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# CEO's Emotional Intelligence and ownership concentration efficiency: Evidence from Tunisia

**ABSTRACT:** This article deals with the relationship existing between the emotional aspect and decision-making processes. More specifically, it examines the links between emotional Intelligence and the ownership concentration. I will use logistic binary regression ) to examine this relation: every model treats the relationship between emotional intelligence and one of efficiency criteria of the ownership structure. Emotional intelligence has been measured according to the scale of Schutte and al (Shutte Self Report Emotional Intelligence Scale, SSREI, Shuttle and al. 1998) with a high internal validity level. Regarding, The four cognitive biases they have been measured by means of a questionnaire comprising several items. As for the selected sample, it has been composed of some 180 Tunisian executives (belonging to 60 firms). Our results have revealed that the presence of a high emotional intelligence rate is not always positively correlated with the executives' suggestibility with respect to behavioural biases. They have also affirmed the existence of Substitutability between emotional intelligence and the Ownership structure disciplinary function.

**Keywords:** Emotional intelligence ; CEO emotional biases ; Corporate governance ; ownership concentration efficiency.

**JEL Classification Code:** G14, G31, G32, D80.

## INTRODUCTION

The governance theories have evolved substantially, undressing a shift from create modeling, primarily based on the financial model, into more complex and, presumably, more realistic and pragmatic models involving the whole set of stakeholders, playing a great deal of importance on the productive capacity aspect as much as on the allocation aspect (Jensen and Meckling, 1976; Shleifer and Vishny, 1997; Rajan and Zingales, 1998; Blair and Stout, 1999; Laporta and al., 2000). Governance theories under the efficiency paradigm are all based more or less explicitly, on a particular model of value creation and distribution associated with a organization theory. Governance vision as a set of rules managerial fits the creation model and / or distribution of value retained, which is it self associated with a particular design and firm efficiency. We distinguish the current disciplinary cognitive power.

The prevailing explanation of the ownership structure proposed by financial models from a scheme where the contributions of shareholders is that fiscal and where ownership structure (funding) is explained solely by aspects appropriability, the latter summarizing a conflict between small shareholders and shareholder dominant (identified or not the leader).

This formulation led to focus the analysis of governance on the right functioning of financial markets and the conditions to avoid the spoliation of small shareholders, including the transparency of information and legal mechanisms meant to protect small shareholders. An important literature, which led to what may be called the legal theory ownership structure, illustrated in particular by the work of La Porta et al. (1997, 1998, 1999 and 2000) tends to associate the development of capital markets protection small shareholders and to claim that the determinant of the structure shareholding, analyzed under the sole dimension of concentration (or dispersion) is the quality of legislation to protect small shareholders.

Recent research in psychology, neuropsychology provides new insights into the emotions and skills associated with their regulations and generate new thinking and new bridges between disciplines. For Damasio (1994), far from being an obstacle to decision making rational in everyday life, enabling the harmonization of different cognitive processes, emotions, when regulated turn out to be a prerequisite for adaptation and optimal response to a given situation.

In order to improve the explanatory power of the law and finance approach governance we integrated



behavioral dimension in the analysis of role the ownership structure. Our goal is to show the role of emotional intelligence as to the competence available to shareholders in minimizing behavioral biases (bias of loss aversion, optimism, of confidence and lack of cognitive flexibility) and strengthening the cognitive role of shareholders.

## **2. Literature Review and Hypothesis**

### **2.1. Emotional intelligence concept (IE)**

The study of the positive role of emotions in the decision-making process leads us to the concept of emotional intelligence (IE). Indeed, emotional intelligence is at the heart of the skills portfolio of an effective leader. Some authors even consider it a key driver of organizational performance (Côté et al., 2010; Goleman, 2001; Kilduff et al, 2011; Song et al., 2010, Azouzi and Jarboui, 2014...). In this section, we review the literature on emotional intelligence.

#### **2.1.1. Definition**

Salovey and Mayer (1990), who originally used the term “emotional intelligence”, initially defined it as a form of intelligence that involves the ability to monitor one's own and others feelings and emotions, to discriminate among them and to use this information to guide one's thinking and actions (Salovey & Mayer, 1990).

