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## **TRUST AND EMOTIONS ENERGIZE ORGANIZATIONAL PERFORMANCE**

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### **Abstract**

The aim of this paper is to shed more light on the significant effect that leadership self-efficacy and shared leadership have on organizational performance. The purpose of this study is to contribute to the research on shared leadership that is still in its early stages. Trust, as a component of social capital, is considered the essential criteria for an emotionally aware leader. Trust enables individuals to channel their energy on those aspects of work for which they have real passion. Emotions, whether positive or negative, stimulate and steer organizational performance and behavior. Humor can reduce absenteeism; improve levels of effort, health and energy, all of which influence the levels of performance. The case study methodology focused on a profit-oriented Information Technology SME. A questionnaire was distributed to ascertain how leadership self-efficacy might influence shared leadership and affect organizational performance. The study entails the presupposition that those managers who have regard for the self-efficacy leadership attributes cluster will have a higher probability of improving both perceived and actual employee performance. The results of this study seem to demonstrate that emphasis is placed on the problem-solving attributes of leadership self-efficacy. This will result in a positive impact on the organizational performance as a whole. This paper is of added value for scholars and organizations in the knowledge economy.

**Keywords:** Emotional Capital, Humor, Leadership Self-Efficacy, Performance, Social Capital, Shared Leadership

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### **1. Introduction**

In the current turbulent economic environment, it is not surprising that organizations focus on developing leadership skills and competencies because leadership is considered the key to the strategic success of organizations. This success is achieved when organizations embrace the knowledge management paradigm. Moreover, emotional intelligence is also a vital component in the leaders' skill set and so is the leaders' capacity to nurture trust with their team of employees. Positive emotions and an environment based on trust inspire employees to improve their performance and are concomitant with the humanistic nature that organizations should further enhance. Furthermore, trust is a fundamental component in ensuring that competitive

advantage is in harmony with both innovation and learning and vice versa. Moreover, trust is also directly linked with leadership self-efficacy in order to uphold the belief structures that lead to organizational efficiency. The importance of these shared values hinges on the economic logic dominant in the organization and also on the capacity the organization has to invest in this humanistic realm. This investment strengthens the organization's social capital and contributes to its sustainability. This research is divided into the following areas, namely, a reflection of extant literature in the field; the methodology entails a case study analysis which enabled the distribution of a questionnaire to gather of primary data; the analysis of this primary data highlights the perceptions of knowledge towards the different variables associated to the realm of the emotional and social capitals. The main conclusions, limitations of the current study and a reflection for further research are set forth.

## 2. Sustainability through Leadership Self-Efficacy

Creating sustainability in relation to a particular dimension of time is an integral part of the nature of leadership (Koestenbaum, 2002). Consequently, it can be inferred that leadership has the possibility of changing to these different dimensions, namely, short, long and medium term. The nature of leadership is a paradox in itself; on the one hand, leadership focuses on the future (thus promoting change). On the other hand, leadership attempts to maintain the status quo (Coetzee, 2004). Leadership is primarily concerned with the wellbeing of individuals.

The holistic approach is sustained by a sense of 'care', the very core element of leadership. Thus, followers perceive the need to be treated with dignity, respect, compassion, recognition not only for the effort that their put into their work but also for their uniqueness (Coetzee, 2004; Bracey *et al.* 1990). For this reason, the nature of leadership also entails adapting merit, credibility and substance to circumstances (Coetzee, 2004; Kouzes and Posner, 2002). Moreover, the nature of leadership can be viewed as an "outside in" approach, according to Verwey and Verwey (2003, p. 88).

As the literature shows, emotions perform a fundamental role in relation to individual efficacy (Goleman 1996, 1998, 2000). Emotional intelligence challenges the dominating and mainstream thinking both of the organisation and the individual. Therefore, emotions and emotional intelligence becomes an essential framework in performance. In this line of thought, the social intelligence competency may result in efficacy and/or high performance because the cognitive intelligence competency allows the individual to think and analyze information and also those situations that result in efficacy or high performance. Zaccaro (2001) corroborates that social intelligence is associated with effective leadership.

