



TRANSFORMATIONAL LEADERSHIP ROLE IN MEDIATING THE EFFECT OF EMOTIONAL INTELLIGENCE ON MANAGER PERFORMANCE MODERATED BY INOVATIVE WORK BEHAVIOR

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Abstract

This study aimed to determine transformational leadership role to mediate effect of emotional intelligence on manager performance. This Study is conducted at Bank Syariah in Malang. The research samples are 75 managers, selected by proportional random sampling. Data are collected directly from respondents with questionnaire. It is an explanatory research. Data analysis technique used is Partial Least Square (PLS).

Results prove emotional intelligence affects directly on manager performance, transformational leadership mediates the effect of emotional intelligence on manager performance, Innovative work behavior moderated the effect of transformational leadership on manager performance. Based on these results, it can be interpreted that emotional intelligence, transformational leadership, innovative work behavior and manager performance are valuable component of an organization. This component can become a core competency to improve organizational performance. It is a source of organizational competitive advantage to face rapid business environment change

Keywords- *Emotional Intelligence, Transformational Leadership, Inovative Work Behavior, Manager Performance*

1. Introduction

The close relationship between innovation and performance led to the enthusiasm of a researcher to understand the factors that shape innovation. The various factors are strategy, organizational structure, organizational climate, group interaction and individual performance capability (Sharifirad, 2013). In order to be motivated to make new innovations, it takes someone who can manage / lead these human resources efficiently (Masood & Afsar, 2016; Chou *et al.*, 2013). Recently, some researchers have specifically highlighted the impact of leadership on creativity and innovation (Sharifirad, 2013). In a research flow that explains the relationship between leadership and the innovation process, transformational leadership is considered an interesting thing because it can improve innovative work behaviors (Masood & Afsar, 2016). Leadership is a person's ability to influence others (Robbins and Timothy, 2011). In addition to leadership, emotion is also one factor that is able to grow one's creativity. Individuals may feel happiness or pride in the fulfillment or despair of their failure. Researchers have agreed that emotional expression has a potential effect on organizational behavior (Koning and Kleef, 2015).

Since innovation is considered important at the organizational level in both manufacturing and commercial organizations, it is equally important to understand leadership and innovation relationships as well as to understand employee creativity (Gunduz *et al.*, 2016). Therefore, this study intends to examine the effects of emotional intelligence, transformational leadership on creativity at the individual level. Based on previous studies, in this study we hope to find a significant relationship between emotional intelligence, transformational leadership and individual creativity as well as performance. First, this paper builds a study relevant to the proposed hypothesis. Followed by methods and research results. At the end of the article described the implications of the study related to the literature and suggestions for future research.

2. Literature Review

Emotional Intelligence and Performance

Dipaolo & Caruso in Klemp (2005) defines emotional intelligence as the ability to understand each other, foster relationships, and manage emotions both in mind and action. Wong and Law (2002) divide EQ into four indicators; firstly, self-assessment; the ability of people to understand their emotions and feelings and be able to naturally express emotions and feelings. Secondly, the emotional assessment of others; the ability of people to see and understand the emotions and feelings of the people around them. Thirdly, emotional management; people's ability to control their own emotions and feelings. Finally, use of emotion; one's ability to use and control their emotions and feelings while working.

Sani & Troena (2012); Jafri *et al.* (2016) concluded that the higher the emotional intelligence of a person, the better they have the ability to understand themselves and others, create positive things in the workplace, have a better relationship with their peers; and able to improve performance. James *et al.* (2010) concluded that when staff have the ability to understand and manage their own emotions and others, interpersonal relationships become stronger and performance increases.

H₁: Emotional intelligence affects managers' performance.

Emotional Intelligence and Transformational Leadership

Conceptually, a number of authors have affirmed the strength of the relationship between transformational leadership and emotional intelligence (Polychroniou, 2009). Kupers & Weibler (2006) noted that transformational leadership is self-conscious leadership and capable of managing self-emotion. Sani & Troena (2012); Hunt and Fitzgerald, (2013); Khalili (2017) proposes a conceptually meaningful relationship between emotional intelligence and transformational leadership by claiming that emotional intelligence underlies a leader's ability to motivate and stimulate intellectuals with inspiration. The relationship between emotional

intelligence and transformational leadership consistently yields mixed results (Harms & Crede, 2010; Matthews, Zeidner & Roberts, 2012). Lindebaum & Cartwright (2010) argue that the relationship between emotional intelligence and transformational leadership is increasing when combined with experience, personality, ability and innovation. Thus, the proposed hypothesis is;

H₂: Emotional intelligence affects transformational leadership.

