LEADERSHIP STYLE, EMOTIONAL INTELLIGENCE AND INNOVATIVE WORK BEHAVIOUR IN MICROFINANCE INSTITUTIONS IN KENYA

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A THESIS SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF DOCTOR OF PHILOSOPHY OF THE DEPARTMENT OF MANAGEMENT SCIENCE, MOI UNIVERSITY

JUNE, 2016

DECLARATION

Declaration by the Candidate

This thesis is my original work and has not been presented for a degree in any other University. No part of this thesis may be reproduced without prior written permission of the author and / or Moi University.

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DEDICATION

This thesis is dedicated to my father Ezekiel Soimo, my beloved wife Christine Bii, and my children Chebet, Cherop, Emmanuel and Cherono.

ACKNOWLEDGEMENTS

My deepest appreciation goes to my Supervisors: Prof. Daniel Tarus and Dr. Charles Lagat whose guidance inspired the writing of this thesis. Their invaluable criticisms, corrections and suggestions raised the bar for this thesis. Gratitude to Moi University for giving me the opportunity to undertake my studies. To my family; Christine Bii, Mercy Chebet, Valarie Cherop , Emanuel Kipruto, Sharleen Cherono and My Father Ezekiel Soimo: As I struggled and complained you supported and listened. As I became overwhelmed you lifted my spirits with love, thanks a lot. Finally and most importantly, I thank God for guiding me through this portion of my life. It always felt hardest when I thought I could do it alone. But when I prayed and listened with my heart, God allowed me to find the purpose and joy in the preparation of this thesis.

ABSTRACT

Emotional intelligence is a person's ability to recognize personal feelings and those of others and to manage their emotions. Despite the extensive research on the emotional intelligence and innovative work behavior, little has been done on the mediating effect of leadership styles in microfinance institutions. Studies on the effect of emotional intelligence and innovative work behavior have borne contradictory results. The purpose of this study is to determine the mediating effect of leadership styles on the relationship between manager's emotional intelligence and innovative work behaviour. The specific objectives were: to determine the effect of; emotional intelligence on innovative work behavior, emotional intelligence on transformational leadership style, transformational leadership style on innovative work behavior, emotional intelligence on transactional leadership style, transactional leadership style on innovative work behaviour, and to establish the mediating effect of transformational and transactional leadership style on the relationship between emotional intelligence and innovative work behavior. The study was based on three theories namely; Kirton adaptive innovation theory, emotional intelligence leadership theory, and the full range theory of leadership. The study employed cross-sectional survey design. Questionnaires were used to collect data from 155 branch managers and 465 support staff. Data was analyzed using both descriptive and inferential statistics. Hierarchical regression analysis was used to test the hypotheses. The study found positive and significant relationship between emotional intelligence and innovative work behavior, emotional intelligence and transformational leadership as well as transformational leadership style and innovative work behavior. A negative and significant relationship was found between emotional intelligence and transactional leadership style. It was also established that transactional leadership style negatively and significantly affects innovative work behavior. The results also indicated that transformational leadership style mediates the relationship between emotional intelligence and innovative work behavior while transactional leadership style had partial mediating effect. The results provide evidence on new theoretical insight into factors affecting innovative work behaviour by incorporating leadership style as intermediary that strengthen innovative behaviors. This study recommends that microfinance institutions should consider engaging transformational leaders. Policy makers should provide measures of incorporating and building transformational leadership style, emotional intelligence and innovative work behavior to gain competitive advantage and provide innovative solutions in dynamic business environment.

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OPERATIONAL DEFINITION OF TERMS

Emotional Intelligence: This is the ability to perceive, integrate, facilitate thought, understand, and to regulate emotions that promote personal growth (Salovey and Mayer, 1990).

Leadership Style: This is the general manner in which leadership is practiced (Bass and Avolio, 1997).

Transactional Leadership: This is a leadership style based on traditional bureaucratic authority and legitimacy involving enticing subordinates to perform and thereby achieve desired outcomes by promising rewards and benefits for the accomplishment of tasks (Bass and Avolio, 1987).

Transformational Leadership: This is the process of influencing major changes in attitudes and assumptions of organizational members and building commitment for the organizations' mission and vision (Bass and Avolio, 1987).

Laissez-faire Leadership: Passive leadership style that evades identifying, clarifying potential problem areas, getting involved or setting standards and does not monitor for results (Bass and Avolio, 1987).

Rater/Support Staff: This is the person working directly under the manager of the MFI for a period long enough (at least three years) to be able to rate the manager's emotional intelligence, leadership style and innovative work behaviour.

Innovative Work Behavior (IWB): Manager's action directed at the generation, application and implementation of novelty ideas, products, processes, and methods to his or her job position, departmental unit, or organization (Jessen, 2000).

Innovation: Is the first time use of an invention for commercial purposes (Aghaei and Fishani, 1999).

LIST OF ABBREVIATIONS

EI	Emotional Intelligence
EQ-i	Emotional Intelligence Quotient
IQ	Intelligence Quotient
ECP	Emotional Competency Profiler
MLQ	Multi-factor Leadership Questionnaire
SPSS	Statistical Package for Social Sciences
ANOVA	Analysis of Variance
TF	Transformational Leadership style
LF	Laissez-Faire Leadership style
IA	Idealized Attributes
IB	Idealized Behaviour
IM	Inspirational Motivation
IS	Intellectual Stimulation
IC	Individualized Consideration
CR	Contingent Reward
MBE (A)	Management-By-Exception-Active
MBE (P)	Management-By-Exception-Passive
EL	Emotional Literacy
SE	Self Esteem
SMG	Self-Management
SM	Self-Motivation
CHR	Change Resilience
IR	Interpersonal Relations
IHH	Integration of Head and Heart

MFI	Microfinance Institution
CBK	Central Bank of Kenya
GOK	Government of Kenya
MSEIT	Mayer Salovey Emotional Intelligence Test
IWB	Innovative Work Behaviour

CHAPTER ONE

INTRODUCTION

1.0 Overview

This chapter presents the background of the study, statement of the research problem, purpose of the study, objectives, research hypotheses, and scope of the study and significance of the study.

1.1 Background of the Study

Research on innovative work behavior and emotional intelligence has recently received increased attention. Innovative work behaviour is defined as the intentional creation, introduction and application of new ideas within a work environment, group or organization, in order to benefit role performance, the group, or the organization (West and Farr, 2006). Innovative work behaviour is crucial for managers because it enables them to try new things, innovate new ways of working and improve business processes.

Innovative work behavior of employees is of great significance to organizational effectiveness and survival (Oldham and Cummings, 1996; Shalley, 1995; Scott and Bruce, 1998; Woodman, Sawyer, and Griffin, 1993). Employees implement innovative activities (Amabile, 1997). Identifying how management can affect the innovative behaviors of these employees holds the promise of gaining a competitive edge.

Emotional intelligence on the other hand is defined as the ability to monitor one's own and others' feelings and emotions, discriminate among them and use this information to guide one's thinking and actions (Salovey and Mayer, 1990). Emotional intelligence is an array of emotional and social abilities, competencies, and

skills that enable individuals to cope with daily demands and be more effective in their personal and social life (Bar-on, 2003). The feeling and attitudes of individual managers translate into behavioral patterns which include motivations behaviours, conduct and values as well as propensity to learn. Emotional intelligence relates to the ability to innovate, be creative, adaptable and versatile. Mouritsen, (2001) posits that an organization must have an innovative attitude towards its employees and never expect individual employees to bring creativity. Kaur *et al.* (2015) further argues that emotional intelligence influence work related outcome (caring behavior and its dimensions) of employees.

Present day business are characterized by increasingly vibrant markets, caused by changes in the nature of competition and an ever-growing need to attain a comprehensive appreciation of customer needs (Bhardwaj and Deepali, 2007). Globalization of microfinance services and the appearance of new lending methods are as a result of technological developments. The loosening of administrative and monetary interventions has led to stronger competition and the risk of reducing market shares for microfinance institution.

Weinberger (2004) suggested that human resources should have a set of attributes and values that can be on hire in exchange for a value. Bontis *et al.,* (1999) emphasized the importance of human uniqueness to initiate change within the organization through innovativeness elements and suggesting key aspects to organizational survival through the impact of creativity.

Tarus and Sitienei (2015) argue that there is a strong connection between human capital and innovative capabilities because innovation depends on the level of competence embedded in individual employee. In this case, when the employees

of microfinance institution are aligned with one another, they tend to be more open with one another, exchange ideas, transfer information, share knowledge and hence creating new ideas. Kamukama (2013) in a study of service quality in microfinance institutions in Uganda found that a strong human capital base is a source of high value services. Further argued that individual with high innovative skills, Knowledge and experience are capable to influence superior service

The environment in which managers operate place higher demands on their ability to understand and manage the impact of emotions and related behaviour in terms of organizational success (Martin, 2005). In recent years, the relationship between innovation and emotional intelligence on strategic decision-making has increased as a result of the dynamic changes in the global world of microfinance. Managers as decision makers play a crucial role which enhances their need for emotional intelligence and innovative work behaviour which together help them to make prudent decisions.

The focus of leader development is therefore increasingly shifting to the enhancement of leader attributes such as self-management, self-motivation, healthy self-esteem, and the capacity for interrelating emotionally with others in specific socio-cultural contexts (Coetzee *et al.,* 2005). Govindarajan and Trimble (2005) argue that emotional intelligence has great impact on the ability to innovate and develop new ways of doing business.

A newly competitive environment is developing in microfinance industry. The terms of businesses is altering rapidly and business process focus from donor funded and poverty alleviation to profit making organizations which requires innovations to survive (Helms, 2006). Over decades microfinance has grown to become one of the

major development programmes in the world both in the number of clients and the financial input it receives (Van Rooyen *et al.,* 2012). Microfinance improves access to financial services to individuals, micro, small and medium enterprises provide employment and hence stimulating economic development of the developing countries (Duvendack *et al.,* 2012).

Institution of microfinance have participated in the collection and banking of cash that was considered unbankable by the traditional financial institutions (Morvant – Roux, *et al.,* 2014). Furthermore studies indicate that 2.5 billion people below poverty level globally are not included in the banking system and therefore still not adequately serve by formal financial services and majority are from the developing countries (Demirguc- Kunt and Klapper, 2012). Innovative work behavior in microfinance industry is capable of creating new attitudes and self-perceptions as well as new systems and traditions, which in turn, can stimulate independence, confidence, reliance and empowerment amongst the employee (Goldberg, 1998).

There has been a growing interest with regard to emotional intelligence and organizations are always searching for ways in which to develop a competitive advantage in the workplace through increased attention to people's emotions and innovative work behaviour. Emotional intelligence is linked to leadership that ensures organization achievement is propagated to the top level. Bass (1997) argued that studies of leadership has positive influence on a range of variables such as labor productivity, job satisfaction, and loyalty to the organization and lower stress levels.

There is a need to invest in human capital and skills to coordinate those people with leadership roles in the organization, as they are key elements to the success of a business. Motivation of employees to innovate in knowledge-based has found

increasing interest in discovering ways to persuade employees at individual levels to display creative behaviors through leadership (Podsakoff *et al.,* 2003). Some leaders have the ability to manage and convince people that their vision of doing things is the right one and are followed unconditionally. From this perspective leaders are interested in both the objective and the "spirit" of people acting to achieve that objective.

The quest for innovative work behavior in the MFI industry is not debatable because of the high levels need in innovativeness for a company's survival, effective performance and strengthens competitive advantage. The development of new knowledge, derived from innovative activities, reduces the likelihood that a firm's competencies becoming outdated, enabling the capabilities to remain dynamic and thus favoring improvement in performance (Argyris and Schön, 1996).

Although a couple of studies on emotional intelligence and its outcomes have been reported in the literature (Anand and UdayaSuriyan 2010; Goleman, 2007; Humphrey, 2002; Cherniss, 2001) focus has been on developed countries and in formal banking sector because of the belief that microfinance finance in the developing economies have no significant innovative capabilities. However, going as per the developments and the roles microfinance institution plays in Kenya gross domestic product, it is apparent that developing economies have secured a place in innovativeness. Therefore, replication of these studies in developing economies like Kenya microfinance contributes to the literature because replication studies using different samples help in moving the theory forward (Angle *et al.,* 2006).

It is from this deliberation that emotional intelligence is not debatable as an important concept in microfinance institution. Therefore investment in its construct which give

rise to leadership styles that in turn influence innovative work behavior in microfinance institution.

1.2 Microfinance in Kenya

Microfinance is defined as provision of financial services and non-financial services to low-income households and medium and small enterprises in both rural and urban areas, which are excluded from the traditional banking system, and use a wider variety of assets as collateral (Bos *et al*, 2015; Newman *et al.,* 2014; Duvendack, *et al.,* 2012; Helms, 2006).

The birth of microfinance institutions dates back to 1970s and their main goal was the alleviation of poverty and consisted of nongovernmental organizations, specialized microfinance banks and public sector banks (Robinson, 2001). In the 1980s, microfinance institution transformed to formal banks and was able to mobilize savings for lending to clients. This provided a turning point in the history of microfinance institutions with Grameen Bank of Bangladesh and Bank Rakyat of Indonesia began to provide small loans and saving services profitably (Robinson, 2001).

In the 1990s Kenyan microfinance institutions receive accelerated growth and were transformed to formal banks that were able to mobilize saving and lend them to their clients, this included banks like K-REP bank, Kenya women finance trust and Equity bank. The Non-Governmental Organization also provides microfinances' services, which spread all over Kenya from the 1980s. This category was innovative and they pioneered the banking techniques, solidarity lending, village banking and mobile banking. These NGOS have fragile governance structures, which may not cater for the needs of the clients or the customers. There were 24 larger microfinance institutions

in Kenya, which provided 2.1 billion US dollars to approximate 2.5 million active borrowers in 2015 (World Bank, 2015).

The Microfinance sector in Kenya is regulated by the Central Bank of Kenya (CBK) Act Cap 491 and the Microfinance Act 2006;2008. These Acts are intended primarily to facilitate the development and maintenance of a sound monetary policy. The industry comprises of financial institutions, among them microfinance institutions. Others are either non-bank financial institutions or mortgage finance companies.

According to the Microfinance Directory (2015) Kenya has a well-developed microfinance system. The interest by the Central Bank in the Microfinance institution is to promote access to the financial system by a wider segment of the Kenyan population. The Microfinance sector plays an important role of offering financial services to the low-income households and micro and small enterprises. The microfinance has enormous potential to support the economic activities of the poor and therefore contributing to poverty alleviation. Owing to the importance of savings and credit facilities, there is considerable emphasis on the sound development of microfinance institutions as vital ingredients for investment, poverty alleviation strategy, employment and economic growth.

The microfinance revolution in Kenya has led to the creation of group leading models, commercial microfinance institutions and the individual lending approach. This sector has increased access of financial services for the individual and small and medium enterprises resulting in employment and investment (Feigenberg and Pande, 2013). Microfinance innovation is viewed as the discovery of a new market of poor people for financial services as well as new ways to address the financing needs in the new market. Micro savings, micro-insurance and systems for money transfer are available

for the poor throughout the world, with international banks involved in one way or another in microfinance activities (Reille *et al.,* 2009)

Microfinance has taken lead in the innovation process particularly with the proliferation of information technology. It has been on the forefront in innovations particularly in the use of information technology in the money transfers (Moraa, *et al.,* 2012). The industry has adopted the "M-PESA" technology to transfer, receive payment, deposit, send, and withdraw funds using their mobile phone (Ngugi *et al.,* 2010).

Microfinance is one of the means to create sustainable ways of resolving leading problems to poor households with the aim to reduce poverty and gender inequality (Feigenberg and Pande, 2013). Microfinance has developed innovative ways that reduce transaction cost and problem solving mechanisms of contract enforcement (Ghatak, 1999; Basley and Coate, 1995).

Competition for survival and growth within the industry is extremely intense (Helms, 2006). The microfinance industry in Kenya has been dogged by many issues. Firstly, the general public has distrusted the industry of exploitation. Secondly, the industry lacks product diversification. Thirdly, there is competition for clients and problems in collection of saving and loans. Fourthly poor and declining economy, changes in the regulatory environment and a fluid and volatile political environment.

Microfinance institutions have been transforming into profit seeking institutions and have achieved greater strength, sustainability and market reach. The microfinance institution compete on all fronts that include the use of new technology, new products development and pricing strategies; there exists differences in the levels of creativity and customer satisfaction provided in each of the microfinance institutions. One can

easily differentiate them from the levels of customer service delivery, improvements in customer handling as well as creative product generation which results in competitive advantage.

1.3 Statement of the Problem

In today's global market, firms are under pressure to survive and so they are required to be ahead of the competition. Business is deemed competitive when there is constant innovation. Organizations must be flexible to acquire all that is new and try to cope with the changes that occur to enhance their capabilities to compete effectively in the market (Zhou and George, 2003).

Janssen (2000) argue that the ability to continuously innovate and improve products, services and work processes is crucial for organizations. One way of achieving this is by constantly innovating products and services (Parr *et al.,* 2013). Janssen (2000) further argued that the manager's ability to innovate largely depends on his/her innovative work behavior. Innovative work behavior was developed as a framework for analyzing innovative behaviors of managers. Studies have linked innovative work behavior to emotional intelligence.

However a review of extant literature shows mixed results on the relationship between emotional intelligence and innovative work behavior. Studies have shown that emotional intelligence has a positive and significant effect on innovation in entrepreneurial firms (Piperopoulus, 2010; Zampetakis *et al.,* 2009; Ayiro, 2009; Baron, 2008; Slaski and Cartwrigt, 2003; Zhou and George 2003; Wong and Law, 2002; Goleman, 1998) showed that emotional intelligence had no relationship with innovative work behavior.

Theory of transformational leadership has emphasized stimulating innovation as a core leadership function, (Conger *et al.,* 1999; Bass, 1990). However, the empirical evidence for the roles of emotional intelligence in engendering innovative behavior is inconsistent (Piperopoulus, 2010; Ayiro, 2009; Zampetakis *et al.,* 2009; Baron, 2008; Zhou and George, 2003; Basu and Green, 1997). These contradictory findings suggest that understanding of the relationship between emotional intelligence and innovative work behavior may benefit from the identification of transformational and transactional leadership as mediator variable on which these relationships are contingent and helps to predict and understand when these relationships would be positive or negative.

This study further answer, Zhou and George (2013) who suggested that, little is known about why some managers naturally exhibit innovative work behaviors while other leaders fail to do so. Allen *et al.,* (2012) and Rego *et al.,* (2007) suggested the need to examine mediating role of leadership style on the relationship between emotional intelligence and innovative work behavior. Furthermore Van Knippenberg and Sitkin (2013) propose that transformational leadership influence different outcomes via different mediators and in different ways, and thus recommended replication.

Kenya is one of the leading countries in innovation; however there is lack of appreciation on the innovative capabilities. This study therefore sought to determine whether there is a mediating effect of leadership styles on the relationship between emotional intelligence and innovative work behavior in microfinance institutions in Kenya.

1.4 General Objective

The purpose of this study was to determine the mediating effect of leadership styles on the relationship between emotional intelligence and innovative work behavior.

1.4.1 Specific Objectives

The study was guided by the following specific objectives:

i. To determine the effect of emotional intelligence on innovative work behaviour
ii. To evaluate the effect of emotional intelligence on transformational leadership style
iii. To assess the effect of transformational leadership style on innovative work behaviour
iv. To examine the effect of emotional intelligence on transactional leadership style
v. To establish the effect of transactional leadership style on innovative work behaviour
vi. To establish the mediating effect of transformational leadership style on the relationship between emotional intelligence and innovative work behaviour
vii. To determine the mediating effect of transactional leadership style on the relationship between emotional intelligence and innovative work behavior.