Later, the authors revised their definition of emotional intelligence, and the current characterization is now the most widely accepted. Emotional intelligence is thus defined as the ability to perceive emotion, integrate emotion to facilitate thought, understand emotions, and regulate emotions to promote personal growth (Mayer & Salovey, 1997).

On the most general level, emotional intelligence is the ability to recognize and manage emotions in one and others (Goleman, 2001).

#### **2.1.2. Emotional intelligence model**

Each theoretical paradigm conceptualizes emotional intelligence from one of two perspectives: ability models or mixed models (Bar-On, 2002; Goleman and al, 2001). Ability models regard emotional intelligence as a pure form of mental ability and therefore as a pure intelligence. In contrast, mixed models of emotional intelligence combine mental ability with personality

characteristics such as optimism and well-being (Mayer, 1999). Currently, the only ability model of emotional intelligence is that proposed by Mayer and Salovey. Two mixed models of emotional intelligence have been proposed, each with a somewhat different conception.

In this section, we present Mayer and Salovey model, upon which our empirical work is based.

### **Salovey and Mayer: An Ability Model of Emotional Intelligence**

Mayer and Salovey conception of emotional intelligence was included within a model of intelligence, that is, its goal was to define emotional intelligence within the confines of the standard criteria for a new intelligence (Mayer, Salovey, & Caruso, 2008). The authors proposed that emotional intelligence is comprised of two areas: experiential (the ability to perceive, respond, and manipulate emotional information without necessarily understanding it) and strategic (the ability to understand and manage emotions without necessarily perceiving feelings well or fully experiencing them). Each area is further divided into two branches that range from basic psychological processes to more complex processes integrating emotion and cognition. The first branch, emotional perception, is the ability to be self-aware of emotions and to express emotions and emotional needs accurately to others. Emotional perception also includes the ability to distinguish between honest and dishonest expressions of emotion. The second branch, emotional assimilation, is the ability to distinguish among the different emotions one feels and to identify those emotions that influence one's thought processes. The third branch, emotional understanding, is the ability to understand complex emotions (such as feeling two emotions at once) and the ability to recognize transitions from one emotion to another. Finally, the fourth branch, emotion management, is the ability to connect or disconnect from an emotion depending on its usefulness in a given situation (Mayer & Salovey, 1997).

#### **2.1.3. Emotional intelligence, academic performance and social interactions**

Recent research has focused on the importance of emotions in relation to intellectual abilities, particularly in organizations that evaluate employees' abilities in terms of emotions rather than cognition (Brackett et al., 2006). The importance of emotional intelligence is emphasized because human relations in organizations are



affected by emotional factors more than by rational factors. Among the factors affecting individual effectiveness, the emotional quotient is as important as the intelligence quotient; indeed, the emotional intelligence of individuals who carry out duties and play essential roles in ensuring organizational outcomes is quite significant. Therefore, successful organizations require employees who can communicate effectively, control their emotions, and demonstrate their technical abilities (Fiori, 2009).

Emotional intelligence measured through the success of formally appointed leaders is associated with task performance and public speaking effectiveness (Rode et al., 2007) over and above both cognitive intelligence and personality traits. Fiori and Antonakis (2011) stressed the importance of emotional intelligence in a leader's management of change. The authors' emotional intelligence model reflects an individual's ability to manage his own emotions and those of others, especially in a way that enhances the effectiveness of cognitive processes. This type of emotional intelligence allows a manager to generate and maintain enthusiasm, serenity and optimism in an organization through cooperation and mutual trust (Siu, 2009). In other words, an emotionally intelligent leader uses his skills (including emotional intelligence) to generate and maintain mutual trust to achieve the organization's objectives.

Finally, some authors proposed that emotional intelligence is a better predictor of cognitive and professional success (Fiori & Antonakis, 2011; George, 2000; Goleman, 2001; Song et al, 2010).

