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ROLE OF EMOTIONAL INTELLIGENCE WITHIN TRANSACTIONAL-TRANSFORMATIONAL LEADERSHIP

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This study explored the role of emotional intelligence (EI) within transactional-transformational leadership, and examined the impact of each leadership style on trust in leaders and trust in the organization. Results from 448 public-sector employees showed that leader EI was positively correlated with transformational leadership and transactional-contingent-reward ratings. Leader EI had a significant and positive relationship with total transactional leadership. Transformational leadership and contingent-reward were both found to be significant positive influences on trust in immediate leader and trust in the organization, confirming expectations. In contradiction to the final hypotheses, transactional leadership also played a significant part in trust scores.

Introduction

The most effective leaders are generally identified as being transformational rather than transactional. Transformational leaders, in contrast to their transactional counterparts, are more likely to appeal to followers' inner drivers to carry out organizational goals. In part, transformational leaders are conceived to achieve this through high levels of emotional intelligence (EI), which encompasses the ability to perceive, understand, and manage one's emotions and the emotions of others (Bass, 2002).

Despite theoretical arguments concerning the utility of EI in effective leadership there has been limited empirical research looking at the outcomes of this relationship, particularly using "other-rated" methodology which implements an employee perspective. Within the few studies that exist, leaders are generally requested to report on their own EI (eg. Sosik & Megerian, 1999; Gardner & Stough, 2002). Ashkanasy and Tse (2000) maintain that employees' affective and behavioral responses are dependent on their own perceptions.

Subsequently, an understanding of how employees perceive their leader's EI and leadership style seems central to predicting positive outcomes in the workplace, such as organizational trust. Using an "other-rated" methodology, this paper seeks to explore the extent to which EI plays a role in transformational-transactional leadership, and aims to provide insight into how this relationship influences trust in the workplace. In the first instance, a theoretical overview of the main constructs is offered. A synopsis of the hypothesis development is then outlined before the presentation of results and their implications.

Transactional-Transformational Leadership Debate

The term "transformational leadership", was coined in 1978 by Burns (in Flanagan & Thompson 1993, p.9) and is defined by Howell and Avolio (1993) as a perspective that explains how leaders facilitate change by creating, communicating, and modeling a vision, and inspiring employees to strive for that vision. If the leadership is transformational, its charisma or idealized influence sets high standards for emulation. Its inspirational motivation provides followers with challenges and meaning for engaging in shared goals and activities. Its intellectual stimulation assists followers to query assumptions and to generate more innovative solutions to problems. Its individualized consideration treats each follower as an individual and provides coaching, mentoring and growth opportunities (Bass, 2002). A transformational leader, deviating from the transactional equivalent, elicits followers' intrinsic motivation to help employees reach optimal performance. Employees under transactional leadership are more likely to be moved by leaders' external promises, praise, and incentives via contingent reward. The same employees may also be corrected by negative feedback, reproof, threats, or disciplinary actions (Active Management-by-Exception) or managed via a laissez-faire approach (Passive Management-by-Exception).

It is argued that transformational leadership is not merely a replacement, but a supplement to the effectiveness of transactional leadership (Waldman, Bass and Yammarino, 1990). Often to be effective leaders need to have both transformational and transactional abilities, though the transformational aspect may differentiate a good manager from an exceptional one. Using the multi-factorial leadership questionnaire, Den

Hartog, House, Hanges, Ruiz-Quintanilla and Dorfman (1999) found that aspects of transformational leadership were universally endorsed as contributing to outstanding leadership across 62 cultures.

Despite a myriad of findings outlining the positive outcomes that transformational leaders can have on organizations (Avolio & Bass, 1988; Bass, 2002), there are signs of increasing world-weariness with the concept. Since the publication of Kotter's (1990) *A Force for Change*, there has been substantial debate about the role of new forms of leadership behavior required in organizations, in addition to transformational styles. Subsequently, Kotter has been critical of the emphasis that has been placed on transformational leadership, and does not focus on the personal traits or behaviors of leaders. Likewise, Conger and Kanungo (1998) and Sankowsky (1995) note the potentially "shady" side of a charismatic, assertive, forthright leader. They argue the dangers of associated misuse of power and potential exploitation of dependency among employees if the leader's ethics are not aligned to the needs of others. Appointed transformational leaders can also destabilize the organizations in dangerous ways (Khurana, 2002, in Storey, 2004). However as Storey (2004, p.34) notes it is unlikely that the ideas surrounding transformational leadership will be abandoned, "the allure of a leader who promises to point to new appealing directions and also mobilize and energize followers will continue to be irresistibly appealing". Our attention now turns to a discussion of emotional intelligence and its role in this leadership methodology.

