A STORY ON LEADERSHIP STYLES FROM MACEDONIAN COMPANIES: COMPONENTS OF TRANSFORMATIONAL VS. TRANSACTIONAL LEADERSHIP INFLUENCED BY ASPECTS OF EMOTIONALL INTELLIGENCE

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Abstract
The purpose of the research is to empirically evaluate leadership behavior of managers, focusing on transformational vs. transactional leadership at the same time exploring the relationship between emotional intelligence and transformational leadership in a specific economic and cultural setting, as the Republic of Macedonia. Questionnaire-based survey on managers at different management levels in Macedonian companies was conducted in order obtain the data necessary for evaluating the leadership styles and testing the proposed hypotheses The data was analyzed using descriptive statistics and hierarchical regression analysis. Results indicate that leaders in Macedonian companies show higher affection towards transformational leadership. The ability to perceive and understand emotions and the ability to manage emotions have a positive impact on transformational leadership style. As a theoretical and practical implication of research, we aim to generalize the idea for the positive relationship between the emotional intelligence and transformational leadership by confirming the applicability of the model that examines this relationship in the case of the Republic of Macedonia

Key words: *emotional intelligence, Republic of Macedonia, transformational leadership, transactional leadership.*

JEL Classification: *D23*

I. INTRODUCTION

Leadership is perhaps one of the most important aspects of management, immensely contributing to the general wellbeing of organizations and nations (Weihrich et al, 2008). One essential leadership function is to help the organization adapt to its environment and acquire resources needed to survive (Hunt, 1991; Yukl, 1998).

During the development of leadership theories, the research has dominantly focused on the leader (leader traits and behavior) (Bass, 1990; Yukl, 1998), more than on the psychological effects on followers, hence the readiness of understanding leadership still seems to have much to gain by research that concentrates on psychological effects on followers (Hunt, 1999; Lord and Brown, 2004). In other words, to understand leadership, it is needed to develop theories related to the psychological processes that translate leader behavior into follower action. In this regard, the most contemporary effort in the recent research of leadership has been the development of transformational leadership theory.

Although there has been a great deal of research demonstrating the effectiveness of transformational leadership behavior in organizations (Judge and Piccolo, 2004), there has been a relative lack of research investigating the antecedents of these behaviors (Rubin, Munz, and Bommer, 2005). In terms of psychological factors, transformational leadership has been linked with the higher levels of the traits extraversion, agreeableness, emotional stability, and openness (Bono and Judge, 2004). Higher levels of intelligence have also been found to be related to transformational leadership (Atwater and Yammarino, 1993).

Research and relevant literature claims that the correlation between IQ and success in life (achieving a higher position in the organization, life satisfaction, work productivity, etc.) is about zero (Goleman,1998). Furthermore, highly intelligent people are not more likely to be successful in life and as well as satisfied in comparison to people with lower IQ . On the other hand, emotional intelligence turned out to be significantly positively associated with success in life. Also, results indicate that emotional intelligence is significantly positively associated with successful coping in stressful situations, as the main features of the times in which we live (Whetten, Cameron, 2002,p. 122) Goleman and his colleagues further adapted the concept of emotional intelligence in the business world by describing its importance as an essential ingredient for business success (Goleman et al 2002; Goleman 2004; Mayer, Goleman, Barrett and Gutstein 2004). Studies conducted including almost 200 large, global companies, reported that 'truly effective leaders are distinguished by high degree of emotional intelligence' (Goleman 1998a). Research also suggests that emotional intelligence is a positive predictor of leadership (Caruso et al., 2002; Goleman, Boyatzis, and McKee, 2002; Sosik and Megerian, 1999; see also Zaccaro et al., 2004).

Explaining the essence of transformational leadership, Bass (1997) argues that there is universality in the transformational–transactional leadership paradigm. He retains that the same conception of phenomena and relationships can be observed in a wide range of organizations and cultures, and exceptions can be understood as a consequence of unusual attributes of the organizations or cultures. Thus, according to Bass, leaders who engage in transformational behaviors will be more effective than those who don't, regardless of culture. Moreover, Bass acknowledges that the transactional and transformational theory may have to be fine-tuned as it applies to different cultures, and the specific behaviors and decision styles may change to some extent.

Having in mind the importance and necessity for directing the research of leadership in the field of psychological effects of leaders on followers, i.e. the psychological processes that translate leader behavior into follower action, as well as the relevance of the concept of emotional intelligence to the success in the business world and in particular for the effective leadership, it seems as a very inspiring theme for exploring. Moreover, starting from the standpoint of Bass for universality in the transformational–transactional leadership paradigm regardless of the culture differences, it would be even more inspiring to test the generalizability of the transformational leadership in the specific economic and cultural settings, as it is the case of the Republic of Macedonia.

Hence, the purpose of this research is to empirically evaluate the leadership behavior and explore the determinants of leadership styles of managers, in the specific economic and cultural settings, as it is the case of the Republic of Macedonia. Hence, two main objectives of research appear: first, to measure and evaluate the leadership behavior among managers in the Republic of Macedonia, focusing on transformational vs. transactional leadership; second, to evaluate the relationship between emotional intelligence and transformational leadership.