## **2.2. Hypothesis**

### **2.2.1. CEO Emotional intelligence, loss aversion and ownership concentration**

The organization of governance requires the scheduling of related actors fiduciary (shareholders), contract (socioeconomic partners) and conventionally (environmental partners) to the firm. This step takes the form of a recognition of the relative importance of each partner for its contribution to the productive process. And as emotional intelligence is the ability to recognize and manage emotions in oneself and in others (Goleman, 2001). It allows any individual (officer or shareholder ...) to understand and understand others, to maintain relationships with people and to adapt to the immediate

environment in order to deal more successfully with the requirements middle (Bar-On, 1997). Alternatively, emotional intelligence improves the ability to collect and information processing in the controlling shareholder. Which reduces its sensation to loss aversion and encourages better control its leader which implies delimitation of its discretionary space and improves the efficiency of governance.

In other ways, emotional intelligence improves the ability of the majority shareholder to collect and process information. This reduces his sense of aversion to losses and encourages him to better control his manager, which implies the delimitation of his discretionary space and improves the effectiveness of governance. Then, as part of the legal-financial approach Agrawal and Mandelker (1992), Bathala et al (1994), Smith (1996) note that the presence of financial and institutional shareholders in the capital influences the performance of the firm. These private shareholders can indeed invest in controlling the company to maintain the profitability of their investments.

Several works postulate that emotional intelligence, as a component of human capital specific to the leader, plays an important role in the perception of the effectiveness of leader by his subordinates and by all the partners of the firm (George 2000). This implies that an intelligent leader emotionally has the ability to possess unlimited discretionary space which can alter the functioning of the governance mechanisms.

Goleman argues that the success of an organization depends on leaders with strong emotional intelligence that leaders must be able to detect the feelings of employees and other partners in the workplace, intervene in case of problems, and understand their social and political conventions within an organization (Goleman, 2001).

This implies minimizing any sense of risk aversion (some self on the part of a manager or shareholders), relaxing control constraints, lowering the cost of control mechanisms put in place by the various partners to manage their relationship with the firm.

H1: more shareholder lower loss aversion level, more efficient it's control.

### **2.2.2. CEO Emotional intelligence, optimism and ownership concentration**



Elster (1998) postulates that emotions can correct the indeterminations of computational reasoning. In other words emotions or emotional intelligence in particular guides the individual towards rationality. Theoretical studies suggest that the ability to understand their emotions might imply that individuals with a high level of emotional intelligence would be more aware of the factors influencing their positive emotions and negative (Gendron, 2008).

Consciousness and understanding of emotions would allow shareholders to choose appropriate actions to minimize their suggestibility to emotional biases (including over confidence, optimism, and loss aversion) and to increase the effectiveness of their choices (Review of the management team). In other words, emotional intelligence enables shareholders to improve their skills in assessing alternatives (the strengths, weaknesses and characteristics of their companies). It reduces their over or under-evaluations (excess confidence and optimism) about the value of their firms.

Chang and al (2009) show the existence of a positive relationship between optimism and uncertainty. This uncertainty regarding the adequacy of available information affects decision making. This uncertainty requires the controller (shareholders) to refuse leader risky choice. Goleman et al (2002) points out that emotional intelligence enables everyone (including the leader) to understand and understand others, to maintain relationships with people and to adapt to the immediate environment in order to cope In a more fruitful way to the demands of the environment. In other ways, emotional intelligence improves the ability of the leader to collect and process information. This reduces the presence of emotional biases and encourages shareholders to accept the risky decisions of their managers. This implies the importance of emotional intelligence in improving control and minimizing shareholder-manager conflicts.

Karim (2010), postulates that the level of emotional intelligence is an indicator of the effectiveness of individuals. The author shows that emotional skills are necessary for the functioning of many of our faculties, such as memory, reasoning, decision-making and social adaptation. Huy (2002) adds that emotional intelligence develops in the shareholder the capacities of listening, communication, conflict management and leadership.

Thus, emotional intelligence, by allowing every individual to adapt to the evolutions of his environment, is an important element of various cognitive processes such as problem solving and decision making. In other words, this quality allows the shareholder to reinforce his cognitive role, especially the improvement of his perceptual function.

