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Does CEO emotional intelligence affect the performance of the diversifiable companies?

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Abstract: This article scrutinizes the leader's emotional intelligence effect on the enterprises' performance (diversification is the main strategy). After the theoretical discussion which approaches our subject matter, we propose our research assumptions. Thus, this research attempts to answer our central question: How can emotional intelligence affect the performance of Tunisian enterprises (diversifiable companies)? Our methodology consists of two parts. The first is used to identify the data sample selection and the second is devoted to the results interpretation. The main contribution of this work is to explain how the behavioral finance (we speak about emotional intelligence) allows to present answers regarding performance of companies (which the strategy the adopted is the diversification). The results obtained from the linear regressions made on a sample of the show well the significant and positive CEO emotional intelligent on the financial, social and environmental performance.

Subjects: Corporate Finance; Economics, Finance, Business & Industry; Finance

Keywords: diversification; emotional intelligence; social performance; financial performance; environmental performance

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PUBLIC INTEREST STATEMENT

The executive decision to adopt diversification strategy as a source of value may affect the corporate performance. According to the cognitive theory, the leader can use his emotions to achieve better performance because the business decision-making may be affected by the leader's emotions. This recent concept in the field of management becomes a research topic of a growing importance. The emotions, such as fear, happiness and surprise, play a vital role in making decisions. The effect of such emotions may be either positive, here we mean the "emotional intelligence," or negative, or here we talk about the "behavioral biases" of emotional origin. So, performance is not only related to the competence and the team working skills, but also to the internal competence which is called "emotional intelligence." In this context, we can talk about a trend in psychology, behavioral finance, and management sciences.

1. Introduction

Since the last decades, emotional intelligence has aroused a great interest of several researchers in management, finance, psychology … According to Salovey and Mayer (1990), the leaders' emotional intelligence is "a kind of intelligence which considers the ability to control their feelings and emotions and those of the others, to distinguish between them and to use such information to direct their thoughts and their gestures." Emotional intelligence, as a cognitive ability, has an effect on the individuals' decision-making. Indeed, the cognitive bias, such as the aversion of the loss, optimism and the excess of confidence, makes the leaders irrational.

In this case, the leaders seek to take advantage and try to maximize their profits. Hence, the agency costs, transaction, and others come out. According to the searches of Bachman, Stein, Campbell, and Sitarenios (2000), Bar-On (1997), Dulewicz and Higgs (2000), Janovics and Christiansen (2001), emotional intelligence is related to the business performance and affects the end result.

Weinberger (2003) divided emotional intelligence into three categories: the ability to understand the emotions of the others, to maintain good social relations, and to adapt obliteration to the environmental changes.

Cote and Miners (2006) divided emotional intelligence into four categories: perception, use, comprehension, and the control of emotion. In fact, a great deal of theories highlighted the relation of emotional intelligence and performance. These researches are in the basis of the theories of the agency, transaction cost, cognitive, behavioral … They aim at finding an answer to the question of the effect of emotions on the leaders' decision-making. Our major goal is to investigate how the leaders' emotional intelligence affects the performance of the companies in which the activity is multiplied.

Our objective is to study the effect of CEO emotional intelligence on the financial, social and environmental performance of the Tunisian diversifiable companies, The main contribution of this work is to explain how the behavioral finance (we speak about emotional intelligence) allows to present answers regarding performance of companies We also studied this effect on three forms of performances: financial, social, and environmental then, that we applied the method of rating agency KLD to diversifiable companies in the Tunisian context. The results obtained from the linear regressions made on a sample of the companies the strategy of which is diversification show well the significant and positive CEO emotional intelligent on the financial, social, and environmental performance.

This article is structured as follows: Section 2 presents the related literature and the theories which motivate the empirical work; Section 3 discusses the empirical strategies that were adopted; and Section 4 presents the main results and discussion.

2. Review of the theoretical literature

The factors influencing the leaders' decision to diversify the activities or the products within a company were the focal point of many studies. Also, many researches were interested in discovering their relations with their different partners by taking into consideration the impact of emotions in the company on the leaders' decision (Barsade, Brief, & Spataro, 2003; Haag & Laroche, 2009; Hochschild, 1983; Shaw, Dineen, & Vellella, 2009; Van Kleef et al., 2009). The obtained results emphasized the existence of various emotional parameters in business: "the emotional work," based on "emotional intelligence" (Haag & Laroche, 2009; Hochschild, 1983). The question that offers itself is: *how does emotional intelligence affect financial, social and environmental performance within a diversifiable company?*

2.1. Emotional intelligence concepts: (EI)

The last decade witnessed an increase in the volume of empirical research and theories in the field of emotional intelligence. Emotional Intelligence kept attracting more and more interest. Therefore, its definition and the methods of its measurement differed from one researcher to another.

