



Investigating The Effect Of Transformational Leadership on The Organizational Innovation (Explaining The Role of Emotional Intelligence)

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ABSTRACT

In order to effectively meet the changing demand of today's environment, organizations need more flexibility, marketing and innovation. At the same time, an appropriate leadership style is also required to effect on such a change. However, few empirical researches have investigated the relationship between key components of such a change strategy which involves the transformational leadership, emotional intelligence and organizational innovation. So, this study investigates the effect of transformational leadership and emotional intelligence on the organizational innovation of keshavarzi bank's staff of Ilam province. This study's population were all Ilam's keshavarzi bank staff who were 289 people and this study also used simple random sampling. Data were analyzed through the descriptive and inferential method by using spss and Lisrel softwares. The results of this study's findings indicated that besides a direct effect, the transformational leadership indirectly effects on the organizational innovation through emotional intelligence and also the strength of indirect effect is infinitely more than the direct one.

Keywords: *transformational leadership, emotional intelligence, organizational innovation.*

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INTRODUCTION

Today's problems of organizations are not solved by previous solutions and future's prediction doesn't solve the future problems rather it should be proceeding to create future. Attaching to the high power of productivity and performing some creative designs, the organizations can not get over small, flexible, innovatory, opportunistic and low-cost rivals. They should provide conditions for the personnel to develop their faculty and creativity and to have the spirit of innovation and can easily perform their innovative activities individually or collectively. Innovation is a prerequisite and prelude for development and eminence of an organization and community and it is an unavoidable necessity for managers, personnel and fond researchers to be knowledgeable of its texts and techniques. Increasing innovation can result into enhancing quality and quantity of services, decreasing cost, preventing resources waste, decreasing bureaucracy and subsequently increasing efficiency and creating motivation and job satisfactory among the personnel (Sehat and Mohammedpour, 2012). Researches indicate that in order to effectively meet the changing demand of today's environment, the organization need more flexibility, adaptability, marketing and innovation (Parker and Bradley, 2000). At the same time, an appropriate leadership style is also required to affect on such a change (Kotter and Heskett, 1992). However, few empirical researches have investigated the relationship between key components of such a change strategy which involves the transformational leadership, emotional intelligence and organizational innovation. Although most of the researches done are valuable, they have implicitly studied this subject (Miner, 2000).

2. problem statement

The transformational leadership is a consciously moral and spiritual process which constructs the same patterns of power relations between leaders and followers to get a collective goal or a real change. In today's organization or other social systems from hierarchical to horizontal and considering to the principle of equality (Magliocca and Christakis, 2001). There is a widespread belief about relating the transformational leadership and emotional intelligence with the change process (Kotter, 1998). Goleman strongly that emotional intelligence is a prerequisite for the successful leadership. EI is "the capacity to reason about emotions, to accurately perceive emotions, to access and generate emotions so as to assist thought, to understand emotions and emotional knowledge, and to reflectively regulate emotions so as to promote emotional and intellectual growth" (Mayer and Salovey, 1997).

This concept was introduced by Salovey and Mayer and was known and developed by Goleman. Many researchers have focused their attempts on the efficient leaders have high EI. He said, "EI is inseparable from leadership. Without that, a person can have the best education, can have a strong analytical mind and clever ideas but cannot become a great leader". EI plays an increasingly important role in the highest levels of the company, that is, a place where the differences are less important in technical skills (Mandell and Pherwani, 2003).

The change and innovation in the organizational activities arena are deemed an attempt along with the organization's improvement. In fact, performing any action to develop and improve the organization is basically along with doing a change or employing an innovation (Saki, 2000). Successful organizations are ones that creativity and innovation from their movement arrowhead. In other words, to survive, today's organizations should be dynamic and their leaders and staff should be creative and innovative people in order to adjust the

organizations with these changes and to undertake community needs. It can be mentioned that in the global economic system and present increasing competition, creativity and innovation are the sign of survival and key to the success of organization, so as to lack them has been considered as its distruction. An organization which doesn't have creativity and innovation disappears from the scene over time(Randall ,2008). Although the empirical researches confirm that there is a relationship between the transformational leadership and organizational innovation(Waldman and Bass,1991), it is needed to more comprehensively investigate this relationship when EI is considered as a mediating factor. Even though agbona and Harris(2000) found that there is a relationship between collaborative leadership and innovation culture(a variable of predicting the organizational performance). This leadership approach is less compatible with the present patterns of transformational leadership. Therefor, According to what was mentioned, it should be stated that one of the methods to improve productivity and services quality is latent in the organizational innovation which many factors can affect on it. So, the present study looks for answering this question: Does the transformational leadership style affect on the organizational innovation of keshavarzi bank's staff?