Ezzi et al (2016) showed the positive effect of emotional intelligence on the performance of Tunisian firms. These developments suggest that the ability to understand their emotions could imply that partners with a high level of emotional intelligence (such as institutional and industrial shareholders ...) would be more aware of the factors influencing their positive and negative emotions. Thus the presence of a high level of emotional intelligence among the leaders incites him to undertake less risky decisions in favor of the shareholders. These decisions create a climate of trust and minimize conflicts of interest (manager-shareholders). The minimization of control costs implies an increase in firm performance.

H2: more shareholder lower optimism level, more efficient it's control.

### **2.2.3. CEO Emotional intelligence, overconfidence and ownership concentration**

Behavioral research on decision-making argues that bias inevitably affects the judgment of individuals, including that of cognitive role of shareholders (Thaler, 2000; Rabin, 2002; Lovallo and Kahneman, 2003). Social-psychological factors thus have the potential to significantly undermine the work of the ownership structure (concentration) as a mechanism ostensibly designed to monitor, guide and control CEO behavior (Prentice, 2003). This cognitive role requires a high level of emotional intelligence from our shareholder. Thus, Fiori and Antonakis (2011), emphasize the importance of emotional intelligence in managing change for the leader. The authors add, through their model, that emotional intelligence reflects the ability of an individual to manage his or her own emotions and that of others, and in particular to use them in a way that enhances the effectiveness of cognitive processes. It allows any individual (leader, leader, shareholder...) to know the assets, weaknesses in its business and the skills of the management team which reduces its suggestibility to behavioral biases. It improves the awareness and



awareness of the problem encountered. In other words, a high level of emotional intelligence improves the ability to evaluate alternatives in the shareholder and facilitates its control task.

Siu (2009) demonstrated the presence of a positive correlation between emotional intelligence and effective decision-making. The author argued that a high level of emotional intelligence is positively associated with low susceptibility to behavioral biases (overconfidence). This emotional regulation facilitates the negotiation of contracts with third parties, reduces transaction costs and ensures efficient shareholder control.

Menkhoff et al (2010) have shown that institutional investors are less subject to behavioral bias (excess trust) than others. This finding argues in favor of the presence of a qualified institutional shareholder emotionally intelligent and has a better ability to evaluate the decisions of the leader. The presence of this type of shareholder enhances the cognitive role of ownership structure as a control mechanism.

H3: more overconfidence level decreases, more shareholder control is effective.

#### **2.2.4. CEO Emotional intelligence, cognitive flexibility and ownership concentration**

The dominant legal-financial approach to ownership structure and corporate governance is based on the assumption of total separation between shareholders and managers rarely verified, especially in European nations. This approach is based on the initial analyzes of Berle and Means and on the theory of the agency on the basis of very restrictive assumptions, assuming that shareholders assume only a financial function limited to the supply of capital and To the assumption of financial risk. This design possessing a weak explanatory power in view of the actual structures of shareholders, the present work proposes to take into account the cognitive role, orientation and skills delivery, which shareholders retain most often.

This cognitive role requires a high level of cognitive flexibility or emotional intelligence of our shareholder. Thus, Ansiau et al (2007) show through an exploratory study on French the existence of a positive correlation between the high level of emotional intelligence and the cognitive flexibility of executives. Indeed, knowledge of emotions offers the possibility to reconsider a change in

progress, to propose alternative solutions, and to solve several problems simultaneously thanks to an increased perception of the links existing among divergent information.

Smith et al. (2008) postulate the presence of a positive correlation between emotional intelligence and the development of interpersonal qualities of individuals. The authors say that the success of individuals depends on their ability to control emotions. In other words, the high level of emotional intelligence allows any individual (manager, leader) to adapt to changes in his / her environment and to have a cognitive flexibility that facilitates the resolution of unpredictable problems. This postulate implies the positive effect of the emotional intelligence of the shareholders on their control activities.

Côté et al. (2010) show that the emotionally intelligent leader is able to have a wide and open scope vision, a synthetic vision and a global understanding of a situation. A high level of emotional intelligence allows him to properly assess the risk of his business. It reduces his suggestibility against behavioral biases (Azouzi and Jarboui, 2013, 2014; 2017). This implies the positive impact of emotional intelligence on the cognitive role of shareholders and the effectiveness of their control.