2.1.1. Definition

On the word of Goleman (1995): "The market forces reshape the business world in such a way emotional intelligence is an unprecedented key factor for success in the workplace," emotional intelligence, for that reason, promotes productivity and creativity. In the research of Bar-On (2002), there are four dimensions of emotional intelligence. The first is Intrapersonal (the awareness of one's emotions, the ability to express one's feelings, and to communicate one's needs). The second is Interpersonal affecting the extent to which one is able to establish cooperative, constructive and satisfactory Interpersonal relationships taking into account the feelings of others. The third one is related to stress management (how to manage and control emotions). Finally, adaptability is the fourth dimension. It is, actually, about how to implement effective problem-solving strategies based on emotions.

In Salovey and Mayer (1990) also stated that the skills are expanded by incorporating interpersonal intelligence, intrapersonal intelligence, and, ultimately, emotional intelligence. According to Salovey and Mayer in 1990, emotional intelligence is "a form of intelligence that involves the ability to control one's feelings and emotions and those of others, to distinguish between them and to use this information to guide one's thoughts and actions.

In 1997, these researchers redefined the concept by "The ability to perceive emotion, integrate it so as to facilitate thought, to understand emotions and to master them in order to enhance personal development". In accordance with Bar-On (1997), emotional intelligence is a "set of abilities and non-cognitive skills that influence the ability to successfully adapt to environmental pressures."

Goleman (1995) believes that emotional intelligence involves five dimensions: emotion knowledge, emotion management, self-motivation, the knowledge of others' emotions, and the management of interpersonal relationships. George (2000) asserts that emotional intelligence consists of four dimensions: evaluating and expressing emotions, using emotions to enhance cognitive processes and decision-making, understanding emotions and managing emotions.

2.1.2. Emotional intelligence model: mixed model of emotional intelligence

The emotional intelligence model of Goleman is a mixed model of emotional intelligence proposed by Daniel Goleman. Such a model is presented in four forms: self-awareness (accurate self-assessment, self-confidence), self-mastery (called self-control, reliability, motivation …), social awareness (service-concern and organizational understanding), and relationship management (helping others to improve, conflict management, communication …). He affirms that any individual is born with an emotional intelligence and his competences can develop (personal or social).

2.2. Diversification strategy

The diversification strategy is present in specific sectors such as chemicals, transport equipment, electrical machinery, and primary metals. The concept of this strategy is based on acquiring or using new products or markets. According to Chandler, diversification means "the addition of new products to existing ones," diversification is known as the development of many different products by the same company. It may be related to the production process (raw materials, technologies) and the sales process (customers, business networks). According to Morvan (1997), there are two cases of diversification, the first is minor (concentric) whose business develops into remaining within its commercial base or inside its productive base is the second major (conglomerate), here the enterprise in areas that have no technical link with its former activities.

2.3. Hypothesis

2.3.1. The leaders' emotional intelligence impact on the financial performance of diversifiable companies

The studies of Wong and Law (2002), Dane and Pratt (2007), Van Hoorebeke (2008), Coget, Haag, and Bonnefous (2009) show that emotional intelligence has a positive effect on performance.

The managers' emotional intelligence can significantly influence the performance of their subordinates (Dejoux, Ansiau, & Wechtler, 2006). Jordan, Ashkanasy, and Härtel (2002) consider the leaders' emotional intelligence as a "moderator of the negative effects of stress.

Equally, Mayer and Salovey (1997) avow that emotional intelligence can solve the problems of conflicts between workers. Strong communication between them increases their productivity. This leads to an increase in sales, improvement of product quality, expansion of the business scope by diversifying the products or the sales market. This, in turn, provides a very high profit margin and, thus, a higher financial return (Cherniss & Goleman, 2001). An emotionally intelligent leader can choose the right strategies to achieve a good result. The policies can be diversification, innovation ..., Diversification can improve performance (Gourlay & Seaton, 2004; Lee, Hall, & Rutherford, 2003; Nachum, 2004). When the company does not focus on only one area, the conflicts of interest between the leaders and the shareholders can be intensified. Yet, an emotionally intelligent leader can minimize these conflicts by introducing a favorable working condition and a good cooperation between both parts. In the context of agency relationship, the leaders invest the cash flows instead of redistributing cash as dividends to shareholders. But when the leaders have a high emotional intelligence, they will be keen to build good relations with their shareholders because this will help them to reduce the agency cost. The leader who has a high degree of emotional intelligence estimates, through his expertise and over-confidence, that he can choose good external means of financing. But this may be the opposite since his overconfidence makes him choose very risky external means of financing. So, a negative relationship can occur between emotion and the choice of financing (Barabel & Meier, 2001).

