

## **The Impact of Leader's Emotional Quotient on organizational effectiveness: Evidence from Industrial and banking sectors of Pakistan.**

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### **Abstract**

*Barrier between organizational effectiveness and bankruptcy is only the role of leadership. Organizations spill huge amounts every year on employee's satisfaction, motivation and training procedures but few organizations focus on leader's emotional quotient and involve their management in emotional intelligence activities. Some time serious faults in vehicle may be the lack of driver's skills. This study is an endeavor to analyze the impact of leader's emotional quotient on organizational effectiveness. Hundred organizations were selected to collect responses and 300 questionnaires were distributed in industrial and banking sectors of Pakistan and 250 complete questionnaires were received at the response rate of 83.3%. Pearson's moment correlation and linear regression is applied to determine the relationship of leader's emotional quotient and organizational effectiveness. Result shows significant and positive impact and strong implications of this study. Research limitations and future directions are also discussed in this study.*

**Key words:** Leadership, Emotional Quotient, Organizational Effectiveness,

### **1. Introduction**

Organizations either gain or retain the competitive advantage, entire stress shifts to the human skills of the organization. All organizations search for this edge through recruiting those persons who are affluencing and improving their expertise. Organization may be gained advantages over their competitors by focusing on the improvements of the employees as well as scrutinize or assessment of the individuals for prospective success through emotional intelligence. Whether one is glancing for a superior way to recruit and hire, or to make the paramount of the allocated organizational staff, the eventual goal is to get better overall organizational effectiveness and build the group more effective and resourceful. It is essential that emotional quotient perceived as an influential way to present valuable approach in trying to boost the probability of the organization to accomplish its strategic objectives. (Chrusciel, 2006). To scrutinize significant impact of Leader's Emotional Quotient (EQ) on organizational effectiveness. Understated are some objectives of this study.

- ❖ To analyze consequences of leadership emotional quotient in strategy formulation and its further implications in learning organization.
- ❖ To evaluate the relationship between Emotional Quotient and its impact on organizational effectiveness.
- ❖ To observe the scope of EQ that will contribute to leadership effectiveness.
- ❖ To analyze whether different managerial levels have unique EQs.

## 2. Literature Review

Emotional intelligence of the individual's exploring the complex relationship between individuals and organizations and the effect of these individuals performance on company's competitiveness. Many psychologists have explored EI research work about the leader's performance, yet the idea remains largely unfamiliar in a construction context (Love, Edwards, & Wood, 2011). Gardenswartz, Cherbosque and Rowe (2010) argued that at organizational altitude, building an emotionally intelligent conducive working environment, engages creating stability between common values and devotion of individual's uniqueness, handling goals efficiently, dealing employee's demands for direct communications and organizational productive environment, organizational authenticity and secrecy depends on emotional quotient of the leaders. Moreover according to Ngah, Jusoff and Rahman (2009) focusing on emotional quotient of employees, employees are more capable to participate in creativity at work place and to share their sentiments with management this thing enhance employee's performance. Leaders can be capable to interact with their subordinates by utilizing emotional quotient more effectively this thing will ultimately transform the organization into learning organizations. According to M.Kulkarni, Janakiram and Kumar (2009) from few decades, many studies about emotional intelligence have been conducted to understand its function in workplace.

There are various definitions which are commonly used to build concept of emotional quotient and there is no hard and fast definition in emotional quotient. For another instance Kafetsios, Maridaki-Kassotaki, Zammuner, Zampetakis and Vouzas (2009) observed considerable differences in numerous EI qualities and abilities among students and alumnae following diverse career paths. Furthermore Groves (2006) stated that undoubtedly, longitudinal studies would present larger support for the effect of leader's emotional expressivity abilities and futurist leadership behaviors on the victorious execution of organizational change. According to Brown, Bryant and Reilly (2006) transformational leadership has directly influence on organizational effectiveness and goals although it does not support the impact of EI on desirable outcomes. While according to Downey, Papageorgiou and Stough (2006) indicated that the workplace assess EI was established to be the improved predictor of transformational leadership than the general calculation of EI, which was recognized to the particular environment of the workplace.