Based on the purpose and objectives of this research, two main research question are proposed:

What portrays leadership behavior in Macedonia? Could they be described predominantly as transformational or transactional leaders?

Could emotional intelligence used as a predictor of transformational leadership style?

In order to answer to the second research questions, we formulated the main hypothesis of research: Emotional intelligence is a positive predictor of transformational leadership.

In the Analytical framework section the specific hypotheses are formulated, which are tested and evaluated in the Results and analysis section.

As a theoretical and practical implication of research, we aim to generalize the idea for the positive relationship between the emotional intelligence and transformational leadership by confirming the applicability of the model that examines this relationship in the specific economic and cultural settings, as it is the case of the Republic of Macedonia.

II. LITERATURE REVIEW

As it is mentioned in the introduction, the scope of the research is the leadership behavior and determinants of leadership styles of managers, in the specific economic and cultural settings, as it is the case of the Republic of Macedonia. Therefore, we studied previous researches in the area of leadership style theories, and focused on the characteristics of transformational and transactional leadership. We also considered emotional intelligence theories with special attention on the models of Mayer, Salovey and Caruso in respect to emotional intelligence.

Concepts of leadership and leadership theories

Leadership proposes a number of theories respectively pursuing to clearly identify and accordingly clarify the apparently influential effects of leader behavior or personality attributes upon the satisfaction and performance of hierarchical subordinates. These theories fail to settle in many respects, but have in shared the

element that none of them systematically accounts for very much criterion variance. Many have complained that the construction of leadership lacks a common and established definition by which it can be evaluated, no dominant paradigms for studying it, and little agreement about the best strategies for developing and exercising it (Hackman and Wageman, 2007; Barker, 1997; Higgs, 2003).

After the initial classical period in discussing leadership in the first half of the twentieth century, a new era of study started in the second half. Nevertheless this phase of theoretical discussion is considered to sustain even nowadays binding to contemporary discussion of leadership. Within this period transformational and transactional leadership occurs starting with Burns in 1978. With a background on political science, Burns discusses the various types of leadership, especially those that differ from transactional leadership.

According to the review of Xiaoxia et al. (2006) leadership theories can be featured generally as being concerned with who leads (i.e., characteristics of leaders), how they lead (i.e., leader behaviors), under what circumstances they lead (i.e., situational theories, contingency theories), or who follows the leader (i.e., relational theories) (Cleveland, Stockdale and Murphy, 2000). According to researchers, trait approaches, behavioral approaches, contingency theories and situational theories belong to traditional theories of leadership; whereas relational-based theories are most recent development of leadership theories. Two influential relationship-based leadership theories are the Leader-Member Exchange (LMX) model by Dansereau, Graen, and Haga (1975) and Transformational Leadership by Bass and Avolio (1994).

Transformational and transactional leadership

Transformational leadership in the U.S. was primarily theorized by Burns and fully developed by Bass in non-educational contexts. An expanded and refined version of Burn's transformational leadership theory has been utilized in organizations since the 1980s (Bass, 1985; Bass, Waldman, Avolio, and Bebb, 1987; Tichy and Devanna, 1986). Prior to this time much attention had been given to the examination of the approaches of leaders who successfully transformed organizations. According to Burns, the purpose of leadership is to motivate followers to work towards transcendental goals instead of immediate self-interest. Burns characterized transformational leadership as a phenomenon that "occurs when one or more persons engage with others in such a way that leaders and followers raise one another to higher levels of motivation and morality" (Burns, 1978). He believed that transformational leadership could raise followers from a lower level to a higher level of needs which agrees with Maslow's hierarchy of needs. Bass (1985) refined and expanded Burns' leadership theory. Bass (1985) said that a leader is "one who motivates us to do more than we originally expected to do". Since the 1970s, transformational leadership has undergone major development by various scholars. Their research explored the following aspects of transformational leadership: leader characteristics, leader behaviors and interaction with context factors (e.g., culture).

Research studies have repeatedly indicated that transformational leadership is positively linked to personal outcomes (Dumdum, Lowe, and Avolio, 2002; Fuller, Patterson, Hester, and Stringer, 1996). The relationship between transformational leadership and personal outcomes such as job satisfaction and commitment is well established (Bass, 1998). Avolio, and Shamir (2002) revealed that transformational leaders had a direct impact on followers' empowerment, morality, and motivation. In another experimental study, Barling, Weber and Kelloway (1996) reported a significant impact of transformational leadership on followers' commitment and unit-level financial performance. Other studies also showed positive relationships between transformational leadership and personal outcomes such as satisfaction, performance, and commitment (Bycio, Hackett and Allen, 1995; Koh, Steers and Terborg, 1995).