In fact, an emotionally intelligent leader tries to improve the effectiveness of his work and to be aware of the financial situation of the company. Additionally, he must choose sound strategies that are more likely to improve performance by extending the scope of his business. This assumption goes along with Jung and Yu (2012) who find that diversification is significantly and positively related to business performance. Chang also showed that technology has a positive moderating effect on the diversification–performance relation. So, the leader's decision to diversify is expected to lead to a good result and, then, towards good financial performance (Lhuillier, 2006). On the other side of the coin, through his emotional intelligence, the leader can improve his ability to immerse in various activities and in different markets in order to develop a strong financial performance. In the same context, the right situation, whether it is work, communication, cooperation, productivity, or quality results in a good performance (Goleman, 2001). An emotionally intelligent leader is an individual who is able to improve his relationship with his partners (creditors, employees, customers ...), to minimize the agency costs, transaction costs, and not to focus on only one activity. Hence, it is very essential to have a positive relationship between emotional intelligence and performance (Ansiau, Dejoux, Dherment, Bergery, & Wechtler, 2007). The leaders with a high level of emotional intelligence have a higher performance than those who do not have (Mavroveli, Petrides, Rieffe, & Bakker, 2007). The efficiency of individuals is positively related to emotional intelligence (Karim, 2010). This efficiency allows the leaders exploiting the productive capacity of their corporation in a positive relationship between emotional intelligence and corporate performance.

After introducing all these theories, we will try to suggest the following hypothesis:

H1: the leader's emotional intelligence has a positive impact on corporate financial performance (in diversifiable companies)

2.3.2. How does emotional intelligence affect the social and environmental performance of unfocused companies?

According to the research of Pekrun and Frese (1992), Ekman (1993), Van Kleef et al. (2009), Haag and Laroche (2009), Ilies (2009) and Molinsky and Margolis (2005) positive and negative emotions have an impact on the social operation in the company. They allow affecting the behavior of the person and his relationships with the others. As a positive emotion, however, emotional intelligence should guide the leader to make the wise decision to broaden the business scope of activity, to minimize the business cooperation issues and to achieve social performance in terms of leader–employee relationship.

Barsade et al. (2003) also have the same result; the company cooperation problems have an impact on the employees' behavior. Dejours (2008) and Haag and Laroche (2009) show the positive impact of emotion on the behavior of the team and the cooperation of its members. These emotions are explained by the leader's emotional intelligence in building successful relationships between the team members. According to the research of Van Kleef et al. (2009), "the team's performance depends on the extent to which the team members wish to develop and maintain a rich and accurate understanding of situations." Positive emotions are, thus, the factors of influence since they play a blatant role in increasing the productivity of the team. Cooper and Sawaf (1997) try to find the relationship between emotional intelligence and the employees' creativity. They come up with the fact that employees with a high degree of emotional intelligence are more creative.

Song et al. (2010) conclude that the personal emotions of employees are more significant than their intellectual abilities in determining their long-term performance. This means that there is a direct relationship between emotional intelligence and performance. What is more, Ball (1938), Bond and Saunders (1999), Deary et al. (2005), Jaffee (2002), McCall (1977), Nettle (2003), Strenze (2007), Waller (1971) find a positive relation between the highest social position of the leaders (we are talking about good relations with other people in the company) and their highest level of emotional intelligence. According to the studies of Jordan and Troth (2002), Rapisarda (2002), work teams with a high level of emotional intelligence can solve the conflicts between them more easily than the teams that have a low level of emotional intelligence. They, therefore, conclude that there is a positive relation between emotional intelligence and social performance.

Feyerherm and Rice (2002) also attempt to estimate the relationship that may exist between emotional intelligence and social performance; they find that there is a relationship between emotional intelligence and customer service. An emotionally intelligent leader can, through diversification strategy, foster customer loyalty and have good relations with his work-team. In other words, a socially successful company has a strong relation with community and the country in general. This assumption was revealed by the work of Mayer and Salovey (1997) who could verify that there is a positive correlation between emotion management, emotion understanding, and performance related to customer services. In contrast, Savoie and Brunet (2000) see that an emotionally intelligent leader tries to achieve social performance which is based on the quality of the group experience, personality, and its relation with the customers, suppliers … When the company diversifies, whether in business or in its work group, it may suffer from poor coordination between the work groups and a sore communication between them. This means that there is a negative relation with emotional intelligence. The research of Melita Prati, Douglas, Ferris, Ammeter, and Buckley (2003) shows that the leader who has a high level of emotional intelligence should achieve good relations between the work group by expanding the scope of the company coverage and by having a strong social performance. But according to these authors, diversification can bring about cohesion problems between the work group. This means that emotional intelligence negatively affects the social performance of diversifiable companies.

