

CEO Emotional Intelligence level and Compensation: Evidence From Tunisia

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This article focuses on the impact of emotions on Tunisian chief executive officer (CEO) compensation. It examines specifically the role of executives' emotional intelligence (EI) level and their emotional biases, namely optimism in explaining compensation plans. An empirical study was conducted in this respect, by using a questionnaire as a method of data collection, on a sample of 100 Tunisian companies' leaders. This research paper translates an original approach, since it highlights the behavioral aspects role in explaining the CEO's compensation policy level. To the best of the knowledge, this represents the first study in the Tunisian context that explored this area of research. Actually, the results show that Tunisian leaders may be subject to certain emotions thereby impacting their compensation characteristics. Indeed, they opt at first to contribute to the organizational performance by establishing a mutual trust within the organizational structure in order to achieve the objectives already set up. However, this could be done at the expense of their compensation plans.

Keywords: emotions, Tunisian chief executive officer (CEO) compensation, emotional intelligence (EI), emotional biases, optimism

Introduction

Since the dawn of time, money is seen as a taboo subject in the society. That being said, very few issues in the modern society's history have captured the attention highly generated by executives' compensation. That remains a field that has always evoked a great fascination, sometimes disturbing, but in any case leaving no one indifferent. Indeed, chief executive officer (CEO) compensation appears to be an important mechanism even more the main incentive mechanism implemented within firms. So, contrary to the assumptions of Modigliani and Miller (1958) stating that the leader always acts in the best interest of shareholders, each agent actually seeks to achieve its personnel objectives , which does not necessarily fit to those of the shareholders. Executive compensation is far from being determined randomly. It's not representing only a kind of reward for the effort made by the officer in the interest of the company and its shareholders, but also a means of motivation and incentive for the manager, so he doesn't diverge from his original purpose. Moreover, compensation has always attracted the attention of researchers and practitioners in corporate governance and has been materialized as an

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incontestable way for shareholders to control the work of the officers defining consequently their discretionary space, even one of their own pressure levers on leaders, in addition to the dismissal's threat. However, several factors may come into play and influence the compensation policy, such as emotions that emerge from leaders' irrational behavior. Indeed, emotions are omnipresent and have their place in all spheres of human activity, hence the need to introduce the behavioral dimension. According to Shefrin (2001), it leads to an approximation of the finance and governance convergence with other management sciences, which may lead to a mutual complementarily and what would also highlight certain virtues plans defining executive compensation.

Literature Review

The issue relating to executives' remuneration is directly related to the agency theory developed by Coase (1937) and Jensen and Meckling (1976) and supplemented by Fama (1980) agency. According to this view, the leader is not just an employee like any other, it is the agent of shareholders. Therefore, its status must necessarily back to the agency's positive theory which seeks to maximize the market value of the company. This theory reflects thus the divergence of interests between managers and shareholders necessitating consequently the establishment of an indirect way to align the interests of executives with those of shareholders, which is the remuneration policy that counts a number of components (fixed salary, performance-based bonuses, stock options...) and aims to motivate executives and encourage them to work in accordance with the interests of shareholders and the company. In this respect, Jensen and Murphy (1990) dedicated several articles to the different factors explaining executives' compensation by focusing specifically on the study of the correlation between executive compensation and firm performance. In addition to the studies examining the compensation plans, various researchers have focused on the latent individual characteristics' impact of the manager on the practices of companies, especially on the remuneration policy (Bertrand & Schoar, 2003; Graham, Li, & Qui, 2012). Thus, the central objective consists in highlighting the type of relationship existing between emotional intelligence (EI) and the compensation policy: The first part consists in EI construct and the second part shows the correlation between EI and executives' compensation volume and nature

Theory and Hypothesis

EI Concept

The emotions' positive role study on decision-making process leads to the EI concept. Indeed, EI is at the heart of the skills portfolio of effective leader. Some authors even consider it as a key driver of organizational performance (Goleman, 2001; Côté, Lopes, Salovey, & Miners, 2010; Song et al., 2010; Kilduff, Chiaburu, & Menges, 2010; Azouzi & Jarboui, 2013, 2014). It will review the literature concerning the EI concept.

