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Emotional Intelligence, Financing Structure and Performance of Tunisian Firms

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Abstract

Set within the context of theoretical framework of behavioral corporate finance, the present article is designed to investigate the relationship between emotional intelligence and firm performance via the financing structure as applied to the Tunisian context. Our envisaged model is targeted to ensure whether the financing structure does actually stand as a mediating variable between performance and emotional intelligence. Based on a new methodology that applies the Baron and Kenny (1986) devised theory, a number of mediating variables are used to assess the firm's Emotional Intelligence and performance associating relationship. The conducted empirical study is constructed overa sample comprising 56 managers of firms observed over the year 2014. The results of the conducted regressions prove to confirm the persistence of a mediating effect of the financing structure in the relationship between emotional intelligence and the Tunisian firms' performance.

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Keywords : Emotional Intelligence, Financing, Firm, Performance, Behavioural Finance, Corporate Finance, Tunisia

I. Introduction

OVER THE LAST decade, extensively elaborated research works have culminated in unveiling and shedding light on a new concept known as "Emotional Intelligence" (now EI), which proves to intervene remarkably misshapingthe leader's effectiveness,as a distinctive feature of leadership associated credentials Review of the relevant literature proves to reveal that the most of elaborated research works (Goleman 1995, Baron (1997) appear to examine the direct relationship persisting between EI leadership and

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namely EI / financing structure / firm performance, could be summarized as follows. Given the fact that the funding structure could act as a mediating variable, an assessment of this mediating effect might be achieved via developing specific models based on particular variables as those selected in this study. In this respect, our reached results turn out to indicate that the EI variable is discovered to be noticeably implicated in determining the mediate effect, in respect of the methodology initiated by Baron and Kenny (1986). Indeed, the incorporation and highlight the mediating variable, i.e., the financing structure, turns out to remarkably improve the explanatory power of the model EI / financing structure / performance.

One the light of these results, one could well note that the mediating variable appears to stand as a more effective predictor of the dependent variable, namely,firm performance. Noteworthy, is that the hierarchical regressions prove to highlight well that the control variables prove to have a significant effect on the financing structure as well as on the firm performance as a whole. Indeed, this angular part allowed us, above all, to undertake an empirically explication of the contrast persistent between what is stipulated and advanced in theory and what is actually observed in practice.

Worth highlighting, also, is the fact that this study has limitations and leavesseveral questions open – ended, as to about the problematic issue of performance, EI and the funding structure. Indeed, the model should incorporate other variables for a more thorough representation of reality. Finally, considerationfor EI as an important human dimension is expected to pave the wayand opens new perspectives for the corporate finance area. Above all, one might cite the revival of such issues as those relating to governance mechanisms and value creation, as associated with the ability to develop new investment opportunities or strategies.

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Annexure 1
Pearson correlation matrix

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
IE(1)	1						
SELF FININCING (2)	0.293	1					
BANK DEBT (3)	0.186	0.282	1				
BOND DEBT(4)	-0.319	0.214	0.322	1			
EXT CAP(5)	-0.122	0.124	0.161	0.565	1		
TAIL (6)	0.325	0.242	0.342	-0.125	-0.212	1	
SECT(7)	0.225	0.321	0.245	0.367	0.325	0.243	1

Source : Self Computed