3. Review of Literature:

In the recent researches done about leadership, leaders have been divided into two classes of transformational and transactional ones(Bass and Avolio, 1993; kloin, 1999; Bass and Riggio, 2006; Robbins and coulter, 2008). Researchers introduce the transformational leaders as people who pledge their subordinate individuals and convince them, by stating emotion's to accept the organization's goals and values and to show more attempts than

Nextpected in order to access them, this approach causes leaders to find an emotional attachment with their subordinates(Bass and Avolio, 1993:36). The primary concept of transformational leadership was presented by brons and consequently, his descriptive researches were presented about political leaders. Brons defined the transformational leadership as a process in which leaders and followers enhance each other to a higher level of ethics and motivation. These leaders try to manifest ethical characteristics and great ideas like freedom, justice, equality, peace and humanity about themselves but not contemptible characteristic such as fear, greed, jealousy and hatres(Yokel,2004:496). The transformational leaders have got behaviors which stimulate their followers to try in the event of the organizational goals and interests and to realize them. Also, these leaders stimulate the staff to perform more than expected; therefor, the staff find out the feeling of obligation to work and its implications and show it as increasing the job satisfaction and trying more(Howell and Avolio,1993). Bass's transformation leadership pattern(1985), as an approach through which organizations can encourage the staff to perform more than expected, has been accepted by scientists and brokers. In spite of much luck to Bass's pattern, it has some problems. The most important problem of this pattern is its ambiguity in analyzing the subcriteria of transformational leadership. This problem which can not support the factor structure for transformational leadership pattern and differential validity of components of this pattern from each other has been reflected in the empirical researches(Rafferty and Griffin, 2004).

To solve the mentioned problems, Rafferty and Griffin(2004) developed a set of subcriteria of transformational leadership which theoretically have more separability, and it is the basis of the present study. Rafferty and Griffin's transformational leadership pattern has five components: 1) perspective: stating an idealized image if future around the organizational values; 2) insiring communication: expressing the encouraging

positive messages about the organization and statements which cause motivation and self- confidence; 3) supportive leader: paying attention to the followers and considering their individual requirements; 4) literacy stimulation: raising the staff's interest and their knowledge about the issues and increasing their ability to think on issues in nex way; 5) character appreciation: granting bonuses like admiration and approving the follower's attempts to achieve the specified goals. The organizational innovation is to present any new product, process or system in an organization(suranyi- unger,1994). In fact, the organizational innovation is the organization's desire to develop new products and services or to improve them and to be successful in presenting those products and services to the market(Gumushluoglu and Ilsev, 2009). In other words, the industry, market or general environment of the organization(daft,2009). This study has used from a framework which muller, valikangas and merlyn(2003) have developed it to perceive the innovation capacity in an organization. This framework goes far beyond the traditional patterns such as the patterns based on oslo's action guide. The framework of Muller et al(2003) combine three views on the innovation: resource, capability and leadership views.

1-1.Resource view: companies should balance between the optimization(tactical investmen in the existing business) and innovation(strategic investment on the new business). The resource view addresses how to allocate the resources for affecting on this balance. Input resources are capital, work force and time while the output is the return of investment on the strategic innovation.

2. capability view: this view evaluates the rate of protecting the company's culture to change innovation resources into opportunities in order to modernize the business. To change innovation preconditions, like the rate that skills, instruments and values of a company are placed in the event of innovation. This view's outputs involve growth platform and strategic choices.

3. leadership view

This View evaluates the rate that the company's leadership supports innovation. Accordingly, the rate of involving leadership in innovation- related activities, and the rate of establishing formal processes to promote innovation and to disseminate innovation goals in the company are the calculation basis.