Definition

Salovey and Mayer (1990) were the very first to use the term of EI and defined it as the ability to control one's own and others' emotions and feelings, to discriminate among them, and to use the information they convey to guide thoughts and actions. Later, a few adjustments have been brought to the concept of EI to become the ability to perceive emotion, integrate it to facilitate thought, understand emotions, and regulate them in order to promote personal growth (Salovey & Mayer, 1997). In the most general level, EI is defined as the ability to recognize and manage one's own and others' emotions (Goleman, 2001).

EI Models

Each theoretical paradigm conceptualizes EI from one of two perspectives—ability or mixed model: Bar-On model and Goleman model. The ability models consider EI as a pure intelligence, namely as a pure form of mental ability. Actually, the only ability model of EI is that proposed by Salovey and Mayer (1997). In contrast, EI mixed models combine mental ability with personality traits, such as optimism and well-being (Mayer, 1999). So, two mixed models of EI have been proposed, each within a somehow different conception. Therefore, this paper is required to present the EI model of Salovey and Mayer (1997) on which the empirical study will be based.

The Ability Model

According to the ability model (Salovey & Mayer, 1997), EI is composed of two dimensions: The experiential dimension (ability to perceive and manipulate emotional information as well as to respond without necessarily understanding it) and strategic dimension (ability to understand and manage emotions without necessarily perceiving feelings well or completely experiencing them) (Azouzi & Jarboui, 2013, 2014). In fact, this model counts four branches of EI, ranging from the two basic psychological dimensions already mentioned to others more complex that integrate emotion and cognition. The first branch, emotional perception, defines the individual's ability to perceive one's own emotions and to express them accurately to others. What is more, emotional perception expresses the ability to distinguish between honest and dishonest emotions' expressions.

The second branch, emotional assimilation, refers to the ability of distinguishing among different emotions that can be felt and recognize the influence they can have on the thought process. The third branch, emotional understanding, identifies the ability to understand complex emotions and recognize the transitions among them. At last, the fourth branch, emotions management, corresponds to the ability to manage emotions, according to their usefulness in a given situation. This model is indeed one of the most used in the literature on emotional to the extent that it fits a pure vision of EI.

Importance of EI Role on Academic Performance

Recent researches have stressed the importance of EI particularly in organizations that evaluate employees' abilities in terms of emotions instead of cognition. As a matter of fact, the most successful companies require CEOs who are able to communicate in an effective manner, control their emotions, and demonstrate their technical capacity (Câté Miners, & Moon, 2006; Fiori, 2009; Azouzi & Jarboui, 2013, 2014). This consequently demonstrates the importance of EI as emotional aspect as human relations in organizations are more affected by emotional factors than by those of rational order. Therefore, Goleman, Boyatzis, and McKee (2001) postulated that all recruitment should focus on looking for individuals with EI's essential skills for monitoring and animation teams. Also, Fiori, and Antonakis (2011) stressed the importance of EI in the management of change for the leader. The authors add through their EI model to reflect the individual ability to manage his own emotions and those of others, especially to use in a way that enhances the effectiveness of cognitive process. Thus, it allows the manager to generate and maintain enthusiasm, serenity, optimism, cooperation, and mutual trust in the organization (Siu, 2009). Otherwise, an emotionally intelligent leader uses his skills (including EI) to generate and maintain mutual trust to achieve the objectives set (Azouzi & Jarboui, 2013, 2014).

CEO EI Level, Optimism and Compensation Volume

The available literature enables to affirm that EI is a key factor in organizational performance. Indeed,