1.5 Hypotheses

The following hypotheses were tested:

H_{01}: Emotional intelligence has no significant effect on innovative work behaviour.

H_{02}: Emotional intelligence has no significant effect on transformational leadership style.

H_{03}: Transformational leadership style has no significant effect on innovative work behaviour.

H_{04}: Emotional intelligence has no significant effect on transactional leadership style.

H_{05}: Transactional leadership style has no significant effect on innovative work behaviour.

H_{06}: Transformational leadership style does not significantly mediate the relationship between emotional intelligence and innovative work behaviour.

H_{07}: Transactional leadership style does not significantly mediate the relationship between emotional intelligence and innovative work behaviour.

1.6 Significance of the Study

The findings of this research is important to management of microfinance institutions who will find vital direction when making decisions related to recruitment and selection. These institutions should consider emotional intelligence when selecting and recruiting staff as the results suggest that emotional intelligence enhance innovativeness of the employees.

Of equal importance was the value of information content of the research finding to the development of policy and practice to microfinance institutions, consultants, researchers and regulatory bodies like Federation of Kenya employers. The investors and managers in microfinance will find the study informative in their quest to have insight into emotional intelligence behaviors with special attention to the effect of transformational and transactional leadership style, that provide improved innovative behaviors, which will enable competitiveness in microfinance products and financial services.

The scholars will benefit from this research as a source of literature in innovative work behaviour, leadership styles and emotional intelligence. The study has provided new insights of linking emotional intelligence and leadership under the emotional intelligence leadership theory. The results found emotional intelligence has positive and significant effect on innovative work behavior, via transformational leadership style, this discovery endorses the functionality of transformational leadership theory that emphasize emotions, values, and the importance of leadership orientations to encouraging creativity in employees.

The government will benefit from this study in that the recommendations may help the various ministries to develop a clear policy on building management capacity, product development, and innovation. The study outcomes will also be relevant to managerial competencies; provision of knowledge and skills. The finding further indicated that emotional intelligence; transformational and transactional leadership styles influence innovative work behavior in microfinance institution. This is sufficient enough to emphasize the importance of the above concept in financial sector in Kenya.

This study is amongst the first to discover the mediating role played by transformational leadership in the Kenyan context, the results of this study will certainly add and strengthen the body of knowledge by providing empirically tested arguments on concepts of leadership, emotional intelligence and innovative work behaviour to scholars and practitioners. The knowledge will further be used to formulate policies as well as stimulating further research that promote management competency in microfinance industry.

1.7 Scope of the Study

The study covered eight hundred and forty seven branch managers and support staff of microfinance institutions in Kenya who have been in service for a minimum of three years. This study was based upon the philosophical and methodological foundations of logical positivism. A logical positivist researcher deduces and formulates variables, hypotheses and operationalizes definitions based on existing theory (Durgee, 1984). The geographical scope of the study was Kenya. Kenya is found in Eastern Africa and it is bordered by Uganda to the west, Ethiopia to the north, and Tanzania to the south and Somalia to the east. Also, to the east Kenya borders the Indian Ocean, between Somalia and Tanzania. The geographic coordinates of Kenya are 1 00 N, 38 00 E. Conceptually emotional intelligence was taken as the independent variable, leadership style the mediator variable, and innovative work behaviour the dependent variables. The theoretical scope had the emotionally intelligent leadership, full range leadership, and the innovative diffusion theory underpinning the study variables of interest.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter presents the theories that inform the study, and description of the concept of emotional intelligence, innovative work behavior and leadership style. It further addresses link between variables. A conceptual framework was provided at the end of the chapter.

2.1 Theoretical Perspectives

Three theories were used to underpin the study. They are: Kriton adaptive-innovative theory, the emotionally intelligent leadership theory, and full range theory of leadership.

2.1.1 Kirton Adaption Innovation Theory

The Kirton (1976) adaption-innovation theory postulates that all people are creative, problem solvers and decision makers, but the magnitude varies along the continuum ranging from adoptive behavior to innovative behavior. Hutchinson and Skinner (2007) stated that adoption is a bipolar construct that defines each person's preferred approach to creativity and problem solving. Kriton (1976) developed the adaption theory that was aimed at explaining the differences in creativity and problem solving. The theory is suitable to various settings and has been appropriated in various avenues ranging from scholars, practioners and consultants in such areas as: managing change, team building, management development, management education, counseling, assessment, selection and consumer behaviour (Jablokow and Booth, 2006). Kirton (1976) observed that the theory would assist in managing diversity, cognitive gap and change. The theory is linked to innovative work behaviour, which labels creativity,

applicability and implementation as the pillars of innovativeness. Kwang *et al.,* (2005) hypothesized and confirmed that adoption theory correctly predict an individual‘s creativity and the concern with style and how people solved problems. Studies have utilized and confirmed the relevance of Kriton’s adaption theory (Kwang *et al.,* 2005; Kubes, 1998; Tullet, 1995; Taylor, 1989).

In this study, innovative work behavior was the dependent variable and this was underpinned by the Kriton’s adaption theory (1976). The theory has been used severally in extant literature in various contexts to understand the innovativeness of individuals (Kwang *et al.,* 2005).

Kirton (1976) postulates that innovators as seemingly undisciplined, approaching tasks from unsuspected angles, treating accepted means with little regard in pursuit of goals, capable of detailed tasks only in short bursts, providing the dynamics to bring about periodic revolutionary change, and having low self-doubt when generating ideas.

2.1.2 Full Range Theory of Leadership

This theory was developed by (Bass and Avolio, 198). This theory is also referred to as transformational-transactional leadership theory. Bass (1998) described this theory as a full range model of leader behaviour (Avolio *et al.,* 1999; Bass, 1998;). The full range leadership theory postulates five transformational postulates; idealized influence, idealized behavior, inspirational motivation, individualized consideration, intellectual stimulation and three transactional factors; management by exception passive/active and contingent reward. The third postulate of transactional is laisser-faire which represents the absence of leadership known as laissez-faire (Bass, 1997).

The dimensions of transformational leadership are characterized by a high leadership efficacy and an intensive activity of the leader (Judge and Piccolo, 2004). Inspirational motivation describes leader behavior which is based on an optimistic and enthusiastic way of communicating a vision to the followers. The job to be done should not be felt as an obligation but as a challenge. Idealized influence refers to the degree to which followers attribute positive traits also known as charisma to their leader. This represents a set of leadership behaviors which is based on high ethical standards in combination with a distinct achievement motive. Intellectual stimulation involves leaders stimulating their followers' effort to be innovative and creative by questioning assumptions, reframing problems and approaching old situations in new ways (Bass and Avolio, 2000). If followers make mistakes during the creative process of solving problems, they are not criticized in front of their colleagues (Bass and Riggio, 2006). Individualized consideration means promoting the followers career development and meeting their individual needs. Many empirical studies have concluded that transformational leadership correlates with leadership efficacy and follower satisfaction (Judge and Piccolo, 2004; House *et al.,* 1991).

Drawing from transformational theory, these leaders stimulate follower innovative behavior through expressing an inspiring vision, stimulating followers to question the status quo, and allow individual development and growth (Basu and Green, 1997). This leadership style of the manager has been prominent in promoting innovative work behavior among subordinates (Janssen, 2002; Mumford, Scott, Gaddis, and Strange, 2002; Bass and Avolio, 1990; Sosik *et al.,* 1999).

Moreover, transformational leadership has been argued to entail aligning followers' needs and desires with the interests of the organization Bass (1999), which also

promote going the extra mile needed for innovative work behavior. Transformational leaders who are also referred to as change leaders encourage the workers to consider the major hypotheses and problem solving with a new point of view. This makes the workers think beyond their personal benefits and pay more attention to innovativeness.

For transactional postulates contingent reward is theoretically the most effective. It describes a more or less implicit contract between leader and follower as in exchange for the work done by the follower, the leader promises a reward. Active management-by-exception is the label of leadership behavior which is shown by leaders who interfere only to prevent failure of their followers or to avert deviations from designated standards. In contrast, management-by-exception passive describes leaders who intervene after mistakes have occurred to limit possible damage (Rowold, 2005). Transactional leadership can be argued to negatively relate to innovative behavior because it focuses more on in-role performance and less on the stimulation of novel activities. This style is relevant where innovation is an explicit part of the job description.

2.1.3 Emotionally Intelligent Leadership Theory

This integrative and process-oriented theory was propounded by (Boyer, 1990). The foundation for emotionally intelligent leadership theory is based on the blending of two critical constructs, emotional intelligence and leadership. These two constructs form a new construct termed emotional intelligent leadership. The theory views leadership as dynamic and contingent upon three primary factors which interact in meaningful ways: context, self and others. These factors and capacities stem from both emotional intelligence and leadership constructs. Emotionally intelligent leadership theory postulates that these capacities influence an individual's ability to

diagnose leadership challenges, identify an appropriate course of action and to intervene as necessary to facilitate desired outcomes (Allen, 2012).

The ability to monitor one's own emotions while being aware of the emotional reactions and dynamics in others is a core element of emotional intelligence and emotionally intelligent leadership theory. This theory, states that initiative, and change agent are some of the capacities of leadership. These two capacities uphold that leadership and innovative work behavior are related.

Intentional and deliberate choice of action is a key postulate of emotionally intelligent leadership theory. This theory advocates the process of demonstrating leadership. According to Allen (2012) defaults are "the behaviors in which people naturally engage in many different situations that have worked for them in the past. The theory therefore asserts that skillful intervention involves choosing to respond in a carefully designed manner to positively impact a situation. By doing so, emotionally intelligent leadership theory proposes that an individual will be more likely to intervene in an intentional manner yielding a better chance for successful innovative work behavior. This in effect points at emotional intelligence as the antecedent variable to leadership style and hence this study pre-supposed leadership style as the mediator in the emotional intelligence-innovative work behavior relationship.

2.2 The Concept of Emotional Intelligence

Thorndike (1920) was the first scholar to come up with the theory of emotional intelligence that indicated beliefs of different types of intelligence. The first of this branch was abstract intelligence which was measured using IQ tests. The second branch is concrete intelligence that is used in understanding and manipulating objects and shapes. The third branch social intelligence which was identified as "the ability

to understand and relate to people. This third branch is currently referred to as emotional intelligence.

Emotional intelligence was introduced in the published scholarly work by (Salovey and Mayer, 1990). It was conceptualized in the form of social intelligence that indicates the ability to monitor individuals, others feelings and emotions, to discriminate among them and to utilize this information to guide one's thinking and action.

Emotional intelligence is the ability to perceive emotions, integrate emotions to facilitate thought, understand emotions, and to regulate emotions to promote personal growth (Mayer and Salovey, 1997). It is the capacity of a person to identify his/her emotions that enable him/her to become sensitive to those that he/she perceives from the environment and the circle of people he/she interacts with (Khokhar and Kush, 2009).

Emotional intelligence is the ability to accurately identify and understand one's own reactions and those of others. They subdivided these concepts of emotional intelligence to four categories. The first of this category, perceiving emotions, involves inputting verbal and nonverbal information from the emotional system. The second category involves using emotions as part of cognitive processes. While the third category entails understanding emotions, which involves cognitive and feeling for others. The fourth, managing emotions, concerns the regulation of emotions in oneself and others (Mayer *et al.,* 1998 and Salvoy *et al.,* 1997).

The first comprehensive scale for assessing emotional intelligence was the multifactor emotional intelligence scale refined and developed by (Salovey *et al.,* 2003, 1999, and

1998). This was a performance measure, which requires the participant to complete tasks associated with emotional intelligence.

Emotional intelligence is being concerned effectively with oneself and others, relating well to people, adapting to and copying up with the immediate surroundings (Mayer *et al.,* 1998 Bar-On, 2010). Bar-On and Goleman (2000) developed emotional intelligence model on mixed intelligence consisting of cognitive ability and personality aspects and this emphasized on how cognitive and personality factors influence general well-being. The model uses the self-report measures of emotional intelligence and it is measured using several questions items namely the emotion quotient inventory (EQ-i), the emotional competency Inventory (ECI), the emotional intelligence appraisal (EIA), and the work profile questionnaire-emotional intelligence version (WPQ).

Bar-On's (2002) model of emotional intelligence relates to the potential for performance and success which is process-oriented rather than outcome-oriented. It focuses on an array of emotional and social abilities. These abilities includes the ability to be aware of oneself, understand and express oneself, understand and relate to others, and the ability to deal with strong emotions, the ability to adapt to change and solve problems of a social or personal nature (Bar-On, 1997). The model outlines five components of emotional intelligence namely; intrapersonal, interpersonal, adaptability, stress management, and general mood. Bar-On (2002) posits that emotional intelligence develops over time and that it can be improved through training and therapy.

Mayer *et al.,* (2000) hypothesized that those individuals with higher than average emotional quotient are more successful in meeting environmental demands and

pressures. He views emotional intelligence as competency expected to augment positive attitudes towards work and drive positive behaviours and better outcomes. He also noted that a deficiency in emotional intelligence can mean a lack of success and the existence of emotional problems. Problems in coping with one's environment is thought by Mayer and Salovey (1997) to be especially common among those individuals lacking in the subscales of reality testing, problem solving, stress tolerance, and impulse control. Bar-On (2002) considers emotional intelligence and cognitive intelligence to contribute equally to a person's general intelligence which then offers an indication of one's potential to succeed in life.

Emotional intelligence is the capacity for recognizing our own and others feelings, for motivating our self and for managing our emotions within our self and in our relationship. Emotional intelligence is a key component of competent that enables employee to think and function in a constructive and rational way (Kaur *et al.,* 2013). The model developed by Goleman (1998) outlines emotional intelligence as a skill that involves adeptness at handling interpersonal relationships. Goleman (1995; 1998) believes that social skills involve influencing tactics; effective communication; conflict management skills; leadership abilities; change management skills; instrumental relationship management; collaboration and co-operation abilities; and effective team membership capabilities. He developed the 137-item emotional quotient test, which is comprehensive and effective in measuring the five dimensions of emotional intelligence.

Emotional quotient test models sought to obtain information on emotional intelligence from managers only and hence not holistic and subjective. The instrument uses

questionnaires that are very lengthy and complex, which require the respondent to be technology know-how hence reducing the response rate of the respondents.

Mayer *et al.* (2003) refined Mayer Salovey emotional intelligence test for measuring emotional intelligence. However, this instrument was designed for general measures of emotional ability of wide range in interpersonal context, the length of 141 items made it problematic as measure of emotional intelligence (Peter and Krishnakumar, 2010; Kidwell, Hardesty and Childers, 2008).

Petrides *et al.,* (2003) formulated the trait model of emotional intelligence and agreed that traits emotional intelligence is comprehensive since the constructs consist of self-perceptions and behavioural dispositions that are compatible with the subjective nature of emotions. Palmer *et al.,* (2002), developed the mixed model of emotional intelligence to assess the five dimensions of emotional intelligence which includes emotional recognition and expression, understanding emotions, emotional management and emotional control.

The model developed by Wolmaran (2000) in the South African context is a 360 degree assessment of an individual emotional competence measure. This model provides accurate feedback information on critical behaviour for success and development of individuals (Landy and Conte, 2004; Morical, 1999). The 360 degree model collects information from raters that include supervisors, peers, clients, and subordinates.

This study used Wolmarans (2000) measure of emotional intelligence since the Petrides *et al.,*(2003);Goleman (1998)) traits model of emotional intelligence, Mayer *et al.,* (2003) emotional intelligence model for measuring emotional intelligence had lengthy questionnaire. The tools also required advanced computer skills to respond to,

and the items were not measuring specific constructs of emotional intelligence. Emotional intelligence profiles give the individual managers an opportunity to look at emotional skills in a `mirror' through their own eyes; behaviour through the eyes of other people, as indicated by the ratings of others. This multi-rater assessment provides the manager with a more holistic and useful set of feedback criteria, which facilitate personal development (Petrides *et al.,* 2003).

2.3 The Concept of Innovative Work Behaviour

Jessen (2000) describe innovative work behaviour as generation of ideas, creating support and implementing the new novel ideas. Innovative work behaviour is the intentional creation, introduction and application of new ideas within a work group or group organization in order to benefit the organization (West and Farr, 2006). It is crucial for management to have creativity for new things and to innovate and improve both production and service process.

This construct is related to employee creativity, where creativity refers to production of new and useful ideas in form of products, services, processes and procedures that are beneficial and result in innovative output (Oldham and Cummings, 1996; Amabile, 1988).

Jong and Hardog (2010) further defined innovative work behaviour to include exploration of opportunities, generation of new ideas, and behaviours directed towards implementing change, applying new knowledge or improving processes to enhance personal and/or business performance. Mumford *et al.,* (2002) assert that innovative work behaviour is the presentation and examination of some novel ideas that include regulation processes, problem solving and analysis, discovery of new ideas, and combination of ideas.

Mohammad and Mohadeseh (2014) observed that innovative work behavior is an important component in management, particularly in turbulent business environments in which organizations are subjected to change. It is therefore important for employees and top management to embrace the power of creativity. Employees and managers who have innovative power and thoughts have attributes and traits of creativity that they could use to lead the organization to the final destination (Aghaei and Fishani, 1999).

Scott and Bruce (1994) developed a six-item innovative work behaviour scale that covers idea generation, coalition building and idea realization. Scott and Bruce (1998) develop a shorter, four-item version of measures of innovative work behaviour. Petrides *et al.*(2003) used five items to measure the 'propensity to innovate, a measure that fits in with the definition of innovative work behaviour.

Janssen (2000) developed multidimensional measure, using both self and the ratings of employees that include the following items; idea generation, idea promotion, and idea implementation. However, there were strong correlations between these three behaviours and this was combined and used as a single additive scale. Krause (2004) and Dorenbosch *et al.,* (2005) presented innovative work behaviour with two dimensions, idea generation and idea implementation.

2.4 Emotional Intelligence and Innovative Work Behavior

Various studies have linked emotional intelligence with innovative work behavior. Orhan and Dincer (2012) in his study of the relationship between emotional intelligence and innovative work behavior in the banking sector in Turkey found that positive and significant relationship between emotional intelligence and innovative work behavior.

Other studies that showed that emotional intelligence had a positive and significant effect on innovation in entrepreneurial firms are (Shojaei and Siuki, 2014; Peropoulus, 2010; Baron, 2008; George, 2003; Wong and Law, 2002; Slaski; Zhou and Goleman, 1999). Zampetakis *et al.,* (2009) also did study emotional intelligence and innovative work behavior and found that emotional intelligence had a positive effect on innovative work behavior. Wong and Law (2002) found that emotional intelligence had no significant effect on innovative work behavior. This finding are contrary to a host of many findings of emotional intelligence and innovative work behavior and is attributed to (anti)social emotional intelligence behavior, that influence negatively on peoples innovative work behavior (Marcus, Ashton, and Lee, 2013).

2.5 Emotional Intelligence and Transformational Leadership

Transformational leadership stimulates followers to transcend their own immediate self-interest for the greater good of the group. This leadership style concerns the transformation of followers' beliefs, values, needs and capabilities. It is a process of influencing major changes in attitudes and assumptions of organizational members and building commitment for the organization's mission and objectives (Kent and Chelladurai, 2001).

Studies have shown mixed results on the relationship between emotional intelligence and transformational leadership, with some studies indicating positive and significant results, others negative and significant. A study done by Sivathan and Fekken (2002) shows a significant and positive relationship between emotional intelligence and transformational leadership style. Camelia and Ruxandra (2015); Sivanathan and Fekken (2000) found that emotional intelligence has positive relationship with

transformational leadership style. Harms and Crede (2010); Butler and Chinowsky (2006); Atwater and Yammarino (1993) found a positive and significant association between emotional intelligence and transformational leadership.

