2 explains that the level of emotional intelligence and decision making skills of the executives. The mean percentage value of each variable was inferred that all the executives had high level of emotional intelligence and decision making skills.

To assess the relationship between the emotional intelligence and decision making for the two types of leadership, canonical correlation method has been applied separately for the transformational and transactional leaders. Since, emotional intelligence consists of five dimensions and decision making consists of the three dimensions, to assess the relationship between these two variables canonical correlation has been preferred

**Table 3: Influence of Emotional Intelligence and Decision Making of Transformational Leaders**

Test name	Value	Appox.F	Hypoth.DF	Error.DF	Sig. of F
Pillais,	0.43075	3.82254	15.00	342.00	0.001
Hotelling,	0.56738	4.18601	15.00	332.00	0.001
Wilks,	0.61161	4.02349	15.00	309.58	0.001
Roys	0.29524				

Pillais, Hotelling, Wilks and Roys test indicated that the canonical correlation is fit for this study. It indicated that, the canonical functions are significant at 5 percent level. Hence the two sets such as emotional intelligence and decision making of transformational leadership are statistically related. Further it is confirmed that there is an overall relationship exists between emotional intelligence and decision making of the transformational leaders.

**Table 4: Canonical Correlation between Emotional Intelligence and Decision Making of Transformational Leaders**

Roots	Eigen value	Percent	Cumulative percent	Canonical correlation	Squared correlation	P-value
Participation	0.41892	73.83480	73.83480	0.54336	0.29524	0.001*
Empowerment	0.11504	20.27513	94.10993	0.32120	0.10317	0.039**
Felt accountability	0.03342	5.89007	100.0000	0.17983	0.03234	0.288(N.S)

The decision making consists of three variables and emotional intelligence consists of five variables. Hence, a maximum of three canonical correlations are possible. The canonical correlations and its significance level are shown in table no.4. While observing the squared correlation value, the root one, namely participation in decision making is explained by the emotional intelligence at 30 per cent level of relationship at 1 per cent level of significance. Further the variance by independent and dependent canonical variate of the other functions such as root two, empowerment is explained by the emotional intelligence at 10 per cent level of relationship. The root three, felt accountability is explained by and emotional intelligence at 3 per cent level relationship. Since, the contributions of the second and third canonical correlations were minimal. In this study, the first canonical correlation had been interpreted for further analysis.

**Table 5: Canonical Loadings, Square of the Canonical Loading, and Redundancy Index for Transformational Leaders**

Variables	Canonical loading	Square of the Canonical loading	Mean	Canonical correlation	Redundancy index
<b>Decision making</b>					
Participation	-0.940	0.883	0.511	0.543	<b>0.277</b>
Empowerment	-0.537	0.288			
Felt accountability	-0.602	0.362			
		1.533			
<b>Emotional intelligence</b>					
Self awareness	0.193	0.037	0.069	0.543	<b>0.037</b>
Self regulation	0.16	0.027			
Self motivation	0.071	0.005			
Empathy	-0.522	0.272			
Social skill	-0.060	0.004			
		0.345			

Table 5 shows the canonical loading, square of the canonical loading and redundancy. The purpose of this table was to explain which variable has been highly contributing within the set and the redundancy index of the first canonical variate of the two sets (decision making and emotional intelligence). In the canonical loading, the larger the coefficient, the more important, it is driving the canonical variate. Among the emotional intelligence variable set, empathy (-0.522) has a larger coefficient when compared to the other emotional intelligence. Hence, empathy that is more important than other emotional intelligence is deriving the independent variate. Among the dependent variables set, participation (-0.940) has the largest weight and therefore, its contribution is more to the variate when compared to the other dimension.

The redundancy index provides a summary measure of the amount of variance in a canonical variate (dependent or independent) explained by the other canonical function. 27 percent of the variance in the decision making variables is accounted for by the variability in the emotional intelligence variables. Further, 37 per cent of the variation of emotional intelligence variables is accounted for by the variability in the decision making variables.

**Table 6: Testing For Fitness of Canonical Correlation by Pillais Hotelling Wilks Roys for Transactional Leader's Decision Making**

Test name	Value	Appox.F	Hypoth.DF	Error.DF	Sig. of F
Pillais	1.462	4.562	15.00	72.00	0.001
Hotelling	10.546	14.530	15.00	62.00	0.001
Wilks	0.048	8.134	15.00	61.13	0.001
Roys	0.907				

Pillais, Hotelling, Wilks and Roys test indicated that the canonical correlation is fit for this study. It indicated that, the canonical functions are significant at 5 percent level. Hence the two sets such as emotional intelligence and decision making of transactional leadership are statistically related. Further it is confirmed that there is an overall relationship exists between emotional intelligence and decision making of the transactional leaders.