Goleman, Boyatzis, and McKee (2002) come up with the following result: "mobilization of emotional intelligence of a group can have a greater impact on the company and its operations than mobilization of the intelligence of an individual." Calori, Johnson, and Sarnin (1994) show that a diversifiable company's leader can recognize the problems and build a good relationship with his partners since, according to them, the variety of activities and the geographical extension cause a cognitive complexity which is defined by "the tendency to use several dimensions in order to perceive a set of stimuli and/or to, articulately, distinguish the used dimensions." (Vannoy, 1965) An emotionally intelligent leader must face the cognitive complexity problems in order that he can run his business despite the diversity of activities. Siu (2009) shows that there is a negative relation between emotional intelligence and the employee's behaviors since, according to him, when the employees are unable to control their emotions they can have social interactions between them and the others.

Based on these theories, the following hypothesis can be proposed:

H2: the leader's emotional intelligence (high preference for social projects) affect (positively or negatively) the business social performance

2.3.3. The effect of emotional intelligence on environmental performance
Cheng and Chang (2009) presume that emotionally intelligent leaders who adapt to the changing environment are more likely to solve problems and to be effective in developing the strategy and outperform those who focus on only one dimension or orientation.

Roome (1992), Fisher and Schott (1993), Welford and Gouldson (1993), Hart (1995) and Hartman and Perego (2005) believe that the strategies adopted by companies are a threat to the environment. Therefore, we need to look for a solution to protect and develop the environment through an environmental strategy in order to improve the position of the indicator and also the very image of the organization. To achieve this, the leader needs to be emotionally intelligent. This means that the leader's emotional intelligence positively affects the environmental performance of diversifiable companies.

Calori et al. (1994) believe that emotionally intelligent leaders of diversifiable companies are able to adapt to environmental complexity in support of enterprise performance. Carley also deduces that the diversification of activities enables the leaders to acquire cognitive skills such as emotional intelligence. This helps them to work in highly performing firms. This reflects the positive significance between diversification and the leader's emotional intelligence toward a good performance. Bar-On and Orme (2002) assume that emotional intelligence is a very important factor in meeting environmental needs.

Green (2004) and Porter and Inks (2000) see that vis-à-vis the diversity of the business activities, the manager should have a judicious method to deal with the various inter and intra personal dimensions. To achieve this, he must have a high degree of emotional intelligence to make decisions and to make an important strategic choice toward a good environmental performance. Thus, one can say that there is a positive correlation between emotional intelligence and the environmental performance of the companies in which activities are diversified.

H3: The leader's emotional intelligence positively affects the environmental performance of non-specific companies.

3. Methodology
Our study is aimed at investigating the effect of the leader's emotional intelligence on the performance of diversifiable companies. Thus, this research attempts to answer our central question: How can emotional intelligence affect the performance of Tunisian enterprises (diversifiable companies)? Our methodology consists of two parts. The first is used to identify the data sample selection and the second is devoted to the results interpretation.

3.1. Data sample selection
Our empirical study is based on quantitative research. We use a questionnaire as a method of data collection (Tables 1 and 2):

Our questionnaire consists of three main parts, based on treated areas in theory:

- The first part aims to collect some company information from the firm's statute and financial annual statement, total assets, etc.
- The second part focuses on determination of the social and environmental performance.
- The third part focuses on determination of the CEO's emotional intelligence.

Table 1. Visited companies

The questionnaire is send to	Total	Number
Listed Tunisian companies		28
Non-listed Tunisian companies		228
	256	
Number of responded companies		153
Diversifiable companies		96
Non-diversifiable companies		57
Final sample	96	

Table 2. Sample distribution

Industry	Number of business	%
Chemistry	5	5.2
Distribution	2	2.083
Food processing	15	15.625
Transportation	2	2.083
Industries	15	15.625
Computer	9	9.375
Consumer services	31	32.291
Other consumer goods	3	3.125
Buildings	2	2.083
Services	12	12.5
Total	96	100

Our sample involves 96 diversifiable Tunisian companies divided into 10 industries which are: chemistry, distribution, food processing, transportation, industries, computer, other consumer goods, consumer services, buildings, and services. Companies belonging to the financial sector are excluded (banks, insurance company …) because they have a unique financial structure.

The data collection was carried out in 2013. We used several methods to gather information: personal investigation (by appointment: direct interview with the company leader of a duration of 45 min), telephone survey, fax inquiry, and internet survey. The Ministry of Tunisian industry as well as several business centers, namely the business center of Sfax, helped us.