Emotional Intelligence (EI)

Arguably, various models of EI contain a number of dimensions which may usefully contribute to the understanding of organizational behavior, and strengthen our ability to shape and respond to issues of emotions, feelings and behavior in the workplace (Mayer, Caruso & Salovey, 2000). There is ongoing debate about the origins of EI, but the general consensus is that the seminal publication was an article from Salovey and Mayer (1990) that defined EI as a scientifically testable intelligence. While their first model conceptualized EI within three domains, their later model was expanded to include four dimensions: perceiving, using, understanding and managing emotions (Mayer & Salovey, 1997). The Mayer-Salovey model is often noted as the most valid interpretation of the construct, as it is strongly cognitive in focus and more in line with the definition of an "intelligence" (Mayer & Salovey, 2000). It also focuses on defining associated EI skills rather

than looking at their effects, and is relatively independent from established personality dimensions (Ciarrochi et al, 2001; Roberts et al., 2001). Yet the model has been criticized for its narrow focus. It is also comparably difficult, time-consuming and expensive to implement ability tests to measure its dimensions. This may account for the limited number of researchers who are able to use the ability-based tests.

Goleman's Mixed Model of Emotional Intelligence

Mayer, et al (2000) differentiated between mixed and ability models of EI, noting that mixed models incorporated a wider range of factors compared to their own. Goleman (1995, 1998) proposed the first of these when he defined emotional intelligence as having personal competence in each of the following areas: self-awareness, self-regulation, motivation, empathy and social skills. Self-awareness involves knowing one's internal states, preferences, resources and intuitions. It also involves having a realistic assessment of self-ability and a well-grounded sense of self-confidence. Self-regulation is managing one's internal states, impulses, and resources. It involves managing emotions so as to avoid task interference, delaying gratification to pursue goals, recovering from emotional distress and being conscientious. Motivation involves the emotional tendencies that guide or facilitate reaching goals. It involves using passions to drive one towards one's goals, to persevere and striving to improve. Empathy is awareness of other's feelings, needs, and concerns. Finally, social skills involve adeptness at inducing desirable responses in others and its focus lies on actual behaviors such as negotiation and persuasion. In 2001, Goleman offered a revised model of emotional intelligence (Cherniss & Goleman, 2001). While deleting motivation as a core domain, the model retains much of the earlier framework, and thus appears relatively similar to the original conception in most respects.

While building on the original Mayer and Salovey typology, Goleman's (1998) model has been criticized due to its apparent tendency to tap into the domain of personality and achievement-motive theory, pulling it away from an intelligence construct. It is also a broader model of EI, and the broader the perspective, the more difficult it is to ascribe key outcomes (Weinberger, 2002). However, this model and corresponding mixed-models, like that from Bar-On (1997) have enjoyed much success around the world in application to the workplace. Surveys based on the mixed-model approach have also been used in recent research predicting a variety of work-related outcomes, including workplace

performance (Dulewicz & Higgs, 2000; Elfenbein & Ambady, 2002), effective leadership (Sosik & Megerian, 1999), lowered stress (Bar-On, Brown, Kirkcaldy, & Thome, 2000) and constructive conflict management (Quebbman & Rozell, 2000).

In sum, Goleman's mixed model is both similar to, and different from Salovey/Mayer's. Both assume a cognitive schema at their base, yet Mayer and Salovey's model is relating primarily to a specific set of emotional abilities and a potential for behavior (emotional intelligence), while mixed-models tend to focus on emotional intelligence and social functioning. Thus, at this time, there is no consensual definition of the term 'emotional intelligence'; the boundaries of the construct have yet to be firmly established (Bar-On, 1997).

Organizational Trust

Trust has been defined in several ways within the organizational literature. Definitions offered by Albrecht and Travaglione (2003) and Currall and Judge (1995) proposed that trust involves a 'willingness to act' under conditions of uncertainty. Similarly, Mayer et al (1995) defined trust as, "a willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that party" (p. 712). The definition that will be implemented for the current research is an "individual's willingness to act on the basis of his/her perception of a trust referent (peer, supervisor/manager/organization) being supportive/caring, ethical, competent and cognizant of others' performance" (Ferres, 2002, p.34).

