Impact of strategic leadership on organizational performance, strategic orientation and operational strategy

Elif Bilginoğlu and Ugur Yozgat*

ABSTRACT

This paper examined the relationship between job stress and job performance, along with the moderating effect of emotional intelligence (EI) and perceived organizational support (POS) among employees in the Istanbul financial sector. 564 employees and their 78 immediate supervisors were surveyed. The findings of this study suggest that job stress was negatively associated with job performance, where EI and POS were able to reduce the effect of stress on job performance. The results largely support the significant impact of job stress on job performance, moderated through EI and POS as hypothesized. This paper demonstrates the important role of the job stress on job performance which contributes to conceptual understanding of organizational efficiency. The study has used self-reports- as well as supervisor reports to study the effects of job stress on organizational performance.

1. Introduction

Coleman (1976) called the modern age as “Age of Anxiety and Stress”. Financial sector employees likely spend an overwhelming part of their works dealing with job stress. Some reasons of their job stress were dwindling job security, the responsibilities, heavier workloads, longer working hours, the external pressures to deliver consistent high performing results, and the regulatory upheaval. The global financial crisis which continues in many countries today (Cruise & Davies, 2016; Giorgi et al., 2015; Goodman & Mance, 2011; International Labour Office, Geneva, 2013, p. 5; Landsman, 2016; Tsai & Chan, 2011, p. 446; United Nations, 2009) and the rapid economic changes have caused economic stressors such as heavier workloads, sales targets ignoring the tougher economic environment, job insecurity, job loss, unemployment and underemployment (Ellyatt, 2013; Fotinatos-Ventouratos & Cooper, 2015, p. 3; Goodway, 2013; International Labour Office, Geneva, 2009; Kenth, 2015; Klehe et al., 2015, p.132; UNI Finance Global Union, 2012) which undermines their job performance (Shaikh et al., 2013, pp. 294-295). While there is too much pressure on industry players, the organizations need to understand whether the employees experiencing the negative effects of job stress may benefit from a high emotional quotient (EQ) and the support from their organizations and perform much better.

* Corresponding author.
E-mail address: uguvyozgat@marmara.edu.tr (U. Yozgat)
2. Literature Review

2.1. Job Performance (JP)

Job performance which is directly related to the level of energy and the specific form of action characterizing a worker’s behavior (Mitchell et al., 1987, p. 31) is the most widely studied criterion variable in the organizational behavior and human resource management studies (Bommer et al., 1995, p. 587). Job performance is defined as “the total expected value to the organization of the discrete behavioral episodes that an individual carries out over a standard period” (Motowidlo, 2003) and refers to an individual’s contribution to the organizational goals varying in meaning and importance (Marcus & Schuler, 2004).

2.2. Job Stress (JS)

Job stress has been defined as an individual’s reactions to characteristics of the work environment that appear emotionally and physically threatening (Jamal, 2005) or the harmful physical and emotional responses that occur when the requirements of the job do not match the capabilities, resources or the workers’ needs (Sauter et al., 1999). It is an extension of general stress. However it is specifically a consequence of work settings (Jou et al., 2013, p. 97). Job stress is pervasive and is not confined to particular sectors, jobs or industries (What is Stress?, 2017). Since stress contributes to organizational inefficiency, the researchers propose:

H1: Job stress has a negative effect on job performance.

2.3. Emotional Intelligence (EI)

Emotional intelligence has been defined as “abilities such as being able to motivate oneself and persist in the face of frustrations; to control impulse and delay gratification; to regulate one’s moods and keep distress from swamping the ability to think; to emphasize and to hope” (Goleman, 1995, p.14) or as the set of verbal and nonverbal abilities that enable a person to generate, recognize, express, understand, and evaluate their own, and others, emotions in order to guide thinking and action that successfully cope with environmental demands and pressures (Van Rooy & Viswesvaran, 2004, p. 72). Today, the profile of emotions in the workplace is increasing in prominence (Domagalski, 1999, pp. 833-834). Several studies point on how important emotional quotient (EQ) can be to excellent performance, even trumping intelligence quotient (IQ), technical skills and experience (Cartwright & Pappas, 2008, p. 149; Cherniss, 2000, p. 10; Deutschendorf, 2015; Goleman, 1998b, pp. 84; Lynn, 2008, p. 1; Strickland, 2000; Van Rooy & Viswesvaran, 2004). It also appears from the findings of some studies that the employees who have higher levels of EI, experience significantly less stress at work than the ones who have lower levels of EI because managing one’s own emotions ability has a significant effect on managing job stress (Bar-On, 1997; Ciarrochi et al. 2002; Gohm et al., 2005; Goleman, 1995; King & Gardner, 2006; Min, 2013; Nikolaou & Tsaousis, 2002; Por et al., 2011; Slaski & Cartwright, 2002). Based on the fact that the ability to manage one’s own emotions plays an extremely important role in managing job stress and managing and reducing stress helps to facilitate performance, the researchers propose:


2.4. Perceived Organizational Support (POS)

Perceived organizational support refers to how much the employees’ contributions to the organization is valued by the organization and how much the organizations cares for the employees’ well-being (Eisenberger, Huntington et al., 1986, p. 501; Erdoğan & Enders, 2007). Perceived organizational support - performance link is mainly based on social exchange theory (Blau, 1964) and on the norm of reciprocity (Gouldner, 1960) by many researchers (Armelí et al., 1998; Duke et al., 2009; Eisenberger et al., 1986;
It is proposed that the individuals, who work for supportive organizations, believe that their time and effort investments are relatively safe. These employees are expected to raise their job performance (Randal et al., 1999, p. 162). POS will also result in the employees’ thinking that their organizations will provide them with the resources that they might need to manage their job stress and so it may serve as an important resource for reducing stress (George et al., 1993, p. 160). Thus:


3. Method

3.1. Proposed Model

The proposed model is shown in Fig. 1.

![Proposed research model](image)

3.2. Sample Design

This study was carried out in the financial sector in Istanbul, Turkey. The researchers have narrowed down the scope of the private financial sector to five main industries, namely banking, participation banking, investment, leasing and factoring. Quoted convenient sampling method was used and considering the number of employees in each branch, 400 questionnaires were distributed to bankers, whilst 100 to each of the rest of the branches were distributed. 596 questionnaires (85.1 %) were returned from a total of 700 questionnaires which were provided for distribution. Unusable semi-filled questionnaires were discarded and the remaining 564 questionnaires (80.6 %) were analyzed using SPSS and LISREL statistical programs. Regarding socio-demographical aspects of the 564 employees of the financial sector in Istanbul, sample consisted of 308 females (54.6 %) and 256 males (45.4 %). Respondents averaged 32.72 years of age (SD = 5.66) and 6.86 years of tenure (SD = 4.98). Second, immediate supervisors of the respondents (78 in total) were surveyed to evaluate their employees’ performance. The number of respondents per supervisor ranged between 4 and 12. Originally an English prepared surveys were translated into Turkish. To ensure validity and avoid cultural bias, the Turkish versions were back-translated (Brislin et al., 1973). Pretest revisions increased readability of the questions and data quality. By all the survey rounds, to minimize social desirability or acquiescence biases confidentiality was guaranteed, and asked them to honestly answer the questions (Spector, 2006). Surveys were collected in closed envelopes to decrease the social desirability biases.

3.3. Measures

**Perceived Organizational Support.** For measuring the employees’ perceived support from their organizations 8-item short version of the Survey of Perceived Organizational Support (SPOS) which as developed by Eisenberger et al. (1986) was used. Sample items include “The organization strongly considers my goals and values.” and “The organization cares about my opinions.” Respondents indicated their level
of agreement using 5-point Likert-type scale (1 = strongly disagree, 5 = strongly agree). Worley et al. (2009) verified the validity of this scale, and the Turkish translation was justified by Selçuk (2003).

**Job Stress.** JS is measured using the 13-item questionnaire (Parker & DeCotiis, 1983). Sample items include “I frequently get the feeling I am married to the company.” and “Too many people at my level in the company get burned out by job demands.”

**Emotional Intelligence.** EI is measured by the 33-item Self-Report Emotional Intelligence Test (SREIT) (Schutte et al., 1998). Sample items include “I have control over my emotions.” and “I easily recognize my emotions as I experience them.” Authors prefer using one factor model as the original scale of Schutte et al. (1998), where three and more aspects like emotion perception, managing self-relevant emotions utilizing emotions and managing others’ emotions were explored (Schutte et al., 2009). In this study original one factor model is preferred.

**Job Performance.** JP is measured by the 6-item scale which is developed by Dubinsky and Mattson (1979) and modified by Singh et al. (1996). While in many cases, the view of the individuals’ own job performance is quite different than that is valued by others (Thornton, 1980, p. 268) and while research suggests that supervisor ratings of employee job performance are more realistic and predictive (Atkins & Wood, 2002), the scale was adapted for the supervisors to rate the employee’s performance. The supervisors rated their subordinate’s job performance. Sample items include “How do you rate employee X in terms of his/her performance potential among the other employees in your company?” and “How do you rate employee X in terms of quality of his/her performance in regard to management of time?”