3.2. Variables

In this context, it is appropriate to separate the dependent variables from independent ones:

3.2.1. Measurement of the dependent variables

The dependent variables are the three forms of performance: financial performance, social performance and, finally, environmental performance.

3.2.1.1. Financial performance (FP). It is measured through several methods such as ROA and ROE (detailed in the first chapter). To measure financial performance, we used Return on Equity (ROE) which is used by many authors such as Bouri and Bouaziz (2007) and Brown and Caylor (2004)

The “return on equity” or “equity return rate” or the “equity return” is the ratio between the net income and the shareholders’ equity. It measures the ability of a business to generate profits from its net equity .The data is extracted from the income statements of the sample firms for the years from 2009 to 2013. According to these data, we calculated the ROE for each year. On this basis, we calculated the average ROE 2009–2013.

$$\text{ROE} = \text{Net income/equity} \tag{1}$$

3.2.1.2. Social and environmental performance. In the previous paragraph, we have shown that we have adopted a questionnaire to calculate the social and environmental performance. We have adopted the methodology of the KLD[1] (Kinder, Lydenberg, Domini) rating agency to measure the dependent variables which are the social and environmental performance.

- **Social performance: we have 4 axes**

- Customer relationships: we used eight items to measure the firms' social involvement regarding their relationships with their customers in terms of loyalty, satisfaction, and encouragement. For each firm, we assigned a score ranging from zero (no item is taken into account) to a maximum of eight (all elements are taken into account). Then, we brought back the number to a value ranging from zero to one by dividing the total by eight.
- The relationship with the employees: as we used eight items for customers, we measured this variable in the same way; a score ranging from zero (no item is taken into account) to a maximum of eight (all elements are taken into account). Then, we brought back the number to a value ranging from zero to one by dividing the total by eight.
- The relationship with the country and community: each axis took three items to check the social responsibility relationship, community, and territory (with the same method of calculation).
- Finally, to calculate social performance, the sum of the four axes is divided by four.

$$\text{Social Performance(SP)} = (\text{clients' aggregate score} + \text{employees' aggregate score} + \text{community aggregate score} + \text{territory aggregate score})/4 \tag{2}$$

- Environmental performance is calculated on the basis of six items which are defined to measure the firms' environmental performance. For each firm, a score ranging from zero (no item is taken into account) to a maximum of six (all items are considered). Then, we brought back the number to a value ranging from zero to one by dividing the total by six.

$$\text{Environmental Performance (EP)} = \left(\sum \text{items}\right)/6 \tag{3}$$

3.2.2. Measurement of independent variable
Here, we talk about the measurement of innovation strategy and emotional intelligence

3.2.2.1. Diversifiable strategy. Most authors use the specialization ratio, the index of Berry–Herfindahl, the entropy measurement, Utton index and Rumelt classification (1974), or the number of sectors as diversification measurements. The problem is that all these measurements assume to have data by activity. The entropy measurement requires knowledge of the sales of each strategic business area and the total sales of the group. In our case, it is difficult to know the sales of each area of activity of Tunisian companies. Therefore, we used an approximation of the specialization ratio (Rumelt, 1974). The specialization ratio is the ratio of sales of the core business and the total sales of the group.

In our case, we assume that the parent company is the principal company's activity (in terms of sales). This is the same approach used by Stephany and Ngobo (2001) in their study of the French context. According to their study, we can calculate diversification as follows:

$$\text{Diversification} = (1 - (\text{the parent company turnover/the group turnover})) \times 100. \tag{4}$$

3.2.2.2. Emotional intelligence. There are many approaches to measure emotional intelligence; for example, Mayer, Caruso, and Salovey (2000), Zeidner, Matthews, and Roberts (2004), measurements based on skills (e.g. Mayer, Salovey, Caruso, & Sitarenios, 2003). The mixed measurements (e.g. Emotional Competence Inventory, ECI, Boyatzis & Goleman, 1999).

In the second part of our questionnaire, we generated a group of 17 items (the most representative concept of emotional intelligence obtained from Schutte, Ree, & Carretta, 2004, SSREI test) based on the theoretical model of emotional intelligence developed by Golemen. The responding leaders used a five-point scale, from "no agreement" to "total agreement"

$$\text{Emotional Intelligence} = \sum \text{points collected in the questions} \tag{5}$$

3.2.3. Measurement of the control variables
In our model, we included four control variables which explain the level of business performance. These variables are proxies of the firm size, debt, age, and industry.