Other researchers have assumed diverse but interrelated theoretical views when outlining trust processes in organizational contexts. Lewicki and Bunker (1996) provided three kinds of trust in which they suggested have direct bearing on the trust experience, suggesting that cognitive processes involved in calculus-based trust, knowledge-based trust, and identification-based trust directly impact on trust development. In calculus-based trust, decisions are principally based on rationally derived costs and benefits, while knowledge-based trust is grounded in the other's predictability or knowing the other sufficiently well so that the other's behavior is anticipatable. Finally, identification-based trust denotes a significant degree of attachment towards another individual or his/her group representatives. Each of these trust types does not necessarily have a purely cognitive basis. For instance, identification-based trust has a crucial affective component as it involves the development of emotions

as feelings of personal attachment towards another increase (Lewicki & Bunker, 1996).

Trust Correlates

Recent organizational developments reflect the importance of trust for sustaining individual and organizational effectiveness (McAllistar, 1995). A number of studies conducted in a variety of settings support a relationship between organizational trust and a number of variables, including intention to leave (Tan, & Tan, 2000), commitment (Albrecht & Travaglione, 2003), and citizenship behaviours (OCBs) (Robinson, & Morrison, 1995).

While there has been no methodical study into the determinants of trust in organizations, a body of literature suggests that trust is influenced by qualities in the organizational environment, perceived traits of the trust referent, and characteristics of the trustor (Clark & Payne, 1997). For instance, Schlechter and Boshoff (2003) recently found a small but significant correlation between the overall EI of the leader and trust in that leader. The relational history between two parties and temporal elements may also affect the development or erosion of trust at an interpersonal level (Dirks & Ferrin, 2002). Some evidence also exists to suggest that individuals vary greatly in their inclination to trust others (Gurtman 1992). Based on this assessment, it may be constructive to measure propensity to trust as an individual difference variable when exploring trust in organizational environments. Therefore we have used a dispositional trust scale in the current research.

Other theorists have suggested that transformational leaders stimulate trust primarily by communicating a comprehensible, appealing and achievable vision, which creates a set of shared values and objectives (Bennis & Nanus, 1985). At this point, our discussion returns to a dialogue of transformational leadership and the role emotional intelligence may play in transformational behaviors.

EI and Transformational Leadership

There are strong arguments concerning a positive link between a leaders' emotional intelligence and appraisals of transformational leadership. Theoretically, leaders who are rated as EI are more likely to be appraised as transformational for a number of reasons. First, to the extent that a leader is self-aware, s/he may demonstrate foresight and strong beliefs. A leader who benefits from the emotional management aspect of EI considers the needs of others (Sosik & Megerian, 1999). These traits are required for subordinates to rate leaders as having idealized influence (a transformational

quality). Second, a leader who demonstrates EI is more likely to use the emotionally expressive language and non-verbal cues associated with transformational leaders (Salovey, Hsee & Mayer, 1993). Third, the EI tendency of empathy may be required for transformational leaders who display individually considerate behaviors to foster subordinate development.

To support these theoretical propositions, four empirical studies show that emotional management may underlie the ability of the leader to be transformational, to be inspirationally motivating and intellectually stimulating. Barling, Slater, and Kelloway (2000) found that EI positively related to three of the five components of self-reported transformational leadership: idealized influence, inspirational motivation, and individualized consideration. A second study by Sosik and Megerian (1999) demonstrated that many self-rated EI related dimensions correlated with self-rated transformational leadership. However, the strength of this relationship fell dramatically when subordinates rated leadership orientation and leaders noted their own EI levels. This finding highlights the discrepancy in some leaders' self-perceptions compared to subordinate ratings. The effect of self-other disagreement will not influence the relationships predicted in the present study due to the employment of subordinate ratings for both constructs.

Another study in the area involved an analysis of 110 senior managers (Gardener and Stough, 2002). The researchers found that senior managers who considered themselves as transformational reported higher EI. All aspects of EI correlated moderately or highly with each transformational leadership dimension. The ability to identify and calculate the emotions of others was the best EI predictor of transformational leadership. Palmer, Walls, Burgess and Stough (2001) also provided experimental evidence for the relationship between self-rated EI and effective leadership. This introduces the study's first hypothesis:

Hypothesis 1: It is hypothesized that emotional intelligence will have a significant, positive relationship with transformational leadership.