Transactional leaders work within their organizational cultures following existing rules, procedures, and norms; transformational leaders change their culture by first understanding it and then realigning the organization's culture with a new vision and a revision of its shared assumptions, values, and norms (Bass, 1985). Whereas non transformational (i.e., transactional) leadership is seen as focused on the status quo and fostering performance, on well-defined tasks to meet set performance objectives, transformational leadership is proposed to highlight the necessity of change and to promote creativity, so transformational leadership should be especially suited to foster innovation (Eisenbiess, Knippenberg, and Boerner, 2008). Transactional leadership produces incremental changes in way followers behave, for instance, transactional leaders generally reward or discipline followers depending on the adequacy of the follower's performance. Transformational leadership produces essential changes in followers' beliefs and attitudes about the organization (Cleveland, Stockdale and Murphy, 2000).

Components of transformational and transactional leadership

Transformational leadership has traditionally been defined as the display of the following components: charisma, intellectual stimulation, and individualized consideration (Avolio et al., 1999). Transformational leadership refers to the leader moving the follower beyond immediate self-interests through idealized influence (charisma), inspiration, intellectual stimulation, or individualized consideration. This type of leadership is

considered to promote the follower's level of maturity and ideals as well as concerns for achievement, self-actualization, and the well-being of others, the organization, and society.

Beyond the different dimensions of transformational leadership mentioned, Bass and Avolio's (1997) full range model of leadership also contains three transactional leadership factors: contingent reward, management-by-exception (active), and management-by-exception (passive). Whereas contingent reward refers to the degree leaders operate according to economic and emotional exchange principles with followers. In this respect leaders set out clear goals and expectations, as well as rewards for followers for working toward them. Management by-exception (active) is the extent to which a leader actively monitors followers for mistakes and tries to correct them. Management-by-exception (passive) refers to leaders who wait for mistakes to occur before acting to correct them.

The concept of emotional intelligence

Emotional intelligence essentially describes the ability to effectively join emotions and reasoning, using emotions to facilitate reasoning and reasoning intelligently about emotions (Mayer and Salovey, 1997). This relatively narrow definition of emotional intelligence, as the ability to understand how others' emotions work and to control one's own emotions, was expanded by Goleman to include such competencies as optimism, conscientiousness, motivation, empathy and social competence (Goleman 1995, 1998b).

The term emotional intelligence appears for the first time in academic journals during the nineties in the United States. The history of emotional intelligence research is undoubtedly marked by theoretical and empirical research of authors such as Salovey, Mayer, Goleman, Caruso, Bar-On and Paker (Mayer et al. 2000).

Mayer, Salovey i Caruso have performed research on emotional intelligence distinguishing three approaches to emotional intelligence, each differing from the others and followed by significant critical remarks (Mayer et al., 2000). The first approach is called zeitgeist, or reffering to emotional intelligence as a scientific cultural trend. The second approach for determining the meaning of the term an emotional intelligence is where it is considered to be a synonym to the concept of personality. The third approach considers emotional intelligence as a cognitive ability, i.e mental ability. Proponents believe that emotional intelligence is facilitated through both the emotional and cognitive system. It acts as an integral concept, which is visible through four complementary processes: perceive emotions in oneself and others accurately, (b) use emotions to facilitate thinking, (c) understand emotions, emotional language, and the signals conveyed by emotions, and (d) manage emotions so as to attain specific goals.

Theoretical models of emotional intelligence

In the literature on emotional intelligence two dominant models of emotional intelligence could be distinguished. The distinction is made upon their initial starting point at explaining the concept of emotional intelligence, its structure and methods of measurement, considering mental and socio-emotional models.

Mayer and Salovey are representatives of mental ability model, known as the more restrictive model of emotional intelligence. In this line the initial definition of emotional intelligence is that it is "the ability to perceive, evaluate and generate emotions to facilitate thinking, to understand emotions and emotional knowledge and reflective to regulate emotions to improve emotional and intellectual development (Mayer, Salovey, 1997). "This definition implies that emotions makes the thinking process more "intelligent", i.e. unites emotions and intelligence in an integrated functional whole. Their claims are based on research results performed in this area, reinforcing attitudes about the relationship between cognitive and emotional processes. This team of scientists were later joined by Caruso and they together redefine emotional intelligence In this sense "emotional intelligence is the ability to accurately perceive and express emotion, assimilate emotion-related feelings, to understand and resonate considering the presence of emotions and adjust emotions for himself and others "(Mayer et al., 2000).

The socio-emotional model for defining emotional intelligence is conceptually different from the mental ability model. This model is wider and as part of the emotional intelligence includes traits which are not considered as cognitive abilities. According to Goleman emotional intelligence is completely independent and different from general intelligence, related to some personality traits. He presents a simple two-dimensional model of emotional intelligence, one dimension referring to personal skills (aimed at managing themselves) and other focused on social skills (used for managing others). Personal skills include the following components: self-awareness, self-regulation and motivation. Whereas social skills include the following components: empathy and social skills.