Transformational Leadership and Performance

Transformational leadership can be defined as a leadership that includes organizational change efforts in achieving goals that are based on changing organizational conditions and situations. A leader can transform his subordinates through four ways called four I (Bass, 1996), namely: Idealized Influence, Inspirational Motivation, Intellectual Stimulation, and Individualized Consideration. Many studies show that transformational leaders have better relationships with their followers and have a key role in creating a supportive climate that promotes employee creativity and performance (Imran and Haque, 2011; Gunduz *et al.*, 2016; Maharani *et al.*, 2013 ; Sani & Troena 2012). Based on the description, the proposed hypothesis is:

H₃: Transformational Leadership Affects Managers' Performance.

H₄: Transformational Leadership mediates the effect of Emotional Intelligence on manager performance.

Transformational Leadership and Innovative Work Behavior (IWB)

Some reasons for supporting transformational leadership relationships with IWB are transformational leadership imbued with inspirational motivation, self-confidence, high awareness of purpose, and vision and aspiration. These transformational leadership aspects evoke intellectual stimulation, intrinsic motivation, support for innovation and awaken employee creativity (Gumusluoglu and Ilsev, 2009; Pieters *et al.*, 2010; Tipu *et al.*, 2012; Saeed & Afsar, 2014; Masood &

Afsar, 2016). Previous research has shown that transformational leaders increase organizational innovation (Gumusluoglu and Ilsev, 2009). According to Dvir *et al.* (2002), transformational leaders ensure that individuals challenge the status quo and are intellectually stimulated to gain higher collective benefits. Transformational leaders develop energetic goals, visions and values; inspire followers to behave creatively.

H₅: Innovative Work Behavior moderates the influence of Transformational leadership on manager performance.

3. Method

The population in this research is all management level (manager, supervisor, and head of supporting unit) of Shariah BUMN banking in Malang, consist of Bank Syariah Mandiri, BRI Syariah, BTN Syariah and BNI Syariah with total 85 managers. The sampling technique used in this research is sampling jenuh technique. Thus, the sample of this study was 85 Bank managers.

There are four variables in this study, consisting of emotional intelligence, transformational leadership, manager performance, and Inovative work behavior. Transformational leadership is measured by 4 indicators referring to the opinion of Bass (1996), Emotional Intelligence was measured by 3 indicators adopted from Mayer *et al.* (2003). Meanwhile, Inovative Work Behavior is measured by 5 indicators adopted from Kim (2013) and Performance Manager measured by 7 indicators referring to Sani and Troena (2012).

Data were collected using questionnaires with 5 Likert scales. The data was analyzed by Partial Least Square (PLS). This model was developed as an alternative to situations where the basic theories on weak model design and / or available indicators do not meet reflective measurement models (Solimun, 2010). Testing of mediation with procedures developed by Sobel known as Sobel test (Sobel test) with Free Statistic Calculation software for Sobel Test version 4.0 (Ekowati *et al.*, 2017).

4. Result and Discussion

Based on the data analysis using PLS software to goodness of fit testing, the result as follow:

Table 1. Goodness of Fit

Value of *predictive-relevance* formed by:

Structural Model	Endogen Variable	R - Square
2	KM (Y2)	0.376
1	TL (Y1)	0.155

$$Q^2 = 1 - (1 - R_1^2) (1 - R_2^2) \dots (1 - R_p^2)$$

$$Q^2 = 1 - (1 - 0.155) (1 - 0.376)$$

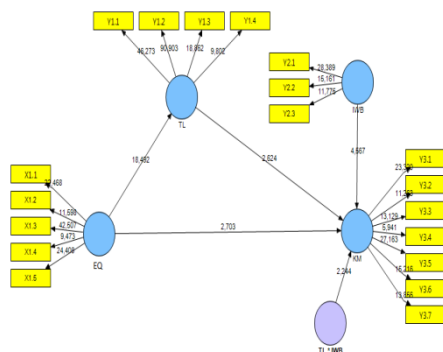
$$Q^2 = 0.527$$

Table 1 shows that the predictive-relevance value is 0.527 or 52.7%. Thus, the model is reasonably claimed to have a relevant predictive value. The predictive relevance score of 52.7% indicates that the data diversity that can be explained by the model is 52.7%. In other words, the information contained in the data of 52.7% can be explained by the model. While the remaining 47.3% is explained by other variables (which are not included in the model) and error.