EI and Transactional Leadership

Studies have shown that while EI is positively related to the transactional component of contingent reward (Gardener & Stough, 2002), no significant relationships have been found supporting a relationship between overall transactional leadership and EI. EI has been found to correlate negatively with the transactional dimension of passive-management by exception (MBE), yet it has not significantly impacted on active-MBE. Yet,

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in line with previous research (Barling et al., 2000; Palmer et al., 2001), a positive relationship between contingent rewards (also a component of transactional leadership) and EI was uncovered. Contingent-reward leaders reward for performance, clarify expectations of subordinates, exchange support for effort, and provide praise for subordinates who do well (Bass, 2002). The strong positive relationship between this factor and transformational leadership appears consistently in the existing leadership literature (Barling et al., 2000; Palmer et al., 2001; Gardener & Stough, 2002). This suggests that the transactional dimension of contingent reward may be another subcomponent of transformational leadership (Barling et al., 2000). Subsequently it is envisaged that these previous findings will be mirrored in the current research examining subordinate perspectives rather than self-ratings.

Hypothesis 2: It is hypothesized that leader-EI will not have a significant positive relationship with overall transactional leadership.

Hypothesis 3: It is expected that leader-EI will have a significant, positive relationship with the contingent-reward aspect of transactional leadership.

Transformational Leadership and Trust

Theorists have suggested that transformational leaders engender trust and a common organizational purpose (Bennis & Nanus, 1985). Transformational leaders are held to build trust by conveying their willingness to comprehend the individual needs and capabilities of followers, and to serve those needs (Fairholm, 1992). Empirically, Pillai, Shriessheim, and Williams (1999) found that transformational leadership indirectly influenced OCB through trust, and Podsakoff, MacKenzie, Moorman, and Fetter (1990) found that employee trust was influenced by transformational leadership behaviors. Posner and Kouzes (1988) reported significant positive correlations between three dimensions of credibility (trustworthiness, expertise and dynamism) and five transformational leadership practices (challenging the process, inspiring a shared vision, enabling others to act, modeling the way, and encouraging the heart). In another study, Podsakoff, MacKenzie & Bommer (1996) reported that only three of the six transformational leadership practices (providing an appropriate model, individualized support and fostering acceptance of group goals) had a significant impact on subordinate trust in the leader. In contrast to both studies by Podsakoff and colleagues, Butler & Cantrell (1999) reported all six transformational leadership practices had a significant

impact on trust in the leader. These findings generally suggest that most transformational leadership practices are positively associated with the perceived trustworthiness of the leader. The following hypotheses are made:

Hypothesis 4: It is hypothesized that transformational leadership will significantly and positively predict trust towards employees' immediate manager.

Hypothesis 5: It is hypothesized that transformational leadership will significantly and positively predict trust towards the employees' organization.

Transactional Leadership and Trust

In contrast to transformational leadership, transactional leadership is not believed to require high levels of trust between leaders and followers (Bass, 2002). It is argued that transactional models of leadership do not go far enough in building levels of trust in the workplace. Podsakoff et al. (1990) provide empirical support for this view, reporting that transactional leadership did not influence trust. However in contrast, Shamir (1995) argued that the consistent honoring of transactional contracts typified by contingent reward significantly develops employee trust in the leader. Hence these findings form the basis of the study's final hypotheses:

Hypothesis 6: It is hypothesized that overall transactional leadership will not significantly influence trust towards managers.

Hypothesis 7: It is hypothesized that overall transactional leadership will not significantly influence trust in the organization.

Hypothesis 8: It is hypothesized that contingent-reward behavior will significantly and positively predict trust towards the employees' managers.

Hypothesis 9: It is hypothesized that contingent-reward behavior will significantly and positively predict trust towards the organization.

METHOD

Participants

The sample consisted of 448 employees (29% male; 68% female; 3% missing) from a large Australian public sector organization. 465 questionnaires were originally returned, at a response rate of 45%, and the exclusion of relevant missing data reduced the number of included

cases. 12% of participants were in team leader, management or senior management positions, while 88% labeled their position as non-management. 27.7% of respondents were aged less than 36 years and 66.9% were aged between 36 years and 45 years. The average tenure was 11 years ($SD = 7.9$, Range = 4 months to 36 years), and 73% of the sample had completed Year 12 or above.

Questionnaire Measures

In total, 101 items were implemented to obtain information on the selected variables. Demographic information for gender, organizational tenure, position level, education and age were collected via five single items. A 7-point Likert response format (ranging from 1 = Strongly Disagree to 7 = Strongly Agree) was used to measure the following constructs, unless otherwise stated.