Measuring Emotional Intelligence

In the short history of the study of emotional intelligence it has been observed the attempt to construct a quality measuring instrument. The nature of measuring instruments is determined by theoretical models of the operationalization of the emotional intelligence, because there is substantial differences between them. More recent attempts to construct a measuring instruments have proven themselves as better. For the most grounded

measuring instruments for the emotional intelligence as a mental ability are considered the tests referring to Mayer, Salovey i Caruso directly measure EI as an ability (Caruso,Salovey, 2004)). The starting point at the construction of the measuring instrument for EI is the theory according to which emotional intelligence is considered a form of intelligence because it is related to the mental capabilities of processing information. They constructed the Multifactor Emotional Intelligence scale (MEIS), which is consisted of 12 measures of sub-competencies related to EI grouped into four categories: perception, facilitating, understanding and managing emotions. The test MEIS was revised in 2004 as Mayer Salovey Caruso Emotional Intelligence Test - MSCEIT with two versions MSCEIT RV1.0 and MSCEIT RV2.0. With its use a composite score of EI is received, as well as sub-scores for the following groups of skills: perception and identification of emotions; facilitating the process of thinking, understanding emotions; and managing emotions.

Emotional intelligence and leadership

The impact of emotional intelligence on leadership can be explored by analyzing the different styles of leadership, their emotional structure, the interaction of leaders and followers, success in work and more. Many researchers have proposed different leadership styles, depending on the emotional intelligence of leaders, their behavior and influencing followers.

There is no precise formula for great leadership, because there are many ways to achieve different personal styles of leadership. Daniel Goldman (Goldman et al.,2002)) argues that effective leaders must have at least one developed great skill of the four components of emotional intelligence: self-awareness, self-management, social awareness and management of relationships with other individuals. Emotionally intelligent leaders should have highly developed management and leadership skills, and highly developed emotional skills (Caruso, Salovey ,2004). Daniel Feldman (Feldman,1999) examines the skills of emotionally intelligent leadership. He distinguishes between two groups one related to basic skills (knowledge of oneself, maintaining control, reading to others, just perception and communication flexibility); skills and higher order (taking responsibility, generating elections, creating a vision, having courage and finding solutions).

III. ANALYTICAL FRAMEWORK

Research model

Based on the purpose of this research, two main objectives of research appear: first, to measure and evaluate the leadership behavior among managers in the Republic of Macedonia, with a focus on transformational vs. transactional leadership; second, to evaluate the relationship between emotional intelligence and transformational leadership.

For the purpose of this research, we have created our own model. We mainly ground the model on one core factor and one explanatory factor. The core factor is related to transformational leadership expressed through four leadership factors. The explanatory factor is related to emotional intelligence, expressed through three subdimensions.

The theoretical construct for transformational leadership style, we base it on Bass and Avolio's (1994) "full range of leadership" model which comprises three styles: (a) transformational (b) transactional (c) laissez-faire. Within the transformational leadership construct, authors identified four factors, or types of leadership behavior that are classified as transformational: (1) Idealized Influence; (2) Inspirational motivation; (3) Intellectual stimulation; (4) Individualized consideration.

The explanatory factor, related to emotional intelligence is based on the theory of Mayer and Salovey and the underlining mental ability model of emotional intelligence. Given the fact that different versions of measuring instruments have been constructed within this model, we use version of Vladimir Takšić, which is indeed a shortened version of the model proposed by Mayer and Salovey. It consists of three subscales that intend to be evaluate: the ability to perceive and understand emotions; the ability to express emotions; and the ability to manage emotions

Furthermore the group of three control variables (age, education level and management position) are included in the research model, considering their high potential for influence on the dependent variable, and in line with the aim of this paper to test the relative relationship between emotional intelligence and leadership styles. The control variables itself are not in the primary focus of interest

Based on the purpose and objectives of this research, two main research question are proposed:

What portrays leadership behavior in Macedonia? Could they be described predominantly as transformational or transactional leaders?

Could emotional intelligence used as a predictor of transformational leadership style?

In order to answer to the second group of research questions, we formulated the main hypothesis of research: Emotional intelligence is a positive predictor of transformational leadership.

Development of hypothesis

Based on the main hypothesis of the research, specific hypotheses are formulated and presented in this section, which are later tested and evaluated in the results and analysis section.

There are a number of theoretical arguments to be made for the relationship between emotional intelligence and effective leadership, especially considering transformational leadership (Daus and Ashkanasy, 2005). Most of these studies have demonstrated emotional intelligence to be a significant predictor of the transformational leadership style, in general (Mandell and Pherwani, 2003; Hartsfield, 2003; Ashkanasy and Tse, 2000; Sosik and bMegerian, 1999). From research including almost 200 large, global companies, Goleman reported that 'truly effective leaders are distinguished by a high degree of emotional intelligence' (Goleman 1998a, p. 82). Other studies also suggest that emotional intelligence is a positive predictor of leadership (Caruso et al., 2002; Goleman, Boyatzis, and McKee, 2002; Sosik and Megerian, 1999; Zaccaro et al., 2004). Experts in the field of emotional intelligence argue that elements of emotional intelligence such as empathy, self-confidence, and self-awareness are the core underpinnings of visionary or transformational leadership (Goleman, Boyatzis, and McKee, 2002). According to conducted research in this field, for those in leadership positions, emotional intelligence skills account close to 90 percent of what distinguishes outstanding leaders from those judged as average" (Kemper, 1999, p. 16)