3.2.3.1. DEBT. Hovakimian, Hovakimian, and Tehranian (2004) utilized the total debt ratio, but Myers (2001) used the long-term average debt ratio. Nevertheless, ION measured this variable using the financial leverage which resides in the total debt divided by the total assets. This measurement is also used by Kochhar and David (1996), Barker and Mueller (2002), Demaria and Dufour (2007), Jarboui and Olivero (2008), Koh (2003), Benkraiem (2008) and Sahut and Gharbi (2008).

$$\text{DEBT} = (\text{total debt/total assets})\text{in percentage} \tag{6}$$

3.2.3.2. Size. According to Hovakimian et al. (2004) and Dufour and Molay (2010), the size of the firm affects its financial policy. Indeed, larger companies have higher performance and are more investment in research and development than small- and medium-sized ones (Booth, Aivazian, Demirguc-Kunt, & Maksimovic, 2001). The company size, in fact, is calculated by several methods; namely, the log total assets, the workforce, and turnover. According to Bahagat and Black (2001), Durnev and Kim (2003), Andres, Azofra, and Lopez (2005), and Hergli, Bellalah, and Abdennadher (2007), the size is measured as follows: "log (sales)." Others like Brown and Caylor (2004), Ben Cheikh and Zarai (2008), Bauer, Frijns, Otten, and Tourani-Rad (2008) and Adjaoud, Zeghal, and Andaleeb (2007) used the value "log (the total assets)."

We used the (Ln (CA)) as a size measurement in this research. It is identified by the logarithm of the group turnover. This same measurement is used in several studies such as Barker and Mueller (2002), and Bujadi and Richardson (1997).

$$\text{Size} = \text{Ln}(\text{turnover}) \ \text{turnover} = \text{CA} \tag{7}$$

3.2.3.3. Age. The company age has a very significant effect on performance. It is expressed by the logarithm of the number of working years (Ben Cheikh & Zarai, 2008; Brown & Caylor, 2004).

$$\text{Age} = \text{Ln}\ (\text{number of years}) \tag{8}$$

3.3. Questionnaire validation
Our objective is to test the validity of 22 items about social performance, 6 items about environmental performance, and 17 items about emotional intelligence. The internal consistency validity test of our questionnaire is achieved with Gronbach alpha (a measurement of the internal consistency between the different items of measurement) equals ($\alpha = 0.831$).

The internal consistency between the 22 items of social performance is very important, it equals 0.781. For the 17 items of emotional intelligence, it is important as it equals 0.562.

This means that each item is the equivalent measurement of emotional intelligence and that they are consistent. For the 6 items of environmental performance, it is less important as it equals 0.350. Thus, one can say that the scale generated for the measurement of the various items is reliable and includes the aspects of the theory. The Principal Component Analysis suggests a structure of four factors representing 95.138% of the total variance for the factors of social performance. For environmental performance, we have three factors representing 73.838% of the total variance. But for the 17 items of emotional intelligence, the components' rotated matrix represents seven factors with a percentage equal to 68.405% of the total variance. The first factor is personal consciousness which represents 15.454% of the explained variance. Thus, the index of Kaieser–Mayer–Olkin (KMO), which reflects the adequacy of the factor solution, is very important for the three variables. The factor solution of social performance is summarized in Tables 3–5:

Table 3. Social performance factors: 22 items

Items	Factor 1: motivation of employees (35.665% VE)	Factor 2: loyalty, encouragement and satisfaction of clients: (35.379% VE)	Factor 3: relation with community (13.16% VE)	Factor 4: relation with the country (10.934% VE)
We put child-care centers	0.986			
A three-month-high production bonus for most employees	0.986			
Ensure transport for employees	0.937			
Ensure trainings for my employees	0.919			
Ensure the medical coverage for all my employees	0.905			
A canteen is set up in my business	0.847			
The provision of an infirmary with a doctor available on-site during all work-hours	0.964			
They have the right to strike	0.945			
Providing quality service		0.929		
Ensure that the product sold is in line with what has been previously negotiated		0.914		
Free delivery		0.876		
Ensure a high quality of commercial relations between the customer and the company's interlocutors		0.982		
Ensure that the sales process is optimal and effective		0.940		
Offer additional products		0.939		
Minimizing waiting time		0.934		
Proliferation of the products offered		0.985		
I contribute to the financing of the infrastructure in my area			0.985	
I participate in the cultural activities within my business			0.907	
I assure the funding of schools and mosques in my city			0.862	
I participate in local associations				0.789
I suggest trainings for employees of companies in difficulty				0.703
I help small and new businesses to get them on their feet in the Tunisian market				0.804

Table 4. Environmental performance factors (6 items)

Items	Factor 1: environment protection (28.821% VE)	Factor 2: energy saving (28.148% VE)	Factor 3: recycling (16.869% VE)
I choose energy sources that protect the environment	0.929		
I choose low-cost means of transport	0.928		
I apply the highest standards of environmental standards		0.919	
I make an energy saving plan		0.916	
I recycle my products			0.899
The raw materials chosen by our company limit the depletion of natural resources			0.446