Leader Emotional Intelligence was measured by a 40-item Emotional Intelligence Index (EQI) developed by Rahim and Minors (2001). Employees were asked to rate their immediate team leader or manager's emotional skills. The five dimensions in the scale comprised of Self-Awareness, Self-Regulation, Motivation, Empathy, and Social Skills. Rahim and Minors reported reliabilities for the sub-dimensions ranging from .62 to .98 for the six countries where the research was conducted. Alpha reliabilities for the current study ranged between .84 and .94. **Transformational Leadership** was measured with an adapted and shortened version of the Multi-Factor Leadership Questionnaire (MLQ), which was originally developed by Bass and Avolio (1995). Four subscales assessed transformational leadership behavior (idealized influence, inspirational motivation, intellectual stimulation and individual consideration), while three subscales assessed transactional leadership behavior (contingent rewards, management by exception (active), management by exception (passive)). Bass and Avolio (2000) reported alpha reliabilities ranging from .7 to .92. Comparable reliabilities were obtained in the current study ($\alpha = .7$ to $\alpha = .93$). A 6-point Likert response format (ranging from 1 = Almost Never to 6 = Almost Always) was implemented. **Trust in Manager / Trust in Organization** was assessed by two 12-item subscales of the Workplace Trust Scale (WTS, Ferres, 2002, $\alpha = .93$ to $\alpha = .95$). Alpha coefficients for the current study were .95 and .94. **Dispositional Trust (Control Variable)**. Five items measured trust as a personality trait. The trust questions were taken from the trust subscale in the Revised NEO Personality Inventory (Costa & McCrae, 1985). Three negatively worded items

from the original scale were not included as the use of reverse coded trust items is problematic (Kramer, 1996). The alpha reliability of the original NEO subscale was .90 (Costa & McCrae, 1985). The reliability coefficient of the scale employed in this study was .82.

PROCEDURES

A questionnaire, information sheet (explaining the aim of the study and assuring confidentiality) and a reply-paid envelope were distributed to all staff within the organization. Participants were invited to fill out the questionnaire and return it directly to the researchers in the self-addressed envelope provided within four weeks. Non-responders were followed up with two organization-wide email reminders. All employees had their own personal computer and email.

RESULTS

Descriptive Statistics and Correlations

The means, standard deviations, and correlation factor matrix for all organizational constructs are shown in table 1. The mean emotional intelligence scores corresponded to a scale rating falling between "Slightly

Agree" to "Moderately Agree". The mean scores for leadership styles showed that managers were perceived as displaying transformational-like leader behaviors "Fairly Often" and were "Sometimes" transactional. The mean score for level of organizational trust and trust in manager corresponded to "Slightly Agree" on the rating scale.

The factor correlation matrix shows moderate to strong correlations among many of the constructs. The correlations between EI and transformational leadership (and their subscales) were in the expected positive direction (range $r = .58, p < .05$ to $r = .81, p < .05$). Overall transactional leadership also had a small, positive relationship with total EI and the EI subscales, $r = .16, p < .05$ to $r = .22, p < .05$. The contingent-reward component of transactional leadership also shared a moderately strong positive relationship with EI ($r = .67$), despite transactional management-by-exception (MBE) (passive) showing consistently negative correlations with the same (range $r = -.42, p < .05$ to $r = -.5, p < .05$). No significant relationship was found between transactional management-by-exception (MBE)(active) and EI. Strong to moderate correlations (range $r = .41, p < .05$ to $r = .65, p < .05$) were established between the EI sub dimensions and trust in manager/trust in organization.

