

## THE ROLE OF EMOTIONAL INTELLIGENCE IN TRANSFORMATIONAL LEADERSHIP AND REAL ESTATE MARKET IN POST-COMMUNIST MARKETS

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### Abstract:

*Leadership is often confused with management, and not only that, it is also a concept which is not defined very easy. In order to simplify our approach, we defined seven components of transformational leadership in order to measure each component, and among them one of the most important, the emotional intelligence. The research is based on a result of 305 questionnaires applied to managers in organizations with more than 250 employees and faced with qualitative research based on interviews. Unexpected conclusions were founded.*

**Keywords:** leadership, transformational leadership, emotional intelligence

**JEL Classification:** L20, M19

### 1. INTRODUCTION

Nowadays we see leadership in everything around us, from family members to businesses and brands (Northouse, 2007) and that is why we decided to take a look at the transformational leadership perspective into an emergent economy to see, both, the usage of leadership and the way a leadership style is a model of success. When it comes to leadership it is very important to stress out that leadership has a nonlinear nature and is an integrator much more powerful than technologies or its associated processes being a generic and flexible integrator of intellectual capital (Bratianu et al., 2007).

As demonstrated by Anagnoste & all (2010), the invisible force of leadership activates emotions and effective leaders have this unique ability to shape individuals and organizations through emotions.

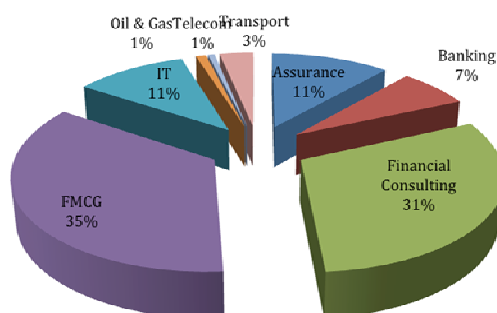
When people fail to achieve something, the reasons they usually mention are the lack of: time, money, knowledge, experience, contacts, technology, and management. Such resources may be accurate, but they are not the defining factor. Resources like time, technology, knowledge are not the defining factor, but resourcefulness like creativity, determination, passion, resolution, etc; the activation of this kind of resources can be made with transformational leadership, because leaders have the ability to transform emotional knowledge into cognitive knowledge (Anagnoste & all; 2010). Therefore, the paper is based on practical research based on interviews and questionnaires from the perspective the seven factors we have identified as defining factors for transformation leadership: values, vision, optimism, innovation and change, trust, motivation and emotional intelligence.

### 2. THE METHODOLOGY AND THE RESEARCH OBJECTIVES

A questionnaire survey was made by us following a brainstorming and contains 49 questions, divided on seven areas: values, vision, optimism, innovation and change, trust, motivation and emotional intelligence. The questionnaire was conducted on 305 managers or seniors who have at least two people under guidance. We used the e-mail to send the questionnaire. The questionnaires covered managers and seniors from all the regions of the country in which were branches of that organization. The e-mail was accompanied by a descriptive letter, which contained the subject of the research, the importance of everyone in order to complete the research, the confidentiality of their answers and the availability of the article when will be made public. A total of 305 questionnaires were completed and returned out of 735 sent and we obtained a 41% response rate after we have made a phone call to everybody as a reminder. We observed that the higher in hierarchy, the harder was for us to obtain a completed questionnaire, though this can be explained by the lack of free time,

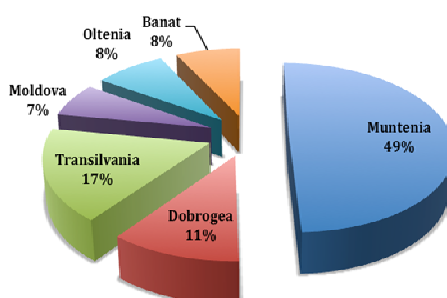
pressure and other problems that they face in daily. Also, the difference to 100% completed surveys can be explained to the fact that some of them don't fill in unsolicited surveys (House, Woycke & Fodor, 2001).