most of concerned studies have shown that this competence turns out to be at the heart of the skills' portfolio of an effective CEO (Goleman, 2001; Côté et al., 2010; Song et al., 2010; Kilduff et al., 2010). Similarly, Fiori and Antonakis (2011) stressed the importance of EI in the management of change for the leader. Côt é et al. (2010) showed that an emotionally intelligent CEO has a wide-open perspective which could allow him to maximize his firm's performance and therefore, reverberating positively on his compensation policy. The authors add through their EI models that this skill reflects the individual's ability to manage his own emotions and those of others, especially to use in a way that enhances the effectiveness of cognitive process. Thus, it allows the manager to generate and maintain enthusiasm, serenity, optimism, cooperation, and mutual trust in the organization (Siu, 2009). Otherwise, an emotionally intelligent leader uses his skills (including EI) to generate and maintain mutual trust to achieve the objectives set which may affect positively his global compensation volume. As well, it has been affirmed that EI is positively related to leader performance (Rosete & Ciarrochi, 2005) and commitment to the group or organization (Carmeli, 2003). Besides, it allows managers to improve their skills in alternative assessments (strengths, weaknesses, and characteristics of their companies). In addition, it reduces managers' overestimation or underestimation (overconfidence and optimism) about the value of their firms, which implies that EI reduces the suggestibility of leaders with behavioral biases and improves firms' financial policies including the compensation's one. Hence, EI can be considered as a mechanism of governance, to the extent that it has a moderating effect on emotional biases namely the optimism bias: In fact, this emotional state appears to be the most persistent and most common of all psychological biases. So, it seems natural that people in general and managers in particular are affected by this emotional trait. Actually, an optimistic leader tends to believe that the good results are very likely to occur and then overestimate the probability of success of the company and its future prospects. It follows that he overestimates the value of incentives that will occur following the achieving of good results. Therefore, compared to an unbiased CEO, an optimist is ready to accept a contract with less compensation incentives that will generate lower total compensation volume than the one proposed to non-optimistic managers (Otto, 2013). Likewise, Zeidner, Matthews, and Roberts (2004) demonstrated the positive role that EI can play in reducing the level of optimism bias among executives. The authors argued that the success of individuals depends on their ability to control their emotions, which implies a positive correlation between EI and the effectiveness of CEOs' financial policies. In this respect, this empirical study will try to shed light on impact of EI on the Tunisian CEOs' compensation volume. Also it will focus the attention on the correlation that can define the CEO' EI and his level of optimism to the extent that several theoretical studies show the negative relationship between these two types of emotions (EI has a moderating effect on the optimism bias). Thus, the following hypothesis is worth being proposed:

H1: The more the CEO's EI level increases (low level of optimism), the more important his global compensation volume would be.

CEO EI Level, Optimism and Compensation Nature

A growing part of empirical evidence shows that EI is correlated robustly with a variety of factors that signal social emotional success, including more frequent positive effects, higher self-esteem, greater life satisfaction, increased social engagement, and also a greater sense of well-being (Goleman, 2001; Gond & Mignonac, 2002; Hess, 2003; Zeidner & Olnick-Shemesh, 2010). Otherwise, emotionally intelligent CEOs are less susceptible to the impact of emotional biases, such as optimism. Moreover, some studies have suggested

that individuals with a high level of EI are more aware of the numerous factors that could influence their emotions (Karim, 2010; Rode et al., 2007) which reduces the presence of emotional bias and encourages effective strategies, influencing consequently and positively their pay. What is more, it can be noticed that several studies criticize the theory, whereby the performance of an organization depends on the individual's knowledge, his abilities, and specific skills. In fact, employees' individual emotions have greater significance than their intellectual abilities in determining their long-term performance (Song et al., 2010). Indeed, CEO's high level of EI improves his ability to process information, diagnose situations, and evaluate alternatives. It should be noted that the choice of a time horizon is positively correlated with a company's growth opportunities and not with the duration of a CEO's mandate, which implies a positive correlation between EI and the effectiveness of a CEO's financial policies including the compensation one. Yet, emotional self-awareness and understanding are the triggering factors for emotions allowing managers to select more appropriate actions and improve the effectiveness of CEO's financial policies whose compensation plans. For Damasio (1994), EI improves the quality of decisions as well as the ability of adaptation by allowing the harmonization of different cognitive processes. Huy (2002) showed that EI is developed through listening skills, communication, conflict management, and leadership. Hence, the development of these capabilities reduces CEOs' suggestibility to behavioral biases (such as optimism) and ensures the effectiveness of CEOs' decisions. According to Otto (2013), this emotional state (optimism) is the most persistent and most common of all psychological biases. Accordingly, an optimistic leader tends to believe that the good results are very likely to occur and therefore overestimates the probability of success of the company and its future prospects. It therefore leads him to overestimate the value of incentives that will occur following the achieving of good results and accept fewer incentives than an unbiased CEO. To conclude and by taking into account the fact that emotionally intelligent CEOs are less suggestible to emotional biases namely the optimism bias, it can be noted that most of these leaders will thus, hold greater incentives than the ones received by their peers. In this respect, it is important to consider this hypothesis:

H2: The more the CEO's EI level increases (low level of optimism), the more important his incentives would be.