**Table 7: Canonical Correlation between Emotional Intelligence and Decision Making of Transactional Leader's**

Roots	Eigen value	Percent	Cumulative percent	Canonical correlation	Squared correlation	P-value
Participation	9.773	92.664	92.664	0.952	0.907	0.001*
Empowerment	0.452	4.284	96.948	0.558	0.311	0.043**
Felt accountability	0.322	3.052	100.0000	0.493	0.243	0.078(N.S)

The decision making consists of three variables and emotional intelligence consists of five variables. Hence, a maximum of three canonical correlations are possible. The canonical correlations and its significance level were shown in table 7. While observing the squared correlation value, the root one, namely participation in decision making is explained by the emotional intelligence at 90 percent level of relationship at 1 percent level of significance. Further the variance by independent and dependent canonical variate of the other functions such as root two, empowerment is explained by the emotional intelligence at 31 percent level of relationship. The root three, felt accountability is explained by and emotional intelligence at 24 per cent level relationship. Since, the contributions of the second and third canonical correlations were minimal. In this study, the first canonical correlation had been interpreted for further analysis. Decision -makers who practice the value of empathy can foresee the impact of their decisions before implementation (Goleman, 2001).

**Table 8: Canonical Loadings, Square of the Canonical Loading, and Redundancy Index for Transactional Leaders**

Transaction leadership	Canonical loading	Canonical square	Mean	Canonical Correlation	Redundancy index
<b>Decision making</b>					
Participation	0.745	0.555	0.683	0.952	<b>0.650</b>
Empowerment	0.716	0.512			
Felt accountability	0.991	0.982			
		2.049			
<b>Emotional intelligence</b>					
Self awareness	0.800	0.640	0.69	0.952	<b>0.656</b>
Self regulation	0.631	0.398			
Self motivation	0.890	0.792			
Empathy	0.963	0.927			
Social skill	0.829	0.687			
		<b>3.444</b>			

Table 8 shows the canonical loading, square of the canonical loading and redundancy. The purpose of this table was to explain which variable has been highly contributing within the set and the redundancy index of the first canonical variate of the two sets (decision making and emotional intelligence). In the canonical loading, the larger the coefficient, the more important, it is driving the canonical variate. Among the emotional intelligence variable set, empathy (0.963) has a larger coefficient when compared to the other emotional intelligence. Hence, empathy is more important than other emotional intelligence that is deriving the independent variate. Among the dependent variables set, felt accountability (0.991) has the largest weight and therefore, it contributes more to the variate when compared to other dimensions.

The redundancy index provides a summary measure of the amount of variance in a canonical variate (dependent or independent) explained by the other canonical function. 27 percent of the variance in the decision making variables is accounted for by the variability in the emotional intelligence variables. Further, 37 percent of the variation emotional intelligence variables is accounted for by the variability in the decision making variables.

Human resource management attracts, retain and motivate employees and successful policy makers always keep them and involve them in strategic and operational decision making by using their talents and intelligence (Aligning, 2004). Goleman (2005) argued that emotional intelligence was the strongest indicator of human success. Our emotions play a much greater role in thought, decision-making and individual success. According to Araoz (2007), the emotionally intelligent manager was competent to contribute in decision making and think through options and integrate expected reactions of others in order to improve the quality of decisions. The present study also confirmed that there was significant relationship between emotional intelligence and decision making. Conrad (2007) found a significant relationship between emotional intelligence and leadership effectiveness. He concluded that leaders who had high levels of emotional intelligence exhibited better decision-making, higher levels of social responsibility and displayed better interpersonal relationships. This study also confirmed the same.

Barling, et al (2000) concluded that the contingent component of transactional leadership can be best explained because of the task oriented nature and the positive and discretionary behaviors associated with contingent rewards. The study confirmed that transactional leader have more decision making skill than transformational leaders. The emotional intelligence skill of social awareness and its core competencies of empathy, service orientation and organizational awareness, decision-makers to judge the impact of not only their decisions but also the manner in which those decisions were made (Goleman, 2001; Boyatzis et al., 2000). According to Huy (1999) emotional experiencing and empathy refer to qualities of an organization's efforts to identify emotions aroused during radical change, to accept and internalize them and to act upon them at a deep level of understanding. The study also confirmed that empathy had highly influenced both the type of leaders' decision making than other dimension of emotional intelligence.

Sharan (2009) also concluded that emotionally intelligent employees utilize participation in decision making opportunities to achieve their objectives as well as organizational objectives. The study concluded that the transformational leader's decision making highly leveraged by participation whereas transactional leader's decision making was enhanced by felt accountability.

### **Conclusion**

The study is to measure the influence of emotional intelligence on decision making by leader's behavior. The study confirmed that the executives are using more transformational leadership than transactional leadership. But at the same time the emotional intelligence has influenced transactional leader's decision making more than transformational leader's decision making. The study concludes that the transactional leader's decision making is very important in day-to-day decisions such as management decision, planning decision, budgeting decision, conflict resolution and they offer good alternative to Continuous change, growing business complexity, increasingly global work environment and the uncertainty of the times. Transactional decision plays an important role in manufacturing department. The transformational leader's decision making is essential in making of new innovations, people handling, increasing of follower's performance. Transformational leader's decisions are more vital in sales department.

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