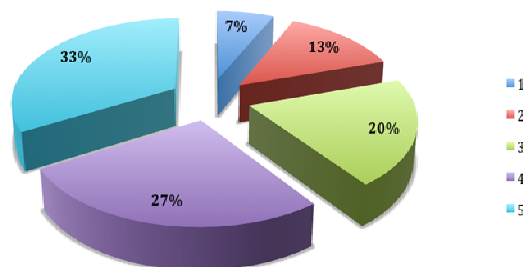
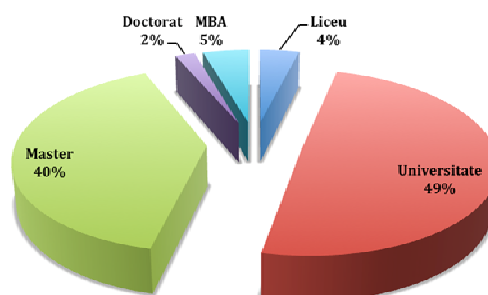
The questionnaire requested to respondents to indicate the ways they deal in their daily activities regarding our seven items we defined for transformational leadership. They were also asked to indicate their age among 5 age groups specified in the survey, namely: 1) up to 30, 2) 31-40, 3) 41-50, 4) 51-60, 5) >61. The results were represented in Figure no. 3. The leadership styles which managers adopt has changed radically over the last 60 years (Gill, 2003) and we started to see that is less use of directive leadership in favor of transactional and transformational leadership, which we will go into more details later in the paper. The top and middle management started to be younger and younger, and this research can be the start of a second part in the near future due to the rapid transformation of the markets, especially when important events occur more often than ever. The research can be an answer to the suggestion of Kabacoff (2002) regarding the personal characteristics, such age, education, etc that have a significant impact on leadership. For example, the youngest manager within Heineken Romania is under 30 years old and this can be an answer to a lot of questions, especially when you want to improve the management of the human resources. Therefore, the present work attempts a comprehensive research of transformational leadership of managers from two perspectives, personal and organizational dimensions, to describe new both the individual and also the impact of these variables on leadership practice. Also, the respondents were also asked to indicate their last form of education completed: 1) High-school, 2) University, 3) Master, 4) PhD, 5) MBA and represented in Figure nr. 4 The rating scale adopted was Likert-type scale from 1 (Strongly Disagree), 2 (Partially Disagree), 3 (Uncertain), 4 (Partially Agree), 5 (Strongly agree). Some authors, like Hogan and Hogan (2001) are not in favor of self-report data used in leadership research, because they consider that "leadership is a social influence process and thus, should be determined by manager's staff/direct reports". (Hogan, 2005,p.3). Moreover, while Gill (2003) accepts that self-reports are open to criticism, he argued that they could be valid and very important in certain circumstances. Bass (2002) has demonstrated how "self-report personality scales show predictable, significant and substantial correlations with criteria of management



**Figure no. 1. The sample by field of activity**

job success". In Figure no. 1 we have explained showed the field activity in which the managers work and in the Figure no. 2 we have represented the regions related to the answers from the questionnaire:



**Figure no. 2. The sample by regional area****Figure no. 3. The sample by age****Figure no. 4. The sample by last form of study**

### 3. QUALITATIVE RESEARCH

We wanted to see how important the emotional intelligence is in the transforming process of leadership. During the research we had interviews with seven Managing Directors of seven organizations from different industries. We identified that during this process they used the system called Total Product Management, which is very similar with Six Sigma concept, where Six Sigma can enact as an enabler for cultural change (Draghici, Petcu; 2010). We had seven unstructured interviews with the Managing Directors of different organizations across the industries. These seven MD were selected based on the awards received from NGOs, magazines and Romanian State. Although, there is no a standard way to do the qualitative research, there are researches that explain this analysis (Coffey and Atkinson, 1996; Day, 1992; Tesch, 1990), but we choose the group the most important: understanding the body language of the leaders, finding patterns, reflection, etc. We started the interview by asking the respondents to define leadership and we observed that leadership is always related in their speech to people. They mentioned several time the importance of the emotions and gave some examples of transformational leaders: Ghandi, Steve Jobs, Jack Welch, Ivan Kamprad, Nelson Mandela, Carol I, Ion Brătianu.