Research Design

This section is divided into two parts. The first part treats the data source and the simple formation, whereas the second part presents the variables' measurement

Research Framework

The empirical tests are based on 100 Tunisian firms' executives during the year 2013 (one per company namely, 18 CEOs, 62 leaders, and 20 senior executives). Actually, the sample includes firms of various activities' sectors which are: industrial Tunisian firms; commercial ones; of services, of communication; medias; tourism ones; travel agencies; and finally, firms belonging to the real estate sector. Furthermore, the sample includes not only firms that are listed on Tunis' stock exchange during the year 2013 (25 companies) but also those who are not (75 companies). EI and emotional bias specifically optimism are collected by means of an administrated questionnaire. Besides, the selected choice deals with some Tunisian CEOs representatives of 100 firms (82 males and eight females), ranging from the age of 20 to over 50 (Table 1). Most questionnaires have been distributed by the door to door's method to ensure that they will be personally transmitted to the

person concerned, while few among them have been mailed. However, authors faced some difficulties during the survey:

(1) difficulties related to the questionnaire's administration: CEOs and executives that authors faced during the distribution of the questionnaire were unfortunately not always available. Authors also had to deal with several refusals from them for answering to the questions on the ground that it would cause them trouble with the hierarchy or that the information that interested authors was confidential. Thus, the request was rejected repeatedly because of the sensitivity of the subject of the survey;

(2) difficulties related to the questionnaire gathering: Unfortunately, authors were unable to recover all the questionnaires distributed. Most recipients required more time to fill in the questionnaire, which ultimately authors don't recover. Still others partially answer pretending that questions avoided were confidential.

Table 1

CEOs' Characteristics	7
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	Percentages
Age	
20-30 years	2
31-40 years	18
41-50 years	30
Over 50 years	50
Gender	
Male	8
Female	82
Degree	
Bac	12
Bac+1	8
Bac+2	3
Bac+3	13
Bac+4	22
More	42

Definition and Measurement of Variables

To identify measures of different variables, a separation between endogenous and exogenous variables is required.

Endogenous variable: CEOs compensation. The goal is to show the impact of leaders' EI and optimism on their compensation especially: the volume of compensation (CV) as well as the variable or incentive part that they can levy (INC). Thus, authors will proceed by a questionnaire composed of two items.

Exogenous variables: EI. To measure leaders' EI, authors have developed a questionnaire of 19 items (see Table 2), inspired from the test conducted by the Australian psychologist, evaluating the concept of EI as defined by Salovey and Mayer (1990). Therefore, authors have used a five-point Likert scale, on which "1" represents "strongly disagree" and "5" represents "strongly agree", to indicate to what extent each item described fits them. All parts of the model have been represented by different items. However, some items have been deleted, while some others have been added or revised before testing them by asking several individuals to complete the scale and note any unclear elements.

Table 2Applied Items in the Modified 19-items Emotional Intelligence Scale

	Components					
	Relations tnemeganam (15.002% of the total variance) 1	Emotions management (13.513% of the total variance) 2	Emotions comprehension (10.043% of the total variance) 3	Emotions assimilation (9.941% of the total variance) 4	General mood (9.893% of the total variance) 5	Emotions perception (9.551% of the total variance) 6
1. I know when I have to talk about my personal problems to others.	0.179			0.190		-0.686
2. I think I succeed most of the things I undertake.	0.358	0.365	0.621		0.177	-0.234
3. When I meet an obstacle, I remember the previous obstacles that I have already overcome.				0.869		-0.141
4. Most people trust me easily.	0.108	0.581	0.481		0.260	-0.331
5. The most important events of my life have led me to reconsider what was important for me from what wasn't.	0.184	0.210	0.269	0.737	-0.120	0.134
6. I find it difficult to understand the non-verbal messages given off by other people.			0.841	0.173	-0.179	0.222
7. Feeling emotions is something that makes life worth living.	0.198	0.138	0.138			0.681
8. When my mood changes, I see new perspectives.	-0.135	0.773	0.129			0.223
9. I am aware of my emotions when I live them.	0.188	0.576	0.200		-0.104	0.396
10. I like sharing my emotions with others.	-0.117	0.200	0.550		0.479	
11. When I live a positive emotion, I want to know how to do to prolong this feeling over time.		-0.173			0.598	0.495
12. I am aware of non-verbal messages I send to others.	0.174	0.542	-0.240	0.549	0.133	
13. I present myself so that others may have a good impression of me.	0.274	0.757			0.203	
14. When I'm in a good mood, solving problems becomes easy for me.	0.224	0.209			0.706	
15. By examining the facial expressions of people, I am able to recognize what they really feel.	0.278	0.165			0.590	-0.355
16. I know how to control my emotions.	0.800	0.132		-0.224	-0.156	
17. When someone tells me about an important event of his life, I feel as if I had lived it.	0.640		0.214	0.200	0.187	
18. I compliment people when they do something good.	0.796	0.239		0.173	0.225	
19. I help people feel better when they go wrong.	0.785			0.253	0.332	-0.127