**Control Variable.** As job tenure is often used as a control variable in investigations of how other variables affect performance (Ng & Feldman, 2013), in the present study, the participants’ job tenure was also selected as a control variable. As gained experience helps employees learn and enhance their skills, the job tenure has been found to have a positive impact on job performance by previous studies (Schmidt & Hunter, 2004).

### 4. Results

#### 4.1. Confirmatory Factor Analysis (CFA)

The discriminant validity of our four variables (POS, job stress, EI, and job performance) with 60 items was examined using Lisrel. In the current study, we tested for the effect of common method bias by conducting Harman’s ex-post one-factor test (Podsakoff & Organ, 1986). All the variables used in the study were entered into an un-rotated factor analysis. The analysis has shown that there were 4 factors (with eigenvalues greater than 1.0), which explained 66.4 per cent of the variance. Harman’s single factor test (Podsakoff et al., 2003) was also used to compare the fit of the model. The hypothesized model demonstrated a reasonably good fit to the data: $\chi^2 (318) = 809.59$, $\chi^2/df = 1.44$, RMSEA = 0.05, NFI = 0.93, CFI = 0.94, GFI = 0.90, SRMR = 0.05. Several alternative measurement models were examined, but these models have shown an unsatisfactory and/or a poorer fit. Thus, we treated the four variables of our study as being distinct in subsequent analyses.

#### 4.2. Descriptive Statistics and Intercorrelations

Descriptive statistics of the variables JP, JS, EI and POS, their Cronbach's alpha values and correlations are shown in Table 1.
Table 1
Descriptive statistics, Cronbach’s Alpha Coefficients, and Correlations among Study Variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>M</th>
<th>SD</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. JP</td>
<td>3.96</td>
<td>.67</td>
<td>(.90)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. JS</td>
<td>2.78</td>
<td>.96</td>
<td>-.18***</td>
<td>(.95)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. EI</td>
<td>4.05</td>
<td>.62</td>
<td>.41***</td>
<td>-.08</td>
<td>(.88)</td>
<td></td>
</tr>
<tr>
<td>4. POS</td>
<td>3.05</td>
<td>.85</td>
<td>.27***</td>
<td>-33***</td>
<td>.17***</td>
<td>(.90)</td>
</tr>
</tbody>
</table>

Note: JP = Job Performance; JS = Job Stress; EI = Emotional Intelligence; POS = Perceived Organizational Support. Values on the diagonal represent Cronbach’s alpha coefficients. *p < .05, **p < .01, ***p < .001 (two-tailed tests); N=564.

The highly positive correlated variables raised concerns regarding multi-collinearity. The variance inflation factor (VIF) values were used to test for multi-collinearity issues. Where values ranged from 1.61 to 3.89, multi-collinearity threat was avoided (Hair et al., 1995; O’Brien, 2007). To test the hypothesis hierarchical regression analysis were used.

Table 2
Summary of Hierarchical Regression Analysis

<table>
<thead>
<tr>
<th>Variable</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
<th>Model 4</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>β</td>
<td>β</td>
<td>β</td>
<td>β</td>
</tr>
<tr>
<td><strong>Control Variable</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job Tenure</td>
<td>.178***</td>
<td>.206***</td>
<td>.216***</td>
<td>.204**</td>
</tr>
<tr>
<td><strong>Main Effect Variables</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job Stress (JS)</td>
<td>-.207***</td>
<td>-.176***</td>
<td>-.956***</td>
<td></td>
</tr>
<tr>
<td>Emotional Intelligence (EI)</td>
<td>.404***</td>
<td>.013</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Perceived Organizational Support (POS)</td>
<td>.040***</td>
<td>.024**</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Interaction Variables</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JS * EI</td>
<td>.819***</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JS * POS</td>
<td>.032</td>
<td>.074</td>
<td>.236</td>
<td>.264</td>
</tr>
<tr>
<td>ΔR²</td>
<td>.032***</td>
<td>.044***</td>
<td>.162***</td>
<td>.028**</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Variable</th>
<th>Model 5</th>
<th>Model 6</th>
<th>Model 7</th>
<th>Model 8</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>β</td>
<td>β</td>
<td>β</td>
<td>β</td>
</tr>
<tr>
<td><strong>Control Variable</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job Tenure</td>
<td>.200***</td>
<td>.194***</td>
<td>.211***</td>
<td>.196***</td>
</tr>
<tr>
<td><strong>Main Effect Variables</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job Stress (JS)</td>
<td>-.133**</td>
<td>-.423***</td>
<td>-.124**</td>
<td>-.940***</td>
</tr>
<tr>
<td>Emotional Intelligence (EI)</td>
<td>.381***</td>
<td>.023</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Perceived Organizational Support (POS)</td>
<td>.200***</td>
<td>-.120</td>
<td>.164***</td>
<td>-.094</td>
</tr>
<tr>
<td><strong>Interaction Variables</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JS * EI</td>
<td>.626***</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JS * POS</td>
<td>.114</td>
<td>.333***</td>
<td>.253**</td>
<td></td>
</tr>
<tr>
<td>ΔR²</td>
<td>.040**</td>
<td>.019**</td>
<td>.024**</td>
<td>.024**</td>
</tr>
</tbody>
</table>