We thus find from these studies that there is a positive influence of the emotional intelligence on the degree of cognitive flexibility of the shareholders which implies the improvement of control. Hence the following hypothesis should be proposed:

H4: more shareholder high cognitive flexibility level, more efficient it's control.

### **3. Research method**

#### **3.1. Data**

To note, the empirical tests are based on 60 non-financial Tunisian firms during the 2007 fiscal year (28 are listed companies and 32 are non-listed companies, see **table 1**). All financial firms (including banks) owing to the fact that this business sector is regulated and likely to have fundamentally different cash flows and characteristics. Firms with insufficient data regarding about emotional intelligence and the board of director's composition are also excluded. The board's compositions as well as financial characteristics data are gathered from the BVMT annual report.





Table 1: Visited Companies

<b>Initial BVMT sample for 2007</b>	<b>50</b>
<b>financialfirms</b>	<b>(22)</b>
<b>Other non financial firms</b>	<b>80</b>
<b>Insufficient data to emotionnel intelligence</b>	<b>(40)</b>
<b>Insufficient data to board of directors compositions and ownership structure</b>	<b>(8)</b>
<b>Final sample</b>	<b>60</b>

Emotional intelligence and psychological characteristics are collected by means of an administered questionnaire. Actually, the selected choice deals with some homogeneous individuals representing some Tunisian CEO Representatives of 60 firms (100 males, 75 females, 5 unreported), ranging in age from 25 to 58 (table 2). Most questionnaires have been distributed by the method of door to door to ensure they are personally delivered to the concerned person; few among them have been mailed, for businesses located outside the Greater Tunis area.

It is worth noting, however, a broader sample that even if it had been envisaged to be studied and that more than one hundred eighty questionnaires had been distributed for this purpose, we would have received far fewer responses than expected (return rate = 50.42%: although the number of distributed questionnaires reached 357, the responses received did not exceed 180 CEO). Indeed, many of the adduced have refused

to respond to our question on the ground of several reasons, namely, that:

- They are too busy and have no time to devote to research;
- They generally do not pay interest to the questionnaires submitted by students and would return them to their assistants or other staff for a response (this has been the case of our officer-centred research);
- They perceive that the questionnaire is a sort of "control" damage to their private lives that it is out of question to answer.

Other encountered difficulties are mainly due to the administrative procedures and hierarchical procedures which linger questionnaires to the recoveries. Fortunately, the leaders who had been kind as to cooperate and help us formulate and set up our sample eventually composed of 180 private company leaders belonging mostly to the industrial sector.

Table 2: CEOs' Characteristics

		N	Percentages
<b>Age</b>	25-30 years	41	22.77
	31-40 years	75	41.66
	40-49 years	39	21.66
	Over 50 years	25	13.88
<b>Gender/ Sex</b>	Males	100	55.55
	females	75	41.66
	unreported	5	2.77
<b>Degree</b>	Baccalaureate	20	11.11
	Bac+2	35	19.44
	Bac+4	80	44.44
	DAS/HDSS	45	25.00

### 3.2. Variables' measurement

The objective of this section is to determine the variables' measurement

#### 3.2.1. Ownership structure

In our study, we will adopt the measure chosen by Shabou (2000) adapted to Tunisian context. This variable

is dichotomous; it is set to 1 (value 0) when the percentage held by the block holder is greater (less) than 50%. The companies where the shareholders hold at least 50% of the capital were qualified as heavily concentrated.

#### 3.2.2. The emotional intelligence measure: SSREI TEST



In this study, we generated a pool of 18 items (derived from Schutte et al, 1998, i.e., the SSREI test) based on the theoretical model of emotional intelligence developed by Salovey and Mayer (1990). Each item selected for the initial pool of 18 items should reflect an adaptive tendency toward emotional intelligence within the model's framework. The respondents used a 5-point scale, whereby "1" represents "strongly disagree" and "5" represents "strongly agree," to indicate the extent of the

it for each item described. The entire model is represented by the items. Each of the first four authors independently evaluated each item for fidelity to the relevant construct, clarity and readability. Some of the items were deleted, while others were added or revised before they were pilot tested by asking several individuals to complete the questionnaire and note any unclear elements. This process eventually resulted in a pilot-tested pool of 18 items (table 3).