However Brown and Moshovi (2005) found a negative and significant relationship between emotional intelligence and transformational leadership style. On the other hand Antonakis, Ashkanasy, and Dasborough (2009); Brown and Reilly (2006); Moss, Ritossa and Ngu (2006); Landy, (2005); Locke (2005); Weinberger (2004); Sosik and Megarian (1999) failed to find significant relationship between emotional intelligence and transformational leadership style. Rubin, Munz and Bommer (2005) found that emotional intelligence has positive relationship with transformational leadership in the study of 145 managers in biotechnology agricultural company with subordinate's ratings. Weinberger (2002) in the study of the relationship between emotional intelligence and transformational leadership using MSEIT, and Multifactor leadership questionnaire of Bass and Avilio (1995) found negative and non-significant relationship.

Bilal and Badir (2014) found that emotional intelligence has negative and significant relationship with innovative work behavior, this could be possible where there is luck of supportive climate, which influence positive emotional intelligence therefore inhabiting Intellectual stimulation relevant for transformational leadership. This leadership attributes comprises behaviors that stimulate followers by reframing problems, pushing employees to develop creative and innovative ideas, and by approaching old situations in new ways (Bass *et al.,* 2003)

2.5.1 Transformational leadership and Innovative Work Behaviour

Studies provide empirical support for the importance of leadership. Kanter (1983) found that effective managers used a substantial amount of consultation and delegation to encourage employees and to give them a sense of ownership for activities and decisions.

Studies by Gumusluoglu and llsev (2009) suggested that transformational behaviours influence innovative work behavior. Intellectual stimulation promotes creativity by encouraging the managers to look at problems critically in new ways (Sosik *et al.,* 1998). With idealized influence, inspirational and the quest for vision achievement, managers can energize to perform beyond expectations and therefore generate creative problem solutions in organization (Petrides *et al.,* 2003)). Literature reviewed shows that there is a positive relationship between transformational leadership and innovative work behavior (Gumusluglu and llsev, 2009).

De Jong and Den Hartog (2010) studied the relationship between transformational leadership and innovative behaviour and found that transformational leadership is a strong predictor of employees' innovative work behavior. Transformational leadership is associated with innovative work climate and behaviors in health care teams (Petrides *et al.,* 2003). However, some studies have found no significant relationship between transformational leadership style and innovative work behavior. Studies by Moss and Ritossa (2007); Basu and Green (1997) found a negative relationship between transformational leadership and innovative work behavior. Probably this could be true when there is lack of participation in decision-making and autonomy which discourages employees to generate and implement ideas.

2.5.2 Emotional Iintelligence and Transactional Leadership

Burns (2006) described transactional leaders as leaders that emphasize work standards, assignment, and task-oriented goals. Transactional leaders tend to focus on task completion, employee compliance and these leaders rely quite heavily on organizational rewards and punishments to influence employee performance. Avolio and Gardner (2005) and Bass (1997) suggested that transactional leaders achieved less levels of success in the workplace than transformational leaders.

Harms and Crede (2010) conducted meta-analysis and found that there was no significant relation between emotional intelligence and transactional leadership style. This is attributed to the fact that the characteristic of transactional leadership are goal oriented and focus on setting objectives, monitoring, and controlling outcomes (Avolio and Bass, 2002).

2.5.3 Transactional leadership and innovative work Behavior

Transactional leadership refers to the use of incentives to influence subordinate, use of corrective actions in response to subordinate mistakes and looking for subordinate mistakes and enforcing rules to avoid future mistakes (Bass, 1998). It focuses on an exchange process by which the leader motivates the follower to comply with his or her requests and rules.

Transactional leadership has been argued to be an effective way to engender innovative behavior (Basu and Green, 1997). However, the empirical evidence for the roles of transactional leadership in engendering follower innovative behavior is little and inconsistent. Studies by Basu and Green (1997) found a positive and significant relationship between transactional and innovative work behavior. The reason behind this could be the problem of data collection which focused exclusively on individual

reports of leadership style and there are inherent limitations on relaying solely on self-reporting as it creates single-source bias. Petrides *et al.* (2003) found a negative relationship between transactional and innovative work behavior. Petrides *et al.* (2003) suggest that reinforcement and reward are used by transactional leaders to enhance innovation and this is only possible when the objective of the manager is innovation. Naeem *et al.,* 2012 further found that transactional leadership style positively predicted innovative work behavior; this is a possibility when the objective of the individual is innovation.

2.6 The Mediating Role of Transformational Leadership style

Drawing from the full range leadership theory Avolio and Bass (2002) transformational leadership style ignites passion and evokes a spirit of hard work among employees and therefore organization that have high level of emotional intelligence are likely to evoke a spirit of transformational leadership style and because transformational leadership gives employee a challenging environment and room for innovators. It is expected that this will result in promoting innovation insight, and craze for high achievement among the employees. Transformational leaders work on follower's capacity building by motivating them to create new ideas. Transformational leadership theory emphasize emotions, values, and the importance of leadership oriented to encourage creativity in employees who are valuable resource in the organization for which the transformational leader takes responsibility and whose professional development is promoted (Bass, 1999; Bass and Avolio, 2000) This leadership attempts to create emotional links with its followers and inspires higher values. Such leadership transmits the importance of having a shared mission and infusing a sense of purpose, direction and meaning into the followers' labor (Bass, 1999). This type of leadership becomes the motor and transmitter of innovative

culture and of the dissemination of knowledge oriented to seeking the best possible organizational performance. It further provide commitment to the organization's goals and their internalization in its followers seeks to encourage commitment to results on the part of the organization's members (Bass, 1999; Bass and Avolio, 2000). Transformational leaders have charisma, provide inspiration and promote intellectual stimulation (Bass, 1999; Bass and Avolio, 2000; Conger, 1999). Charisma generates the pride, faith and respect that leaders work to encourage their employees to have in them, their leaders, and their organizations, additional it provide inspiration by motivating their followers, largely through communication of high expectations. Such leaders also promote intellectual stimulation by promoting employees' intelligence, knowledge and *learning* so that employees can be *innovative* in their approach to problem solving and solutions.

Palmer (2001) reported that emotional intelligence is an essential competency of transformational leader that encourages effective leadership abilities. Raazia *et al.,* (2014) argued that transformational leadership style mediates the relationship among most of the dimensions of emotional intelligence (perceiving emotions, understanding emotions and managing emotions) and organizational outcomes (creativity or innovative work behavior, leader effectiveness, team effectiveness and service climate). Naveed *et al,.* (2014) found the indirect effect of emotional intelligence on team effectiveness through transformational leadership style to be positive and significant.

Kiran (2013) explored the dynamic interaction among three concepts of emotional intelligence, authentic leadership and employee outcomes of performance and organizational citizenship behavior. The study looked at the potential mediating role

of authentic leadership style on the relationship between managers' emotional intelligence and employee outcomes. The study revealed managers' emotional intelligence as a characteristic that directly influences the maintenance and development of authentic leadership that eventually enhances employees' job performance.

A relationship study that does not include mediation effect of the variables ends with weak and incomplete outcomes (Petrides *et al.,* 2003). In line with these theoretical and empirical deliberations, there exists a gap in literature with respect to an appropriate framework that links transformational leadership with its cause (emotional intelligence as the antecedent variable) and consequence (innovative work behavior) as reported by (Raazia *et al.,* 2014). There is a need to understand the mechanisms through which transformational leadership affect the work related behaviors such as innovative work behavior (Avolio and Bass, 2002).

2.6.1 The Mediating Role of Transactional Leadership style

Based on the theory of transformational transactional theory of leadership transactional leadership invoke an exchange relationship in which the leader makes clear what is expected of followers Bass (1999); Yukl (1999) and therefore organization that have low level of emotional intelligence are likely to evoke a spirit of transactional leadership style. Drawing from this theory transactional leadership is likely to give employee a demotivating environment for innovation, especially if innovation is not part of the leaders' vision. It is argued therefore that this will negatively reduce the strength and direction of the relationship between emotional intelligence and innovativeness of the employee.

The possible mediating of transactional leadership is drawn from previous studies showing that transactional leadership style can act as a mediator in innovation research (Raazia *et al.,* 2014; 2011; Allan *et al*,. 2012). It is further argued that the studies that fail to consider the possibility of mediation effect in the data may miss more explanations for an outcome (Frazier *et al.,* 2004).

There is a need to understand the mechanisms and processes through which transactional leaders influence innovative work behavior of employees (Bass, 1999). From extant literature prior research has not investigated the impact of the influential processes of transactional leader's behaviors mechanisms and self-concepts on emotional-creativity linkage (Shalley *et al.,* 2004). One particularly promising leadership mechanism which may mediate the relationship between emotional intelligence and innovative work behavior is transactional behaviours characterized by increased clarified and immediate self-interests of leaders and followers to addressed motivation, perceptions of competence and self-determination to initiate and implement innovative work behaviors ((Bass, 1999; Yukl, 1999).

The possible mediation effect of transactional leadership in the relationship between emotional intelligence and innovative work behavior is based on the importance of leadership style in predicting employee creativity (Gumusluoglu and Ilsev, 2009). A transactional leader decreases creative process engagement and intrinsic motivation (Petrides *et al.,* 2003). Emotional intelligence is an essential element of innovative work behavior, therefore this study confirms that leadership style are likely to impact emotional intelligence and innovative work behavior linkage. There is no formal study on the mediating role of transactional leadership on the relationship between emotional intelligence and innovative work behavior in microfinance institution in

Kenya. Drawing from extant literature, transactional leaders has been found to negatively influence outcome variables. For example, it has been found that Transactional leadership can be argued to be negatively related to innovative behavior because it is focused more on in-role performance and less on the stimulation of novel activities which may be detrimental for jobs where innovation is not an explicit part of the job description.

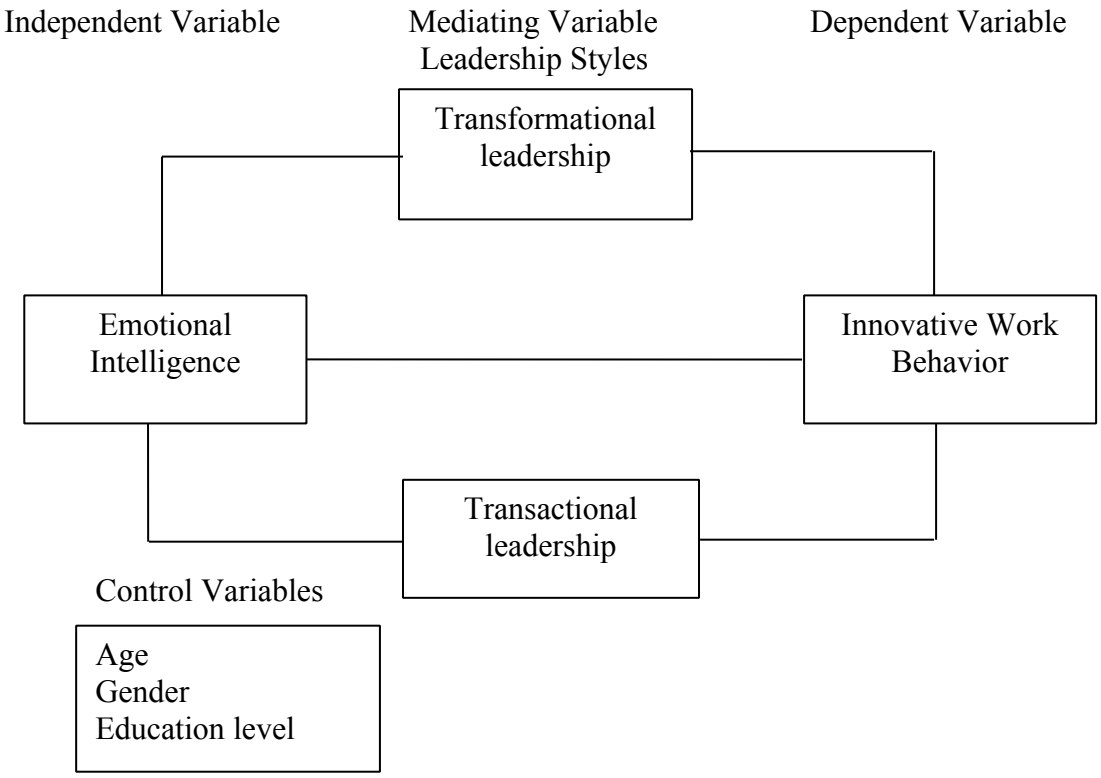
Additionally, as transactional leadership clarifies expectations and gives feedback about meeting these expectations, it indicates the leader's predilections. The perception of these leader preferences is likely to have some bearing on followers, diverting them from their own innovative endeavors. Moreover, transactional leadership may be perceived as controlling and demotivating, causing less innovative behavior (Petrides *et al.,* 2003).

This leadership is a higher-order construct comprising the components contingent reward which clarifies what the follower should do in order to be rewarded and management-by-exception which permit monitoring performance and taking corrective action when problems arise (Avolio, Bass and Jung 1999; Bass, 1985, 1999; Yukl, 1999). Drawing from this logic it is likely that transactional leadership may show contradictory influence on innovative work behavior and therefore these mixed findings suggest that understanding of the relationship between emotional intelligence and innovative work behavior may benefit from the identification of transactional leadership as mediator variable on which these relationships are contingent and helps to predict and understand when these relationships would be positive or negative.

Organizational behavior research on employee creativity has examined mainly contextual or organizational factors that facilitate or inhibit creativity. One key contextual factor is leadership. Several researchers have focused on identifying the role played by specific leadership behaviors on supporting, suppressing, facilitating or inhibiting creativity (Zhou, 2003). These include supportive supervision, and controlling management which are the defining characteristics of transactional leadership. However, Zhou and George (2003) asserted that no theory has been developed to pinpoint the roots of these behaviours. They further suggested that one root is the leader's emotional intelligence. This in effect point towards the possibility that transactional leadership can act as a mediator in emotional intelligence-innovative work behavior relationship. Exploring the mediating effect is argued to spell out the nature of relationship and the extent to which those variables are influence by the mediator (Suliman,2002).

2.7 Conceptual Framework

The conceptual framework was developed to diagrammatically indicate the relationships between the study variables. Emotional intelligence was taken as the independent variable while innovative work behaviour as the dependent variable. Transformational and transactional leadership styles were taken as the mediating variable. Age, gender, and educational level were taken as the control variables. These interrelationships are as presented in figure 2.1.



Source: Self (2015)

Figure 2.1: Conceptual Framework

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter presents the methodology of the study that includes; the research design, target population, sample size, sampling design, instruments for data collection, data collection procedures, piloting of the research instrument, reliability and validity of the research instruments, data analysis and ethical considerations.

3.1 Research Design

A research design is a detailed plan that enumerates the specific methods and procedures of data collection and analysis to ensure that the evidence obtained enables the researcher answer the research questions in an unambiguous manner. This study adopted explanatory survey research design. Explanatory survey design is appropriate for studies that seek to establish causal relationships between variables (Saunders *et al.,* 2011). The objective is to study a situation or a problem in order to explain the relationships between the variables. This design makes comparisons and evaluation of existing conditions as well as collection of factual information in their natural setting through the use of the questionnaire (Hyz, 2010). A cross-sectional approach was used. It entails the collection and examination of data across various segments of a population.

Advantages of using a cross sectional survey for this research includes its cost effectiveness, their flexibility and their efficiency in collecting large amounts of data for statistical analyses, and the quick turnaround in the data collection phase (Hair *et al.,* 2010). The study used information from a sample of individuals to make some inference about the wider population. In cross-sectional survey design, data is

collected using questionnaires. Studies have used cross- sectional design to investigate diverse areas of management (Petrides *et al.,* 2003).

3.2 Study Area

The study area was Kenya. Kenya is found in Eastern Africa and it is bordered by Uganda to the west, Ethiopia to the north, and Tanzania to the south and Somalia to the east. Also, to the east Kenya borders the Indian Ocean, between Somalia and Tanzania. The geographic coordinates of Kenya are 1 00 N, 38 00 E.

3.3 Target Population

The population of this study was branch managers of deposit taking and non-deposit taking microfinance institutions in Kenya that are registered with the Association of Microfinance Institutions (AMFI) as at December 2014. There are 53 microfinance institutions which are registered with the association of microfinance institution of Kenya. There are six (6) deposit taking microfinance and forty seven (47) non-deposit taking microfinance institutions in Kenya with a branch network of eight hundred and forty seven (847). The target population of this study was the 847 branch managers of the microfinance institutions who are in charge of the day-to-day running of the branches.

3.4 Sampling Design

This is the definite plan that was used to obtain a sample from the chosen population. It is the technique or the procedure the study adopted in selecting items for the sample (Hair *et al.,* 2010). Stratified random sampling method was used for the purposes of this study. The two strata considered were: the branch managers from deposit taking microfinance and the managers from non-deposit taking microfinance institutions.

Stratified random sampling ensures greater representativeness across the population, and also results in a smaller sampling error, giving greater precision in estimation (Wegner, 2000). The respondents interviewed were selected using simple random sampling method from each stratum.

3.5 Sample Size

In order to produce statistically valid results through the utilization of multivariate analytical techniques, a large sample size is required (Hair *et al.,* 2010). One of the advantages of quantitative methods is the ability to use smaller groups of people to make inferences about larger groups that would be prohibitively expensive to study (Holton and Burnett, 1997). The sample size of this study was calculated using Cochran (1977) sample size formula for continuous variables.

The determination of sample size was as follows:

$$n_o = \frac{(t)^2\ (s)^2}{(d)^2} = \frac{(1.96)^2(1.167)^2}{[(7)(.03)]^2} = 118$$

Where: t = Value for the selected alpha level of .025 in each tail = 1.96 (thus $\alpha = .05$) which indicate the level of risk the researcher was willing to take that true margin of error may exceed the acceptable margin of error.

s = Estimate of standard deviation in the population = 1.167. which was the estimate of variance deviation for 7 point likert scale calculated using 7 divided by 6 [number of standard deviations that include almost all (approximately 98%) of the possible values in the range.

d = Acceptable margin of error for mean that was estimated = .21 that was obtained by multiplying number of points on likert scale (7) and acceptable margin of error (0.03).

Therefore, for a population of 847, the required sample size is 118. However, since this sample size exceeded 5% of the population (843x.05=42), Cochran's (1977)

correction formula was used to calculate the final sample size. The calculations are as follows:

$$n_1 = \frac{n_0}{(1 + n_0/\text{population})} = \frac{118}{(1 + 118/847} = \frac{118}{1.14} = 103$$

Where:

Population size = 847.

n_0 = required return sample size according to Cochran's formula= 118.

n_1 = required return sample size because before correction sample > 5% of population.

An assumption of a response rate of 50% based on previous research (Salkind, 2010) was used and the sample size was increased by 50% and calculated as 103 x .5 = 52 + 103 = 155. For each manager the study used three raters who were his/her subordinates thus giving a total of 465 raters. The sample was then proportionately distributed as presented in Table 3.1

Table 3.1 Sample Size

	Deposit taking microfinance	**Non depositing taking microfinance**	**Totals**
Population	397	450	847
Sample size	73	82	155
Raters	218	247	465

Source: Microfinance yearly report (2015)

All registered and operational branches as at 31st December 2014 were included. Those established after 31st December were excluded because the managers were deemed to have been at the branches for short time to make any significant contribution in terms of innovative work behavior.