Given the fact that different versions of measuring instruments have been constructed within this model, we use version of Vladimir Takšić, which is indeed a shortened version of the model proposed by Mayer and Salovey. It consists of three subscales that intend to be evaluate: the ability to perceive and understand emotions; the ability to express emotions; and the ability to manage emotions

Since the research model of this study is based on the theory of Mayer and Salovey and the underlining mental ability model of emotional intelligence, we have formulated the following specific hypotheses:

H1: The ability to perceive and understand emotions is positively related to transformational leadership style

H2: The ability to express emotions is positively related to the transformational leadership style

H3: The ability to manage emotions is positively related to the transformational leadership style
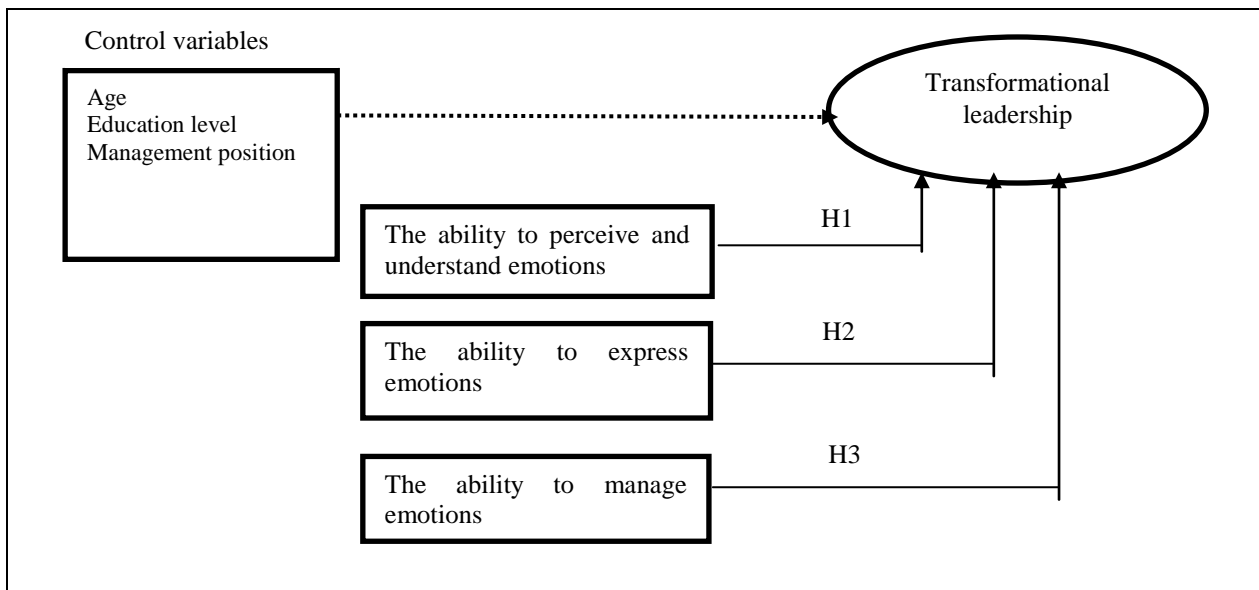
Figure 1. Research model and hypotheses
Source: Model proposed by authors

IV. METHODOLOGY

Research approach

In order to answer the proposed research questions it has been decided to do a survey using a questionnaire. The data is analyzed using descriptive statistics and hierarchical regression analysis which was performed within the software SPSS. In order to answer the first research question (What portrays leadership behavior in Macedonia? Could they be described predominantly as transformational or transactional leaders?), we have conducted descriptive statistics, comparing the values related to the two researched leadership styles, transformational vs. transactional leadership. In order to answer the second research question (Could emotional intelligence used as a predictor of transformational leadership style?), i.e. to test the hypothesis proposed in the research model, we have conducted hierarchical regression analysis.

The hierarchical multiple regression is most often used to: (a) take into account covariates; and (b) test the additional importance of one or more independent variables in predicting the dependent variable. Practically, the hierarchical multiple regression analysis allows the importance of the independent variable(s) to be assessed after all covariates have been controlled for. The research aims at understanding the unique contribution of emotional intelligence competences in predicting the leadership style, at the same time taking into consideration some demographic and general characteristics of managers (age, education level and management position) which have been set as controlling variables .

Data collection

The survey is based on a questionnaire which has been distributed to managers at different management levels (lower, middle and top) in Macedonian companies. The conducted survey obtained the data necessary for evaluating leadership styles and testing the proposed hypotheses. The companies were selected randomly from several lists of companies on the territory of the Republic of Macedonia with no limitations related to their size and industry sector.

After preparing the questionnaire followed by the testing phase, the questionnaire was distributed personally in hard copy or electronic form to randomly selected potential respondents.

Questionnaire design

The questionnaire consists of three parts: background information, leadership styles and emotional competences.