**Table 3: Applied items in the modified 18-item emotional intelligence scale**

Items	<b>FACTOR1: assessing others emotions: 39.976% OF TOTAL VARIANCE</b>	<b>FACTOR2: evaluating her personal emotions: 6.265% OF TOTAL VARIANCE</b>	<b>FACTOR3: emotions use in Problems solving: 5,610% OF TOTAL VARIANCE</b>
1. I am aware and able to interpret or decipher of the non-verbal messages other people send.	0.702		
2. I can tell people as feeling through t the tone of their voice.	0.682		
3.I can understand othersfeeling by just looking at them.	0.672		
4. Most of the major remarkable events of my life have led me to re-evaluate what is important and what is not.	0.646		
5. I know when the right moment is to speak about my personal problems to others.	0.622		
6. Won facing obstacles, I remember times when I faced similar obstacles and overcame them.	0.584	0.512	
7. I am aware of my emotions as I experience them.		0.721	
8. When I feel a change in emotions, I tend to come up with new ideas.		0.700	
9. When I am in a good mood, solving problems is easy for me.		0.647	
10. I use good moods and may sense of humorto help face an obstacles.		0.627	
11. I can easily recognize my emotions as I experience them.		0.516	
12. I motivate myself by expecting potentially positive.			0.656
13. I seek out activities that would thing to hopper on my life make me happy.			0.599
14. I expect that I will do well on most things I attempts or set for.			0.573
15. Emotions are listing among other things that make my life worth living.			0.573
16. When my mood changes I for see or expect some new possibilities.			0.528
17. When I experience a positive emotion, I would know how to make it last.			0.499
18. I make appreciable arrangement of the events which others enjoy .			0.447

**3.2.3. Emotionalbiasesmeasure**

The second part of our questionnaire (14 items, **table 4**) focuses on evaluating and scoring of the four





emotional biases (optimism, overconfidence, risk aversion and cognitive flexibility). The questions have

been inspired from the questionnaires formulated by the Fern Hill and Industrial Alliance companies.

**Table 4: Items used in the emotional biases scale (14 items)**

Items	FACTOR 1 : loss aversion 50.710% OF TOTAL VARIANCE	FACTOR 2: optimism 29.450% OF TOTAL VARINACE	FACTOR 3 : overconfidence 10.275% OF TOTAL VARINACE	FACTOR 4 : cognitive flexibility 5.385% OF TOTAL VARINACE
1. What is your propensity to take financial risks with respect to others?	0.802			
2. With a great financial decision, what do you care about more: possible losses or possible gains?	0.742			
3. Insurance can protect us against a wide variety of risks: theft, fire, accidents, illness and death ... How many insurance subscriptions have you subscribed ho?	0.713			
4. When you think of the word "risk" in a financial context, what term in the following list first comes to mind?	0.686			
5. When I'm faced with a challenge, I give up because I'm afraid of failue.	0.600			
6. What emotional effect do important decisions have on you once they are taken?		0.857		
7. I am motivated by imagining the successful decisions positive results of entrepreneurial tasks.		0.851		
8. Do you consider that degree of uncertainty is the business environment is		0.842		
9. I know how to most control my emotions.			0.774	
10. For how long do you reckon to keep your position in your firm?			0.715	
11. How confident are you in your ability to take good financial decisions?			0.641	
12. How easily do you adapt yourself to deterioration of your financial situation?				0.862
13. your reaction regarding changes in your firm environment is:				0.862
14. in a job search would you rather seek:				0.789

### 3.2.4. Control variables

Several researches have suggested a significant association between the board of director's efficiency, leverage ratios (LEV) and firm size (LNSIZE) (Ball and

Foster, 1982; Dechow and *al*, 1996 and Klein, 2002). Hence, both leverage ratios and firm size have been included as control variables in the present study.  
3.2.4.1. *Leverage ratios or financial distress costs*



Financial distress can be defined as «the situation in which firms anticipated cash flow of cannot cover its debts» (Leland, 1998).