In addition, according to Boyatzis and Goleman (1996) as well as Boyatzis *et al.* (2001, 2007) social intelligence competencies include social knowledge (based on the resulting perceptions about feelings and perspectives of others) and organizational knowledge. The literature highlights that social competencies are distinct from that competency that is related to excellent professional performance arising from emotional intelligence, whereas competencies are based on set of skills and capacities of individual knowledge which in turn give rise to exceptional results in performance (Goleman, 2006).

According to Fairholm (1998), a type of leadership that is related to managing and especially that type of management that is mainly concerned with quality. Those studies that are essentially concerned with mediating effect of leadership self-efficacy as well as with the effectiveness of the leader seem to concentrate mainly on manager's capacity in dealing with change (Paglis and Green, 2002). Semadar *et al.* (2006) further highlight that a high level of self-efficacy results in a perceived organizational flexibility. In this aforementioned context, it seems that managers' job autonomy and a culture based on support tend to create conditions that nurture individual flexibility and organizational receptiveness towards these conditions. These in turn, nurture leadership self-efficacy that is the essential ingredient for a successful leader in the future (Martins, 2016). Therefore, it seems to that self-efficacy is positively linked with a rise in performance.

### 3. Methodology

This study applied the case study method wherein the focus is on contemporary events related to an IT and knowledge intensive consulting company (an SME) located in the greater Lisbon area, Portugal. Stake (1995, p.4) states that it is important to remember the “case study is not research based on a single sample. Researchers do not study a case to understand other cases, but rather to understand that particular case. Therefore, sampling is based on pragmatic and theoretical criteria instead of probable criteria; essentially we search for consistency, through various maxims” (Bravo and Eisman, 1998, p. 254). Moreover, case study samples should not be confused with probable statistical samples of quantitative methods.

There is a rich and robust debate centered on the usage of the case study methodology. Tull and Hawkins (1976) corroborate that case studies are intensive analysis of a particular situation whereas Bonoma (1985) considers the case study as a description of a particular situation in management. Gerring (2007) substantiates that the case study can be understood as the intensive study of a particular and single case with the objective of extrapolating meaning to a range of other cases that make up its population. Stake (1995) however, is in disagreement with these arguments as he considers the case study to be based on the study of the uniqueness and complexity of each individual case in order to lead to an understanding of its complexity.

Case studies can be simple or multiple in design, according to Yin (2003). For Bonoma (1985) case study analysis is adequate when researching broad and complex phenomena, when existing knowledge is scarce and therefore does not allow for causal questions or when phenomena should not be studied out of context. The case study is a research methodology that is in alignment with specific situations that can be well contextualized and well defined. In addition, this methodology is an excellent instrument when one intends to broaden theoretical understanding or knowledge about a particular reality allowing for further research.

These abovementioned reasons motivated this research to choose this particular methodology for this study. The sample analyzed is a Portuguese, Lisbon-based IT consulting company and questionnaires were distributed among the target population, being middle/top managers, 6 in total. The questionnaire for this study was carried during one single distribution. It was made available via an online link on the internet. The questionnaire was based on the List of 88 Attributes – the Inventory of Leadership Self-Efficacy by Anderson *et al.* (2008) from which the authors of this paper designed a new instrument with a new designation of namely, the 65 attributes of leadership self-efficacy.

### 4. Results

The data gathered reveals that when leaders assess themselves, the leadership self-efficacy attributes with the highest scores appear in the management attributes cluster. This reveals an average of 4.50 which are related to the leader designated as CP (for purposes of anonymity only initials of the leaders are used). Table 1 provides the average results obtained.

There was a common result of 3.94 in the leadership attributes cluster for the leaders designated as SF, EVA and SAF; while the third highest result 3.91 is related to the Problem-solving attributes cluster, which are linked with the leader designated as EVA. On the other hand, those attributes with lowest results, namely 2.66 correspond to the Social/communication attributes cluster (and are linked with the leaders designated as FF and NM). It should also be highlighted that, and still within this same attributes cluster albeit with a slightly higher result of 2.75 is associated with the leader designated as SAF as well as the result 2.80 for the leader designated as FF.