Hypothesis Testing (Inner Model)

The results of hypothesis testing of direct influence can be seen in the diagram as follows.

Figure 1. Hypothesis Testing (Path Diagram)



The test of mediation is required to detect the position of the intervening variable in the model. Based on Figure 1, it is shown that all pathways are significant. It can be concluded that transformational leadership can be a mediating variable. Furthermore, the tests of the moderation are needed to explain the differential effects of predictor variables. The moderation variable is not correlated with the predictor variable. But the moderating variable interacts with the predictor variable. From the results, it is known that the value of t statistic, the influence of transformational leadership and Innovative work behavior on Managers' Performance is 2,244. Because the value of t statistic > 1.96, it can be concluded that the Innovative work behavior moderate the influence of transformational leadership on Manager Performance.

The result of path analysis on inner model shows that emotional intelligence influence to manager performance. The higher the emotional intelligence of a person, they have better ability to understand themselves and others, create positive things in the workplace, have a better relationship with their peers, and be able to improve performance. These findings support Sani & Troena (2012) which indicated that emotional intelligence can improve performance. James *et al.* (2010) concluded that when staff have the ability to understand and manage their own emotions and others, interpersonal relationships become stronger and performance increases.

An important role of transformational leadership, as an intervening variable, in order to improve employee performance can be seen in Maharani *et al.* (2013) which showed that the better the transformational leadership, the more improve employee performance. Transformational leaders have a better relationship with followers and have a key role in creating a supportive climate that promotes subordinate creativity. These findings also confirm Sani & Troena (2012) that emotional intelligence is capable of influencing a person's leadership pattern. Emotional intelligence underlies a leader's ability to motivate and stimulate intellectuals with inspiration.

5. Conclusion

Emotional intelligence affects the performance of managers. This finding supports James *et al.* (2010) who concluded that when staff have the ability to understand and manage their own emotions and others, the interpersonal relationship becomes stronger and performance increases. Furthermore, emotional intelligence affects transformational leadership. In this case, Fitzgerald (2013) asserts that emotional intelligence underlies the leader's ability to motivate and stimulate intellectuals with inspiration.

Transformational leadership affects performance. Transformational leadership is considered capable of creating a conducive working environment that ultimately encourages employees to work better. These findings confirm Maharani *et al.* (2013), which says that successful leaders set an example of engaging in symbolic behavior that tells followers what they expect. To achieve useful and appropriate feedback, there must be a careful measure of performance to estimate the level of objectives required for optimal performance. Leaders must design a system in which employee action or performance can be measured objectively.

Transformational leadership mediates the influence of Emotional Intelligence on performance. This condition explains that a leader is required to have emotional intelligence to improve task performance. This is confirmed by Khalili (2017) that when transformational leadership models are balanced with good emotional intelligence, they have a stronger willingness to work better.

Regarding to the moderate effects of the Innovative Work Behavior on the influence of Transformational leadership on performance, these findings support Dvir *et al.* (2002) which shows that transformational leaders develop energetic goals, visions and values, inspire themselves and followers to behave creatively. Creative behavior is characterized by the willingness of employees to perform tasks more than established, more responsible for the job, helping others in the task and pay attention to colleagues both personally and professionally in the workplace. By paying attention

to their own way of leadership and supported by creative behavior, will result in better performance.

6. Implication And Contribution

This study shows that transformational leadership and employee emotional intelligence are very important factors in the management of human resources. These findings emphasize that leader behavior in terms of transformational leadership and emotional intelligence should be used maximally and managed to obtain better organizational outcomes. Transformational leadership styles and emotional intelligence are two conditions that can contribute to business goals. Thus, it is indispensable for organizational development.

This study shows that managers with transformational leadership styles are more likely to manage employee skills and managers with higher emotional intelligence are able to create positive relationships with colleagues. Therefore, banking companies should advise managers to use transformational leadership styles to direct employees to engage with achieving company goals. In addition, specialized training programs should be developed in relation to leadership and intelligence training.

Some limitations in this study include; first, generalization of findings may be limited to small sample sizes. Second, there may be other variables that lead to creativity, not only transformational leadership but also organizational culture, empowerment, support for creativity, and innovation. Future research may also explore the effects of transformational and transactional leadership styles on innovative work behavior and the role of moderation of the work environment or organizational climate.

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