Emotional bias: Optimism. The other part of the questionnaire examines the CEO's optimism bias. The questions were pulled from the questionnaire on the investor profile, developed by the research unit on savings (PES) of the company Fern Hill and one developed by Industrial Alliance, to which authors have made changes. Similarly, each item (five items, Table 3) is denoted by a Likert scale of five points ("1 = strongly disagree" to "5 = strongly agree").

Table 3

Items	Used	in the	Optimism	Bias Scale	(5 Items)
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Itoma	Component
Items	Optimism (57.123% of the total variance)
I feel motivated just by imagining the firm's good future results.	0.834
I expect that good things will happen in my life.	0.717
How do you feel once you have taken important decisions?	0.796
I have nerves of steel.	0.769
I am often optimistic about the future performance of my company.	0.649

The CEO's capital share (CCS). In order to test the impact of shareholding on the manager's compensation level, the variable CCS measures the percentage of capital that he owns.

Existence of a compensation committee. At this level, authors studied the impact of the compensation committee's existence on executive compensation. Thus, the variable committee takes the value "1" if the company has a compensation committee; otherwise, it takes the value "0".

Control variables. Three control variables were integrated in the model and explain the level of executive compensation. These variables are the size of the company, growth opportunities, and firm performance.

The size of the firm. The literature defined the firm's size as a major determinant, reliable, and significant of executive compensation levels (Jensen & Murphy 1990; Tosi, Werner, Katz, & Gomez-Mejia, 2000; Albouy, 2004). Indeed, managing a larger firm induced a higher level of responsibility, more hierarchical levels to regulate, and also more skills.

According to Alcouffe (2004), the consistency of the hierarchical system and the salary generally induces an increase in wages with the hierarchy, so that the executive compensation depends on the size of the company. Indeed, this vision is based on what is called the theory of "tournament" (Lazear & Rosen, 1981).

Hence, it is quite normal to expect that larger firms grant higher pay to their leaders and to maintain high levels of motivation for all employees. Illustrating the importance of size, a meta-analysis on the compensation of managers shows that the firm size explains 54% of the variance of earnings, while performance indicators explain only 5% (Tosi, Werner, Katz, & Gomez-Mejia, 1998). In this paper, it is measured through the log of the firm's total assets (LNSIZE) (Azouzi & Jarboui, 2013, 2014).

Growth opportunities. Firm's growth opportunities may have an impact on executive compensation. Indeed, the leaders should be rewarded when they develop growth opportunities that prove high (Smith & Watts, 1992). Thus, the relationship between these two variables should be positive. In fact, in this study, the approximation of Tobin's Q is retained as a measure of this variable and defined as the ratio of equity market value plus debt book value to assets book value (Rajan & Zingales, 1995; Graham, 2000; Booth, Aivazian, Demirguc-Kunt, & Maksimovic, 2001; Dufour & Molay, 2010; Naoui, Elgaied, & Bayoudh, 2008; Azouzi & Jarboui, 2013, 2014).

Authors will keep the Tobin's Q to measure this variable. The Tobin's Q estimated with the approximation

formula proposed by Chung and Pruitt (1994):

$$Q_{it} \cong (MVS_{it} + D_{it})/A_{it}$$

where, MVS is market value of common and preferred shares; D is book value of debt, defined as current liabilities plus long-term debt plus inventories minus current assets; and A is total assets.

In this respect, authors considered the Q of Tobin as a binary variable. Indeed, it takes the value "1" if it exceeds "0.5", therefore authors can denote growth opportunities; otherwise, it takes the value "0". In this case, there are no growth opportunities.

Firm performance. To the extent that executive compensation is an incentive mechanism which adjust the interests of executives with those of shareholders, the relationship between executive compensation and corporate performance should be positive (Fama & Jensen 1983; Jensen & Meckling, 1976). In this context, authors can retain the return on assets ratio noted and defined as the ratio of gross profit to total assets.