Moreover Sala (2001) stated that individuals who are senior within an organization have less opportunity for opinion from other employees because there are literally few individuals upper them within the organization that can present such feedback. it might be possible that people are fewer tending to give productive response to higher status individuals in broad-spectrum. Possibly, when this information is particularly asked by the managers or executives, individuals may be taking away to give honest feedback that is lesser than flattering. From above literature following hypothesis are deducted to analyze the impact of leader's emotional quotient on organizational effectiveness.

**H1:** Self Awareness of the leaders positively associates with organizational effectiveness.

**H2:** Self Motivation of the leaders positively associates with organizational effectiveness.

**H3:** Self Regulation of the leaders positively associates with organizational effectiveness.

**H4:** Adaptability of the leaders positively associates with organizational effectiveness.

**H5:** Social skills of the leaders positively associates with organizational effectiveness.

## 3. Methodology

To acquire the most important information questioners are filled by the respondents and separate questionnaires are filled by the employees and leaders to analyze the impact of emotional quotient on organizational effectiveness. "Bar-On Emotional Quotient Inventory" and "Emotional & Social Competency Inventory" is adopted and some variables added to analyze the impact of emotional quotient and totally reproduce all the items. Both questionnaires contain following information

- Demographic Section
- Subjective section

Demographic section comprises of Gender, Age, Marital status, Industrial composition, Sector, Establishment size and job tenure of both employees and leaders in organization. Subjective section comprises of Self Awareness (SA), Social Awareness (SA), Self Management (SM), Organizational Effectiveness (OE), Social Skills (SS), Organizational Learning (OL), Transformational Leadership (TL), Leadership Style (LS), Teamwork and Collaboration (TC) Employees Performance (EP). In this study emotional quotient of leaders and organizational effectiveness are tested and other variables are excluded.

200 employees and 50 leaders are selected to get responses to analyze the impact of leader's emotional quotient and 55 items are considered to get responses from leaders and employees. While 5-points Likert scale is used to measure the responses. Data is collected from industrial and banking sectors of Pakistan with non-probability random sampling technique and 100 organizations are targeted in Gujranwala division of the Punjab, Pakistan.

#### 4. Analysis and Discussion

To observe the scope of EQ that will contribute in organizational effectiveness, Pearson's moment correlation was analyzed and to test the relationship of leadership emotional quotient and organizational effectiveness linear regression was conducted. Descriptive statistics was also computed to analyze the tendency of the respondents and Cronbach's alpha was measured to test the reliability of the analysis.

**Table 4.1** Pearson's moment correlation N= 250

Description of Variables	Mean	SD	Alpha	1	2	3	4	5	6
1. Adaptability	3.45	.87	.775	1					
2. Social skills	3.96	1.32	.823	.324**					
3. Social Awareness	2.98	.66	.732	.324**	.610**				
4. Self Management	3.26	.41	.811	.338**	.514**	.564**			
5. Self Awareness	3.48	.53	.709	.552**	.637**	.607**	.577**		
6. Organizational Effectiveness	5.48	.76	.799	.662**	.576**	.536**	.519**	.836**	1

\*\* . Correlation is significant at the 0.01 level (2-tailed).

In table 4.1 mean value of adaptability is 3.45 that shows positive tendency of the respondents. 3.45 is close to 4 that shows emotional quotient increases adaptability of leadership while .87 is the standard deviation that shows 87% variation among responses from strongly disagree to strongly agree of the respondents where as alpha is .775 that shows 77.5% reliability of the survey about adaptability of the respondents. Above table shows adaptability of leadership due to emotional quotient is strongly correlated with organizational effectiveness and also significant correlate with rest of the variables.

3.96 is close to 4 that shows emotional quotient increases social skills of leadership while 1.32 is the standard deviation that shows total variation among responses from strongly disagree to strongly agree of the respondents where as alpha is .823 that shows 82.3% reliability of the survey about social skills of the respondents. Above table shows social skills of leadership due to emotional quotient is strongly correlated with organizational effectiveness and also significant correlate with rest of the variables. 2.98 is close to 3 that shows respondents were moderate in their responses about social awareness while .66 is the standard deviation that shows 66% variation among responses from strongly disagree to strongly agree of the respondents where as alpha is .732 that shows 73.2% reliability of the survey about social awareness of the leaders. Above table shows social awareness of leadership due to emotional quotient is strongly correlated with organizational effectiveness and also significant correlate with rest of the variables.

