Greek family-business management performance: Emotionally intelligent or Machiavellian?

Chrysoula Tsirimokou, Clive Richardson, Theodosios Palaskas

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Abstract

Although the investigation of emotional intelligence levels and personality traits such as Machiavellian behavior of the manager and the family firm’s workforce is critical in understanding the role of emotions in family business dynamics and in drawing conclusions regarding their effects on the overall business performance, the subject has not been examined adequately. Utilizing modern tools, this paper aims to measure and evaluate the qualitative characteristics of family business managers’ behavior to analyze their influence on the firms’ performance. In particular, it examines whether emotional intelligence and Machiavellianism determine the efficiency of the management in Greek family businesses’ performance. For this purpose, a structural equation model was specified and applied to fieldwork data to test the statistical validity of the hypothesis. The findings suggest that, while emotional intelligence plays an important role, Machiavellian personality does not.

EL Classifications:

Key words: emotional intelligence, Machiavellianism, family business, management, structural equation models
1 Introduction

Emotional intelligence (EI), adopted by economics as an effectiveness variable of management capacity of businesses and organizations, has been the subject of much academic interest in recent decades (Côté, 2014). Although the effect of emotions on private sector businesses is acknowledged in the literature, the idea of EI, in terms of appraisal, use and regulation of emotions in challenging environments like a family business has not yet been explicitly explored (Gómez-Betancourt et al., 2014; Labaki et al., 2013; Rafaeli, 2013).

Family firms are one of those professional management environments highly affected by the behavior and personality of their human capital, in both managerial and non-managerial positions (Gómez-Betancourt et al., 2014; Brundin & Sharma, 2012). The overlapping needs of the “family” and the “business” in the process of running a family business may lead to misunderstandings and conflicts, which could be avoided by mapping and understanding the factors that determine shareholders’ behavior and motivations (Woods et al., 2019; Newstrom & Davis, 2002; Enslay et al., 2007; Kellermans et al., 2012).

The uniqueness of the family business is mostly attributed to the behavior and personality factors that affect the dynamic systems of ownership, management and governance of the business, and influence decision-making and effective use of limited resources (Feltham et al., 2005; Newbert & Craig, 2017). In parallel, appropriate job-positioning of family members in a family firm contributes to the avoidance of potential manipulative tactics (Jaskiewicz & Klein, 2007), like Machiavellianism. Machiavellian individuals are believed to be tough and pragmatic manipulators who seek success by taking full control of their impulses by engaging in immoral behavior, lying and cheating (Bass et al., 1999; Kish-Gephart et al., 2010; Kashy & DePaulo, 1996; Miller & Lynam, 2015; Lam, 2016). The empirical investigation of EI levels and personality traits like Machiavellian behavior of those in ownership and management positions in a family firm, seems critical in understanding the role of emotions in family business dynamics and in drawing conclusions regarding their effects on the overall business performance.

2 Literature review

In the family business field, although there is high attribution of emotions to the family business system (Carlock & Ward, 2001; Fleming, 2000; Dyer, 2003; Rogoff & Heck, 2003), the study of emotions has only recently started to gain attention (Astrachan & Jaskiewicz, 2008; Van-den-Heuval et al., 2007). In contrast to the organizational behavior field, emotions in the family business field have been studied mainly from the family point of view (Carlock & Ward, 2001), whereas the business is also a highly emotional arena.

The importance of EI in the workplace has recently been questioned (Zeidner et al., 2004; Rathore et al., 2017; Arora, 2017). A large number of researchers have turned their focus towards identifying a particular context in which EI not only is not beneficial but can also be a harmful and negative trait for individuals and their colleagues (Austin et al., 2014). The negative aspect of EI, especially the dimension of emotional regulation, is thought to be responsible for manipulating and controlling others. Indeed, the possibility of utilizing emotion to satisfy hidden goals for personal purposes reveals the “dark side” of EI (Davis & Nichols, 2016; Furham & Rosen, 2016).

Published work on the relationship between EI and Machiavellian behavior suggests a negative correlation, indicating that individuals who score high in EI tend to score low in Machiavellianism (Austin et al., 2007; O’Boyle et al., 2012). The negative correlation between trait EI and Machiavellianism is also attributable to genetic and non-shared environmental factors (Petrides et al., 2011; Szijjarto & Bereczkei, 2014; O’Connor & Athota, 2013). It is notable that the negative correlation between the variables under examination occurs in all types of EI, confirming that there potentially is a dark side (Austin et al., 2007; Jauk et al., 2016; Austin et al., 2014; Vonk et al., 2015, Malhotra, 2016), leading
to emotionally manipulative behavior (Nagler et al., 2014), lack of empathy (Ali et al., 2009) and even to sadistic behavior (Plouffe et al., 2017). This established negative correlation is proven to play a significant role in moral identity, in the sense of the importance of morality to someone’s self-perception (Côté et al., 2011).