For simplification, all measures of each variable in the model, its connotation, as well as its expected impact the CEO compensation level (Table 4).

Table 4

Descriptive Variables

1				
Categories	Phenomena	Measures	Variables	Predictions
Endogenous Variabl	e:			
	Compensation volume		CV	
CEO compensation	Incentive compensation (bonus, commissions, dividends, and stock-options) and benefits in kind (travel, function car, and gifts)	Score calculated on the basis of a questionnaire composed of two items.	INC	
Exogenous variables	•			
Categories	Phenomena	Measures	Variables	Predictions
Emotional intelligence	Perception, comprehension, and management of emotions	Score calculated by using a questionnaire based on 19 items of Schutte et al. (1998)	EI	+
Optimism	Overvaluation of firm's future prospects	Score evaluated by a questionnaire of six items developed by the research unit of thrift (PES) of Fern Hill	ОР	-
The CEO's capital share	Indicator of the capital's proportion held by the leader		CCS	-
Existence of a compensation committee	Indicator of the level of compensation awarded to the CEO	The variable takes the value 1, if the firm has a compensation committee; otherwise, it takes the value 0	Committee	-
Control Variables:				
Categories	Phenomena	Measures	Variables	
Size	Indicator of the level of responsibility, hierarchical levels, and skills required by the firm	Ln (Total assets)	Size	+
Growth opportunities	Indicator of the leader's intellectual capacity and productive capacity of the firm	$ \begin{array}{l} \mathbf{Q} \text{ of Tobin} \\ \mathbf{Q}_{it} \cong (\mathbf{MVS}_{it} + \mathbf{D}_{it}) / \mathbf{A}_{it} \end{array} \end{array} $	GOP	+
Performance	Indicator of the importance of executive compensation as a governance mechanism.	Gross profit/total assets	ROA	+

Empirical models are as follows:

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 $CV = \alpha_0 + \alpha_1 EI + \alpha_2 OP + \alpha_3 Size + \alpha_4 GO + \alpha_5 ROA + \alpha_6 CCS + \alpha_7 Committee + \varepsilon$ $INC = \alpha_0 + \alpha_1 EI + \alpha_2 OP + \alpha_3 Size + \alpha_4 GO + \alpha_5 ROA + \alpha_6 CCS + \alpha_7 Committee + \varepsilon$

Where, CV is variable that refers to the CEO compensation's volume; INC is variable that refers to the incentive compensation held by the CEO; EI measures the EI level of each leader; OP measures the optimism level characterizing each CEO; Size corresponds to the size of the firm which is considered as an indicator of the responsibility level, hierarchical levels, and skills; GO measures the growth opportunities of each firm; ROA is return on assets ratio which measures the firm's performance; CCS is the capital share held by leaders; *Committee* refers to the existence of a compensation committee; and ε is the margin of error.

Empirical results. This paper examines the correlation between emotions and executive compensation through two models. Each model treats the relationship between these different emotional aspects whether with the compensation volume or with the compensation nature (incentives). Later, a detailed description of the different realized tests will be highlighted.

The first model: The compensation volume. The model is presented as follow:

 $CV = \alpha_0 + \alpha_1 EI + \alpha_2 OP + \alpha_3 Size + \alpha_4 GO + \alpha_5 ROA + \alpha_6 CCS + \alpha_7 Committee + \varepsilon$

Empirical tests. Authors have applied the linear regression method on the different variables of this model. The objective behind this test is to explain the impact of CEOs' emotional traits (EI and optimism) on their CV.

Results. In this model, authors have chosen to test not only the impact of EI and optimism on the compensation volume received by Tunisian CEOs, but also the one regarding the characteristics of firms (size, compensation committee, and performance....). Thus, the following Table 5 shows the results of the linear regression.

Linear Regression Results Retail to the Compensation volume					
Variables	B êta	Significance	Expected relation	Relation found	
Constant	2.043	0.174			
EI	-1.746	0.154	+	-	
OP	-0.813	0.401	-	-	
Size	0.117	0.091*	+	+	
GO	0.616	0.180	+	+	
ROA	-0.288	0.322	+	-	
CCS	-0.068	0.853	-	-	
Committee	0.700	0.053*	-	+	
R ²				0.163	
F-Fisher (overal	l significance of the mo	del)		0.019**	

Linear Regression Results Relative to the Compensation Volume

Note. * and ** stand for significance respectively at 10% and 5%.