Note: *p < .05, **p < .01, ***p < .001 (two-tailed tests); N=564.

Model 2 revealed a support to our baseline prediction that “Job stress has a negative effect on the job performance” (β = -.207, p = .000). Hypothesis 1 supported.

To test the predictions that EI and POS moderates job stress – performance relationship, a hierarchical regression analysis was conducted. Firstly, continuous measures were mean-centered (Aiken & West, 1991; Cohen et al., 2003), then predictor variables were entered in the following order:

Emotional Intelligence; (i) control variable –job tenure (Model 1); (ii) independent variable – job stress (Model 2) (iii) independent variable – EI (Model 3); and (iv) their two-way interaction term (Model 4).

Perceived Organizational Support; (i) control variable –job tenure (Model 1); (ii) independent variable – job stress (Model 2) (iii) independent variable – POS (Model 5); and (iv) their two-way interaction term (Model 6).
Emotional Intelligence & Perceived Organizational Support; (i) control variable – job tenure (Model 1); (ii) independent variable – job stress (Model 2); (iii) independent variables – EI & POS (Model 7); and (iv) their two-way interaction terms (Model 8).

As predicted,

(i) the 2-way interaction of job stress and EI on job performance was significant (β = .819, p < .001). Hypothesis 2 is supported. The nature of the 2-way interaction was illustrated in Fig. 2 and Fig. 3 using one standard deviation below and above the means for EI and POS for the predicted values of the job performance (Aiken & West, 1991; Cohen et al., 2003).

(ii) the 2-way interaction of job stress and POS on job performance was significant (β = .333, p < .001). Hypothesis 3 is supported. The nature of the 2-way interaction is illustrated in Fig. 3.

![Fig. 2. Moderating effect of emotional intelligence (EI) on job stress - job performance relation](image1)

![Fig. 3. Moderating effect of perceived organizational support (POS) on job stress - job performance relation](image2)
To test the moderating effects, we also followed the procedures outlined by Preacher and Hayes (2004, 2008) and Hayes (2018) and constructed a 95% bias-corrected confidence interval based on 10,000 bootstrap samples. Where the 95% confidence intervals did not include zero, providing evidence for significant indirect effects and, therefore, support for Hypothesis 2 and 3. This study has shown that financial sector employees’ job stress decreases their job performance. Another finding is that both EI and POS have positive impact on job performance and both of them moderate the job stress – job performance relationship. The interaction effect of job stress and EI on job performance is shown in Fig. 2; EI reduces the decreasing effect of stress on job performance. The interaction effect of job stress and POS on job performance is shown in Fig. 3; POS was able considerably to reduce the decreasing effect of stress on job performance. Additionally, in case of high level of POS the effect of stress on job performance was neutralized. The three-way interaction terms (job stress × EI × POS) effect is also tested, but no significant effect was found.

5. Discussion

This paper has examined the moderating effect of EI and POS on the relationship between job stress and job performance among the financial sector employees. Although some researchers have indicated that stress - performance relationship is positive (e.g. Baddeley, 1972; Cohen, 1980; Stevenson & Harper, 2006; LePine et al., 2005; Wetzel et al., 2006) or an inverted-U shape (e.g. Anderson, 1976), in line with the findings of the present study, most studies have found a negative relationship (e.g., Van Dyne et al., 2002; Siu, 2003; Gilboa et al., 2008; Bashir & Ramay, 2010; Dar et al., 2011; Jamal, 2011; Jehangir et al., 2011; Wu, 2011; Yozgat et al., 2012; Arshadi & Damiri, 2013; Yusoff et al., 2013). Besides, some studies have found no relation between the two variables (e.g., Chen et al., 2006; Manzoor et al., 2012).