One of the most valuable mention is that, while in business is hard to see transformational leaders, in sport we can find this very easy, because sports means teamwork and emotions. The invisible force of the internal drive activates the most important thing in the world, which is the emotion, the very force of life. Effective leaders are aware that can stimulate themselves and their followers to change industries, bad habits and trends. Through the values they mentioned, are: integrity, communication, work, family, faith, ambition, humility. All these leaders are certain that leaders create leaders and you start by having the best people in the right places, because first you have the team and after that you will have the action and the success. On the short term people can work in organizations with different values from their, but on the medium and long term this will be

impossible. All seven managers mentioned that have leaders in their teams and this is a real good thing for the business when it comes to situational leadership.

Most of them consider themselves to be lucky and the ambitions and humility helped them to outperform themselves and the market. In the business, the stress is a very important factor, which sometimes is forgotten. These leaders cope with stress by delegating and talking to people. The managers from Romania are different from the managers from Central and Eastern Europe from the point of salary, expectations and emotional intelligence point of view. This can be the result of a other type of communism in countries like Czech Republic or Poland. In developed societies, business leaders play an important role and we observed this kind of involvement from this leaders, mostly from the part of the one who are here on the long term. It is obvious a pattern for these top managers regarding the way they get their ideas, energy and the way they report to others, which is a very good thing for the future of the Romanian business system.

#### 4. QUANTITATIVE RESEARCH

We have used factor analysis to identify the number of factors we had in our questionnaire. KMO and Bartlett's test of sphericity produces the Kaiser-Meyer-Olkin measure of sampling adequacy and Bartlett's test and represented in Table no. 1. The value of KMO should be greater than 0,8, but in our case is 0,906. The Bartlett's test has a value lower than 0,01, which justify the selection of factor analysis:

**Table no. 1.**

Kaiser-Meyer-Olkin Measure of sampling adequacy	0.906
Bartlett's Test of Sphericity	6335.6
Chi Square	61
df	1176

Source: SPSS factor analysis

We used varimax method for factor rotation and we have obtained 13 factors which account for 63% of the total variance. We grouped these factors in seven areas: values, vision, optimism, innovation and change, trust, motivation and emotional intelligence. We decided to run again the factor analysis with seven factors and the 50,14% of the variance is represented by these seven factors. The first factor is represented by emotional intelligence, but there are some statements that are part of the motivational factor. The most important lines: You identify unexpressed feelings within your group and you make sure they can be discussed (0,715), You identify misunderstandings and you make sure they are diminished (0,691), You demonstrate to the members of your team that they need to take into account the feelings and needs of others (0,664), You understand the impact of your decisions on the rest of the group (0,636). The second factor is represented by vision, with the most important statements: You communicate your organization's vision to your team (0,776), You emphasize in front of your team the importance of a common mission aligned with organization's vision (0,730), You communicate your organization's vision to your team (0,660), Your actions are clearly connected to your organization's objectives (0,615). The process of transformation starts with a vision. This kind of leadership might be a solution to Romanian organizations to move forward in the new Europe. The third factor is represented by innovation and change: You stimulate and cultivate the innovation and creativity of those around you (0,681), You take initiative to generate new ideas with people from other departments or fields of activity (0,658), You encourage those around you to approach old circumstances from new perspectives (0,624). Transformational leadership implies emotions, change, innovations,

inspiration, ideas and teamwork. The fourth factor is represented by the trust: People feel comfortable when they are around you (0,725), You constantly ask for feedback to improve your relationship with your team (0,676), etc. It is known that for a long term relationship in business it is a must to be trust and communication between the leaders and the people of that organization. The fifth factor is related to optimism: You are aware of the market tendencies and you apply them in developing the business (0,734), You act upon the opportunities you have identified in your activity (0,682), You think of yourself as a lucky person (0,639), You think of your own future and the future of your organization in a optimistic way (0,626), You inspire everybody to trust in a positive future (0,613). It is obvious, that not all the emotions act in the same way and with the same intensity. In a research of the Business School of Yale the findings has revealed that optimism is the most contagious form of emotions and the irritation the less contagious one (Barsade & Gibson, 1998). The sixth factor is related to the value system and includes statements that demonstrate the need of the leaders to take decision which are in accordance with the moral and ethical principles, involving employees in the decision making process (e.g. You always take in consideration the moral and ethical consequences of your decisions, You encourage your team to participate in decision making and you try to implement their ideas and suggestions). The last factor is represented by ethics: You always take in consideration the moral and ethical consequences of your decisions (0,667), You make decisions based on your values (0,462), You make decisions based on your organization's values (0,403).