It can be noted that all variables studied explain a small part of the compensation volume held by the Tunisian companies' CEOs in this sample, which is of the order of 16.3% ($R^2 = 0.163/F = 0.019$: The model is globally significant at the threshold of 5%).

The results show a negative and non-significant relation between EI and the compensation global volume ($\beta = -1.746$, p = 0.154).

Here according to Siu (2009), it can be asserted that emotionally intelligent manager is willing to accept a lower total compensation than his peers in the extent that the only thing that really matters to him is to use his

Table 5

skills (including EI) to generate and maintain mutual trust within the team in order to achieve the objectives set up. This result rejects the first hypothesis (H1).

The results in Table 5 indicate also negative and non-significant relation between the CEOs' optimism level and their compensation volume ($\beta = -0.813$, p = 0.401). This may suggest some explanations. An optimistic leader believes in good future results and also overestimates the probability of success and the future prospects of the company. Therefore, this can only bring him to overestimate the value of future incentives that can be generated from the good results achieved and push him to accept a compensation agreement with fewer incentives. So this can engender a total compensation volume lower than the one offered to an unbiased CEO (Otto, 2013).

Moreover, there is a positive and significant relation at the threshold of 10% level between the company size and the compensation volume received by the CEO ($\beta = 0.117$, p = 0.091). Indeed, considering the size of the company, it has long been regarded as a decisive and significant criterion of CEO compensation (Jensen & Murphy 1990; Tosi et al., 2000; Albouy, 2004). This therefore implies that running a larger company involves more responsibility, more hierarchical levels, more skills, and in this case a higher salary level. This leads to consider also that the larger companies do not necessarily have a high level of EI.

More regression shows a positive and non-significant between growth opportunities developed by managers and their compensation volume ($\beta = 0.616$, p = 0.180). This can be explained by the fact that leaders are rewarded, once the growth opportunities they would project proved high (Smith & Watts, 1992). In addition, it can be noticed that companies with high growth opportunities are not necessarily governed by emotionally intelligent leaders.

On top of that, regression reports a non-significant and negative relation between the firm performance and the total compensation awarded to its leader ($\beta = -0.288$, p = 0.322). This can be translated as follows: The remuneration policy is an incentive mechanism to align the interests of company directors with those of shareholders in order not to deviate from their original purpose and contribute to the company's performance. This will therefore generate a positive relation between these two variables. However, this result does not affirm the positive relationship already provided between company performance and executive compensation and that can be explained by taking into account the emotional aspects whose optimism and EI, as being two criteria negatively correlated with compensation volume ($\beta = -0.813$, p = -1.746).

The results further show a negative relation but non-significant between the capital share held by the leader and his compensation volume ($\beta = -0.068$, p = 0.853). This implies that the larger the capital share held by the leader is, the less his pay volume will be. This can be explained as follow: The higher the stake held by the leader is, the higher its interests are likely to adjust to those of shareholders, thus limiting deviant managerial behavior which would be able to reduce the risk of awarding an excessive pay.

Finally, authors note the presence of a positive and significant relation at the 5% threshold between the presence of a compensation committee and the global compensation volume ($\beta = 0.700$, p = 0.053). This may be explained as follows: A CEO could more easily benefit from a favorable compensation and this by controlling the information that it makes available to the committee members and by exercising his managerial power over them. It should also be noted that the larger the company is (positive correlation with the $\beta = 0.117$), the more likely the existence of a compensation committee becomes and therefore, the more important the global level of CEO compensation will be.

The second model. The incentive compensation model is presented as follow:

CEO EMOTIONAL INTELLIGENCE LEVEL AND COMPENSATION

INC = $\alpha_0 + \alpha_1 EI + \alpha_2 OP + \alpha_3 Size + \alpha_4 GO + \alpha_5 ROA + \alpha_6 CCS + \alpha_7 Committee + \varepsilon$

Empirical tests. To estimate the different variables of the model, authors have applied the linear regression method. The objective behind using this test lies in describing the impact of CEOs' emotional traits (EI and optimism) on their compensation nature (INC).

Results. In this model, authors chose to test the impact of emotional aspects (EI and OP) and the firms' characteristics on the incentive compensation received by Tunisian CEOs. So, the following Table 6 shows the results of the linear regression:

According to the Table 6, the selected variables can explain 10.3% of the incentive part devoted to the Tunisian firms' CEOs in ther sample ($R^2 = 0.103/F = 0.173$: The model is not globally significant).