However, financial distress could engender costs that may have negative impact on the company value, such as the cost of failure (loss of brand image and competitiveness for the company). Actually, it is due to this reasons the agency theory considers debt as a means to discipline the officer and, subsequently, facilitates the task of governance mechanisms. So, the higher the debt ratio is, the higher the cost of financial distress is and the more the partners are involved in controlling their leaders. In fact, the leverage ratio is going to be essentially retained as a measure of this variable. Leverage (LEV) is defined as the ratio of total debts to total debts plus total assets.

3.2.4.2. Firms size

As noted by Ball and Foster (1982), the size has been applied to represent a large number of amounts and quantities such as the firm’s competitive advantage and the management team capacity (Becker and al, 1998). So the size can be conceded as an indicator of the effectiveness of governance mechanisms. Hence, the size has been introduced as control variable in this research.

Indeed, most studies have applied total assets or turnover as a measure for firm size (Bujadi and Richardson, 1997). In this paper, it is measured through the log of the firm’s total assets (LNSIZE).

For simplification purposes, the summary of each variable extent range in the model, its name as well as its expected impact on the effectiveness of the board are depicted in the following table:

Table 5: Variables descriptions

Class :	Phenomena :	Measure :	Variables :	Predictions :
<b>Endogens variables :</b>				
<b>Ownership structure</b>	Capital concentration	dichotomous; it is set to 1 (value 0) when the percentage held by the block holder is greater (less) than 50%.	<b>CC</b>	
<b>Exogenous variables :</b>				
<b>Emotional intelligence</b>	Perception and administration emotions	Score obtained by 33 items from Schutte and al 1998	<b>IE</b>	+
<b>Lost aversion</b>	Lossrumination and reputation	The questionnaire obtained score	<b>LAV</b>	-
<b>Optimism</b>	Directors overestimate capacity of their firms	The questionnaire obtained score	<b>OP</b>	-
<b>overconfidence</b>	Directors overestimate their personal competences	The questionnaire obtained score	<b>OVER</b>	-
<b>Cognitive flexibility</b>	Reaction to a new information	The questionnaire obtained score	<b>CF</b>	+
<b>Controls variables</b>				
<b>Leverage ratios</b>	CEO controlled	Leverage ratios = total debts /(total debts +total assets)	<b>LEV</b>	+
<b>Firms size</b>	Firms signaled performance	Ln (total assets)	<b>LNSIZE</b>	+

3.3. Empirical model

This paper examines the relationship between the Ownership structure and emotional intelligence. We chose to use the binary logistic regression on the different variables: It is a question of explaining the concentration of capital and the efficiency afterwards of

the ownership structure using the various variables retained.

$$Y = \alpha + \alpha_1 IE + \alpha_2 LAV + \alpha_3 OP + \alpha_4 OVER + \alpha_5 CF + \alpha_6 LEV + \alpha_7 LNSIZE + \xi$$

Where:



**Y:** the Ownership structure.

**IE:** measure index of emotional intelligence.

**LAV:** the score of loss aversion.

**OP:** the score of optimism.

**OVER:** the score of overconfidence.

**CF:** the score of cognitive flexibility.

**LEV:** Leverage ratio.

**LNSIZE:** firm's size.

$\Xi$  : the error.

### 3. Empirical results

**Table 7: Ownership concentration results**

Variables	Bêta	Significance	expected relationship	Reached relationship
Constant	2,983	0,445		
IE	-0,108	0,023***	+	-
LAV	-0,114	0,356	-	-
OP	0,395	0,036**	-	+
OVER	-0,352	0,028**	-	-
CF	0,173	0,364	+	+
LEV	1,029	0,520	+	+
LNSIZE	-0,268	0,049**	+	+
<i>Cox and Snell ratios R<sup>2</sup></i>				0,268
<i>X<sup>2</sup> pour l'ajustement</i>				18,702 P=0.009***
<i>- 2 logs de vraisemblance</i>				64,409
<i>N</i>				60

\*\* , \*\*\* , significance at 5% and 1%.