3.6 Data Collection Instrument and Procedure

Primary data was collected using a questionnaire. The proportion in Table 3.1 reflects the number of questionnaires that were distributed to the respondents willing to take part in the research in the two strata at microfinance institutions in Kenya.

3.6.1 Types of Data

For purposes of this study, primary data was utilized.

3.6.2 Data Collection Procedure.

A total of 155 questionnaires for the managers and 465 questionnaires for the raters were administered to the participants in the study. The questionnaire was administered by five research assistants. The research assistants were selected based on their qualifications and availability during the period of research. Those with bachelor's degree and knowledge in research were selected, and were further trained on effective data collection techniques. This method of data collection helped the researcher to overcome constraints of time.

3.7 Measurement of Variables

The items in the questionnaire were closed-ended. The study used two versions of questionnaire that consisted of exactly the same statements, except that they were written from manager's and rater's perspectives so as to obtain their opinion on the question items. The questionnaire had four sections namely, the background, emotional competency profiler, multi-factor leadership questionnaire, and innovative work behavior sections.

3.7.1 Emotional Intelligence

Emotional Intelligence Profiler (ECP) developed by Wolmarans (2001) and validated by Palmer *et al.,* (2005) was used to measure emotional intelligence of the manager.

This instrument contains statements that identify and measure the key factors of emotional intelligence. The questionnaire covered factors that include emotional literacy, self-esteem/self-regard, self-management, self-motivation, change resilience, interpersonal relations and integration of head and heart. The emotional competency profiler used a seven point likert scale to measure levels of emotional intelligence competence of the manager. The following are some of the sample questions, publicly admits mistakes, Am able to laugh at myself, respond calmly to explosive events and people, consider facts and feelings when making decisions, Am willing to change my view point, I remain focused on vision and goals and I turn life crises into opportunities for growth.

3.7.2 Leadership Style

The Multifactor Leadership Questionnaire (MLQ) developed by Bass and Avollio (1997) was used. The original instrument contained 46 items but was modified to 32 items to suit the study context. The constructs/statements identified measured the key aspects of transformational and transactional leadership styles. The respondents were required to judge how frequently the behaviours described in the statements were exhibited using a seven point likert scale. By administering questionnaires to three subordinates /raters per manager this study attempted to obtain a holistic view of each manager's leadership style. The sample questions include I provide others with assistance in change for their efforts, I provide others for their assistance in change for their efforts, I re-examine critical assumptions to question, I fail to interfere until problems become serious and I focus attention on irregularities, mistakes and exceptions

3.7.3 Innovative Work Behaviour

A questionnaire developed by Janssen (2000) was used. This instrument had 11 items that captured the innovative competence of the manager. The quantification of innovative work behaviour was done using a seven-point likert scale. The sample questions are I Create new ideas, I find new approaches to execute ideas, I mobilize support for innovative ideas and I acquire approval for innovative ideas.

3.7.4 Control Variables

Age, gender, and education level of the manager were thought to have systematic influence on the level of innovative work behavior. These were controlled to enable clearer view of the influence of the independent variable as well as the mediating variables on the dependent variable. Age was measured by the number of years; gender was categorized in dichotomous 0 and 1 for male and female respectively, while education level was obtained by considering the highest academic qualification attained by the manager as per academic credentials.

3.8 Piloting the Research Instruments

Primary data was collected in two phases. The first phase was the pilot survey meant to pretest the research instrument. The pilot tests were carried out in selected commercial banks using 10% as recommended by Cooper and Schindler (2010) of the sample size. This was done to confirm the validity and reliability of the study instruments.

3.9 Validity and Reliability of the Research Instruments

When formulating a specific instrument, reliability and validity are two of the most important aspects to be considered (Booth, 2005). Reliability and validity are the statistical criteria used to assess whether the research instrument provides a good measure (Whitelaw, 2001).

3.9.1 Validity of Study Measures

Validity refers to the extent to which the instrument measures what it intends to measure (Ewen *et al.,* 2013). Validity of an instrument has a two-fold purpose, first the instrument should measure the concept in question, and secondly, it should be accurate (Brett, 2005). Validity of research instruments was safeguarded through various strategies. The preliminary questionnaire was pre-tested on a pilot set of respondent branch managers for comprehension, logic and relevance. Respondents in the pre-test were drawn from two commercial banks; Equity bank and K-Rep bank which were similar to those in the actual survey in terms of background characteristics, familiarity with the topic of research and attitudes and behaviors of interest. The pre-tested financial institutions were not part of the target population of study as this would have brought assessment biases.

The questionnaire pre-tests were done by personal interviews in order to observe the respondents reactions and attitudes. All aspects of the questionnaire were pre-tested including question content, wording, sequence, form and layout, question difficulty and instructions. The feedback obtained was used to revise the questionnaire before administering it to the study respondents. For construct validity exploratory factor analysis of the constructs was carried out, this helped in identifying usable items for each study construct. Expert opinion was sought where required.

3.9.2 Reliability of Data

This refers to the extent to which a measure is free of random measurement error (Smithson, 2005). It is the extent to which a variable or set of variables is consistent in what it is intended to measure. The reliability of the study measures was assessed by cronbach's alpha coefficients, which was used to assess the internal consistency or

homogeneity among the research instrument items (Sekaran, 1992). Cronbach's alpha coefficients exceeding the 0.7 level is acceptable in social research (Hair *et al.,* 2010; Sekaran, 1992).

The dependability of a measurement instrument, provide the extent to which the instrument yields the same results on repeated trials. Even though emotional competency profiler and multifactor leadership questionnaire are widely used scales in the literature, it was necessary to assess the psychometric properties of the constructs through piloting the instruments. The emotional competency profiler and multifactor leadership questionnaire have been found to exhibit high reliability using the Cronbach's alpha reliability coefficient. The Cronbach's alpha reliability coefficients conform to the acceptable guideline of $\alpha > 0.70$ (Sekeran, N.U. (2000).

For multifactor leadership questionnaire the reliability of the two main leadership scales of transformational and transactional as reported by Yammarino and Bass (2000) was rated alpha value of 0.944 and 0.736 respectively. For the innovative work behaviour section, there was no reported measure of its reliability and hence the researcher computed its Cronbach's alpha reliability coefficient using the pilot study data.

3.10 Data Processing and Analysis

Inspection and editing was done to ensure the completeness of the data. The items in the questionnaire were coded and entered into SPPS version 22 for statistical analysis. The researcher made a check to identify missing data and established that the response rate was sufficient enough for generalizations. To assess whether the models fulfill the underlying assumptions of ordinary least square (OLS) statistical tests were done.

Data analysis was done using descriptive statistics, factor analysis, Pearson correlations and inferential statistics. Descriptive statistic was analyzed through the use of frequency distributions, percentages, mean, and standard deviation and presented using tables. The main purpose of conducting descriptive statistics was to reduce, summarize data and describe items and constructs. Pearson's Product Moments correlation coefficient was used to test the associations between the study variables. Hierarchical regression analysis was conducted at 95 % confidence level ($\alpha = 0.05$) in two stages. The first stage was to find the relationship between the emotional intelligence and innovative work behaviour as perquisite of mediation (Baron and Kenny, 1986). The second stage was to introduce the mediating variables into the model in order to determine the mediating effect.

3.11 Model Specification

The study used hierarchical regression. Seven models were constructed for the study. Five of the models were to test the direct relationships between the variables emotional intelligence, innovative work behavior, transformational leadership, and transactional leadership. While the two models were to depict the mediating effect of the transformational and transactional leadership styles on the relationship between emotional intelligence and innovative work behavior.

Hierarchical regression analysis was performed and the models took the form of:

$IWB = \beta_0 + \beta_1 EI + \beta_2 C + \mu i$ ……. ……...1

$TF = \beta_0 + \beta_1 EI + \beta_2 C + \mu i$ …….2

$TS = \beta_0 + \beta_1 EI + \beta_2 C + \mu i$ …….....3

$IWB = \beta_0 + \beta_1 TF + \beta_2 C + \mu i$ …….4

$IWB = \beta_0 + \beta_1 TS + \beta_2 C + \mu i$ ……...…….5

Where:

EI: Emotional Intelligence

IWB: Innovative Work Behaviour

β_0: Constant

β_1, & β_2: Regression coefficients

TF: Transformational leadership style

TS: Transactional leadership style

μi- Error term

C: Control Variables (Age, gender, and educational level.

3.11.1 Test of Mediation Effect

This model was constructed to test hypothesis six and seven (H_{06} and H_{07}). According to Baron and Kenny (1986) the purpose of mediation analysis was to examine whether emotional intelligence leads to transformational and transactional leadership style which then transmits the effects of the emotional intelligence to innovative work behavior.

To test for mediating role of leadership style, the study adopted the commonly applied method that require estimating four regression equations using Ordinary Least Squares (OLS) (Baron and Kenny, 1986). The first step was to regress Y (the dependent variable; innovative work behavior on X (the independent variable; emotional intelligence) to determine if this relationship exists. In step two, the study established whether there was a relationship between emotional intelligence *(*X) and the mediating variable (Leadership style; which was either transformational or

transactional that was represented as M (the Mediator) by estimating the following regression equation and testing if the coefficient β_3 is different from zero.

$$M = \beta_2 + \beta_3 EI + \beta_4 C + \mu_2 \quad \text{where M is either TF or TS}$$

If relationship between EI and M (TF or TS) exists as given by a significant β_3, then the final step was to assess whether EI still affects IWB, on controlling for the effect of EI to make this assessment, the following regression equation was estimated:

$$IWB = \beta_0 + \beta_2 EI + \beta_3 TF + \beta_4 C + \mu_3 \quad 6$$

$$IWB = \beta_0 + \beta_2 EI + \beta_3 TS + \beta_4 C + \mu_3 \quad 7$$

Where:

IWB: Innovation work behaviour

β_0: Constant

β_2, β_3 & β_4: Regression coefficient

EI : Emotional intelligence

TF: Transformational leadership style

TS: Transactional leadership style

μi- Error term

C: Control variables (Age, gender, and educational level)

If β_6 is statistically significant then the interpretation is that M mediates the relationship between EI and IWB. Then the estimate of β_5 was then assessed. If β_5 is non-significant, then the interpretation is that M fully mediates the relationship between EI and IWB. If β_5 is statistically significant, then the interpretation is that M partially mediates the relationship between EI and IWB.

3.12 Ethical Considerations

For the purpose of this study, the following ethical considerations were observed: the researcher explained the purpose of the study to the respondents and informed them

that participating in the study was voluntary and that they were free to withdraw from it at any time they deemed fit. The principle of free and informed consent was adhered to by emphasizing voluntarism, clear explanation, and sufficient detail of the nature of the research and procedures. They were also given an opportunity to ask questions before, during, and at the end of the study.

The researcher respected the individuals' rights to safeguard their personal integrity. The study ensured privacy and confidentiality by allowing respondents to have pre-eminence over time and the extent to which they could withhold or share information. All the respondents were treated with respect and equality. There were no names or personal identification numbers reflected on the questionnaires except the numbering of questionnaires, which was done for purposes of identification of data during data analysis.

3.11 Limitations of the Study

Some limitations are associated with the present study. First, since this study focused only on MFIs in Kenya, studies should be extended to other areas industries or sectors not covered. Future studies can also be conducted in the whole banking industry. This study can be extended to others contexts and industries such as hospitality, and other service industry. It would provide more insight to understand how leadership style mediates the relationship between emotional intelligence and innovative work behavior in the different contexts.

Secondly, this study used cross sectional research design. A longitudinal study would provide more insight because it would give data that is more reliable for the variables of interest. The study can be done twice and the results compared. A longitudinal research design allows all the variables to be measured at different points in time

(Ewen *et al.,* 2013). Since the study assessed how leadership style mediates the relationship between emotional intelligence and innovative work a repeat study may enhance generalizability.

Thirdly, this study sampled microfinance institutions in Kenya only. This limits the generalizability of the findings. Further research can be done within the East African region and Africa. It would be interesting to see a comparative study of the various regions or even continents.

CHAPTER FOUR
DATA ANALYSIS, PRESENTATION AND INTERPRETATION OF FINDINGS

4.0 Introduction

This chapter presents the empirical results of the study. The data collected for the variable emotional intelligence, leadership style, and innovative work behavior was analyzed using both descriptive and inferential statistics and the appropriate proposed models constructed. The first section of the chapter gives the response rate, demographic characteristics of the respondents, reliability and validity tests. The second part deals with tests of regression assumptions and descriptive statistics of the variables. The last section gives the correlation and regression results for the proposed models.

4.1 Response Rate

Out of the targeted 155 managers of MFI, 106 completed the questionnaire. There were 15 respondents who completed the questionnaire but had no corresponding raters' values and hence were excluded from the study. The response rate for managers from DTM was 62% while from non-DTM the response rate was 74%. This gave an overall response rate of 68% for the managers.

Each manager, was to be rated by three support staff who directly reported to them, also called raters in the study. Hence four hundred and sixty five questionnaires were distributed to the raters but 228 were completed and returned. Out of which, 110 (50%) were from DTM and 118 (48%) from non-DTM. This gave an overall response rate of 49%. The response rates for the managers and the raters are as presented in Table 4.1.

Table 4.1: Response Rate

Stratum	Managers		Raters	
	Sample Size	Realized	Sample Size	Realized
DTM	73	45	218	110
Non-DTM	82	61	247	118
Total	155	106	465	228
Response Rate (%)	68		49	

Source: Survey Data (2015)

4.2 Demographic Characteristics of the Respondents

The respondents were required to provide information about their gender age, and education. The gender distribution of the survey respondents for managers was 42.5% female and 57.5% male. For the raters, 43.9% were female and 56.1% were male. The age distribution for the managers was 7.5% were in the age bracket 20-30, 13.2% age bracket 31-40, 36.8% age bracket 41-50, and 42.5% were above 50 years old. Thus majority of the managers were above 50 years old (42.5%).

Considering the age of the raters; 12.7% were in the age bracket 20-30, 12.7% age bracket 31-40, 41.7% age bracket 41-50, and 32.9% were above 50 years old. The results indicated that majority of the raters respondents were in the age bracket 31-40. The educational level for the managers indicated that 6.6% had masters, 83% had degree level, 6.6% had diploma level and 3.8% had other qualifications.

Taking into account the raters 1.3% had masters, 42.5% had degree, 46.5% had diploma and 9.6% had others. The majority of the managers had degree level of education with 83% while the majority of raters had diploma with 46.5%. It indicates that MFI employ majority of the managers with degree level of education while the junior employees are those with diploma level. The demographic characteristics of the respondents are as summarized in Table 4.2.

Table 4.2: Summary of Demographic Characteristics of the Respondents

Variable	Category	Percentage (%)		No of Respondent	
		Managers	Raters	Managers	Raters
Age	20-30	7.5	12.7	8	29
	31-40	13.2	12.7	14	29
	41-50	36.8	41.7	39	95
15	Above 50 years	42.5	32.9	45	7
228	Totals	100.0	100.0	106	
100	Gender Male	57.5	56.1	61	
128	Female	42.5	43.9	45	
228	Totals	100.0	100.0	106	
3	Education Level Master's degree	6.6	1.3	7	
97	Degree	83.0	42.5	88	
106	Diploma	6.6	46.5	7	
4 22	Others:	3.8	9.6		
	CPA,CPS				
106 228	Total	100.0		100.0	

Source: Survey Data (2015)

4.3 Reliability Test

Cronbach's alpha reliability test was used to determine the internal consistency of the question items that measured the variables of interest for this study. For EI the reliability test was done for the seven constructs of emotional literacy, self-esteem, self-motivation, self-management, and interpersonal skills, integration of head and heart, and change resilience. For leadership style the Cronbach's coefficient was calculated for transformational and transactional leadership styles. Also for innovative work behaviour the coefficient was determined. Sekeran (1992) benchmark of Cronbach's coefficient value of greater than 0.7 indicates the tool was reliable to measure the variable. Table 4.3 presents the results of the reliability test.

Table 4.3: Cronbach's Alpha Reliability Coefficient

Variables	Constructs	No of items used	Alpha
Emotional Intelligence	Emotional Literacy	6	0.785
	Self-esteem	6	0.739
	Self-Management	6	0.725
	Self-Motivational	6	0.734
	Change Resilience	7	0.759
	Interpersonal Relationship	9	0.774
	Integration of Head and Heart	6	0.784
Leadership Style	Transformational	20	0.762
	Transactional	12	0.712
Innovative Work Behavior		11	0.874

Source: Survey data (2015)

From tabulated results in Table 4.6, alpha coefficient for all the variables of emotional intelligence were in the range 0.725 – 0.785. Hence are above the benchmark of 0.7 suggested by Sekeran (2000) and thus the scales were reliable for measuring the variables. For transformational leadership and transactional leadership style, the Cronbach's coefficient was 0.762 and 0.712 respectively and this also satisfied the Sekeran (2000) benchmark of $\alpha = 0.7$. As pertaining innovative work behaviour, the calculated alpha reliability coefficient was found to be 0.874 and this was reliable for measuring innovative work behavior of the managers.

4.4 Test of Regression Assumptions

The data was tested to determine whether the assumptions of ordinary least square (OLS) are met.

4.4.1 Test of Normality

Both kurtosis and skewness were used to determine the normality of the data distribution for the variable under study. The skewness statistic and kurtosis statistic

obtained for the variables of interest in this study were in the range -0.02-0.546 for skewness and -0.386-0.58 for kurtosis. According to Hair et al, (2010) the requisite range for normally distributed data is between -1.00 and +1.00. All the values of skewness and kurtosis fell in the range -1.00 and +1.00 and it was concluded that the distribution of data for the variables was normal.

Further, Kolmogrov-Smirnov test was used to check the normality of the distribution for the variables. Kolmogrov-Smirnov test compares scores in the sample to a normally distributed set of scores with the same mean and standard deviation and if the test is non-significant ($p>0.5$) then the distribution of the sample is not significantly different from normal distribution. The results of the K-S test were as indicated in Table 4.4.

Table 4.4: One-Sample Kolmogorov-Smirnov Test

		Transformational Leadership	Transactional Leadership	Emotional intelligence	Innovative work behavior
N		106	106	106	106
Normal Parameters	Mean	3.6444	3.7201	3.3811	3.3310
	Std. Deviation	.75603	.79245	.66450	.94841
Most Extreme Differences	Absolute	.067	.094	.146	.094
	Positive	.067	.094	.113	.094
	Negative	-.053	-.047	-.146	-.058
Kolmogorov-Smirnov Z		.687-	.964	0.956	.966
Asymp. Sig. (2-tailed)		.733	.310	.069	.308

Source: Survey Data (2015)

The K-S test statistic for the variables transformational leadership, transactional leadership, emotional intelligence, and innovative work behaviour were not significant and it is concluded that the variables are normally distributed.

4.4.2 Test of Independence of the Error Terms

Test of independence of the error terms was done using Durbin-Watson test. The test was used to test for presence of serial correlation among the residuals. This

assumption of independence of errors requires that the residuals or errors in prediction do not follow a particular pattern from case to case. The value of Durbin-Watson test statistic ranges from 0 to 4 as suggested by Hair *et al., (*2010) the residuals are not correlated if the Durbin-Watson statistic is approximately 2 and the acceptable range is 1.5-2.50. The Durbin-Watson statistic for the estimated models ranged from 1.531 to 1.885.

4.4.3 Multicollinearity Diagnostics

Collinearity means that two or more of the independent/explanatory variables in a regression have a linear relationship. This causes a problem in the interpretation of the regression results. First, an examination of the correlation matrix of the independent variables was done. The presence of high correlations in the region of r=0.9 and above is an indication of substantial collinearity.