The regression notes a negative and non-significant relation between CEO's EI and the incentives that he perceives ($\beta = -0.045$, p = 0.839). An emotionally intelligent leader is able to direct its actions and capabilities in order to achieve the objectives set up by the principal. Thus, based on its qualities and managerial skills, it would be willing for him to accept a contract containing less incentives in the extent that which is essential for him is to create and generate a sense of confidence in his team in order to achieve the objectives. This does not affirm the positive impact of EI on the variable portion that can be perceived by the leader (H2).

The results in Table 6 show also a positive and non-significant relation between optimism and incentives received by the leader ($\beta = 0.013$, p = 0.939). Whereas the optimistic leader overestimates the probability of success and the future prospects of the company and as the value of human capital in the market depends largely on the performance achieved by the company, this might motivate him to achieve the objectives by providing more effort and therefore receiving more incentives. This result doesn't show the negative impact of optimism on the incentive compensation received by the manager (H2).

As regards the firm size, it presents a positive and non-significant relation with the incentive compensation ($\beta = 0.004$, p = 0.740). This is explained by the fact that the larger the firm is, the more important the levels of responsibility become, the ability of the CEO and therefore the incentives granted so he can use the appropriate actions in order to achieve the fixed objectives. Furthermore, a positive and non-significant correlation between growth opportunities developed by the company and the incentives granted to its leader can be noticed. This amounts to the fact that the development of high growth opportunities by the leader will involve the allocation of rewards having the form of incentives.

Moreover, the regression shows a negative and non-significant correlation between company performance and incentive compensation ($\beta = -0.022$, p = 0.677). This can be explained by the possible impact of the psychological aspects of the leaders on their incentive compensation including their level of EI and optimism.

On top of that, the model shows a negative and non-significant relation the capital share held by the leader and his incentives level ($\beta = -0.079$, p = 0.237). This implies that the more important the capital share of the leader is, the more he would be concerned with the company's performance and its interests are aligned with those of shareholders, which also reduce the risk of excessive incentive and therefore it would receive fewer incentives than its peers.

Finally, as regards the compensation committee existence, it presents a positive and non-significant relationship with the incentive compensation attributed to CEOs ($\beta = 0.072$, p = 0.268). This can be explained by the fact that compensation committees do not act as agents of control, but rather, they serve the interests of the officer who has the authority to neutralize and alter their disciplinary powers. Thus, he would receive important incentives.

Variables	B êta	Significance	Expected relation	Relation found
Constant	0.255	0.347		
EI	-0.045	0.839	+	-
OP	0.013	0.939	-	+
Size	0.004	0.740	+	+
GO	0.110	0.185	+	+
ROA	-0.022	0.677	+	-
CCS	-0.079	0.237	-	-
Committee	0.072	0.268	-	+
R ²				0.103
F-Fisher (overal	ll significance of the mo	del)		0.173

Linear Regression Results Relative to the Incentive Compensation

Table 6

Conclusions

It is true that human inference is subject to systematic emotions. Moreover, this article deals, by the various tests carried out, with the impact of these emotional aspects particularly EI and optimism on Tunisian CEOs' compensation policy. Actually, the collected data analysis has shown that the firm size as well as the existence of a compensation committee is the only significant determinants of total pay.

The behavioral dimension brings a low enrichment to organizational financial theory only to explain the compensation volume. Indeed, the incentive compensation is related neither to the emotional aspects of the managers nor to the characteristics of firms.

The incentive dimension might be related to other factors that were not explored in this study namely the stock market.

Overall, the results do not validate the theoretical arguments that advocate the importance of EI especially in minimizing emotional biases affecting leaders (in this case, optimism bias) and therefore impacting positively on their compensation policy. Indeed, the results show a negative relationship between EI and global compensation volume. This may be explained by the fact that human relations in organizations are affected more by emotional aspects than by the rational ones. So in order to build mutual trust and better manage his team for achieving the intended objectives, an emotionally intelligent CEO would accept a lower salary than his peers.

Given its various personal, social, and professional advantages, EI turns out to be a worthwhile developing skill which needs to be more deeply explored and further thoroughly promoted.

In brief, this skill is a governance mechanism allowing to reduce cognitive conflicts among the partners of the company, ensure their effectiveness namely to achieve the objectives already set up, and thus contribute to the firm performance.

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