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Socialist Republic of Vietnam



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Republic of Philippines

THE DISERTATION OF DBA

THE RELATIONSHIPS AMONG EMOTIONAL INTELLIGENCE, LEADERSHIP STYLES AND PERFORMANCE OF EMPLOYEES IN ENTERPRISES IN HANOI, VIETNAM

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ABSTRACT

This study aims to determine the effect of leadership styles and emotional intelligence on employee performance. The subjects of this study include 375 leaders and 730 subordinates in enterprises in Hanoi, Vietnam. The questionnaire has two parallel forms, one for the leaders to rate themselves and another in which subordinates can rate their own performance and leadership styles, emotional intelligence of their leaders. Leadership styles and emotional intelligence were identified as the independent variables and employee performance as the dependent variable. Data obtained from each of the research instruments was then statistically analysed. Through linear regression analysis it was concluded that there is a significant relationship between leadership styles and employee performance. However, only three leadership styles: the transactional leadership, the transformational leadership and the charismatic leadership were seen to have a positive effect on the significant subscales of employee performance and a visionary leadership has no significant effect on employee performance. Simple correlation analysis showed that there is a positive significant linear relationship between emotional intelligence and employee performance. Moreover, this results showed that a combination of the various leadership styles and emotional intelligence of the leader will bring more effective and enhance employee performance. However, out of four leadership styles, the visionary leadership combined leader's emotional intelligence has a negative effect on employee performance.

Finally, although emotional intelligence and leadership styles had a significant effect on employee performance, the emotional intelligence, charismatic leadership were affected more

than others.

This research therefore adds a new dimension to employee performance, leadership styles and emotional intelligence, since no similar study has been conducted. As this research takes place in the Vietnam context, the findings of this study were expected to provide references to a corporate body in operating the human resource management strategy and developing the leadership style.

ACKNOWLEDGEMENTS

Firstly, I am deeply indebted to Dr. Adwin Bernal and sincerely grateful for your infinite patience, direction, support, wisdom, and guidance throughout the research

Additionally, I would like to thank the following individuals for their contributions and cooperation throughout the research:

- All the leaders and employees who took the time to complete the questionnaires.
- Dr Nguyen Thanh Hai and Trinh Thi Hieu, from the International training center of Thai Nguyen University, for their help and assistance with the research.
- My colleagues in The University of Labour and Social Affair, for their continuous encouragement and support through the good and bad times, and also for helping with the proofreading of the document

Finally, Many thanks and much appreciation to my family members and friends who both supported and encouraged me throughout this process.

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CHAPTER I: INTRODUCTION

1. Background of the study

In the global competitive market of today, Human Resources are playing a vital role in almost all aspects of life and in organizational development. As more and more organizations are making progress, by making the use of human resources, they need some means to increase the performance in human resource by increasing the efficiency of leaders and their followers. Emotional Intelligence is playing the vital role in the performance of the leaders. T.Quang & N.T.Vuong (2002) state that management styles are profoundly influenced by the social cultures in which organisations operate. It is important to identify the most suitable style of management to the specific operating circumstances of an organisation. This research investigates the relationships among employee performance, leadership styles and emotional intelligence in enterprises in Hanoi, Vietnam.

To understand clearly that relationships, there is a need to consider some features of the Vietnamese culture. Vietnam has a deep cultural heritage, which was developed over 4,000 years. However, Vietnam's history is characterized by turbulence due to centuries of foreign invasions and occupations. The northern part of Vietnam was strongly influenced by the Chinese culture due to 1,000 years of dominance of the Chinese feudalism.

In general, the Vietnamese people are hospitable and industrious. The history and geographic vicinity meant that Vietnamese people share many of the cultural and business practices of their Chinese neighbours. In the words of Hofstede (1980), the Vietnamese culture can be described as high power distance, high collectivism, moderate uncertainty avoidance, and high context (Swierczek, 1994, Quang, 1997; Ralston et al., 1999).

The high power distance characteristic is present in the daily life of Vietnamese as well as in business. In the family, sons and daughters have to obey parents' orders. In organisations, there is a clear subordinate-superior relationship. Titles, status, and formality are very important in Vietnamese society. Collectivism has existed for a very long time in Vietnam. It is characterised by tight social frameworks and self-functioning communities. People expect 'in groups' to look after their members to protect them, and provide them with security in return for their loyalty. Vietnamese people place importance on fitting in harmoniously and avoiding losing the other's face. In conflicts, they prefer to come out with a win-win situation. Vietnamese culture displays moderate uncertainty avoidance. People in society feel threatened by ambiguous situations and try to avoid these situations by providing greater job stability, establishing more formal rules, and rejecting deviant ideas and behaviour. One of the distinctive features in the Vietnamese society is indirect speech, resulting from the importance of saving face. In compensation, the Vietnamese have a very good sense of humour that surfaces often in every opportunity and conversation.

In economy, Vietnam is a nation in transition and a country full of opportunities. It has a large, young, dynamic and highly literate population that has potential to be developed as a resource to attain high levels of sustained economic growth (Quang, 2006). Before 1986, Vietnam was a command economy dominated by large bureaucratic state-owned enterprises (SOEs), an inefficient agricultural base and small family businesses. Vietnam started a profound economic reform in 1986 that aimed to transform the country from a command economy into market oriented economy called *Doi moi*.

As a consequence, Vietnam has substantially elevated its economy and the living standards of Vietnamese people. The country reaped average economic growth rate (GDP) of

over 7% during the 1990s and early 2000s, especially more than 8% in 2006, which made it one of the highest growing economies in the World (World Bank, 2006).

Excessive reliance on factor accumulation to support rapid growth is bound to be unsustainable. There is a limit to how fast factors can grow to support a rapidly growing economy. Although Vietnam has a large population base, people with necessary education and skill to work in industry and services are getting increasingly scarce. This has led the SEDP to identify skills and human capital as one of the breakthroughs for the next five years. At the same time, rapid growth in credit, which is the basis for brisk growth in capital accumulation, has led to macroeconomic instability, forcing the government to pursue a tighter monetary policy in recent year.

Another sign of weakness in Vietnam's economy is its persistent macroeconomic instability. For four years in a row, Vietnam has had one of the highest inflation rates in Asia, averaging nearly 16 percent a year between 2008 and 2011. Along with high inflation, Vietnam has also been coping with persistent pressure on its currency, falling levels of foreign exchange reserves, an underperforming stock market, high sovereign spreads and domestic capital flight. It has thus become an exception to the broader trend of the rest of the emerging markets in Asia, which are dealing with appreciating currencies, rising foreign exchange reserves, and increasing capital inflow. WEF showed more pessimistic view of Vietnam's two-digit surging inflation situation currently. In addition, high state budget deficit ratio (6 per cent in 2010) and substandard infrastructure continue to be the major concerns of experts to Vietnam (road infrastructure ranked at No 123 and port at No 111). The quality of education, despite gaining significant progresses from last year, was still ranked in the low average group.