Secondly, collinearity could be due to the combination of two or more other independent variables. Multicollinearity was assessed using Variance Inflation Factors (VIF). A threshold of Variance inflation factor of 10 is suggested Kleinbaum *et al.,*(1988). The variance inflation factor values for emotional intelligence, transformational leadership style and transactional leadership style are in the range of 1.664 - 3.689 and are less than the set threshold which indicate that multicollinearity was not an issue. The results are presented in Table 4.5.

Table 4.5: Collinearity Statistic for variables

Variables	Tolerance	VIF
Age bracket	.271	3.686
Gender	.663	1.508
Education level	.650	1.538
Emotional intelligence	.271	3.689
Transformational	.358	2.796
Transactional	.601	1.664

Source: survey data (2015)

4.4.4 Heteroscedasticity Diagnostics

An important assumption of the linear regression model is that the disturbances u_i appearing in the population regression function are homoscedastic; that is, they all have the same variance (Gujarati, 2003). When the error/disturbance terms do not have equal spread, then it is said that heteroscedasticity has occurred. Heteroscedasticity is a common problem with cross-sectional data. Diagnostics is made to check whether heteroscedasticity is present with either residual plots or statistical tests using White test of heteroscedasticity.

First using the residual plots, the study tested the presence of heteroscedasticity for the dependent variables and the results of the plots are shown in Appendix D for IWB, TF and TS respectively. The scatter plots showed no specific pattern and the plots were approximately rectangular in shape and thus heteroscedasticity was said to be absent. Secondly, apart from the results of the scatter plots, a confirmatory test for the presence or absence of heteroskedasticity was done using the White test. This study followed the white test by regressing the squared residuals by introducing all the regressors, their squared terms, and their cross products. This study introduced the cross–products to test for both heteroscedasticity and specification bias.

The results of the model showed a R^2 of 0.14 as shown in table 4.6. To determine the tabulated χ^2 we use $n*R^2$ getting 106 x 0.140=14.84. The 5 % critical χ^2 value for 9 degrees of freedom is 16.919 and it was concluded that null hypothesis was rejected and that the disturbances are significantly different and therefore no heteroscedasticity and specification bias.

Table 4.6: Heteroscedasticity Test Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.374	.140	.073	1.81759

Source Study survey (2015)

4.5 Validity of Study Variables

Validity is the degree to which a variable actually measures what it is intended to measure. For the purpose of this study two forms of validity were utilized- content validity and construct validity.

4.5.1 Content Validity of Study Variables

Content validity refers to the adequacy of indicators to measure the concepts. The better the scale items measure the domain of content, the greater the validity. An assessment of content validity requires experts to attest to the content validity of each instrument (Sekaran, 2000). In order to ensure content validity, previously validated measures were pretested and the preliminary questionnaire was pre-tested on a pilot set of respondent managers, and subordinates for comprehension, and relevance.

Respondents in the pre-test were drawn from two financial institutions, Equity bank and K-Rep, which were similar to those in the actual survey in terms of background characteristics, familiarity with the topic of research. The pre-tested financial institutions were not part of the target population of study as this would have brought about assessment biases. As recommended by Malhotra (2007), the questionnaire pre-tests were done by personal interviews in order to observe the respondents' reactions and attitudes. All aspects of the questionnaire were pre-tested including question content, wording, sequence, form and layout, question difficulty and instructions. The

feedback obtained was used to revise the questionnaire before administering it to the study respondents.

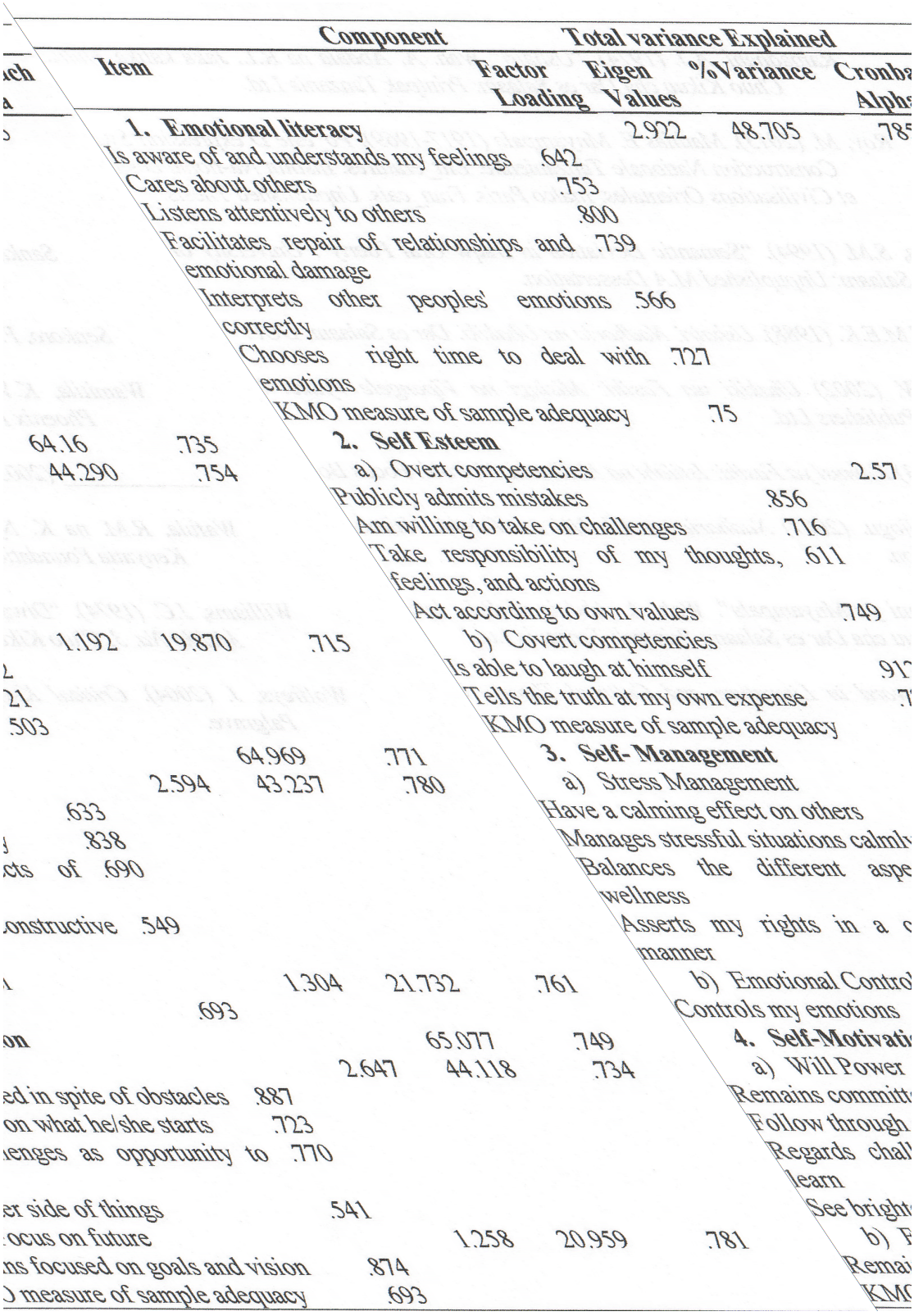
4.5.2 Construct Validity of Study Variables

Construct validity measures the degree to which a scale measures what it intends to measure and this was assessed by factor analysis. In order to assess the construct validity, the items were examined by principal components extraction with varimax orthogonal rotation. The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy, and Bartlett's test of sphericity were conducted. The following sections present the factor analysis results for each study variable.

4.5.3 Factor Analysis Emotional Literacy, Self-Esteem, Self- Management, and Self-Motivation

The items for emotional literacy, self-esteem, self- management, and self-motivation were factor analyzed with a view to further understand the underlying characteristics of the construct. The results are presented Table 4.7.

Table 4.7: Factor Analysis Results for Emotional Literacy, Self-Esteem, Self-Management, and Self -Motivation



Component	Item	Factor Loading	Total variance Explained: Eigen Values	%Variance	Cronba Alphs
1. Emotional literacy			2.922	48.705	.785
	Is aware of and understands my feelings	.642			
	Cares about others	.753			
	Listens attentively to others	.800			
	Facilitates repair of relationships and emotional damage	.739			
	Interprets other peoples' emotions correctly	.566			
	Chooses right time to deal with emotions	.727			
	KMO measure of sample adequacy	.75			
2. Self Esteem					
a) Overt competencies					2.57
	Publicly admits mistakes	.856			
	Am willing to take on challenges	.716			
	Take responsibility of my thoughts, feelings, and actions	.611			
	Act according to own values	.749			
b) Covert competencies					
	Is able to laugh at himself				.91
	Tells the truth at my own expense				.7
	KMO measure of sample adequacy				
3. Self- Management					
a) Stress Management					
	Have a calming effect on others				
	Manages stressful situations calmly				
	Balances the different aspe wellness				
	Asserts my rights in a c manner				
b) Emotional Control					
	Controls my emotions				
4. Self-Motivati					
a) Will Power					
	Remains committ				
	Follow through				
	Regards chall learn				
	See bright				
b) P					
	Remai				
	KMO				

Source Study survey (2015)

For emotional literacy, self-esteem, self- management, and self-motivation the Kaiser-Meyer-Olkin (KMO) had a measure in the range .503-.912, which is above the threshold of 0.5. The Bartlett's test was significant. The KMO values and a significance of Bartlett's statistic confirmed the appropriateness of the factor analysis for the four constructs.

Emotional literacy results indicated that there was one factor whose eigenvalues exceeded 2.922 thus exceeded the threshold of 1.0. Hence one component was extracted explaining 48.705% of the total variance. According to Tabachnick and Fidell (2007) using more stringent cut-off point of 0.5 is recommended. While Hair *et al.* (2010) recommends a cut off point of 0.5 for a sample size of about 100. For this study any item that fails to meet the criteria of having a factor loading value of greater than 0.5 and loads on one and only one factor is to be dropped from the study. This implies that the six observed items in emotional literacy loaded exclusively to one component as presented in table 4.7.

Considering self-esteem, two components with eigenvalues greater than 1 were extracted. The two components explained 64.159% of the total variance. Items 1, 3, 4, and 6 loaded highly on component 1 while factors 2 and 5 loaded strongly on component 2. The factors that loaded onto component 1 are associated with what the manager portrays openly while the factors in component 2 are associated with what the manager has but cannot be observed openly in his/her character but has to be inferred to. Components 1 and 2 were renamed overt competencies and covert competencies.

Self-management principle components with eigenvalues greater than 1 were extracted. Using this criterion, three components that met the criteria were extracted. The three components explained 81.835% of the total variance. Orthogonal rotation

using Varimax was used to enable easier interpretation of factor loadings on the extracted components. This is as shown in Table 4.10. Observed items 1, 3, 5, and 6 loaded strongly on more than one component and hence were dropped. Only factor 2 and factor 4 loaded on components 2 and 1 respectively. No factor distinctively loaded on factor 3. Components 1 and 2 were renamed stress management and emotional control. Hence only 2 items measuring self-management are distinctly loading to one of the two components extracted indicating that they are the only ones significantly contributing to the explanation of the construct being measured.

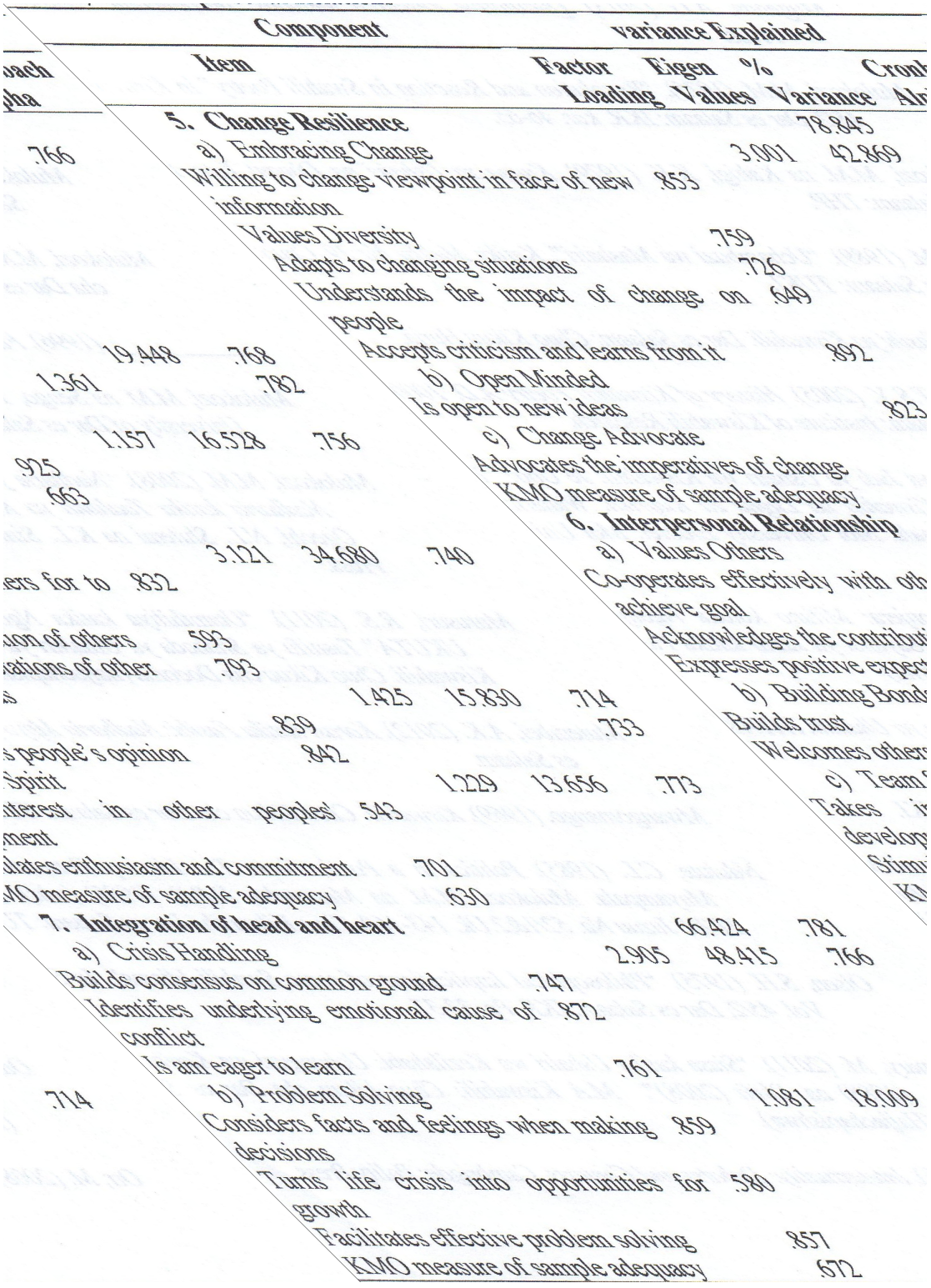
Self-Motivation factor analysis extracted two components explaining 65.077% of the total variance. This implies the balance of 33.923% is accounted for by other components. The factors in component 1 are associated with the manager's will power to persist as things get tougher while the factors in component 2 are associated with what the manager has as his/her future dreamland. Therefore components 1 and 2 were renamed will power and focus on future competencies respectively.

4.5.4 Factor Analysis for Change Resilience, Interpersonal Skills, and Integration of Head and Heart

The observed items of change resilience, interpersonal skills, and integration of head and heart as a group of predictor variables hypothesized to have significant effect on innovative work behavior were factor analyzed to further the latent components that it had. Mayer-Olkin (KMO) measurement was used to validate the appropriateness of the method. KMO statistic was in the range .630-.672 for the three constructs as shown in Table 4.8. Bartlett's tests of sphericity were significant (p-value< .05). Change resilience gave three components with eigenvalues greater than 1.0 and accounted for 78.845% of the total variance. Five items loaded highly on component 1, only one loaded onto component 2, and component 3 had one item loading onto it.

Components 1, 2, and 3 were renamed embracing change, open minded and change advocacy respectively.

Table 4.8: Factor analysis results for Change Resilience, Integration of Head and Heart, and Interpersonal Relations



Interpersonal relations as a construct of emotional intelligence observed items were factor analyzed to get a greater understanding of the latent un-observed characteristics of the data set. Interpersonal relations principle components with eigenvalues greater than 1 were extracted. Three components that met the criteria were extracted and they explained 64.166% of the total variance. Results in Table 4.8 indicate that the factors loaded onto three components. On further scrutiny of the loadings the factors in component 1 are associated with the manager's ability to value others while the factors in component 2 are associated with the manager's competence to build bonds and component 3 factors are associated with team spirit. Hence components 1, 2, and 3 were renamed value others, builds bonds and team spirit respectively. One of the item, 'Takes interest in other peoples' development', factor 4, did not load to any of the components as it did not meet the set .50 loading threshold.

Integration of head and heart principle components with eigenvalues greater than 1 explained 66.423% of the total variance. Items 3, 4, 5, and 6 loaded highly on component 1 while factors 1, 2 and 5 loaded strongly on component 2. The factors in component 1 are associated with the manager's ability to handle crisis while the factors in component 2 are associated with the manager's competence to solve problems. Components 1 and 2 were re-named crisis handling and problem solving respectively.

4.5.5 Factor Analysis for Leadership Styles

Transformational and transactional leadership styles sampling adequacy of .582 and .727 were obtained using KMO statistic as shown in Table 4.9 while Bartlett's test of sphericity was significant at 95% confidence interval.

Table 4.9: Factor analysis results for Transformational and Transactional Leadership Styles

Components		variance Explained		
Item	**Loading**	**Eigen Values**	**Variance Explained**	**Cronbach Alpha**
1. Transformational Leadership			74.874	.744
a) Idealized Attributes		6.934	34.672	.716
I instill pride in others	.905			
I go beyond self-interest	.857			
I act in ways that build others respect for me	.809			
b) Idealized Behaviors		6.097	15.485	.766
I talk about important values and beliefs	.707			
I specify the importance strong sense of purpose	.773			
I emphasize the importance sense of mission	.897			
c) Inspirational Motivation		1.955	9.774	.736
I talk optimistically about the future	.849			
I articulate a compelling vision of the future.	.505			
Re-examines critical assumptions to question	.798			
d) Individualized Consideration		1.605	8.023	.722
I seek differing perspectives	.521			
I express confidence that goals will be achieved.	.922			
I get others to look at problems differently	.897			
I suggest ways of how to complete assignments	.922			
e) Intellectual Stimulation		1.278	6.92	.780
Spend time teaching and coaching	.566			
I treat others as individuals	.835			
I help other to develop their strengths	.778			
KMO measure of sample adequacy	.582			
2. Transactional Leadership Style			67.404	.784
a) Contingent Reward		4.940	41.168	
I say who is responsible for performance target	.821			
I make expectation for performance goals	.780			
I express satisfaction when others meet	.678			
b) Management-By-Exemption(Active)		1.882	15.685	.750
I focus attention on mistakes,	.798			
I keep track of all mistakes	.876			
I direct attention towards failure	.598			
c) Management-By-Exemption(Active)		1.266	10.551	.736
I fail to interfere until problems become severe	.780			
Problems must be chronic before I take action	.786			
KMO measure of sample adequacy	.727			

Source: Survey data (2015)

Transformational leadership style had five factors with eigenvalues exceeding 1.0 that explained 74.346% of the total variance. The factors in all the 5 components were agreeing with Bass and Avolio (1997) model that transformational leadership has five factors: Component 1: Idealized attributes, component 2: Idealized behavior, Component 3: Inspirational Motivation, Component 4: Intellectual Consideration, and component 5: Individualized Consideration.