Questions Concerning Background Information

Three general questions were formulated in order to get some information about respondents, including their: age, education level and management position. This set of questions are formulated to serve as a control group of variables in the research model. Considering the age a dummy variable has been created. This appears as a rare mode of expressing this type of variable, but our pre-testing phase of the proposed research model indicated that there is a significant difference in the leadership styles in terms of age. Namely results indicated a difference among managers aged up to 30 and over 30 years, hence the decision has been made to divide the respondents into two groups: 0 – up to 30 years and 1 - over 30 years. For the level of formal education, also dummy variable has been created, and the respondents has been divided into two groups: 0-not graduates and 1-the graduates and postgraduates. For the management position we use dummy variable with two groups 0 - lower and middle level management, 1 - top level management.

Questions Concerning Leadership Styles

The questionnaire includes 21 questions concerning leadership styles. This part of the questionnaire was based on a Multi-Factor Leadership Questionnaire (MLQ) developed by Bass and Avolio (1998). The MLQ is a well-known instrument used to measure perceived frequency of transformational and transactional leadership behavior. It has been used in many studies (Bass, 1995; Bass, Avolio, Jung and Berson, 2003; Carless, 1998; Den Hartog, Van Muijen and Koopman, 1997). The MLQ uses a five-point rating scale from 0 to 4.

The transformational leadership style consists of four dimensions, including 12 questions. Each dimension is followed by three questions. The five dimensions include: idealized influence, inspirational motivation, intellectual stimulation and individualized consideration. The transactional leadership style consists of three dimensions, including 9 questions. Each dimension is followed by three questions. The three dimensions include: contingent reward, management-by-exception and laissez-faire leadership. For each factor a minimum of 0 and a maximum of 12 points is set. So in order to get a result for the final score for transformational, i.e transactional leadership, the final points for the relevant factor should be summed.

Questions Concerning Background Information

This set of questions refers to emotional competency proposed by Vladimir Takšić, which as mentioned in the analytical framework, is a compressed version of the model proposed by Mayer and Salovey. This part of the questionnaire has 45 statements and contains 3 subscales which have the aim to assess: the ability to perceive and understand emotions; the ability to express emotions; and the ability to manage emotions. Respondents reply to all of the statements on a Likert scale of 1-5. Individual results were calculated for each capability, and total result for emotional competence for each respondent.

Science, a questionnaire was employed to measure different, underlying constructs, such as: leadership styles and emotional intelligence competences, in order to test reliability of the proposed scales related to the research sample of this study, Cronbach‟s alpha was calculated. Cronbach's alpha indicated that the overall reliability of the two scales for transformational and transactional leadership styles, as well as the three scales for emotional intelligence competences are at a good level from above 0.7. In particular, we look for values in the range of 0.7 to 0.8. In all cases α is above 0.7, which indicates good reliability, except for the α of the scale for

transactional leadership style with the value of 0.629, which can be slight problematic (Table 1). Since, there is no space to methodologically improve the reliability of this scale, as well as the proposed variable, as a part of Multi-Factor Leadership Questionnaire (MLQ) is artificially constructed from two leadership styles (Transactional and Laissez-Faire Leadership), it could be considered that the result is more or less expected, hence we decided to retain this variable.

Table 1. Cronbach's α of latent variables

Latent variable	Cronbach's α
Transformational leadership	0.826
Transactional leadership	0.629
The ability to perceive and understand emotions	0.756
The ability to express emotions	0.767
The ability to manage emotions	0.780

Source: Authors' analysis

Sample

A total of 200 questioners have been sent out to the selected potential respondents. The total received replies were 80, indicating the response rate of 40%. Among all the 80 responses, 4 samples were invalid due to the non-compliance. Thus, the samples of 76 participants were available for analysis.

Most Respondents or over 37% fall in the category of 41 to 50 years. While at the same time 71.6% of respondents are male, which implies the dominance of this gender in the segment of leadership and leadership positions. More than half of the respondents have acquired an university degree. The majority of companies, i.e. 52.65% of the companies included in the sample are part of the service sector, which is in line with the market dominated by companies active in the field of services. In relation to size 75% have fewer than 50 employees, which is no surprise given that over 90% of companies in the country are considered to be in the segment of small business. More than 67% of the respondents are part of top management, whereas 79% have more than 15 years of management experience.

V. RESULTS AND ANALYSIS

Results of survey on leadership styles

The fundamental research topic and one of the main objectives of this research is to empirically evaluate the leadership styles in the Republic of Macedonia, with a focus on transformational vs. transactional leadership. In order to find out what kind of leadership style Macedonian managers adopt, we formulated 12 questions to test transformational leadership style and 9 questions to test transactional leadership style. The evaluation of leadership styles is conducted using descriptive statistics (minimum, maximum, means and standard deviations). The descriptive statistics is reported in the table below. Table reports means and standard deviations values appointed for the two researched leadership styles, transformational vs. transactional leadership.