Ei refers to the ability to identify and recognize the emotion's concepts and meanings, the communications between them, to argue about it and also to solve the problem based on it(mayer, Caruso and salovey,1999: 267). According to new findings, most of important decisions,the most active and useful organization and the most satisfying and successful lives have got high EI not cognitive intelligence(fambrough and kayehart,2008: 745). There are various reasons that why people having high EI more likely use transformational behaviors. First, leaders, who know and can control their emotions and feelings and are self- control, can be as a standard for their followers and therefor, increase their follower's reliance and respect to the leaders. This is consistant with the principle of ideal effect. Second, leaders, having high EI, reasonably realize their follower's expectations by emphasizing the recognition of the other's emotions and this is a sign of inspiring motivation. Third, the main component of personal considerations is the ability to understand the personal needs of followers and to interact with them accordingly. Leaders with high EI more likely show high personal considerations too by positively stressing on the sympathy and ability to manage communications well(Barling, slater and kelloway,2000).

Transformational leadership has been theoretically and empirically related to a range of organizational results(Kavana and Eshkanzi,2006). It promotes the innovation in two ways: a) considering the staff's value systems and increasing their motivation to perform in higher levels in this way and b) encouraging the staff to think creatively(Jung, chow and wu,2003). The leadership style of senior leaders is one of the most important determinants of innovation. Especially, It has been stressed that the transformational leadership supports the innovation and encourages it, this, in turn, guarantees a long- term survival of an organization. Moreover, Bass and Avolio(1993) allude that innovation and risk may strongly decrease with the transactional leadership, while the transformational leadership may create an organizational culture in which the rate of innovation and satisfaction is high. Through inspiring motivation and literacy stimulation, the transformational leaders promote the organizational innovation and organization's attitude to it. Playing the role of heroism, they reinforce creative ideas in their own organizations. These leaders, that draw an outlook against their own followers, provoke them and increase their attitude to perform more than expected and challenge them in order to adopt an innovative approach in their own work. The result of such an increase in the motivation level will be the organizational innovation promotion(Gumusluoglu and Ilsev,2009). A leader, who is emotionally intelligent, can control his moods through self-awareness; improve them through autonomy, understand their effects through sympathy and behave, through managing the communications in a way that raise the other's morales(Golman and Boyatsis,2002). Such a leader can easily deal with the problems provide better solutions, not be strict and inflexible in his decisions- making and create enthusiasm, reliance and cooperation in their own followers(Girok, 2000). In whit's point of view, compared with the ordinary ones, the innovative people have high intelligence but they may not necessarily be geniuses(Whit, 2008). In his researches, whit concluded that there is a significant relationship between people's intelligence and their innovation levels. Brackett and Warner(2005) mention that organization innovation is a psychological factor which is closely related with EI. Ayiro(2014) conducted a study on the transformational leadership implications and EI and transformational leadership among schools principals in Kenya. Hassibi et al(2015) conducted a study on investigating the relationship between EI and transformational leadership style in male coaches of Iran's karate federation. They indicted that there is a significant relationship between the transformational leadership and coaches' EI. In a study on investigating the relationship between the transformational leadership and organizational innovation atmosphere, Al- amari et al(2002) indicated that EI has a mediating effect on the relationship between these variables.

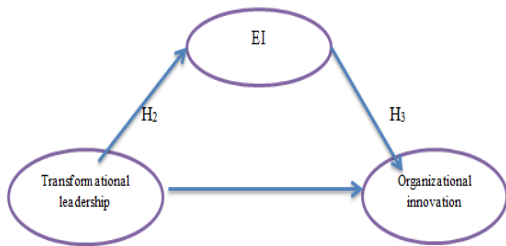


Figure1. conceptual model of the study (Source: Al- amari et al, 2012)

4. RESEARCH HYPOTHESES

Hypothesis1: The transformational leadership has a positive significant effect on keshavarzi bank staff's organizational innovation of Ilam province.

Hypothesis2: The transformational leadership has a positive significant effect on keshavarzi bank staff's emotional intelligence of Ilam province.