The results of principal component analysis for transactional leadership style indicated three factors whose Eigenvalues exceeded 1.0. Hence three components were extracted explaining 67.404% of the total variance. The three components were agreeing with the Bass and Avolio (1997) model that transactional leadership has three factors: Component 1: Contigent reward, Component 2: Management by Exception-Active, Component 3: Management by Exception-Passive.

4.5.6 Factor Analysis for Innovative Work Behavior

The observed items measuring innovative work behavior were factor analyzed. Sampling adequacy of .800 was obtained using KMO statistic as shown in Table 4.10. This confirmed that factor analysis was appropriate for this study. Using the criteria of eigenvalues greater than 1.0 two components that met the criteria were extracted. The two components explained 59.514% of the total variance. All the 11 items measuring innovative work behavior are distinctly loading to one of the two components extracted indicating that they are significantly contributing to the explanation of the construct being measured.

Table 4.10: Factor Analysis Results Innovative Work Behavior

Component		Variance explained		
Item	Factor Loading	Eigen Values	% variance	Cronbach Alpha
Innovative Work Behavior			**59.514**	**.835**
a) Idea Generation		4.279	38.904	.863
I Create new ideas	.783			.818
I Find new approaches to execute tasks	.831			
I mobilize support for innovative ideas	.684			
I Acquire approval for innovative ideas	.817			
I make employees enthusiastic about innovative ideas	.780			
I acquire new knowledge	.714			
b) Idea Improvement		2.267	20.610	.835
I Look for opportunities to improve things	.736			
I Consider innovative opportunities	.754			
I wonder how things can be improved.	.774			
I Explore new products or services	.744			
I Search out new working methods	.645			
KMO measure of sample adequacy	.800			

Source: Survey data (2015)

4.6 Descriptive Statistics

Descriptive statistics of means, standard errors, and standard deviation were obtained for the variables emotional intelligence leadership styles and innovative work behavior.

4.6.1 Emotional Intelligence

The study used both the managers and the raters' responses to determine the mean emotional intelligence of the managers. The variables of emotional intelligence had varying question items as follows: Emotional literacy: 6, self-esteem: 6, self-management: 6, self-motivation: 6, change resilience: 7, interpersonal relations: 9, and integration of head and heart: 6. The question items were similar but written from different perspectives so as to enable the manager rate himself/herself and the subordinate (rater) directly reporting to him/her rate the manager. There were a total of 106 managers and each was rated by between 1-3 raters.

In cases where there were 2 or 3 raters for a particular manager, mean rating was computed to obtain what is herein referred to as rater's version for each construct. The emotional intelligence of the manager was then obtained by getting the mean of the emotional intelligence as perceived by the managers themselves (managers' version) and the raters' perception of the managers' emotional intelligence (raters' version). The results are as tabulated in Table 4.11.

Table 4.11: Descriptive Statistics for Emotional Intelligence

	N	Min.	Max	Mean	Std. Error	Std. Dev.
Managers Version:						
Emotional Literacy	106	1.33	6.17	3.7730	.11984	1.23380
Self Esteem	106	1.50	6.17	3.8223	.11473	1.18126
Self-Management	106	1.50	6.50	3.9607	.11891	1.22422
Self-Motivation	106	1.67	5.83	3.8160	.10661	1.09760
Change Resilience	106	1.71	6.43	3.7399	.10927	1.12500
Interpersonal Relations	106	1.89	6.00	3.7209	.10262	1.05657
Integration of Head and Heart	106	1.83	6.33	3.7767	.10869	1.11907
Raters Version						
Emotional literacy	228	1.22	5.00	2.8782	.07631	.78566
Self Esteem	228	1.74	4.50	3.0278	.04157	.63388
Self-Management	228	1.83	5.17	3.0410	.03684	.58523
Self-Motivation	228	1.75	4.83	3.0047	.03426	.55862
Change Resilience	228	2.00	5.00	2.9648	.03301	.54581
Interpersonal Relations	228	1.41	4.22	2.8268	.04654	.68512
Integration of Head and Heart	228	1.83	4.33	3.2478	.03020	.51688
EI Managers Version	106	2.08	4.14	3.8014	.03666	.37749
EI Rater Version	228	1.82	6.00	2.9558	.10043	1.03398
EI of the Managers	334	2.04	5.08	3.3787	.06496	.66883

Source: Survey data (2015)

The results in Table 4.11 indicates that the values of emotional intelligence as per the managers self-ratings were in the range 3.7209-3.9607 with self-management construct had the highest ratings (Mean=3.9607, *SD*= 1.22422). Using the Womarans (2001) scale of emotional intelligence of: 1-3: Low emotional intelligence, 4-5: Moderate emotional intelligence and emotional intelligence of above 6: High

emotional intelligence, the managers reported a moderate level of emotional intelligence for all the seven constructs of emotional intelligence.

For the raters the values of emotional intelligence was in the range of 2.5268-3.2478 with the construct integration of heart and head having the highest ratings (Mean=3.2478, *SD*= .51688). Using the Wolmarans (2001) the raters reported a low level of emotional intelligence for all the seven constructs of emotional intelligence.

Brett (2005) in his study of emotional intelligence for managers of companies in South Africa posited that people tend to view themselves more positively and hence give themselves a higher rating and this could be used to explain the variation in ratings given by the managers and the raters. The mean emotional intelligence of the managers, obtained by having the responses from both the managers and the raters was found to be 3.3787 with a SD=.66883 and thus the managers were found to have low emotional intelligence competency.

4.6.2 Leadership Styles

Transformational leadership style had 20 question items in the tool while transactional had 12. For leadership style the question items were similar but written from different perspectives so as to enable the manager rate himself/herself and the subordinate (rater) directly reporting to him/her rate the manager. In cases where there were 2 or 3 raters for a particular manager, mean rating was computed and to obtain what is herein referred to as rater's version for each leadership style. The leadership style of the manager was then obtained by getting the mean of the specific leadership style as perceived by the managers themselves (managers' version) and the raters' perception of the specific managers' leadership (leadership raters' version). The results are as tabulated in Table 4.2.

Table 4.12: Leadership Styles

Variable	N	Min	Max	Mean	Std. Dev
Transformational leadership managers' version	106	2.20	5.75	3.6501	.95470
Transactional leadership managers' version	106	2.42	5.75	3.7710	.94559
Transformational leadership raters' version	228	2.32	5.40	3.6386	.8311
Transactional leadership raters version	228	2.22	5.75	3.6691	.931
Transformational leadership of the manager	334	2.26	5.58	3.6444	.756
Transactional leadership of the manager	334	2.38	5.75	3.7201	.79

Source: Survey data (2015)

The mean value for transformational leadership as rated by self (managers 'version) was mean=3.6501 with SD=0.95470 while the transactional leadership as perceived by the managers was 3.7710, SD=0.94559. For the responses from the raters, transformational leadership was given a value of 3.6386, SD=0.83119 and transactional had a rating of mean=3.6691, SD=0.93166.

From the ratings of the managers and the raters (1-3 raters per manager) the transformational and transaction leadership style had means and SD of 3.6444, SD = 0.75603 and 3.7201 and SD=0.79245 respectively. The ratings of transformational leadership were higher as perceived by the managers compared to the ratings given by the raters. Overall, transactional had a higher rating (mean=3.7201, SD=0.79245) than transformational leadership (mean=3.6444, SD=0.75603).

4.6.3 Innovative Work Behaviour

The innovative work behavior of the manager was obtained using responses from both the managers and the raters on a 7-point likert scale. A total of 11 question items were used to determine the IWB of the managers. The descriptive statistics of IWB was as summarized in Table 4.13.

Table 4.13: Descriptive Statistics IWB

Category	N	Min.	Max.	Mean	SD
				Statistic	Std. Error
IWB Managers' Version	106	1.80	6.17	3.5167	.09474
IWB Rater Version	106	1.54	5.47	3.1453	.09442
IWB of the Manager	106	1.67	5.80	3.3310	.09

Source: Survey data (2015)

From results in Table 4.5, the raters' score on IWB (mean= 3.1453, SD=0.97215) this was lower than ratings from the managers (mean=3.5167, SD=0.97540). By considering the responses from both the raters and the managers, the innovative work behaviour of the managers was found to have mean=3.3310 and SD=0.94841.

4.7 Correlation Analysis

Correlation analysis was done to determine relationships between the study variables. Pearson product moment correlation coefficient was used. This test was done as a precursor to regression analysis so as to determine whether the variables were linearly related. The results of the correlation analysis are presented in Table 4.14.

Table 4.14: Correlation Matrix (N=106)

	1	2	3	4	5	6	7
1. Innovative work behavior	1						
2. Emotional intelligence	.459**	1					
3. Transformational Leadership	.598**	.779**					
4. Transactional Leadership	-.080**	-.582**	.339**	1			
5. Age	.065	-.003	-.064	.041	1		
6. Gender	.013	-.025	.043	.101	-.466**	1	
7. Education	-.017	-.096	.038	.009	.087	.213	1

Source: Survey data (2015)

***. Correlation is significant at the 0.01 level (2-tailed)*

**. Correlation is significant at the 0.05 level (2-tailed).*

According to Field (2005) correlation coefficient greater than 0.8 indicates problems of multicollinearity. Since the highest correlation coefficient is 0.779 which is less than 0.8, there is no serious problem of multicollinearity.

The results as presented in Table 4.14 show a significant positive correlation between transformational leadership and emotional intelligence (r =0.779, p=0.000). Indicating that as the level of emotional intelligence competency of the manager increases, transformational leadership traits increases in tandem. This means that the transformational leadership traits of the manager are a function of the emotional intelligence of the manager.

There was a significant negative correlation between transactional leadership and emotional intelligence (r = -0.582, p=0.000). This in essence means that as the emotional intelligence of the manager increases, the manager is expected to exhibit less of the transactional leadership traits. Manager with higher emotional intelligence are expected to use less and less of this type of leadership style.

For innovative work behavior and transformational leadership, there was a positive significant correlation (r = 0.598, p=0.000). Thus for the level of innovativeness of the manager to increase, the manager is expected to adopt a transformational leadership style. The five constructs of transformational leadership: inspirational motivation, idealized influence, individualized consideration, intellectual stimulation, and idealized attributes are in consonant with the ideals of innovativeness of the manager.

There was a weak negative correlation between innovative work behavior and transactional leadership style (r = -0.08, p=0.415) that was not significant at 95% confidence level. Thus transactional leadership style is not an effective leadership

style that stimulates innovative work behavior and hence the negative correlation. It was also established that there was a significant positive relationship between innovative work behavior and emotional intelligence (r =0.459, *p*=0.000). Therefore this implies that for managers of the MFIs to exhibit higher desirable level of innovative work behaviour, their level of emotional intelligence should be high.

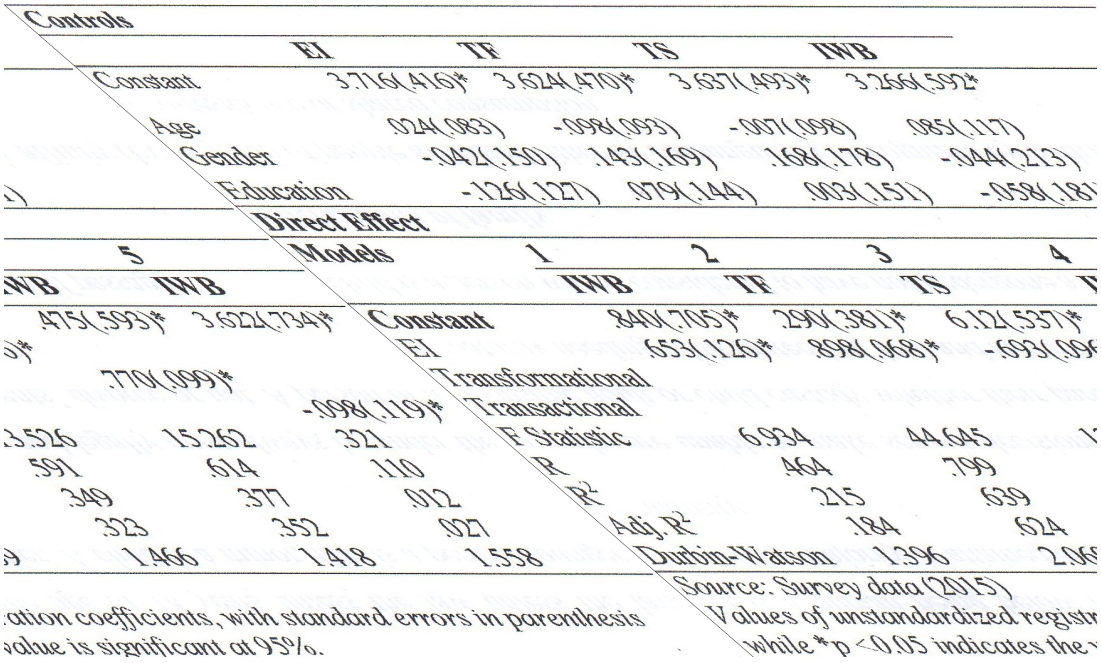
4.8 Regression Analysis

Direct effects were tested using hierarchical regression method while mediation was done by Baron and Kenny (1986) method.

4.8.1 Regression Results for Control Variables

The control variables of age, gender and educational level were regressed against emotional intelligence, transformational leadership, transactional leadership, and innovative work behavior. This was done because the control variables were thought to have systematic influence on the variables of interest. The results showed that age (β=.024, *p*=.771), gender (β=.042, *p*=.779) and education level (β =-.126,*p*= .324) had a non-significant effect on emotional intelligence. Age (β=-.098, *p*=.294), gender (β =.143, *p*=.399), and educational level (β =.079, *p*=.584) had a non-significant effect on transformational leadership style. Regression results of control variables on transactional leadership style showed that age (β =-.007, *p*=.942), gender (β =.168, *p*=.347), and education level (β =.003, *p*=.985) which were non-significant. For innovative work behavior, the control variables age (β =.085, *p*=.470), gender (β=-.044, *p*=.837), and educational level (β=-.058, *p*.751) had a non-significant effect. The fact that all the control variables had no significant effect and therefore they were not controlled for in subsequent regression analysis. Regression was done for direct effects as per models 1, 2, 3, 4, and 5. The results are presented in Table 4.15.

Table 4.15 Regression Results



Source: Survey data (2015)
*Values of unstandardized registration coefficients, with standard errors in parenthesis while *p <0.05 indicates the value is significant at 95%.*

Hypothesis 1 stated that emotional intelligence has no significant effect on innovative work behavior. The results (β= .653, p<.05) suggested that emotional intelligence has a positive significant effect on innovative work behavior. Hence hypothesis H_{01} was

not supported. The results suggest that as the level of emotional intelligence increases, so does the level of innovative work behavior.

Hypothesis 2 predicted that emotional intelligence had no significant effect on transformational leadership style. The results indicated that emotional intelligence had a significant positive effect on transformational leadership style (β=.898, p=<0.05). Hence hypothesis H_{02} was not supported. The results suggest that as the level of emotional intelligence increases, the manager is more predisposed to use transformational leadership style.

Hypothesis 3 stated that transformational leadership style does not have significant effect on innovative work behaviour. The results found that there exists a positive significant effect of transformational leadership on innovative work behavior (β= .770, p<0.05). The results rejected the hypothesis $H_{03.}$ The finding suggests that higher transformational leadership leads to higher innovative work behavior.

Hypothesis 4 postulated that emotional intelligence does not have significant effect on transactional leadership style. The results found emotional intelligence had a negative and significant effect on transactional leadership (β= -.693, p<0.05). The results rejected the hypothesis $H_{04.}$ The results suggest that as the level of emotional intelligence increases, the level of transactional leadership is expected to reduce.

Hypothesis 5 stated that transactional leadership style does not have significant effect on innovative work behavior. The study found that there exists a negative and significant relationship between transactional leadership style and innovative work behavior (β= -.098; p<0.05). Hence hypothesis H_{05} was rejected.

4.9 Mediating Effect of Leadership Styles

To examine the mediating effect of transformational leadership and transactional styles on the relationship between emotional intelligence and innovative work

behavior, a hierarchical regression analysis was performed. Baron and Kenny (1986) four step approach was used. In step 1, the predictor variable (emotional intelligence) was regressed on innovative work behavior. Results indicated that emotional intelligence accounted for significant variance in innovative work behavior (β=.651, p<.001). Secondly, emotional intelligence accounts for significant variance in transformational leadership style (β=.881, p<.001). Thirdly, transformational leadership style was found to account for a significant variance in innovative work behavior (β=.750, p<.001). In the final step transformational leadership style as a mediator was statistically significant with (β =.766, p<.001) while the regression coefficient of EI reduced from β=.651 with p<.001 to β= -.023 that was not significant (p<.001). It was therefore concluded that transformational leadership style fully mediates the relationship between emotional intelligence and innovative work behavior. Hence hypothesis H_{06} was not supported. This is presented in Table 4.16.

Table 4.16 Regression Results for Mediation of Transformational Leadership

Step		Model 6
1	(Constant)	1.131(.425)*
	Emotional Intelligence	.651(.124)*
2	(Constant)	.668(.239)*
	Emotional Intelligence	.881(.069)*
3	(Constant)	.599(.367)*
	Transformational Leadership	.750(.099)*
4	(Constant)	.619(.400)*
	Emotional Intelligence	-.023(.179)
	Transformational Leadership	.766(.158)*

Source: Survey data (2015)

*Values of unstandardized registration coefficients, with standard errors in parenthesis while *p <0.05 indicates the value is significant at 95%.*

The mediating role of transactional leadership style according to Baron and Kenny (1986) four step approaches were assessed. First; emotional intelligence accounted for

a significant variation in innovative work behavior (β=.651, p<.001). Secondly, emotional intelligence accounted for a significant proportion of variance in transactional leadership style. In step 3, transactional leadership accounted for a significant variation in innovative work behavior (β=.-.296, p<.001). Finally in step four, transactional leadership was statistically significant (β =.338, p □.001) while the regression coefficient of EI reduced from β=.651 with p<001 to β= .384 that was significant (p<.001). Since all the mediation conditions have been met, transactional leadership style is a partial mediator in the relationship between emotional intelligence and innovative work behavior. The results are presented in Table 4.17.Table

Table 4.17 Regression Results for Mediation of Transactional Leadership

Step		Model 7
1	(Constant)	1.131(.425)*
	Emotional Intelligence	651(.124)*
2	(Constant)	6.048(.325)*
)*	Emotional Intelligence	-.689(.095
.445)*	3 (Constant)	3.687(
96(.117)*	Transactional Leadership	-.2
-.914(.858)*	4 Constant	
.384(.147)*	Emotional Intelligence	
.338(.124)*	Transactional Leadership	

Source: Survey data (2015)
*Values of unstandardized registration coefficients, with standard errors in parenthesis while *p <0.05 indicates the value is significant at 95%.*

Table 4.18 Summary of the Hypotheses Tests Results

	Statements	Verdict
H_{01}:	There is no significant relationship between emotional intelligence and innovative work behavior.	Rejected H_0
H_{02}:	There is no significance relationship between emotional intelligence and	Rejected H_0

	transformational leadership style.	
H_{03}:	There is no significance relationship between transformational leadership and innovative work behavior	Rejected H_0
H_{04}:	There is no significance relationship between emotional intelligence and transactional leadership style	Rejected H_0
H_{05}:	There is no significance relationship between transactional leadership style and innovative work behavior.	Rejected H_0
H_{06}:	Transformational leadership style does not mediate the relationship between transformational leadership style and innovative work behavior.	Rejected H_0
H_{07}:	Transactional Leadership style does not mediate the relationship between Emotional Intelligence and innovative work behavior.	Rejected H_0

Source: Survey data (2015)

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter contains a detailed examination of the research findings analyzed in the previous chapter. Effect of emotional intelligence on innovative work behavior and the mediating role of leadership styles on the relationship between emotional intelligence and innovative work behavior were evaluated against empirical evidence. Objectives of the study are evaluated against the findings to inform the conclusions of the study. Conclusions of the study are based on results of hypotheses testing. Recommendations on the implications of the research on policy and practice, limitations of the study and suggestions for further research are discussed.