Table 1: Means Scores, Standard Deviations, Range, and Correlations

Variable	Mean	SD	Min Max	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1. Total Leader Emotional Intelligence	5.44	1.21	1-7	-																
2. Self Awareness	5.27	1.20	1-7	.95	-															
3. Self Regulation	5.61	1.20	1-7	.94	.86	-														
4. Motivation	5.56	1.17	1-7	.93	.82	.87	-													
5. Empathy	5.19	1.46	1-7	.94	.89	.81	.82	-												
6. Social Skills	5.54	1.28	1-7	.97	.89	.90	.89	.88	-											
7. Total Transformational Leadership	3.96	1.33	1-6	.80	.73	.69	.81	.79	.77	-										
8. Idealized Influence	3.85	1.37	1-6	.77	.71	.66	.79	.75	.74	.96	-									
9. Individual Consideration	3.98	1.32	1-6	.76	.70	.66	.71	.78	.74	.92	.83	-								
10. Inspirational Motivation	4.15	1.17	1-6	.68	.61	.58	.75	.63	.66	.88	.87	.70	-							
11. Intellectual Stimulation	3.86	1.26	1-6	.74	.67	.64	.73	.73	.70	.93	.85	.83	.73	-						
12. Total Transactional Leadership	3.23	.67	1-6	.19	.19	.16	.22	.18	.16	.44	.45	.37	.41	.41	-					
13. Contingent Rewards	3.96	1.30	1-6	.67	.62	.57	.67	.68	.65	.82	.78	.76	.73	.76	.61	-				
14. MBE (passive)	3.20	1.05	1-6	-.49	-.43	-.42	-.48	-.47	-.50	-.40	-.37	-.38	-.36	-.37	.38	-.33	-			
15. MBE (active)	2.55	1.06	1-6	.03	.03	.02	.09	.01	.23	.26	.15	.24	.22	.76	.11	.11	-			
16. Trust in Organization	4.59	1.37	1-7	.44	.41	.44	.44	.44	.41	.48	.48	.43	.46	.42	.20	.41	-.18	.05	-	
17. Trust in Manager	5.08	1.23	1-7	.64	.56	.57	.63	.63	.63	.65	.63	.62	.57	.60	.21	.55	-.31	.02	.76	-
18. Dispositional Trust	5.35	.96	1-7	.25	.24	.25	.24	.24	.23	.24	.27	.22	.26	.20	.14	.22	-.18	.03	.45	.42

Notes: *Higher scores indicate higher levels for each variable. Italicized $r = p < .05$, MBE= management by exception.

Table 1 in the previous page displays moderately positive relationships between transformational leadership and both trust in organization and trust in manager (range $r = .42, p < .05$ to $r = .65, p < .05$). Overall, transactional leadership had a smaller association with both trust factors ($r = .21, p < .05$ and $r = .21, p < .05$), yet transactional contingent reward had a moderate positive association (range $r = .41, p < .05$ and $r = .55, p < .05$). Small yet significant negative relationships were found between MBE (passive) and both trust in manager ($r = -.31, p < .05$) and trust in organization ($r = -.18, p < .05$). There was no significant relationship between transactional management-by-exception (MBE) (active) and any of the trust factors. Dispositional trust shared a small, yet significant relationship with each of the EI, leadership and trust constructs except for transactional MBE (active). The correlations between the different factors were generally in the expected directions, and were generally not so strong as to suggest that respondents could not discriminate between them. However, the high inter-correlations between the EI subscales suggest the need for future research to assess the independence of the factors.

Regression Analysis

Regression analyses were implemented to further clarify relationships. Table 2 below shows the model summaries and standardized beta coefficients for the main relationships predicted in the study. The first regressions, (a), tested hypotheses 1-3 and showed that EI and dispositional trust accounted for 65% of the variability in transformational leadership ratings $F(2,445) = 409.4, p < .01$. The same predictors explained a smaller 5% of the variance in transactional leadership

scores, $F(2,445) = 10.4, p < .01$, and 46% of contingent-reward ratings, $F(2,445) = 189.29, p < .01$. EI was the more important predictor of each dependent variable, although the beta coefficient for EI on transactional leadership was quite small, despite being significant.

The second regressions, (b), assessed hypotheses 4 and 5. It was found that transformational leadership and dispositional trust accounted for 50% of the variance in trust in manager ratings, and 39% of trust in organization (b) ($F(2,445) = 219.6, p < .01$ and $F(2,445) = 118.93, p < .01$). Transformational leadership was the most important predictor in these relationships, although dispositional trust also had a significant influence. In the final analyses exploring Hypotheses 6-9, transactional leadership and dispositional trust accounted for 23% in the variability of trust in manager ratings, and 23% of the variability in trust in organization scores (c) ($F(2,445) = 57.0, p < .01$ and $F(2,445) = 65.5, p < .01$). While transactional leadership played a significant, albeit minor role in the relationship between the predictors and dependant variables, dispositional trust was the most important predictor on both occasions. When contingent reward was entered as a predictor with dispositional trust (d), the variables explained 40% of the trust in manager ratings $F(2,445) = 142.6, p < .01$, and 31% of trust in organization scores $F(2,445) = 98.4, p < .01$. Contingent reward and dispositional trust had a relatively strong influence on both trust factors in these equations.

In sum, the chosen predictors explained between 5% and 65% of the dependant variables. The majority of the R^2 effect sizes were quite large or moderate (between .21 and .65), indicating that the uncovered relationships were relatively important.