The results appearing on table 7, show that corporate psychological characteristics explain a 28.6 % proportion of the Ownership concentration ( $R^2 = 28.6\%$ ).

The test presents a negative and significant relationship between the level of emotional intelligence and the concentration of property ( $\beta = -0.108$ ;  $p = 0.023$ ). This relationship shows that an intelligent shareholder emotionally seeks to diversify his portfolio of shares and not increase his share in the same company. Thus, the objective of the latter (the Tunisian shareholder) is to maximize these chances of gains with the minimum of costs (control costs for example).

The results also show a negative and not significant relationship between loss aversion level and the involvement of shareholders in controlling their managers ( $\beta = -0.114$ ,  $p = 0.356$ ). This result means that the presence of loss aversion bias implies a very weak commitment of the shareholders in the control of their manager. Indeed, the concentration of capital implies that these shareholders are more sensitive than others to the variations of performance of the firm, as they have the most important share of capital of the firm. They therefore have an interest in minimizing the risks of their investments by reducing their shares.

As regards optimism, it presents a significant and positive relationship with the Ownership concentration ( $\beta = 0,395$ ;  $p = 0,036$ ). This is explained by

the fact that an optimistic shareholder aims at his company and his growth opportunities is encouraged to increase his share of capital to maximize his share in the rent realized. By increasing its share of capital, this shareholder is increasingly committed to controlling his company, which implies the positive role of optimism in improving control effectiveness through ownership structure. This observation shows that emotional intelligence has minimized the negative effects of optimism but has not completely eliminated the spirit of the shareholders, which has favored the presence of a Ownership concentration favorable to the efficiency of control.

Added to this, table 7 shows a significant and negative relationship between overconfidence and Ownership concentration ( $\beta = -0,352$ ;  $p = 0,028$ ). This result is justified by the fact that an intelligent leader emotionally always seeks to escape control mechanisms including the capital market through several methods such as employee share ownership. This particular structure of ownership rights provides employees with the use of rights attached to shares (Desbrières, 1997) and allows them to exercise and control strategic decisions as managers. Employee share ownership affects the very nature of the company by re-integrating ownership rights within the firm where employees have control over the firm and decision-making. Moreover,



this structure favors the dilution of capital and control and calls into question the effectiveness of the ownership structure as a governance mechanism.

Eventually, this model alludes to a non-significant and positive relationship between cognitive flexibility and Ownership concentration ( $\beta = 0,173$ ;  $p = 0,364$ ). This is justified by taking into account the cognitive role of the shareholder (the coordination of factors of production, the evaluation of opportunities) and the negligence of the disciplinary role of the ownership structure. This new design of ownership structure has favored the presence of industrial and employee shareholders capable of performing role in the place of a shareholder majority is not qualified to perform this cognitive role.

## CONCLUSION

This article has examined the impact of emotional intelligence on the Ownership structure efficiency. Noteworthy, the aimed targeted behind this work has been devise an attempt has long prevailed over behavioural whereby to elaborately a predominant research gap that governance by implementing a survey conducted around some executives of large private companies in Tunisia. Actually, the collected data analysis has shown the importance of emotional intelligence as a prerequisite key skill or competence, (which may improve the controllers' perception and evaluation of alternatives), in improving the control quality. Indeed, the empirical analysis of the emotional intelligence relationship with Ownership structure. We find that the positive relationship between the concentration of ownership and the presence of emotional intelligence within the firm is not verified. This relationship shows that an intelligent shareholder emotionally seeks to diversify his portfolio of shares and not increase his share in the same company. Thus, the objective of the latter (the Tunisian shareholder) is to maximize these chances of gains with the minimum of costs (control costs for example). In addition, it has highlighted the Substitutability between emotional intelligence and the Ownership structure disciplinary function. Nevertheless, the negative relationship between emotional intelligence and the behavioural biases reunions still not thoroughly evaluated none verified and has to be fact her checked.

Given its numerous diverse personal, social and professional advantages, effects and benefits emotional

intelligence turns out to be a worth developing skill that needs to be even deeply explored and further thoroughly promoted.

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