5.1 Summary of Findings

The broad objective of this study was to determine the mediating role of leadership styles on the relationship between emotional intelligence and innovative work behavior in microfinance institutions in Kenya. Preliminary results focused on the characteristics of the respondents and the descriptive statistics of the study variables. Hypotheses were tested by hierarchical regression to determine the direct effects and mediation effect. The results of the study advanced knowledge on the importance of leadership style on innovative work behavior. The discussions highlight the key findings of the study.

5.2 Effect of Emotional Intelligence on Innovative Work Behaviour

The result of the study indicated that emotional intelligence had a positive and significant effect on innovative work behavior (β=.653,$p<0.05$). The results suggested that managers with higher level of emotional intelligence may result in higher level of better generation, application and implementation of novelty ideas. This finding is further supported by previous researchers Mohadeseh and Mohammad (2014); Orhan and Dincer (2012); Janssen (2010); Van de Ven (2006) who found a positive and significant relationship between emotional intelligence and innovative work behavior. The fact is that individual recognized the understanding of oneself and others for the mutual benefit of common values which are then connected to organization values of innovativeness, this values allows employees to trust one another and therefore pursue the common objective of team work and hence achieving the objective of innovative work behavior.

The finding links well with social learning theory that articulates people learn by observing others whom they believe to have knowledge that organization's needs.

Drawing from this theory by Bandura (1971) Managers learn oneself and others to achieve innovative work behavior. Through the managers followers are able to acquire the expected new ideas, skills and expert experience that are geared to solving problems of the organization.

The finding is not different from the conclusions made by Rego *et al.,* (2007) who examined the relationship between leaders' emotional intelligence and creativity of their team. The results revealed that emotionally intelligent leaders behave in ways that stimulate the creativity of their team members. This was attributed to the idea behind emotional intelligence appeal to follower's moral values in order to achieve innovative work behavior goals and influencing employees to transcend their self-interest for the larger good of their team and organization, in order to realize optimal innovativeness levels (Bass, 1985; Burns, 1978).

5.2.1 Effect of Emotional Intelligence on Transformational Leadership Style

Emotional intelligence was found to have a positive and significant effect on transformational leadership style (β=.898, $p<0.05$). The results suggest that higher level of emotional intelligence result in higher level of transformational leadership style.

The finding coincides with the results obtained by previous scholars, like Weinberger (2002); Sivanathan and Fekken (2002). The consistence is further seen in the works of Ayiro (2009); Rubin *et al.,*(2005); Barling *et al.,* (2000). The argument behind this can be attributed to the fact that higher levels of emotional intelligence make one to have charisma of idealized influence which upgrade role modeling behavior, identification with the leader, and the internalization of the leader's vision, values, and missions through the charismatic leader's emotional impact (Avolio and Bass, 2004).

Also by being able to know and appreciate other people's emotions, the leader will be more predisposed to give individualized consideration which is a factor of transformational leadership.

The finding of this study was contrary to the study by Brown and Moshavi (2005) who found that emotional intelligence negatively predicts transformational leadership style. Other studies that contradicts the results of this study were Antonakis, Ashkanasy, and Dasborough (2009); Brown and Reilly (2006); Landy (2005); Locke (2005); Weinberger, 2004; Moss *et al.,* (1999); Bass and Avilio (1995). The probable explanation is that there could be lack of supportive climate that influence emotional intelligence behaviours which ignite transformational leadership.

5.2.2 Effect of Transformational Leadership Style on Innovative Work Behaviour

There was a positive and significant effect of transformational leadership on innovative work behavior (β=.770, $p<0.05$). The result suggests that use of transformational leadership style leads to higher innovative work behavior. This is attributed to the traits of transformational leaders, who have novel ideas. These leaders encourage the employees to go the extra mile needed for innovation. This finding was further supported by (Amabile, 2010).

This was further backed up by Gumusluolu and Sliseve (2009) who argued that transformational behaviours influence innovative work behavior. Intellectual stimulation promotes creativity by encouraging the managers to look at problems critically in new ways (Junk, 2001; Sosik *et al.,* 1998). With idealized influence, inspirational and the quest for vision achievement, managers are energizing to

perform beyond expectations and therefore generate creative problem solutions in organization.

This is further explained by the individualized consideration behaviors of the leader that include providing supportive climate and new learning opportunities Bass *et al.,* (2003) and therefore leading to favorable environment for innovative work behavior.

Furthermore the Inspirational motivation behaviours contributes motivating behaviors, which give followers' tasks meaning, thus fostering optimism through leader behavior, and inspiring followers through symbolic actions and those who provide intellectual stimulation challenge their followers to be creative and innovative (Avolio and Bass, 2004).

5.2.3 Effect of Emotional Intelligence on Transactional leadership style.

The result showed a negative and significant effect of emotional intelligence on transactional leadership style (β=-.693, $p<0.05$). These results suggest that higher level of emotional intelligence may result in low level of transactional leadership style. These finding are consistent with previous studies showing that higher emotional intelligence negatively relates with transactional leadership style (Føllesdal and Hagtvet, 2013). This is attributed to low emotional intelligence stability that have a strong predisposition to negatively relate to leadership behaviors. Emotionally stable and confident individual are relaxed and even-tempered (Goleman *et al.,* 2007). The stability in emotional intelligence and self-confidence are a prerequisite for leadership behavior. Therefore, individuals who have low emotional intelligence probably avoid leadership responsibilities (Føllesdal and Hagtvet, 2013).

5.2.4 Effect of Transactional and Innovative Work Behaviour

The study found a negative and significant relationship between transactional leadership style and innovative work behavior (β=-.296, $p<0.05$). This suggests that as transactional leadership behavior increases, the level of innovative work behavior is expected to reduce. This can be attributed to the transactional attributes which focused more on in-role performance and less on the stimulation of novel activities and this scenario may occur when innovative work behavior is not an explicit part of the job description. Additionally, as transactional leadership clarifies expectations and gives feedback about meeting these expectations, it will indicate the leader's predilections. The perception of these leader preferences is likely to have some bearing on followers, diverting them from their own innovative endeavors.

Moreover, transactional leadership may be perceived as controlling and demotivating, causing less innovative behavior (Deci and Ryan, 1987). The probable explanation to the above is that Individuals who are highly transactional avoid leadership responsibilities Bono and Judge (2004) and these individuals do not show idealized influence, inspirational motivation, or intellectual stimulation, since they are unlikely to be perceived as a role model due to their uncertainty, are insecure to provide followers with a vision, and are fearful to undertake change efforts (Bono and Judge, 2004).

This findings are contrary to previous studies showing that transactional leadership had a positive and significant effect on innovative work behavior (Sosik, and Avolio, 2003; Shin and Zhou, 2003; Bass and Jung, 1999; Basu and Green, 1997). This is possible when the leaders' vision is purely on innovation and therefore followers will pursue this on instruction.

5.2.5 The Mediating Effect of Transformational Leadership Style

The research investigated the mediation effect of transformational leadership style on the relationship between emotional intelligence and innovative work behavior; this was done after the determination of the direct effect. The results indicated that the four conditions for mediation, as pointed out byBaron and Kenny (1986) have been met. First, emotional intelligence showed a strong and significant relationship with innovative work behavior.

Second, emotional intelligence explains a significant proportion of variance in the mediating variable (transformational leadership style). This confirms that higher level of emotional intelligence leads to improve innovative work behavior. Third, the mediating variable; transformational leadership accounted for a significant proportion of variance in innovative work behavior. This renders no support for hypothesis (H_{06}) and fulfills the third condition of mediation.

The study established that the mediating effect of transformational leadership was significant and all the condition for mediation as set out by Baron and Kenny (1986) was met. The finding therefore signifies that the influence of transformational leadership style in the relationship between emotional intelligence and innovative work behavior does exist ($\beta = 0.843$, $p=0.000$), while the regression coefficient of emotional intelligence reduced from $\beta=0.653$ with $p=0.000$ to $\beta= -0.023$ that was not significant ($p=0.186$). The conclusion that could be drawn from the above observation is that transformational leadership style fully mediates the relationship between emotional intelligence and innovative work behavior. This implies that the relationship between emotional intelligence and innovative work behavior is indirect,

and therefore making the presence of transformational leadership in the model consequential.

The possible explanation is that transformational leadership attributes stimulates followers to transcend their own immediate self-interest for the greater good of the group. This leadership style concerns the transformation of followers' beliefs, values, needs and capabilities which then enhance innovative work behavior. The finding of this study confirms Allan *et al.,* (2012) who argued that leadership style could have some mediating effect on the relationship between emotional intelligence and innovative work behavior.

5.2.6 The Mediating effect of Transactional leadership Style

The study established that the mediating effect of transactional leadership in the relationship between emotional intelligence and innovative work behavior was partially significant, and all the conditions for mediation, as set out by Baron and Kenny (1986) were met. The finding therefore, signifies that the influence of transactional leadership in the relationship between emotional intelligence and innovative work behavior partially exist (β = -296, p<.001) while the regression coefficient of emotional intelligence decreased from β=0.651 that was significant (p=0.000) to β=.384 that was still significant (p=0.000). The main conclusion that can be drawn from the above observation is that transactional leadership partially mediates the relationship between emotional intelligence and innovative work behavior. This implies that the relationship between emotional intelligence and innovative work behavior is partially direct hence rendering the presence of transactional leadership in the model partially consequential.

In sum, the overall findings although mixed, account for significant 46.4 % in the level of innovative work behavior this implies that the influence of all variables can account for the stated variability. The study found positive and significant relationship between emotional intelligence and innovative work behavior, emotional intelligence and transformational leadership style, transformational leadership style and innovative work behavior and emotional intelligence and transactional leadership style found negative and significant effect. Similarly a negative and significant relationship was found between emotional intelligence and transactional leadership style. The study also found that transactional leadership style significantly affect innovative work behaviour. Transformational leadership style fully mediated the relationship between emotional intelligence and innovative work behavior while transactional leadership style had partial mediating effect.

5.3 Conclusion

This study successfully extended knowledge by studying and testing whether leadership style could mediate on the relationship between emotional intelligence and innovative work behavior. This answered Allen *et al.,* (2012) who was wondering whether leadership styles could mediate the relationship between various performance outcome variables. Based on the findings of this study, the following conclusion can draw; first the impact of transformational leadership cannot be overemphasized given its positive and significant effect on innovative work behavior. The finding of this study qualified transformational and transactional leadership styles as mediators.

The study found positive and significant relationship between emotional intelligence and innovative work behavior. The management practitioners should appraise the selection and recruitment by taking into account staff with higher emotional

intelligence as this enhances innovativeness. This is important because higher emotional intelligence leads to increase innovation generated from stimulation by leaders, which supports the emotional leadership theory that links leadership and emotional intelligence as integrated elements.

Secondly, the findings of the study indicated that emotional intelligence had a positive and significant effect on transformational leadership style, therefore leaders are responsible for motivating their employees to go beyond ordinary expectations by appealing to their higher order needs and moral values that create competitive edge.

Thirdly the findings of the study indicated that emotional intelligence had a negative and significant effect on transactional leadership style. This result confirms the management-by-exception (active) factor of transactional leadership style that managers should intervene proactively by affirming standards that are geared towards innovativeness.

The overall results indicated that the variables under study explained 46.4% of the variability in innovative work behavior, which in the opinion of the study is sufficient to allow inference of the study results in organization management particularly in developing world. These finding provided a new insights into the understanding of innovative work behavior.

In conclusion, the findings of this study have important implications for both academic, strategic management practice and human resources. As scholarly inquiries into the notion of leadership and innovative work behavior have remained conceptual to date, this research is one of the attempts to test the concept in an empirical setting. The managers will find useful implications that are relevant and can be used to endorse the validity of incorporating emotional intelligence interventions in the

recruitment and selection process, training and development process of managerial and staff development.

5.4 Recommendations of the Study

The study provides valuable recommendations to both theory and practice. The researcher believes that these recommendations will create vital insights to both scholars and practitioners in strategic management and help fill the knowledge gap in the model of innovative work behavior in the context of the mediating role of leadership styles. The following sections highlight the recommendations.

5.4.1 Theoretical Implications

This study provides practical implications for scholars. The study extends the emotional intelligence leadership theory by interrogating the emotional intelligence constructs and relating to leadership behaviors. The extended emotional intelligence, innovative work behavior and leadership style model is developed to achieve the greater understanding of employee creativity in microfinance institutions. The findings of the present study established that emotional intelligence is the antecedent condition of transformational leadership style which transmits its effect to innovative work behavior.

The results supports the theory that leaders have a continuum level of leadership styles ranging from transformational to transactional levels that are applicable in different situations. Transformational-transactional leadership theory represents such paradigm shift that helps in understanding leadership in a broad context and in different organizational levels and functions. Managers need to apply the inspirational appeal of transformational leadership if they are to have innovative work behaviour. Thus, whereas the present study confirms the proposition that transformational

leadership may engender innovative work behaviour a proposition that is a cornerstone in leadership theory, it also shows that emotional intelligence plays an important role in determining whether this positive relationship between innovative work behaviour and transformational leadership materializes. This implies that the significance mediation role of transformational leadership beahviour in the relationship between emotional intelligence and innovative work behavior should be addressed by the managers of microfinance institution if long term and sustainable advantage through innovation is to be achieved.

The main argument is that emotional intelligence traits predict transformational leadership behaviors, which, in turn, are related to leaders innovative work behaviour. Transformational leadership's mediating role is plausible given the conceptual and empirical links between emotional intelligence and transformational leadership. Emotional intelligence influence leader innovative work behavior indirectly via their link to transformational leadership behavior, such as the capacity to influence, inspire, transform, change, and care for followers.

5.4.2 Managerial and Policy Implications

Several practical implications arise from the findings of this study. The findings have demonstrated the importance of transformational leadership and emotional intelligence for innovativeness. Organizations that want to capitalize on the innovative capabilities of employees must ensure that team leaders and individuals in key leadership positions not only possess emotional intelligence, but explicitly demonstrate a high level of transformational leadership. Recruitment and human resource development practitioners should therefore incorporate a policy use of

emotional intelligence and leadership style tests during selection and recruitment process.

Furthermore, literature has shown that leadership style can be learned and training programs have been developed (Barling, Weber and Kelloway, 1996). Therefore efforts to increase innovative work behavior can be complemented by leadership development efforts to enhance transformational leadership behaviors.

5.5 Recommendation for Further Research

This study brings further research recommendation to establish whether moderation-mediation is possible to bring research to latest level of interrogation in terms of effect in this area of study.

This study found full mediation and partial mediation on the transformational and transactional leadership style respectively on the relationship between emotional intelligence and innovative work behavior. A replication of this study in service industry is recommended to further interrogate transformational leadership and transactional leadership potential to address issues that are relevant in the modern, changing, and uncertain work environment.

The measure for innovative work behavior might be prone to social desirability bias, as individual perceptions of managers innovative work behavior were used. It is possible that employees responded with high scores on the items of innovative work behavior, irrespective of actual perspectives as they are unclear about their own contribution, or because they want to present themselves positively. Future research could consider ways of reducing the bias by controlling for the contribution of the employees in the innovative work behavior of the assessed manager.

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APPENDICES

Appendix A: Questionnaire for Managers

Philip K. Bii

P. O. BOX 3900

ELDORET

10th October, 2014

To: MFI Manager

Dear Sir/Madam,

Research Questionnaires

Am a student at post graduate school of business and Economics in Moi University undertaking research entitled: Mediating effect of leadership style on the relationship between manager's emotional intelligence and innovative work behaviour: a survey of managers in microfinance institutions of Kenya. I would greatly appreciate if you could complete the attached questionnaires that will be used for research purposes only. This study is aimed at contributing to the scientific knowledge in the management field and the findings will be beneficial to your Human Resource Division and the study of management. The anonymity/confidentiality of your responses is guaranteed. If you have any questions, please contact Moi University or me through the above address. Once completed please hand the questionnaire to the researcher/ research assistant. Kindly answer all the items in the questionnaire.

Thanks in advance for your cooperation.

Philip K. Bii

0722-752-785

Section A: Background Information

1. Please indicate your Gender

   Female [ ] male [ ]

2. Kindly indicate your age bracket

   Below 30[ ] 31-40[ ] 41-50[ ] 51-60[ ]

3. Indicate your Level of Education.

   Phd [ ] Masters [ ] Degree [ ] Diploma [ ] Others CPA CPS [ ]

4. Which category is your institution under

   DTM [ ] Non-DTM [ ]

Section B: Manager's Emotional intelligence

This section requires you to describe your Emotional Intelligence. Please answer all items by ticking the appropriate response using the scale: 7: Strongly Agree, 6: Agree, 5: Somewhat Agree, 4=moderately agree, 3=somewhat Disagree, 2=Disagree, 1= Strongly Disagree

	My branch manager:	**1**	**2**	**3**	**4**	**5**	**6**	**7**
1	Publicly admits mistakes.							
2	Is able to laugh at himself.							
3	Responds calmly to explosive events and people.							
4	Considers facts and feelings when making decisions.							
5	Is willing to change his/her view point							
6	Remains focused on vision and goals.							
7	Turns life crises into opportunities for growth.							
8	Co-operates with others to achieve goals.							
9	Maintains long-term trusting relationships.							
10	Builds trust.							
11	Remains committed to a cause in spite of obstacles.							
12	Takes interest in other people's development.							
13	Is aware of and understands others feelings.							
14	Identify underlying emotional causes of conflict.							
15	Cares about others.							
16	Builds team spirit.							
17	Is willing to take on challenges.							
18	Advocates the imperative for change and innovation.							
19	Follows through on what he/she initiates							
20	Is eager to learn.							
21	Regards challenges as opportunities.							
22	Acknowledges the contribution of others.							
23	Listens attentively to what people say.							
24	Facilitates effective problem solving.							
25	Values diversity.							
26	Expresses positive expectations of others.							
27	Takes responsibility for hi thoughts, and actions.							
28	Tells the truth even at his/her own expense.							
29	Controls his/her own emotions.							
30	Facilitates repairing of relationships							
31	Has a calming effect on others.							
32	Build consensus on common ground.							
33	Interprets other people's emotions correctly.							
34	Manages stressful situations calmly.							
35	Stimulates enthusiasm and commitment.							
36	Sees the brighter side of things.							
37	Acts according to his/her own values.							
38	Chooses the right time to deal with emotional							

	issues.							
39	Adapts to changing circumstances.							
40	Welcomes other people's inputs.							
41	Understands the impact of change on people.							
42	Balances different aspects of wellness.							
43	Asserts my rights in a constructive manner.							
44	Is open to new ideas.							
45	Creates a positive mood.							
46	Accepts criticism and learn from it.							