The reliability of a measuring represents the consistency of the factors determined and the internal consistency of the factors should be tested to ensure the reliability of the factors. Cronbach's Alpha is 0.894 which is higher than 0.7 for all of the seven factors, which indicates high overall internal consistency among the items representing the factors. Regarding reliability we also used communalities, which demonstrated also that all the factors were above 0,5.

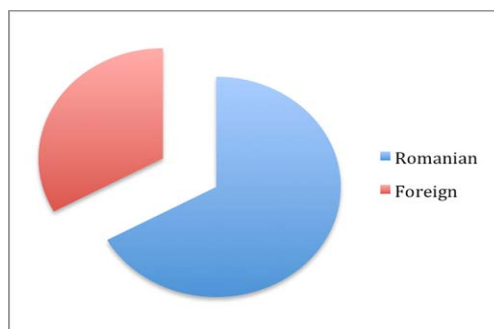
We used ANOVA test, which is the simplest test of whether or not the means of our four groups of people, divided by age, are all equal. The advantage of ANOVA over t-test is that doing two-sample t-tests would result in an increased chance of committing a type I error. We obtained the highest mean for the group 41-50, followed by the group under 30 and the last group by the mean is the group with ages between 51 and 60. We can conclude that regarding the seventh factor, emotional intelligence, it is requested a deep research on this topic due to the characteristics and influence of economic and social background during the last half of 20th century in Europe.

## 5. CONCLUSIONS

Organizations are looking for people with leadership skills, because this kind of people can generate that level of energy and transformation for long term vision. Although the managers in the Romanian business market came from different countries, they like to work with people. The kind of examples regarding leaders they gave, are: Ghandi, Steve Jobs, Jack Welch, Ivan Kamprad, Nelson Mandela, Carol I, Ion C. Brătianu. We are talking here about transformational leaders who changed the life of millions with their vision. An important thing to mention is that in sports we can find often transformational leadership and emotional intelligence. Through the core values of these leaders, are: integrity, communication, work, family, faith, ambition, humility. On the short term people can perform in an organization with different values, but on the medium and long term this will be impossible. Through their education stage, we observed that the managers who answered the questionnaire graduated important institutions of knowledge, which helped them to build a strong value system. Further, in the study the data showed that the concept of emotional intelligence is often confused with the term of quotient intelligence. This is typically in a market that is for a short period in the democratic regime and which experienced for more than a generation the negative influence of other typed of government (Bratianu, 2004).

The first unexpected finding is that 33% of the managers which responded to the questionnaire are expats. This is a gain for local people to have the know how and the link to understand how to be more productive by comparing Eastern way of doing things done to Western

style. This is also the reason why the real estate market for expats, mainly in Bucharest, remained strong although the real estate overall is on thin ice. In the Figure no. 5 is can be seen the results from the our questionnaire:



**Figure no. 5. The sample by the nationality**

One of the unexpected finding is related to luck. In the discussion with the top managers and in the questionnaires, we observed that the good luck was an attribute often presented for the success, rather than personal greatness. It is said that we work for our self interest, but we do not work for our self interest all the time because emotions change our way of thinking (Anagnoste et al, 2009). We have observed a pattern related to the way these kind of people take their energy, ideas and inspiration. All of these come from the contact with other people, from emotions and from the way they give birth to dreams, share their visions with their people and from their values. When we will pass to leaders with IQ and emotional intelligence we can say that a new generation of leaders is here to change everything. But this will take time.

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