Based on the international literature referenced previously, the following hypotheses were formulated:

- **H1**: EI levels in family business ownership and management are positively related to family business financial performance.
- **H2**: Machiavellianism levels in family business ownership and management are positively related to a better family business financial performance.
- **H3**: EI levels in family business ownership and management are expected to be negatively correlated with Machiavellianism levels.
- **H4**: EI mediates the relationship between family business ownership and management Machiavellian behavior and family business financial performance.

The main purpose of the present study is to examine whether behavior and personality characteristics like EI and Machiavellianism determine the efficiency of management in Greek family businesses’ performance. To achieve this, modern psychometric measurement tools will be utilized for the observation, measurement and evaluation of the qualitative characteristics of Greek family business managers’ behavior, and the analysis of their influence on the reported performance of their firms.

### 3 Sample and Methodology

#### 3.1 Sample

Dissemination of the final questionnaire by Google Forms was chosen as the most efficient way to collect the data needed for the present empirical research. Due to the structure and functions of Google Forms, mass distribution to the population was enabled, without the need of sanity checking. Furthermore, automated registry of the data in spreadsheets provided by Google Forms minimized the marginal errors. A total of 1555 questionnaires were distributed and 345 (255 males, 90 females) were returned by internal stakeholders of Greek family businesses, indicating a participation rate of 22.2%. Most respondents were from 35 to 44 years of age (33.3%), holders of higher education degrees (73.3%).

#### 3.2 Measurement Tools

For the evaluation of EI, the Wong and Law Emotional Intelligence Scale (WLEIS: Wong & Law, 2002) consists of 16 items that are each rated on a 7-point Likert scale ranging from 1 (strongly disagree) to 7 (strongly agree), with higher scores indicating higher levels of EI. No items need to be reversed. WLEIS is structured in four dimensions: self-emotions’ appraisal, others’ emotions appraisal, use of emotions and regulation of emotions. The second psychometric test used in the present research, the Machiavellianism Personality Scale (MPS: Dahling et al., 2009) is comprised of four sub-dimensions: Distrust of others, Desire for status, Desire for control and Amorality. The MPS consists of 16 items. Each item is rated on a 5-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). No items are reverse scored. Family business performance was evaluated in a Likert scale from 1 (moderate performance) to 5 (exceptional performance) formed according to the three-year approximate reported turnovers, profits, losses and exports on sales of the family businesses of the sample.

For the analysis of validity and reliability of the measurements, internal consistency using Cronbach’s Alpha coefficient was calculated (TABLE 1). A value over 0.7 means that the measurement is consistent, the measurement tools chosen are presumably fully usable and
the results will be substantial.

TABLE 1:

<table>
<thead>
<tr>
<th>Variable</th>
<th>Cronbach’s Alpha</th>
<th>Cronbach’s Alpha based on Standardized items</th>
<th>N of items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emotional Intelligence</td>
<td>0.877</td>
<td>0.881</td>
<td>16</td>
</tr>
<tr>
<td>Machiavellianism</td>
<td>0.881</td>
<td>0.882</td>
<td>16</td>
</tr>
<tr>
<td>FB economic performance</td>
<td>0.714</td>
<td>0.705</td>
<td>9</td>
</tr>
</tbody>
</table>

3.3 Methodology

Structural Equation Models (SEM) is a statistical methodology that examines and tests theoretical assumptions in a multivariate model. This statistical process not only calculates the estimates of the various variables (loadings, variances, covariances of factors), but also examines the goodness of fit to the data (Haenlein & Kaplan, 2004). SEM has proven to be one of the most valuable ways to perform causal analysis in social and behavioral sciences. In fact, the term SEM denotes not just one statistical technique, but addresses a complete set of processes and statistical analyses like regression analysis, factor analysis, path diagrams, separately and in combination. Linear relationships between observed and latent variables are examined through theoretical models presented, estimated and analyzed with SEM methodology (Hair et al., 2014; Byrne, 2013). SPSS AMOS 26.0 software was used to perform SEM analysis.