Table 2: Regression of Hypothesized Predictors and Demographics on Dependent Variables

Predictors	Standardized Beta Coefficients (β) Dependant Variables (N=448)		
a.	Transform. Ldship	Transact. Ldship	Contingent Rwd
Emotional Intelligence	.77**	.16**	.64**
Dispositional Trust	.07*	.09	.05
	$R = .8, R^2 = .65, F = 409.4**$	$R = .21, R^2 = .05, F = 10.4**$	$R = .68, R^2 = .46, F = 189.29**$
b.	Trust in Manager		Trust in Organization
Transformational Leadership	.57**		.36**
Dispositional Trust	.27**		.35**
	$R = .70, R^2 = .5, F = 219.6**$		$R = .59, R^2 = .39, F = 118.93**$
c.	Trust in Manager		Trust in Organization
Transactional Leadership	.16**		.14**
Dispositional Trust	.41**		.45**
	$R = .45, R^2 = .23, F = 57.0**$		$R = .48, R^2 = .23, F = 65.5**$
d.	Trust in Manager		Trust in Organization
Contingent Reward	.46**		.56**
Dispositional Trust	.32**		.31**
	$R = .63, R^2 = .4, F = 143.6**$		$R = .55, R^2 = .31, F = 98.4**$

* $p < .05$; ** $p < .01$

DISCUSSION

The current study adds to the extant literature in its exploration of leadership variables as determinants of trust and in its examination of emotional intelligence in the transactional-transformational leadership archetype. Most of the study's hypotheses were supported, although there were some unexpected findings. EI was found to play a central role in transformational leadership ratings (hypothesis 1). However, against predictions, EI also exhibited a significant and positive relationship with observed transactional leader behaviors (hypothesis 2). The effect size of this relationship was not overly convincing, and was most likely related to the strong positive association between EI and the transactional component of contingent reward (hypothesis 3). In support of hypotheses 4 and 5, transformational leadership was found to be a significant influence on trust in the leader and trust in organization. In contradiction to expectations, transactional leadership also played a significant part in trust scores, although a person's general disposition towards trust was more influential (hypotheses 6 and 7). The transactional component of contingent reward was a significant and positive influence on trust in leader and trust in organization, even when controlling for trust as a personality trait (hypotheses 8 and 9). The theoretical and practical implications of these findings bear discussion.

Theoretical Implications

The finding that EI influenced transformational leadership is consistent with established conceptual theory and the limited empirical research in the area. Evidence supports that self-rated transformational leaders will rate themselves as having higher EI (Barling et al., 2000; Sosik & Megerian; Gardener & Stough, 2002). The present study aligned itself with these findings by uncovering that employees who rated their leaders as transformational also judged them to be more emotionally intelligent. Like Gardener and Stough, all aspects of EI correlated positively with each transformational leadership dimension. The results differed somewhat from those of Barling et al who did not find a relationship between intellectual stimulation and EI. It is likely within the context of the sample organization that transformational leaders' language skills serve to energize followers and communicate a vision to them. Because of their ability to perceive and understand followers' emotions, these leaders may also be more sensitive to employees' needs (Ashkanasy & Tse, 2000).

Emotional intelligence seems to have an ambiguous relationship with transactional leadership. Overall, this study found that transactional leadership was positively associated with EI ratings, but the relationships between the various leadership dimensions informs us of the uncertainty of this connection. In line with other research, the present study found no significant relationships between EI and leaders who practiced transactional management-by-exception (MBE) (active). However, leaders regarded as being laissez faire (MBE-passive) were more likely to be rated as having low EI. This is understandable, as an unwillingness to take any action at all may not require insight or emotional management- it is likely associated with a lack of perception and emotional ability.

The transactional component of contingent reward shared a positive association with EI in the current study, which was consistent with previous findings (Barling et al, 2000). While contingent reward behaviors are task-focused, it is argued that these tasks are positive and discretionary, similar to each of the transformational behaviors. Conceptually, Barling et al may have been correct when they argued that contingent reward is better aligned with transformational leadership than transactional leadership. The high correlation between contingent reward and transformational leadership found in the current study ($r = .82$) seems to support this view. Certainly leaders who are discernible as emotionally intelligent appear to be practiced at constructive reward and feedback behavior.