3.26 is close to 3 that shows respondents were moderate in their responses about self management while .41 is the standard deviation that shows 41% variation among responses from strongly disagree to strongly agree of the respondents where as alpha is .811 that shows 81.1% reliability of the survey about self management of the leaders. Above table shows self management of leadership due to emotional quotient is strongly correlated with organizational effectiveness and also significant correlate with rest of the variables. 3.45 is close to 4 that shows emotional quotient increases adaptability of leadership while .87 is the standard deviation that shows 87% variation among responses from strongly disagree to strongly agree of the respondents where as alpha is .775 that shows 77.5% reliability of the survey about adaptability of the respondents. Above table shows adaptability of leadership due to emotional quotient is strongly correlated with organizational effectiveness and also significant correlate with rest of the variables. 3.48 is close to 4 that shows emotional quotient increases self awareness of leadership while .53 is the standard deviation that shows 53% variation among responses from strongly disagree to strongly agree of the respondents where as alpha is .709 that shows 70.9% reliability of the survey about self awareness of the leaders. In above table self awareness of leadership due to emotional quotient is strongly correlated with organizational effectiveness and also significant correlate with rest of the variables.

According to Pearson's moment correlation 4.48 mean value shows that leader's emotional quotient is strongly correlated with organizational effectiveness and have greater impact on organizational effectiveness. To test the relationship of leader's emotional quotient and organizational effectiveness linear regression is applied while to test the normality of data and nature of correlation Durbin-Watson is also applied.

**Table: 4.2 Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.873 <sup>a</sup>	.762	.758	.37432	1.623

a. Predictors: (Constant), Adaptability, Social Skills, Social Awareness, Self Management, Self Awareness

b. Dependent Variable: Organizational Effectiveness

R= .873 shows 87.3% variation in leader's emotional quotient and organizational effectiveness. R square is the coefficient of determination which shows that 76.2 % total variation with its linear relationship of leader's emotional quotient and organizational effectiveness. Durbin Watson test is used to test the nature of correlation whether it is positive autocorrelation, negative autocorrelation and zero autocorrelation. Since the value of "d" is less than 2 it means there is positive autocorrelation.

**Table: 4.3 ANOVA<sup>b</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	105.536	4	26.384	188.306	.000 <sup>a</sup>
	Residual	32.926	235	.140		
	Total	138.462	239			

a. Predictors: (Constant), Adaptability, Social Skills, Social Awareness, Self Management, Self Awareness

b. Dependent Variable: Organizational Effectiveness

Table of ANOVA shows level of significance since the value of "P" is less than .05 so it is accepted that leader's emotional quotient has strongly impact on organizational effectiveness.

**Table: 4.4 Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	.213	.242		.879	.380		
Leader's EQ	.253	.033	.291	7.615	.000	.693	1.444

a. Dependent Variable: Organizational Effectiveness

A=.213 is the average of organizational effectiveness when leader's emotional quotient is zero whereas .253 is the value of "beta" that shows one unit increase in leader's emotional quotient will bring .253 unit increase in organizational effectiveness. If tolerance value exceeds than 5 and VIF exceeds 10 it means Collinearity in data exist. Table 4.4 indicates .693 tolerance value that shows there is no Collinearity exist.

#### **Organizational Effectiveness = .213 + .253 (Leader's Emotional Quotient)**

Above linear equation shows that one percent change in leader's emotional quotient will bring 25.3% change in organizational effectiveness

### **5. Practical Implications**

This study provides some course of action to managers to understand how to enhance organizational effectiveness by improving leader's adaptability, Social skills, Social awareness, Self management and Self awareness as leader's emotional quotient.

The research findings signify the importance to consist of the management of both flaxen procedures and reasonable outcomes. These findings help the managers to realize how flaxen judgments have valuable workforce in the course of improving leader's emotional quotient and organizational effectiveness.

## 6. Limitations and Future Directions

Emotional quotient is considered as a significant factor for the effectiveness of the organization and their employees. Therefore, a suggestion is that further research should be examined in other sectors for more concrete results. Future research should also effort to achieve a larger population sample size. Future researchers can get better the general application of the current study by replicating these outcomes using other statistical tools and methods. Future research should also focus on transformational leadership and leadership style through emotional quotient for organizational effectiveness.

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