Table 2 shows the average with the highest result of 4.066 which was located in the Problem Solving attributes cluster, followed by the result 3.64 for the Leadership attributes cluster. The lowest average result of 3.083 was found to be in the Work in General attributes cluster, followed by an average result of 3.383 for Management attributes cluster.

**Table 1. Leadership self-efficacy study  
Averages identifying specific respondents**

<b>Attributes Cluster</b>	<b>Leader</b>	<b>Average</b>
Leadership	FF	3.47
	CP	3.47
	NM	3.41
	SF	3.94
	EVA	3.94
	SAF	3.94
Management**	FF	2.80
	CP	4.50**
	NM	3.30
	SF	3.40
	EVA	3.80
	SAF	3.50
Problem Solving	FF	3.08
	CP	3.16
	NM	3.41
	SF	3.33
	EVA	3.91
	SAF	3.41
Social/ Communication*	FF	2.66*
	CP	2.91
	NM	2.66*
	SF	3.00
	EVA	3.25
	SAF	2.75
Work in General	FF	2.93
	CP	3.25
	NM	3.06
	SF	3.62
	EVA	3.75
	SAF	3.25

**Notes:** \*average of lowest result; \*\*average of highest result

**Source:** Author's own calculation

**Table 2. Leadership self-efficacy study  
Averages from general results**

<b>Attributes Cluster</b>	<b>Average</b>
Leadership	3.64
Management	3.38
Problem Solving	4.07**
Social/Communication	3.45
Work in General	3.08*

**Notes:** \*average of lowest result; \*\*average of highest result

**Source:** Author's own calculation

## 5. Analysis and Discussion of Results

In an analysis of the results pertaining to the two clusters of leadership self-efficacy attributes, namely, Social/Communication and Work in General attributes, it is perceived that these are associated with relational leadership as well as with social and emotional intelligences. In turn,

social intelligence is associated with effective leadership, according to Zaccaro (2001). However, the results obtained seem to indicate that the average scores for these attributes are lower compared to the Solving Problems attributes that reveal higher average results.

The results for those managers designated as FF, CP and NM seem to present little importance to those attributes related to social and emotional capitals. Only those results arising from the manager with the abbreviation EVA were perceived as being higher than for all other managers within this same attribute cluster. If this is taken into account the other sub-constructs in this research, namely, the role of emotional awareness, this study highlights that this awareness is at the very core of leadership and is fundamental for the creation of efficacy between leader-follower relationships.

The results of this study demonstrate that leadership competencies may be relegated to the second level because it can be perceived the Solving Problems attributes to be associated mainly with management roles. According to Fairholm (1998), these current results seem to demonstrate a type of leadership that is related to managing and especially that type of management that is mainly concerned with quality.

## 6. Conclusion

The current business world is affected by great changes and a competitiveness that requires that organizations need to achieve excellent levels of performance if they wish to survive and prosper. Therefore, the role of leadership is vital in achieving that state of excellence. The rise of complexity in business has made leadership self-efficacy a necessity.

The Leadership and Problem Solving attributes nurture the dimensions of creative leadership. This research demonstrates the importance of leadership self-efficacy in improving perceived organizational performance, also mediated by organizational trust. The authors of this study attempted to demonstrate that social and emotional intelligences may be considered as mediators of organizational performance. The study highlights that optimization of organizational performance needs to invest in the social dimension.

The future implications of this research embrace the fact that these results may well influence political thought in the labor market and how this labor market may well be aligned with the field of education in order to reduce the gaps between both markets.

A limiting and weak point of this study on leadership self-efficacy and its relationship on organizational performance is linked to fact that we only gathered data which is related with the perception leaders' have in so far as their own self-efficacy is concerned, can limit and condition the conclusions, as this data may be subjective in nature. In this way, further research on hetero-perceptions should be gathered to gauge the employees' perceptions of leadership self-efficacy on organizational performance. The data gathered in the future of the hetero-perception leadership self-efficacy should be compared with this current data on leadership self-efficacy allowing for more objective results and thus revealing fewer vested interests.

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