The findings of our study have also revealed that the EI had a positive impact on job performance. These findings are consistent with the arguments of the researchers (Goleman, 1995, 1997, 1998a; 1998b; Bachman et al., 2000; Cherniss & Goleman, 2001; Wong & Law, 2002; Carmeli, 2003; Melita Prati et al., 2003; Stough & DeGuara, 2003; Dulewicz et al., 2003; Higgs, 2004; Law et al., 2004; Carmeli & Josman, 2006; Singh, 2006; Sy, Tram & O’Hara, 2006; Law et al., 2008; McShane & Steen, 2009; Huang et al., 2010; Downey et al., 2011; O’Boyle et al., Hawver & Story, 2011) who have argued EI’s positive effect on job performance.

Since the human resource is the most vital component that influences the productivity in an organization and so the employees are the source of attaining and sustaining the competitive edge, the organizations should do their best in order to prevent suffering from job stress which has serious implications for employee performance.

Considering the findings of both our initial and present study suggesting that the EI has a positive impact on job performance and it also moderates job stress - job performance relationship, the researchers suggest the Human Resources executives who are responsible for the hiring or the interviewing process, to include EI skills as part of their interview process. It should be kept in mind, that when technical skills are equal, EQ skills explain job success in many different positions. And because EQ can be taught, can be learnt and by this way, increase with deliberate practice and training (Slaski & Cartwright, 2003, p. 238; Dulewicz & Higgs, 2004; Bechara et al., 2007; Chamorro-Premuzic, 2013), in order to promote the present EI in organizations, it is suggested that a curriculum which helps to strengthen EI to be arranged by the training branch of the Human Resources department and some workshops to be held by them. Organizations may also offer their employees a combination of emotional intelligence and stress management trainings to help them be more compatible with stressful conditions and to deal with the requirements of their job more effectively. This will also end up in improving their job performance.

Consistent with many studies (e.g. Eisenberger et al., 1990; Wayne et al., 1997; Rogg, 1997; Randall et al., 1999; Lynch et al., 1999; Rhoades & Eisenberger, 2002; Liu, 2004; Duke et al., 2009; Webster &
Adams, 2010; Jayawardana & O'Donell, 2010; Sumathi, 2011; Stan et al., 2012), the findings have shown that POS had a positive impact on job performance and furthermore, it moderates job stress - job performance relationship among the financial sector employees.

Our findings also have shown that the EI of the financial sector employees had a positive impact on their job performance and the EI moderates job stress – performance relationship in this context. These findings are consistent with the findings of Law et al. (2008) and Lopes et al. (2006, p. 132) which assert that high EI may enable individuals recognize, regulate and use their emotions to manage their stress and thus they may perform well under pressure. Considering the association of POS with an increased propensity to experience a positive daily mood at work, as well as a decreased propensity to experience negative feelings such as tension or stress day by day, the present study has found that POS moderates the relationship between job stress and job performance. The organizations with the expectancy that their employees perform at their maximum levels must ensure that their policies and practices strengthen their employees’ support perceptions. Moreover, supervisors should make the employees see that the organizations do not only feel responsible for them, but also value them in having open communication with them so that they feel that their organizations have discretion over their problems and are ready to provide any possible assistance needed.

In this study evidenced moderating the effect of EI and POS on job stress - job performance relationship, supported the observation of Parker and DeCotiis (1983) that dispositional variables are associated with perceived stress, and that they moderate the effect of stress outcomes within an organization. Although the study of Turunç and Çelik (2010) determined that both POS and job stress do not have a significant effect on job performance, in the study of Stamper and Johlke (2003) POS is not found to be related to performance and has moderating effects on several role stress - outcome relations.

6. Limitations and Future Research

Although Cotton and Hart (2003, p. 125) suggest that it is more important for organizations to make interventions for organizational support, rather than job stress reducing activities for employees, the authors of this study claim that the POS has a potential to reduce the stress in the workplace and this is an important area for further detailed investigations. Further research should certainly explore a comparison of the private and public sector in the same study.

This study is not without limitations. The limitation in this study was its focus on the role of job stress and job performance among the employees of one industry in one city only. For generalization, studies should be replicated region and/or country based among financial sector employees and/or other sector employees. Considering the quote of Singh (2006, p. 26) “A manager who is unaware of his/her impact on others is a walking disaster at the workplace.,” the researchers suggest to measure the impact of the supervisors, who act as the agents of organizations in treating the subordinates (Eisenberger et al., 2002, p. 566). Thus, the future research should be directed at the proposed linkage between perceived supervisor support and the job stress – job performance relationship.

References


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