Beyond exploring EI and leadership, the present research also makes a contribution to the literature with respect to the management of trust in the workplace. The finding that transformational leadership positively contributed to the development of trust in the leader and trust in the organization was congruous with results from Butler and Cantrell (1999). Unlike Podsakoff et al (1996), each of the transformational practices in the current study had a significant positive relationship with trust in the leader. Current results implied that the impact of transformational leadership was stronger for trust in leadership compared to trust in the organization itself. This was to be expected as other factors apart from leadership- such as policies and procedures not instituted by immediate managers- may conceivably have an impact on an employee's trust of their company as an entity.

While the role of transactional leadership in trust development at the management and organizational levels was relatively minor overall, the relationships were still positive and significant. This was because transactional-contingent reward had a strong influence

on reported trust scores. Again this highlights the possible import of constructive transactions to organizational life. It may be accurate to agree with Shamir (1995) that a reliable reverence to transactional contracts aids trust development.

Practical Implications

At a practical level, it is noteworthy that the influential leadership factors in the study fall within some control of organizational members and organizational psychology professionals. Current research indicates that managers can be trained to use a transformational style (Barling et al., 2002), and managers may be encouraged to adopt a transformational leadership orientation. Trust is particularly important in organizations characterized by uncertainty and change (Currall & Judge, 1995), and transformational leadership has been characterized as being able to bring about change, a prerequisite of contemporary organizational survival. Furthermore, transformational leadership capability can be used in selection and succession planning for new job-holders, and trained and developed for existing job holders (Davidson & Griffin, 2002). Support mechanisms must also be propagated throughout organizations in order to build trust. Human resource managers, for example, could exert an influence on organizational trust by helping to establish rewards systems which are perceived by employees to be supportive of good performance. This last point is related to the use of contingent-reward.

Organizational psychologists or other human resource professionals may assist leaders and employees in the management of change by the development and implementation of training programs that foster emotional intelligence and interpersonal skills involved in effective leadership. This would be beneficial as managers who demonstrate emotionally intelligent behaviors will likely create a more positive work dynamic. Based on interpersonal considerations, organizational professionals can provide consultation to leaders on how to approach selection, training, and performance management of emotionally intelligent leaders. The current results suggest that HR processes need to focus on displayed leadership behaviors and EI as performance criteria. Employee opinion surveys and multi-rater feedback processes could be used to regularly assess employee attitudes surrounding these variables.

Strengths, Limitations and Future Directions

The presented research had several strengths. The use of employee appraisal of leaders' EI and leadership style was arguably more objective than the self-rating

methodology currently dominating the EI literature. This method eliminated possible self-serving bias for these two variables, which can contribute to exaggerated self-perceptions. Secondly, the findings offered new insights into a scantily researched area. The large sample size also increased the generality and statistical conclusion validity in reference to the sample organization. The collection of demographics and dispositional trust also allowed for the exploration of the extent to which these variables impacted on the relationships between EI, leadership and trust.

Despite the many advantages of the proposed study there were some limitations. The first involves the homogeneity of the study's proposed sample made up of employees from one Australian public organization. This, and the use of measures developed in primarily individualistic cultures, limits the generality and cross-cultural applicability to other populations. Future research should implement samples from a diverse range of industries across both private and public sectors and cultures. The second limitation involves the emotional intelligence instrument implemented. The usefulness of any research on emotional intelligence will be based on the reliability and validity of the measure (Barling et al. 2000). While the "other-rated" methodology may be more objective in one sense, participants had to be insightful themselves to be able to rate their leaders' EI correctly. As such, the measure can only provide an indication of an employee's perception of leader EI, not EI itself. Future studies should focus on validating the scale across different samples and look to employing ability-based EI tests in relation to leadership and trust. A comparison of EI measures would inform current debates surrounding the conceptualization of EI and its effects.

Given the relatively preliminary nature of this study, further research needs to be conducted on the reported relationships. Not all possible variables or relationships inherent to trust, emotional intelligence and effective leadership were explored. Future studies may include additional outcomes such as absence, turnover intention and performance measures. In addition, future studies may explore the relationship between overall organizational performance indicators (e.g. profit, market share etc), EI, effective leadership and trust. Confirmatory factor techniques and structural equations modeling could also be usefully employed in prospective research.

Conclusions

With the importance of trust only likely to grow in view of continued turbulent environments, organizational

practitioners need to be cognizant of the dynamics of trust formation and propagation. This paper has acknowledged that organizations which foster effective, emotionally intelligent leadership are more likely to encourage trust at the management and organizational level. Considering the sizable benefits of trust in the workplace, EI may be further integrated into future leadership practices.

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