Section C: Manager's Leadership Style

This section helps you describe your leadership style as you perceive it please answer all items by ticking the appropriate response using the key 7: Strongly Agree, 6: Agree, 5: Somewhat Agree, 4: moderately, 3: Somewhat Disagree, 2: Disagree, 1: Strongly Disagree

	As the branch manager:	1	2	3	4	5	6	7
1	I provide others with assistance in change for their efforts							
2	I re-examine critical assumptions to question							
3	I fail to interfere until problems become serious.							
4	I focus attention on irregularities, mistake, and exceptions							
5	I talk about my important values and beliefs.							
6	I seek differing perspectives when solving problems							
7	I talk optimistically about the future.							
8	I instill pride in others for being associated with me							
9	I discuss who is responsible for a performance target.							
10	I wait for things to go wrong before taking action.							
11	I talk enthusiastically about what needs to be accomplished.							
12	I specify the importance of having a strong sense of purpos							
13	I spend time teaching and coaching.							
14	I say what one can expect to receive when goals are ac							
15	I am a firm believer in 'if it is not broken do not fix i							
16	I go beyond self-interest for the good of the group							
17	I treat others as individuals and not as a member							
18	I let problems become chronic before I take act							
19	I act in ways that build others' respect for me							
20	I concentrate my attention on with mistake							
21	I consider the moral and ethical conseque							
22	I keep track of all mistakes.							
23	I display a sense of power and confid							
24	I articulate a compelling vision of t							
25	I direct my attention toward failu							
26	I consider individuals as havin							
27	I get others to look at proble							
28	I help others to develop the							
29	I suggest ways of lookin							
30	I emphasize the import							
31	I express satisfaction							
32	I express confidenc							

Section D: Manager's Innovative Work Behavior

This section helps you describe your innovation behaviour. Please answer all items by ticking the appropriate response using the key 7: Strongly Agree, 6: Agree, 5: Somewhat Agree, 4: Neutral, 3: Somewhat Disagree, 2: Disagree, 1: Strongly Disagree

	As the Branch Manager:	**1**	**2**	**3**	**4**	**5**	**6**	**7**
1	I Create new ideas							
2	I Find new approaches to execute tasks							
3	I mobilize support for innovative ideas							
4	I Acquire approval for innovative ideas							
5	I make employees enthusiastic about innovative ide							
6	I acquire new knowledge							
7	I Look for opportunities to improve things							
8	I Consider innovative opportunities							
9	I wonder how things can be improved.							
10	I Explore new products or services							
11	I Search out new working methods, and techniques							

-End-

Thank You for Completing this Questionnaire

Appendix II: Research Questionnaire for Raters

Philip K. Bii

P. O. BOX 3900

ELDORET

10th November, 2014

To: MFI Employee (Rater)

Dear Sir/Madam,

Research Questionnaires

Am a post graduate student in the school of business and Economics of Moi University undertaking research entitled: Mediating effect of leadership style on the relationship between manager's emotional intelligence and innovative work behaviour: A survey of managers in microfinance institutions of Kenya. I would +greatly appreciate if you could complete the attached questionnaire that will be used for research purposes only. You are supposed to rate your branch manager on the aspects indicated in the questionnaire. This study is aimed at contributing to the scientific knowledge in the management field and the findings will be beneficial to your Human Resource Division and the study of management. The anonymity/confidentiality of your responses is guaranteed. If you have any questions, please contact Moi University or me through the above address. Once completed

please hand the questionnaire to the researcher/ research assistant. Kindly answer all the items in the questionnaire.

Thanks in advance for your cooperation

Philip K. Bii

0722752785

Section A: Background Information

1 Please indicate your Gender

Female [ ] male [ ]

2 Kindly indicate your age bracket

Below 30[ ] 31-40[ ] 41-50[ ] 51-60[ ]

3 Indicate your Level of Education.

Phd [ ] Masters [ ] Degree [ ] Diploma [ ] Others CPA CPS [ ]

4. Which category is your institution under

DTM [ ] Non-DTM [ ]

Section B: Manager's Emotional intelligence

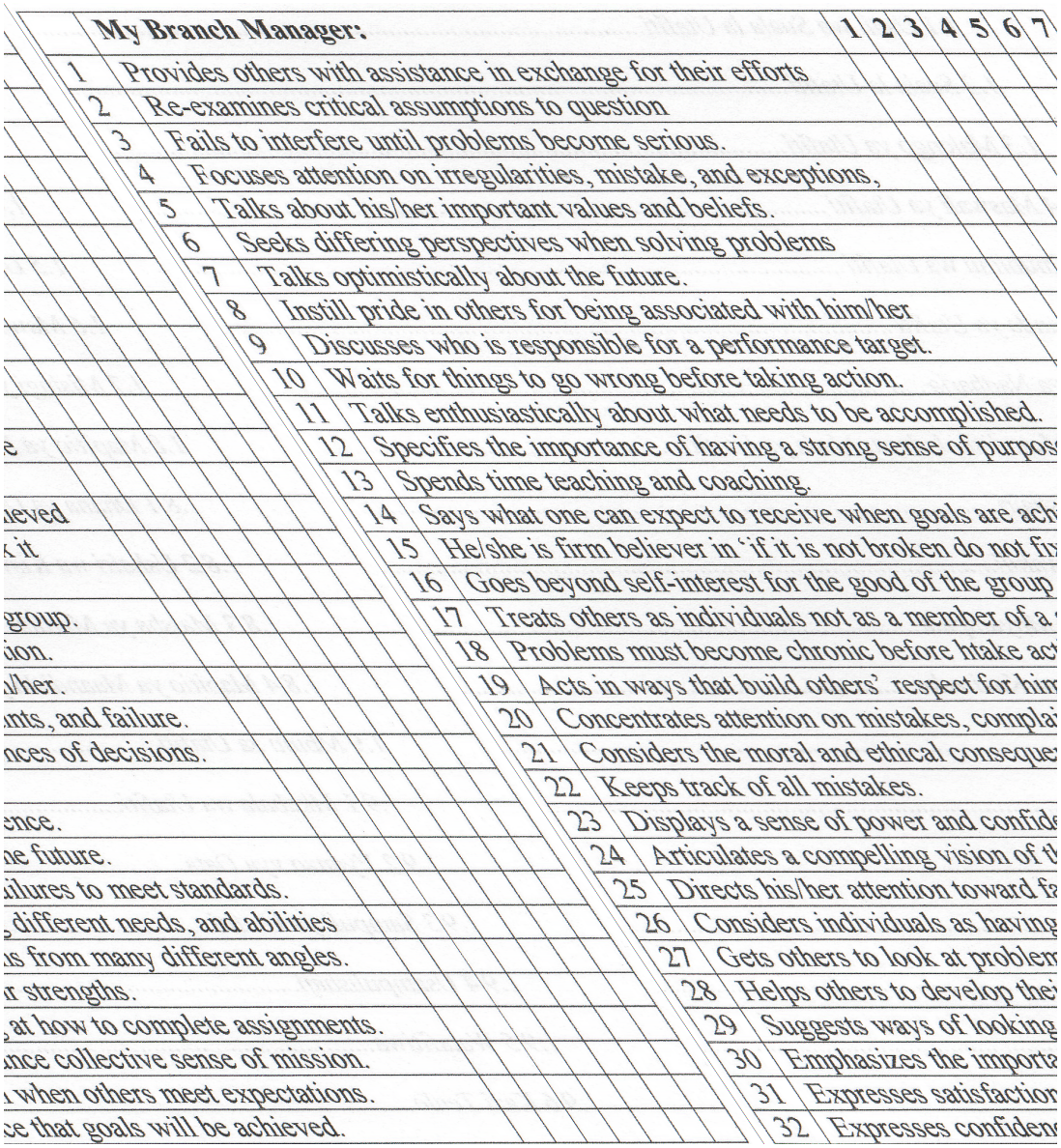
This section requires you to describe your manager's Emotional Intelligence. Please answer all items by ticking the appropriate response using the scale: 7: Strongly Agree, 6: Agree, 5: Somewhat Agree, 4=moderately agree, 3=somewhat Disagree, 2=Disagree, 1= Strongly Disagree

	My branch manager:	**1**	**2**	**3**	**4**	**5**	**6**	**7**
1	Publicly admits mistakes.							
2	Is able to laugh at himself.							
3	Responds calmly to explosive events and people.							
4	Considers facts and feelings when making decisions.							
5	Is willing to change his/her view point							
6	Remains focused on vision and goals.							
7	Turns life crises into opportunities for growth.							
8	Co-operates with others to achieve goals.							
9	Maintains long-term trusting relationships.							
10	Builds trust.							
11	Remains committed to a cause in spite of obstacles.							
12	Takes interest in other people's development.							
13	Is aware of and understands others feelings.							
14	Identify underlying emotional causes of conflict.							
15	Cares about others.							
16	Builds team spirit.							
17	Is willing to take on challenges.							
18	Advocates the imperative for change and innovation.							
19	Follows through on what he/she initiates							
20	Is eager to learn.							
21	Regards challenges as opportunities.							
22	Acknowledges the contribution of others.							
23	Listens attentively to what people say.							
24	Facilitates effective problem solving.							

25	Values diversity.							
26	Expresses positive expectations of others.							
27	Takes responsibility for hi thoughts, and actions.							
28	Tells the truth even at his/her own expense.							
29	Controls his/her own emotions.							
30	Facilitates repairing of relationships							
31	Has a calming effect on others.							
32	Build consensus on common ground.							
33	Interprets other people's emotions correctly.							
34	Manages stressful situations calmly.							
35	Stimulates enthusiasm and commitment.							
36	Sees the brighter side of things.							
37	Acts according to his/her own values.							
38	Chooses the right time to deal with emotional issues.							
39	Adapts to changing circumstances.							
40	Welcomes other people’s inputs.							
41	Understands the impact of change on people.							
42	Balances different aspects of wellness.							
43	Asserts my rights in a constructive manner.							
44	Is open to new ideas.							
45	Creates a positive mood.							
46	Accepts criticism and learn from it.							

Section C: Branch Manager's Leadership style

This section helps you describe your branch manager's leadership style as you perceive it please answer all items by ticking the appropriate response using the key 7: Strongly Agree, 6: Agree, 5: Somewhat Agree, 4: Moderately agree, 3: Somewhat Disagree, 2: Disagree, 1: Strongly Disagree



	My Branch Manager:	1	2	3	4	5	6	7
1	Provides others with assistance in exchange for their efforts							
2	Re-examines critical assumptions to question							
3	Fails to interfere until problems become serious.							
4	Focuses attention on irregularities, mistake, and exceptions,							
5	Talks about his/her important values and beliefs.							
6	Seeks differing perspectives when solving problems							
7	Talks optimistically about the future.							
8	Instill pride in others for being associated with him/her							
9	Discusses who is responsible for a performance target.							
10	Waits for things to go wrong before taking action.							
11	Talks enthusiastically about what needs to be accomplished.							
12	Specifies the importance of having a strong sense of purpos							
13	Spends time teaching and coaching.							
14	Says what one can expect to receive when goals are achi							
15	He/she is firm believer in "if it is not broken do not fix							
16	Goes beyond self-interest for the good of the group							
17	Treats others as individuals not as a member of a							
18	Problems must become chronic before htake act							
19	Acts in ways that build others' respect for him							
20	Concentrates attention on mistakes, complai							
21	Considers the moral and ethical conseque							
22	Keeps track of all mistakes.							
23	Displays a sense of power and confide							
24	Articulates a compelling vision of t							
25	Directs his/her attention toward fa							
26	Considers individuals as having							
27	Gets others to look at problem							
28	Helps others to develop thei							
29	Suggests ways of looking							
30	Emphasizes the importa							
31	Expresses satisfaction							
32	Expresses confidenc							

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Section D: Branch Manager's Innovative Behavior

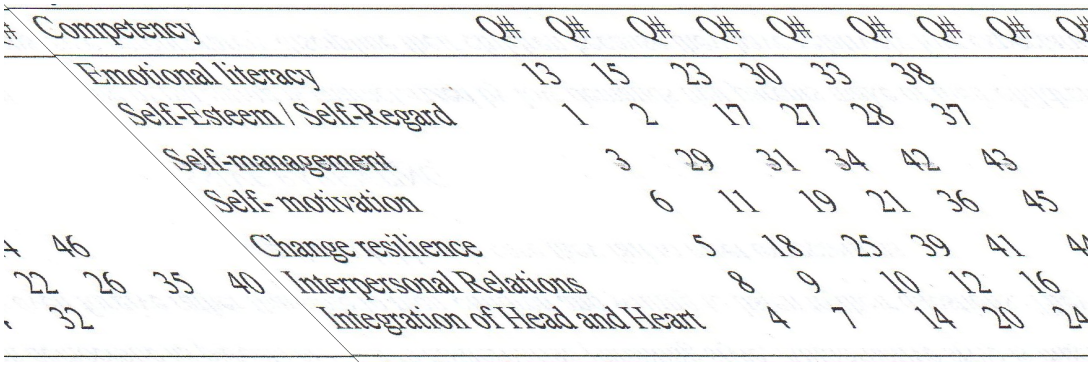
This section helps you describe your branch manager's innovation behaviour. Please answer all items by ticking the appropriate response using the key 7: Strongly Agree, 6: Agree, 5: Somewhat Agree, 4: Neutral, 3: Somewhat Disagree, 2: Disagree, 1: Strongly Disagree

	My Branch Manager:	1	2	3	4	5	6	7
1	Creates new ideas							
2	Finds new approaches to execute tasks							
3	Mobilize support for innovative ideas							
4	Acquires approval for innovative ideas							
5	Makes employees enthusiastic about innovative ide							
6	Acquires new knowledge							
7	Looks for opportunities to improve things							
8	Considers innovative opportunities							
9	Wonders how things can be improved.							
10	Explores new products or services							
11	Searches out new working methods, and techniques							

-End-

Thank You for Completing this Questionnaire

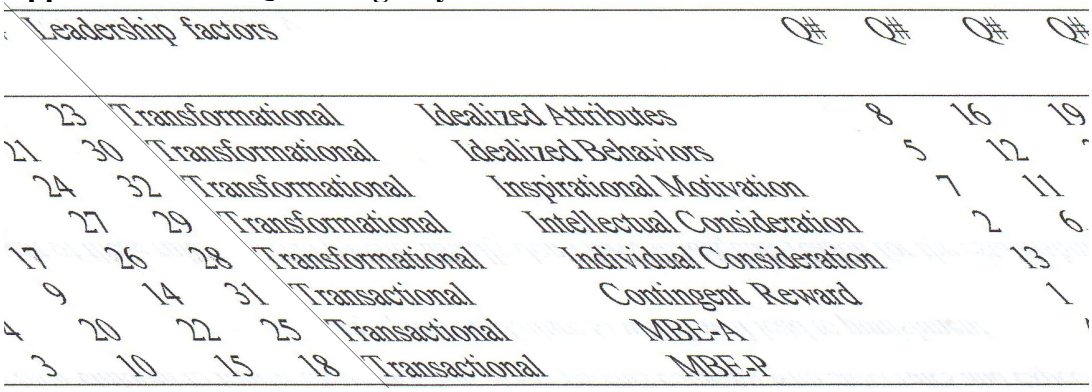
Appendix III: ECP Scoring Key



Competency	Q#	Q#	Q#	Q#	Q#	Q#	Q#	Q#	Q#
Emotional literacy	13	15	23	30	33	38			
Self-Esteem / Self-Regard	1	2	17	27	28	37			
Self-management	3	29	31	34	42	43			
Self- motivation	6	11	19	21	36	45			
Change resilience	5	18	25	39	41	4	46		
Interpersonal Relations	8	9	10	12	16	22	26	35	40
Integration of Head and Heart	4	7	14	20	24	32			

Key:
Q#: Question number

Appendix IV: MLQ Scoring Key

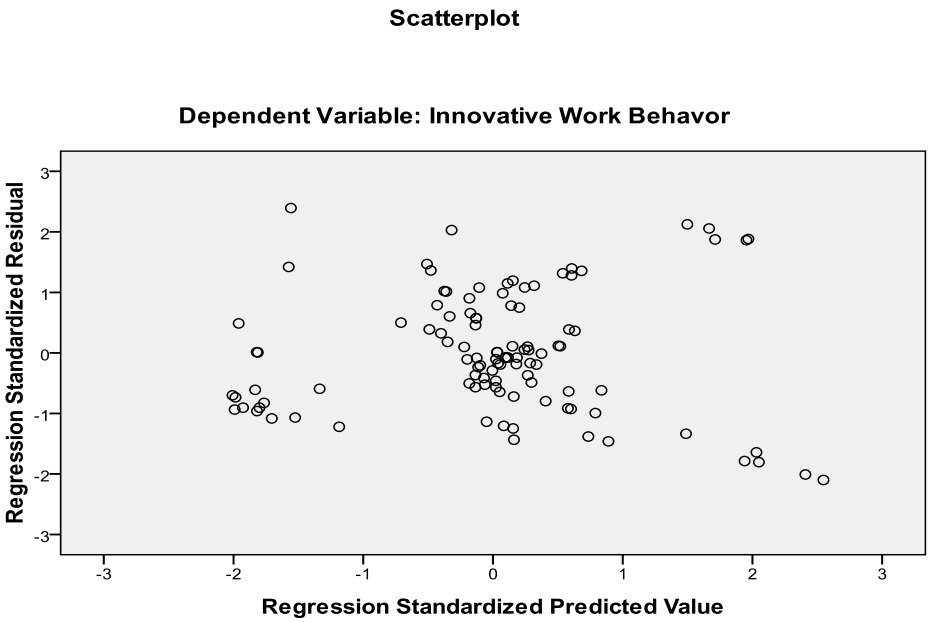


Leadership factors	Q#	Q#	Q#	Q#
Transformational Idealized Attributes	8	16	19	23
Transformational Idealized Behaviors	5	12	21	30
Transformational Inspirational Motivation	7	11	24	32
Transformational Intellectual Consideration	2	6	27	29
Transformational Individual Consideration	13	17	26	28
Transactional Contingent Reward	1	9	14	31
Transactional MBE-A	4	20	22	25
Transactional MBE-P	3	10	15	18

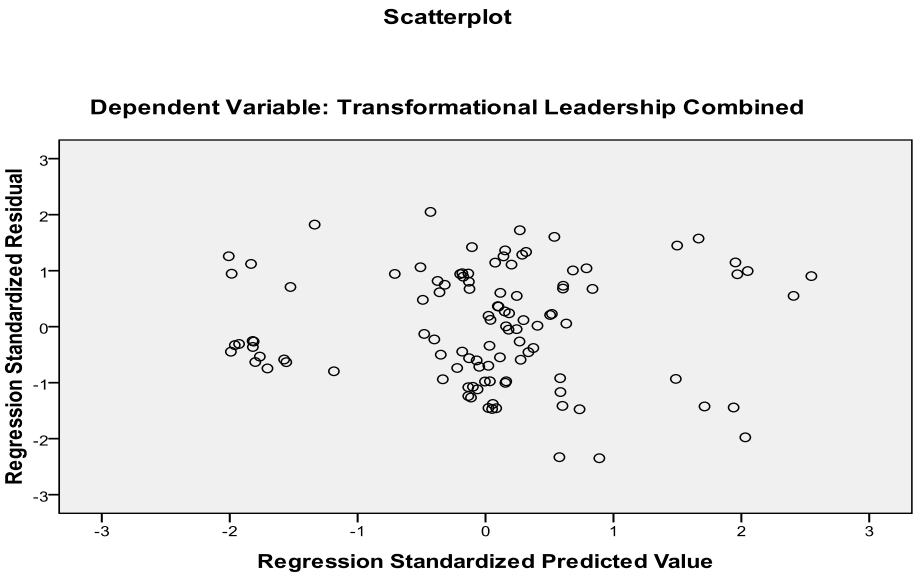
Key:
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Appendix V: Heteroscedasticity Test

i) Heteroscedasticity plot for Innovative Work Behaviour



ii) Heteroscedasticity plot for Transformational Leadership Style



iii) Heteroscedasticity plot for Transactional Leadership