Hypothesis3: emotional intelligence has a positive significant effect on keshavarzi bank staff's organizational innovation of Ilam province.

Hypothesis4: emotional intelligence has a positive significant and mediating effect on the relationship between transformational leadership and organizational innovation of keshavarzi bank staff's organizational innovation of Ilam province.

5. RESEARCH METHODOLOGY

The present study was applies and descriptive. Data were collected through a survey and the data- collecting instrument in this study was a questionnaire. The population consisted of all the staff of keshavarzi banks of Ilam province that were 289 people. 165 people were selected among them as the sample in simple random method by using Morgan- krejcie table method. The transformational innovation were assessed based on brade berry and Grivez's questionnaire and Muller et al's framework, respectively. All the questions were set in a questionnaire and as likert's five- option scale from 1(absolutely disagree) to 5(absolutely agree). The validities of this study's questionnaires were investigated and accepted by 10 experts related to this subject. Cronbach's alpha coefficient was calculated for the basic variables and their subcomponents in order to determine the reliability(table 1).

Table1: Investigating the Reliability of the study's Qus Estionnaire by using chronbach's Alpha coefficient

Variable	Dimensions	Number of question	Chronbach's Alpha coefficient
Transformational leadership	perspective	3	0/760
	Inspiring communication	3	0/812
	Mental motivation	3	0/841
	Supportive leadership	3	0/831
	Personal recognition	3	0/794
Chronbach's Alpha coefficients of all questions of Transformational Leadership Variable			0/879
Emotional intelligence	Self-awareness	5	0/713
	Self-management	9	0/760
	Social knowledge	7	0/854
	Communications management	7	0/805
Chronbach's Alpha coefficients of all questions of emotional intelligence Variable			0/829
Organizational innovation		10	0/873

According to the values of chronbach's alpha coefficients, it can be inferred that this study's instrument has got a relatively favorable reliability. The correlation coefficients between the variables determined and investigated in order to determine the relationship between them. To investigate the relationship between hidden and observed variables, the confirmatory factor analysis was used. And finally, the structural equation modeling was applied to study the effect of variables on each other and to test the hypotheses. Data were analyzed by spss and LISREL with a confidence level of 95 percent.

6. RESEARCH RESULT

Studying the data distribution by Kolmogorov test, it was indicated that the error possibility was more than 0/05 for three variables of this study; therefore, all of them have got normal distribution(table 2).

Table2. K- s Test of variables

Transformational leadership	Transformational leadership questionnaire					INDEXES
	Character recognition dimensions	Supportive leadership	Mental motivation	Inspiring communications	Perspective	
165	165	165	165	165	165	Sample size
3.55	3.66	3.56	3.72	3.65	3.16	mean
0.382	0.560	0.649	0.631	0.632	0.384	SD
2.428	2.669	2.242	2.835	2.969	3.097	Statistics of K-S Test
0.162	0.074	0.125	0.071	0.062	0.056	Significance level
Normal	Normal	Normal	Normal	Normal	Normal	Test result
Organizational innovation	EI	EI questionnaire				INDEXES
		Communication management	Social knowledge	Self-management	Self-awareness	
165	165	165	165	165	165	Sample size
3.91	3.66	3.83	3.46	3.62	3.74	Mean
0.272	0.187	0.340	0.329	0.305	0.444	SD
2.181	0.861	1.982	1.87	1.734	2.122	Statistics of K-S Test
0.082	0.449	0.076	0.078	0.063	0.192	Significance level
Normal	Normal	Normal	Normal	Normal	Normal	Test result

Measurement model test:

Before doing the structural model test, the confirmatory factor analysis was used to ensure the precision of measurement model. The square of factor analysis was done for the external variable(organizational innovation) and internal ones(transformational leadership and EI) the result indicated that fit indexes have got better goodness of fit for all variables of measurement model(table 3).