Table 2. Descriptive statistics of leadership styles and dimensions

Leadership styles and dimensions	N	Minimum	Maximum	Mean	Std. Deviation
Transformational leadership	76	17.0	48.0	36.250	6.4418
Transactional leadership	76	11.0	36.0	25.526	4.8096
Idealized Influence	76	4.0	12.0	9.461	1.7847
Inspirational motivation	76	3.0	12.0	9.145	1.9846
Intellectual stimulation	76	1.0	12.0	8.447	2.2473
Individualized consideration	76	3.0	12.0	9.197	1.9323
Contingent reward	76	1.0	12.0	8.934	2.4295
Management-by-exception	76	6.0	12.0	9.474	1.7008
Laissez-faire leadership	76	1.0	12.0	7.118	2.4329
Valid N (listwise)	76				

Source: Authors' analysis

According to the results related to the leadership style it can be noted that the results for six of seven factors have had an approximate value. This indicates that respondents use simultaneously the two styles of leadership, transactional and transformational. Only the laissez-faire style of leadership, which according to the methodology of MLQ is considered as the third factor in respect to transactional leadership, managers use it less often.

Also, if we compare the theoretical value (6.00) and the calculated values for each factors it can be concluded that transformational and leadership are developed more than average, which means that leaders use both styles of leadership in their everyday work.

Descriptive analysis of the factors of the leadership style indicate that factor 1, idealized influence is most common for transformational leadership, which means that participants enjoy the trust and respect of their followers. In transactional leadership the most frequent factor is 6 management-by-exceptions, which indicated that participants actively monitor followers for mistakes and tries to correct them. In other words, they do not wait for mistakes to occur before acting to correct them.

In terms of the aggregate results related to transformational and transactional leadership, the comparison of the theoretical value (28.00) and the calculated value of transformational leadership (36.25) indicate that respondents often or very frequently use this style of leadership, with nearly equal use of all four factors, except of factor 3 related to Intellectual stimulation. The results for the value of transactional leadership (25.53) compared to the theoretical value (16.00) shows that this style of leadership is above average developed, although not to the a degree as in the case of transformational leadership, meaning that leadership styles respondents relatively often make use of it.

Instead the composite results, the mean for both styles of leadership is calculated, the transformational leadership attains a value of 9.06 (on a scale from 0 to 12) whereas transactional leadership attains a value of 8.51 (on a scale from 0 to 12).This basically suggests that, although both styles of leadership are developed above average, i.e. leaders use both styles of leadership in its business, however there is some slight preference related to transformational leadership.

Results of regression analysis of emotional intelligence and transformational leadership

As it was mentioned above, the second objectives of the research is to empirically explore the determinants of leadership styles, i.e. to evaluate the relationship between emotional intelligence and transformational leadership. In order to answer the research question concerning the relationship between emotional intelligence and leadership, the data is analyzed using hierarchical regression by the statistical analysis software SPSS.

In our research we want to be able to understand the unique contribution of emotional intelligence competences in predicting the transformational leadership style, after some demographic and general characteristics of managers have been controlled for.

The assumptions of independence of observations (i.e., independence of residuals), linearity, homoscedasticity of residuals, multicollinearity, unusual points (outliers, high leverage points or highly influential points) and normality of residuals were met. There is independence of residuals, as assessed by a Durbin-Watson statistic of 1.910. A linear relationship exists between the dependent and independent variables collectively, as well as between the dependent variable and each of independent variables. There is homoscedasticity, as assessed by visual inspection of a plot of studentized residuals, versus unstandardized predicted values. In order to satisfy the assumption of non-existence of unusual points, some of the cases that had larger than desired leverage value were deleted. The values of the both measures of multicollinearity (Tolerance and VIF) support the analysis indicating no presence of multicollinearity. Presented in Table 3, it could be stressed that all tolerance values are greater than 0.1 (the lowest is 0.288). A variance inflation factor (VIF) greater than 10 is usually considered problematic, in this respect the highest in the table is 3.468 which is in compliance to the set scales. The errors in prediction (i.e. the residuals) are normally distributed.

Table 3. Collinearity statistics

Independent variables	Collinearity Statistics	
	Tolerance	VIF
Age	.912	1.096
Education level	.748	1.337
Management position	.859	1.164
The ability to perceive and understand emotions	.274	3.644

The ability to express emotions	.348	2.874
The ability to manage emotions	.288	3.468

Dependent

Variable: Transformational leadership style

Source: Authors' analysis

The full model of control variables (age, education level and management position) and emotional intelligence competences as predictors of transformational leadership style (Model 2) is statistically significant, R2 = .430, F(6, 65) = 8.174, p < .001; adjusted R2 = .377. The addition of emotional intelligence competences to prediction transformational leadership style (Model 2) led to a statistically significant increase in R2 of .342, F(3, 65) = 13.020, p < .001. Furthermore he model that includes only the control variables (age, education level, management position) explains only 8.8% of the variations in the dependent variable. By adding the three variables related to emotional intelligence competences, the explanatory power of the model rises up to 43%.

All four variables have made a statistically significantly contribution to the prediction, p < .05. Regression coefficients and standard errors are presented in Table 4.