4 Results

Sociodemographic characteristics of the sample are presented in TABLE 2. The mean EI score of the 345 participants was 5.66 (SD=.67), and the mean Machiavellianism score was 2.49 (SD =.67). EI, MPS and family business performance mean scores for the separate categories of each sociodemographic variable are also presented in TABLE 2.

TABLE 2:

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>n</th>
<th>%</th>
<th>EI score</th>
<th>MPS score</th>
<th>PERF score</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>M</td>
<td>SD</td>
<td>M</td>
<td>SD</td>
<td>M</td>
</tr>
<tr>
<td>Gender</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>255</td>
<td>73.9</td>
<td>5.69</td>
<td>.68</td>
<td>2.47</td>
</tr>
<tr>
<td>Female</td>
<td>90</td>
<td>26.1</td>
<td>5.59</td>
<td>.65</td>
<td>2.54</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18-25</td>
<td>7</td>
<td>2.0</td>
<td>5.66</td>
<td>.80</td>
<td>3.00</td>
</tr>
<tr>
<td>26-34</td>
<td>103</td>
<td>29.9</td>
<td>5.55</td>
<td>.70</td>
<td>2.48</td>
</tr>
<tr>
<td>35-44</td>
<td>115</td>
<td>33.3</td>
<td>5.77</td>
<td>.62</td>
<td>2.44</td>
</tr>
<tr>
<td>45-54</td>
<td>87</td>
<td>25.2</td>
<td>5.68</td>
<td>.69</td>
<td>2.56</td>
</tr>
<tr>
<td>55-64</td>
<td>31</td>
<td>9.0</td>
<td>5.62</td>
<td>.64</td>
<td>2.35</td>
</tr>
<tr>
<td>65+</td>
<td>2</td>
<td>0.6</td>
<td>5.03</td>
<td>.75</td>
<td>2.84</td>
</tr>
<tr>
<td>Ed. Level</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Higher Ed.</td>
<td>149</td>
<td>43.2</td>
<td>5.72</td>
<td>.77</td>
<td>2.60</td>
</tr>
<tr>
<td>Post-Secondary Ed.</td>
<td>159</td>
<td>46.1</td>
<td>5.64</td>
<td>.65</td>
<td>2.37</td>
</tr>
<tr>
<td>High School</td>
<td>27</td>
<td>7.9</td>
<td>5.77</td>
<td>.77</td>
<td>2.97</td>
</tr>
<tr>
<td>Other</td>
<td>10</td>
<td>2.9</td>
<td>6.01</td>
<td>.50</td>
<td>2.76</td>
</tr>
</tbody>
</table>
The correlations between the overall MPS score for the evaluation of Machiavellian behavior and the scores obtained from the WLEIS sub-scales for the measurement of emotional intelligence are presented in TABLE 3. It is observed that EI levels in family business ownership and management are positively related to family business financial performance for the total sample ($r=.058$) family business owners ($r=.050$) and BOD members ($r=.118$) although correlations are very close to zero. Family business performance does not seem to correlate positively for respondents occupied in managerial positions other than BOD or ownership ($r=-.15$), meaning that H1 is partially satisfied. Furthermore, Machiavellianism levels in family business ownership and management seem to be positively correlated with family business financial performance, leading to satisfaction of H2. On the other hand, as expressed in H3, where EI levels of family business managers are expected to be negatively correlated with Machiavellianism levels, the third hypothesis is not satisfied by the data analysis as far as the total sample ($r=.074$), the family business owners ($r=.072$) and BOD members ($r=.046$) are concerned, although those positive correlation are weak, as they are very close to zero.

TABLE 3:

4. Pearson’s correlations between EI, MPS and performance scores of the total sample, family business owners, BOD members and other managers.

<table>
<thead>
<tr>
<th>MPS_SCORE</th>
<th>EI_SCORE</th>
<th>FB Perf.</th>
<th>FB Perf.</th>
</tr>
</thead>
<tbody>
<tr>
<td>For n=345 (total sample)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>For n=235 (FB owners)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>For n=59 (BOD members)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>For n=51 (other managers)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The fourth hypothesis based on the existing literature concerning the role of personality and behavioral traits in family businesses suggested that EI plays a mediating role in the correlation between Machiavellian behavior and family business financial performance. To test if this hypothesis is satisfied by the fieldwork data, structural equation models and path mediation analysis was used. In mediation, an intermediate variable, called the mediator (in our case EI), is considered that helps explain how or why an
independent variable (Machiavellianism) influences an outcome (family business performance) (Gunzler et al., 2013).