4. Empirical validation of the research hypotheses

We will try to verify the effect of emotional intelligence on the performance of the firms with a diversifiable strategy: the models to be tested are:

$$\text{Model 1: FP} = \beta_0 + \beta_1 \times \text{DIV} + \beta_2 \times \text{EI} + \beta_3 \times \text{SIZE} + \beta_4 \times \text{AGE} + \beta_5 \times \text{DEBT} + \varepsilon \rightarrow \text{H1}$$
$$\text{Model 2: SP} = \beta_0 + \beta_1 \times \text{DIV} + \beta_2 \times \text{EI} + \beta_3 \times \text{SIZE} + \beta_4 \times \text{AGE} + \beta_5 \times \text{DEBT} + \varepsilon \rightarrow \text{H2}$$
$$\text{Model 3: EP} = \beta_0 + \beta_1 \times \text{DIV} + \beta_2 \times \text{EI} + \beta_3 \times \text{SIZE} + \beta_4 \times \text{AGE} + \beta_5 \times \text{DEBT} + \varepsilon \rightarrow \text{H3}$$

The results of the linear regression are presented in the Table 6.

The results show a positive and significant relation between emotional intelligence and financial performance at about 5% ($\beta = 0.222$ and $p = 0.039$) which confirms the first hypothesis. These results coincide with the studies of Wong and Law (2002), Dane and Pratt (2007), Van Hoorebeke (2008), Coget Haag, and Bonnefous (2009). These results can be explained by the fact that an emotionally intelligent leader seeks to build comfortable working conditions and, also, to create a climate of trust with the stakeholders. This helps to increase productivity, sales, and to obtain a very high profit margin. That is how a high value and strong financial performance can be created.

Nevertheless, the results show a positive and significant relation between the company size and financial performance. This can be explained by the fact that the emotionally intelligent leader in large, medium, small, old or new businesses and no matter what their field of activity is, can run his business without taking the impact of these control variables into account since the presence of emotional intelligence as a significant variable decreases their roles and they have little effect on financial performance. The emotionally intelligent leader diversifies the company's business by assigning a strong financial performance. Therefore, one can say that the emotionally intelligent leader is eager to expand the business scope of his company to achieve a strong financial performance.

The results also show a significant and negative relation between the level of corporate debt and financial performance in which the leader is emotionally intelligent. This is explained by the fact that debt is a means of discipline. So, an emotionally intelligent leader has to avoid making any decision negatively correlated with the creation of value and he can create a climate of conflict between the different internal and external stakeholders because this affects the value of the company and, consequently, its financial performance.

The emotional intelligence variable presents a positive and significant relation with social performance at 5% with a significant and positive diversification. This confirms the second hypothesis (H2).

Table 5. The leader's emotional intelligence factors: 17 items

Items	Factor 1: personal awareness (15.454% VE)	Factor 2: empathy (12.789%VE)	Factor 3: personal management (10.876%VE)	Factor 4: report management (8.282% VE)	Factor 5: emotional awareness (7.420% VE)	Factor 6: motivation (7.174% VE)	Factor 7: relation management (6.411% VE)
My colleagues are not communicative	0.914						
I do things that I regret	0.853						
I communicate well with each of my co-workers	−0.841						
It is unpredictable how my colleagues feel in any given situation		−0.931					
I can interpret nonverbal messages		0.906					
I can describe exactly what I feel		0.575					
I can stay calm even in difficult circumstances			0.786				
The things that happen in my life are meaningful for me			0.774				
I appreciate other people's feedback			0.532				
I feel excited when I think of my goals				−0.683			
I get impatient with incompetent people				0.678			
I'm influenced by other people's opinions				0.561			
I can explain my action					0.777		
I comfortably talk to anyone					0.687		
I imagine that the corporate performance will be good						0.870	
Others do not see me as I see myself							0.764
I am aware enough to achieve my future goals						0.4	

Indeed, an emotionally intelligent leader, through diversification strategies, has to retain customers and to build good relations with the work group. A successful company is socially secure and has a strong relation with community and the country in general (Feyerherm & Rice, 2002).

The emotionally intelligent leader tries to achieve social performance which is based on the quality of the group experience, personality, and relationships with customers, suppliers (Dejours, 2008; Haag & Laroche, 2009).

This enhances the idea of Green (2004), Porter and Inks (2000) who see that vis-à-vis the diversity of the business activities, the manager should have a good method to deal with the various inter and intra personal dimensions. To achieve this, he must have a high degree of emotional intelligence to make decisions and to make an important strategic choice toward good performance. Accordingly, one can say that there is a positive correlation between emotional intelligence and social performance of the companies which have various activities.