Table 4. Results from hierarchical regression

VARIABLE	Model 1		Model 2	
	B	β	B	β
Constant	31.389		2.558	
Age	3.219	.220***	2.715	.185***
Education level	3.560	.259**	.841	.061
Management position	.003	.000	-1.360	-.100
The ability to perceive and understand emotions			.488	.500*
The ability to express emotions			-.232	-.233
The ability to manage emotions			.272	.324***
R2	.088		.430	
F	2.175***		8.174*	
ΔR2	.088		.342	
ΔF	2.175***		13.020*	

Source: Authors' analysis

Following up on the discussion related to the relationship between the dependent and each of independent variables, according to Model 1, which includes only control variables, two variables indicate a statistically significant impact on the transformational leadership style: age and education. The findings suggests that the transformation leadership style is more emphasized at managers aged over 30 years, in comparison to managers aged up to 30 years, i.e. older managers are more likely to act as a transformational leaders. Managers with an university degree and master degree are also more likely to use transformational leadership than mangers with no degree.

In the second model as it was mentioned, three latent variables are added: the ability to perceive and understand emotions, the ability to express emotions, and the ability to manage emotions. By adding these three new variables, the association between age and educational level and transformational leadership style fades. The effect of educational levels becomes statistically insignificant, whilst the effect of manager's age remain statistically significant with a similar strength. What is more importantly, two out of three dimensions of emotional intelligence have positive impact on transformational leadership: the ability to perceive and understand emotions and the ability to manage emotions This means that managers with a higher ability to perceive and understand emotions and the ability to manage emotions tend to be more oriented towards transformational leaders.

These results confirm hypothesis 1, and 3. In other words, according to the results from the hierarchical regression, the two variables related to emotional intelligence – the ability to perceive and understand emotions and the ability to manage emotions – have a positive impact on transformational leadership style. On the other hand, the main hypothesis is not fully supported, but since the addition of emotional intelligence competences to the prediction of transformational leadership style led to a statistically significant increase in variance of transformational leadership, i.e. emotional intelligence competences explain a pretty high 34.2% of the variability of transformational leadership style, we can conclude that emotional intelligence of leaders positively influences transformational leadership style.

Considering the survey results of this paper it clearly aligns with the majority of the literature in the field of leadership and emotional intelligence. The results are almost unanimous in respect to the relationship between these two variables (Mandell and Pherwani, 2003; Hartsfield, 2003; Ashkanasy and Tse, 2000; Sosik and Megerian, 1999; Caruso et al., 2002; Goleman, Boyatzis and McKee, 2002; Sosik and Megerian, 1999; Zaccaro et al., 2004). Differences exist due to the expressing and measurement emotional intelligence. From the countless number of leadership styles transformational leadership could be considered to be the closest with emotional intelligence. Studies show that there is a correlation between emotional intelligence and transformational leadership. Transformation leaders create a vision, communicate the vision and successfully build a commitment to the vision of followers. These leaders motivate and inspire followers to work on common goals, paying special attention to achieving and development considering the needs of followers, assessing themselves to be self-conscious and able to manage their own emotions.

VI. CONCLUSION

The research empirically evaluates leadership behavior and explores the determinants of leadership styles of managers in the specific economic and cultural settings, as it is the case of the Republic of Macedonia. Discussion evolves around the characteristic of leadership behavior in Macedonia, taking into perspective transformational and transactional leaders. Furthermore as a part of the objectives of this paper is also emotional intelligence in light of transformational leadership or more precisely the relationships that are occurring between these two dimensions.

Taking into consideration the first research questions results indicate that leaders in Macedonian companies show higher affection towards transformational leadership and its generally accepted values of orientation to people and their support in the organization. Simultaneously managers present a great dedication towards the job requirements, as being content with standard performance, meaning they exhibit a strong discipline towards work. Considering the second research question results suggest that the ability to perceive and understand emotion and the ability to manage emotions have a positive impact on transformational leadership style. Although the main hypothesis is not fully supported (the ability to express emotions fails to predict the transformation leadership), since the overall emotional intelligence competences explain a high percent of the variability of transformational leadership style, we can conclude that emotional intelligence of leaders positively influence transformational leadership style.

Also we can conclude that we have succeeded in our aim to generalize the idea for positive relationship between the emotional intelligence and transformational leadership by confirming the applicability of the model that examines this relationship in the specific economic and cultural settings, as it is the case of the Republic of Macedonia.

VII. LIMITATIONS OF THE RESEARCH

One of the limitations of research lies in the questionnaire's bias. Using only the self-rating as a way to measure leadership styles rather than actual leadership effectiveness there may exist a difference among leadership style reported and actually practiced. Similarly, measuring emotional intelligence, the research has used self-report measures whereas trait-based measures generally rely on participants self-reporting their levels of emotional intelligence. Ability-based measures require participants to engage in tasks that assess emotional intelligence based on performance (Mayer, Salovey, and Caruso, 2004).

Future research

As a field for further research should be considered the assessment of effectiveness considering different leadership styles. Maybe in different cultures, the effective leadership may not be the same. Also cross-cultural research of relationship between emotional intelligence and transformational leadership would potentially provide more valuable insights in the theory and practice of emotional intelligence and leadership behavior styles.

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