Table3: Fit indexes of structural model

Fit index	optimum	Result
χ^2/df	< 3/00	2/459
GFI	>0/90	0/97
RMSEA	<0/08	0/069
RMR	<0/05	0/042
NFI	>0/90	0/94
IFI	>0/90	0/95
CFI	>0/90	0/95

The structural equation model was used to test the effect between hidden variables. The results indicated that evaluated indexes provide a better fit model. The way of being significant the relationship between two variable is that if the amount(T-value) of between two variables is more than 1.96, that relationship is significant. Also, according to the coefficients of estimating the standard, the effect rate of variables ob each other is considered.

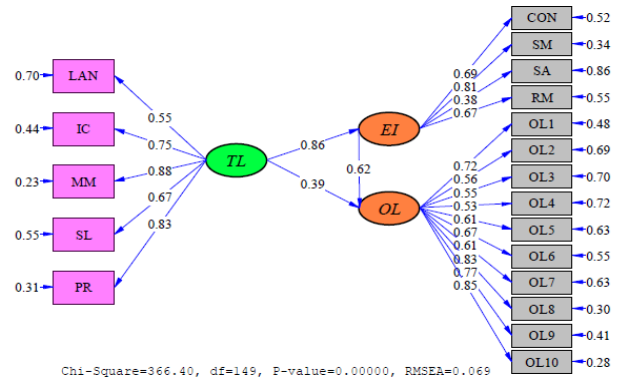


Figure2: coefficients of estimating the standard of structural model

The interpretation of results of this estimation is as follows: Considering the figure2, it has been estimated that the coefficient between transformational leadership and organizational innovation is %39, and this amount indicates that the organizational innovation will change %39 against one change in transformational leadership. Moreover, it has been estimated that the coefficient between transformational leadership and EI is %86, and this amount indicates that EI will change %86 against one change in transformational leadership. Meanwhile, it has been estimated that the coefficient of EI and organizational innovation is %62, and this amount indicates that organizational innovation will change %62 against one change in EI.

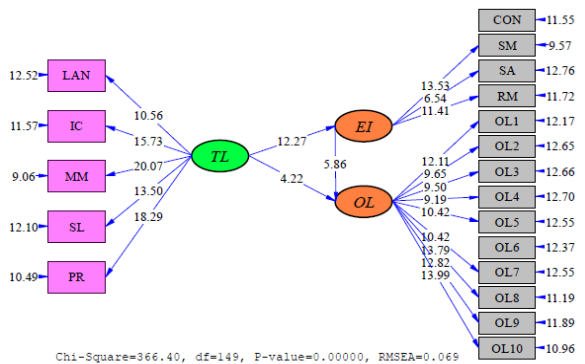


Figure3. T-values of the structural model

The interpretation of results obtained from estimating T-values of the structural model is as follows: Considering the figure 3, the absolute value of T-values between transformational leadership and organizational innovation is 4.22 and this is more than 1.96; hence, the relationship between these variables is confirmed at %95 P-value. Also, T-value between transformational leadership and EI is 12.27, and this is more than 1.96; so, the relationship between them is confirmed at %95 p-value and t-value between EI and organizational innovation is 5.86, and this is more than

1.96; therefore, the relationship between them is also confirmed at %95 P-valu. Accordingly, the effect of independent variable on the dependent one is confirmed at %95 P-valu.

Based on the final model, it is obviously observed that the relationships between all the components which had come in the initial model are positive and significant; so, the mode of this study is confirmed.

Table 4. Results of evaluating the structural model

Direction		Coefficient(β)	T-value
From the variable	to the variable		
Transformational Leadership	EI	0/86	12/27
Transformational Leadership	organizational innovation	0/39	4/22
EI	organizational innovation	0/62	5/6

As the data of table(4) are clear, the absolute valu of all T-valu are more than 1.96 to test coefficient significance; so, all the coefficients are significant at 0/05 level. Table indicates the direct, indirect and total effects of variables of this study's model. The investigation of coefficients indicate that the direct effect of transformational leadership on organizational innovation is 0/39(T-valu= 4.22). Moreover, the indirect effect of transformational leadership on organizational innovation along with the mediating effect of EI is 0/53. It should be noted that the indirect effect of transformational leadership on organizational innovation has been obtained by multiplying the coefficient(direct effect) of transformational leadership on EI(0/86) and coefficient of EI on organizational innovation(0/62). Considering that the indirect effect of transformational leadership on organizational innovation(0/53) is more than its direct effect(0/39), the mediating role of EI in the relationship between transformational leadership and organizational innovation is accepted. Therefore, the hypothesis 4 is supported.