The age variable significantly and positively affects the company's social performance (in which the leader has a strong emotional intelligence). This corroborates the idea of Henry Mintzberg who thinks that large firms are the most efficient.

The emotional intelligence variable has a positive and significant effect on environmental performance at about 10% ($\beta = 0.182$; $p = 0.088$). We notice that the leader emotionally attempts to minimize the negative effect of diversification on environmental performance. This goes along with the idea of Roome (1992), Fisher and Schott (1993), Welford and Gouldson (1993), Hart (1995) and Hartman and Perego (2005) who think that the strategies adopted by the companies represent a threat to the environment. This means that they have to look for a solution to protect and enhance the environment through an environmental strategy in order to improve the place of this indicator and the very image of the organization. To do so, the leader needs to be emotionally intelligent.

Environmental performance is a result that serves all leaders. But due to the complexity of the environment, the use of materials that do not limit the depletion of natural resources and the adoption of policies that do not help protecting the environment, the leaders face a big problem. To solve it, the leader must be emotionally intelligent (Calori et al., 1994).

The size variable positively and significantly affects the environmental performance of companies at about 10% ($\beta = 150$, $p = 0.096$) (in which the leader has a strong emotional intelligence). This substantiates the idea of Henri Mintzberg "the larger an organization is, the more elaborated its structure will be. The more specialized the tasks are, the more differentiated the units will be and the more developed its administrative component will be. The larger the organization is, the larger the medium size of the units will be. The larger the organization is, the more formalized it will be."

5. Conclusion

Behavioral governance has become a vital management theme. It is related to the leader's behavior since the behavioral biases affect the agency costs (Charreaux, 2011). "Proposing an integrating approach to the latitude which is able to offer a better understanding of the relation between the characteristics of the leader, governance and the company performance" (Charreaux, 2008).

First, we presented the different theoretical researches addressing the impact of emotional intelligence on performance. Then, we presented different results extracted from our empirical study of a sample of listed and unlisted Tunisian companies at the Tunis Stock Exchange. The results of the different linear regressions clearly show the significant effect of emotional intelligence on the financial, social, and environmental performance in which the company's business scope is expanded to cover not only an activity or product.

Table 6. Results

	Model 1		Model 2		Model 3	
Variables	β	**Significance**	β	**Significance**	β	**Significance**
constant		0.315		0.000		0.0315
DIV	−0.219	0.035**	0.171	0.099*	−0.260	0.012**
IE	0.222	0.039**	0.287	0.019	0.182	0.088*
Size	0.057	0.001***	−0.041	0.062*	0.150	0.096*
AGE	0.033	0.008	0.100	0.002***	−0.121	0.510
DEBT	−0.132	0.100*	0.018	0.092*	−0.069	0.011**
R^2		0.345		0.567		0.389

Notes: DIV (Diversification), IE (Emotional intelligence).
*Significance at 10%.
**Significance at 5%.
***Significance at 1%.

Significance was, in fact, perceived between emotional intelligence and financial performance of Tunisian enterprises ($\beta = 222$ and $p = 0.039$). So, we can conclude that when the emotionally intelligent leader decides to set up various activities, he can realize strong financial performance (Jung & Yu, 2012) in the light of comfortable working conditions, communication, cooperation, and productivity (Goleman, 2001).

Significance between the leader's emotional intelligence and the social performance of the Tunisian companies is positive. So, in order to achieve social performance, the emotionally intelligent leader needs to focus on the quality of the group's experience, personality, relationships with the customers and suppliers (Dejours, 2008; Haag & Laroche, 2009).

The relationship between emotional intelligence and environmental performance is also positive and significant ($\beta = 182$, $p = 0.088$). We notice that the leader emotionally tries to minimize the negative effect of diversification on environmental performance. This confirms the idea of Roome (1992), Fisher and Schott (1993), Welford and Gouldson (1993), Hart (1995) and Hartman and Perego (2005) who think that the strategies adopted by the companies represent a threat to the environment. Therefore, it is importunate to find a solution to protect and enhance the environment through an environmental strategy in order to improve the place of the indicator and the very image of the organization. To do so, the leader must be emotionally intelligent.

The results of our research are globally important and significant. But this makes us wonder about the impact of the leader's emotional intelligence on performance when the companies are innovative.

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Note
1. Rating agency which estimates large companies quoted Americans (together of the indication (index) Russel 3000) according to a series of criteria of exclusion (example: alcohol, tobaccos …) and of criteria of evaluation (Human resources, environment, sponsorship, customers …).

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