Table 5. direct, indirect and total effects between variables

Direction From the variable to the variable	Direct effect	Indirect effect	Total effect
Transformational leadership organizational innovation	0/39	0/53	0/92

To test hypotheses: Considering the result of K-S test and being normal the variables, pearson's correlation has been used to investigate the relationship between variables.

Table6. A table of correlation between variables and their dimensisons

Indexes	perspective	Inspiring communications	Mental motivation	Supportive leadership	Character recognition	Transform ational leadership	Organiza tional innovatio n
Self-awareness	0/170*	0/187**	0/227**	0/136*	0/195**	0/269**	0/152*
Self-management	0/348**	0/379**	0/331**	0/308**	0/245**	0/449**	/249** 0
Social knowledge	0/164*	0/204**	0/223**	0/303**	0/206**	0/320**	0/213**
Communicati ons management	0/199**	0/253*	0/150*	0/168*	0/145*	0/194**	0/157*
EI	0/320**	0/185**	0/329**	0/310**	0/295**	0/460**	/303** 0
Organizati onal innovation	0/144*	0/258**	0/339**	0/203**	0/130*	0/319**	1

1. Correlation is significant at 0.01 level. 2. Correlation is significant at 0.05 level

As it is clear from the data of table, correlation between "EI" and " transformational leadership" is 0/460 and is significant at 0/01 level. Also, the correlation between "EI" and " organizational innovation" are 0/303 and 0/319, respectively, and both of them are significant at 0/01 level. As the same way, it is observed from the above table that the correlations between all the dimensions of variables are also significant.

CONCLUSIONS

Transformational leadership is related to the performance of an organization. Considering the effectiveness of transformational leadership, attentions have been directed to other issues such as how to create and develop it and related factors which may provide conditions for people to use it. In this study, the relationship between transformational leadership, EI and organizational innovation were theoretically explained and then tested. By proving the hypotheses of this study, this result was achieved that the behaviors of transformational innovation. So, it can be concluded that these leader's actions and activities get this possibility to the organization in that experts, providing services for clients, can communicate with them independently and far from the existing tensions and thus can increase their performances. When the components of transformations, they can turn to a competitive advantage source, and using this advantage greatly helps the organization compete strategically and achieve higher efficiency in short and long- terms. In fact, without the effective transformational leadership, the probability that organizations can achieve a better and even satisfactory performance as they encounter with environmental challenges, will decrease. The results of analyzing correlation and direction indicated that there are positive significant relationships between transformational leadership and organizational innovation(first hypothesis), between transformational leadership and EI(second hypothesis) and between EI and organizational innovation(third hypothesis). Moreover, the positive mediating effect of EI on the relationship between transformational leadership and organizational innovation was confirmed. Therefore, the study's findings support all four hypotheses. The findings of this study are consistent with the

results of studies which confirm the relationship between transformational leadership and EI(Lian and Zolov, 2004; Rosete and Ciarrochi, 2005; Abedi Jafari and Moradi, 2005; Yaghoobi et al, 2009), between transformational leadership and organizational innovation(Jung et al, 2003; Elenkov and Manev, 2005; Camps and Rodriguez, 2011; Torabi and Valizadeh, 2014; Rastegar and Maghsodi, 2016) and between EI and organizational innovation(Bar-on, 2000; Brackett and Warner, 2005; Whit, 2008; Selajogheh et al, 2001). Also, the results of this study are consistent with the study of Al-Amari and Moay Hong (2012) who found that EI has got a mediating effect on the relationship between transformational leadership and organizational innovation in the aim populations companies through EI both directly and indirectly.

Thus, according to proving this study's hypotheses, it can be declared that the studying organization and other ones should enhance the transformational leadership style and its characteristics in their own manager and leaders and include it as an important aspect in the top of their programs, because the transformational leaders are the founders to change in the organization and cause creativity, innovation and entrepreneurial behaviors to be created in it and naturally the organization's performance to be increased.

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