Path diagrams for the causal relationships between the three variables under examination are presented in FIGURE 1: Machiavellianism ($x_i$), Emotional Intelligence ($z_i$), and Performance ($y_i$). In this example, all variables that are affected by other variables – EI and performance – are endogenous variables, while variables that only impart an effect on other variables without being affected by other variables – Machiavellianism – are exogenous variables. All variables in this path analysis model are assumed to be observed so rectangles (not circles) are used to represent the variables. The SEM for this mediation model is given by the following equations:

\[
Z_i = a_0 + a_{xz}X_i + (e_{zi} + e_{xi}) \quad (1)
\]

\[
Y_i = b_0 + b_{zy}Z_i + b_{xy}X_i(e_{yi} + e_{xi}) \quad (2)
\]

It is assumed that the error terms ($e_{zi}$, $e_{yi}$) are uncorrelated, and also that multivariate normality holds for the error terms; this is a necessary underlying condition of the definition of direct, indirect and total effects. The structural equations are linked together and are estimated simultaneously.

**FIGURE 1:**

4. SEM path mediation model relating Performance ($Y$) to Machiavellianism ($X$) and EI ($Z$).

The direct effect is the pathway from the exogenous variable to the outcome while controlling for the mediator. Therefore, in our path diagram $\beta_{xy}$ is the direct effect. The indirect effect describes the pathway from the exogenous variable to the outcome through the mediator. This path is represented through the product of $a_{xz}$ and $\beta_{zy}$. Finally, the total effect is the sum of the direct and indirect effects of the exogenous variable on the outcome ($\beta_{xy} + a_{xz}\beta_{zy}$). For EI to operate as a mediator, the indirect effect has to be greater than the direct effect.

As presented in FIGURE 2 and TABLE 4, H4 is accepted for the total sample. Furthermore, as far as the subgroups are concerned, the fourth hypothesis seems to be satisfied for the family business owners and the BOD members. On the other hand, EI does not seem to have a mediating role in the relationship of Machiavellianism levels with the family business’s performance. Furthermore, worth mentioning is that for the total sample and the subgroups of family business owners and Board of Directors members both direct and indirect effects reveal a positive relationship either after taking into consideration EI as a mediator or not. However, this does not happen for the subgroup of other managers, where the indirect effect of Machiavellianism to the family business financial performance is negative. The negative direction of the indirect effect is caused by the negative relationship between EI and...
Machiavellianism that occurs for this subgroup, that also corresponds to the previously mentioned literature.

FIGURE 2:
4. Path mediation analysis of the data.

(a) For n=345 (Total sample)

(b) For n=235 (FB owners)

(c) For n=59 (BOD members)

(d) For n=51 (Other managers)

TABLE 4:
4. Calculated direct and indirect effects of the relationships under examination.

<table>
<thead>
<tr>
<th></th>
<th>DIRECT EFFECT</th>
<th>INDIRECT EFFECT</th>
</tr>
</thead>
<tbody>
<tr>
<td>For n=345 (total sample)</td>
<td>.056</td>
<td>.088</td>
</tr>
<tr>
<td>For n=235 (FB owners)</td>
<td>.056</td>
<td>.117</td>
</tr>
<tr>
<td>For n=59 (BOD members)</td>
<td>.051</td>
<td>.274</td>
</tr>
<tr>
<td>For n=51 (other managers)</td>
<td>.032</td>
<td>-.323</td>
</tr>
</tbody>
</table>

5 Conclusions
A family business psychodynamic approach focuses on how individual thinking and behavior are shaped by experience and past events within the business environment, focusing
on potentially important factors like EI and “dark” personality traits (Hoy & Sharma, 2006; De Vries et al., 2007; Le Bretton-Miller & Miller, 2014). On that basis, the way in which the family interacts and emphasizes the process of recognizing or changing behavior to create an effective family business environment is examined (Caputo & Zarone, 2019; De Vries et al., 2007). The identification and use of emotions is especially useful in situations where people have to interact emotionally and cognitively within the family firm.

The advantage of the above approach for the family business context is that it takes into account personality traits that support individual, interpersonal and family behavior (Coury & Pecanha, 2016; El Jamil & Ahmed, 2016; Broekaert et al., 2018). Through this approach, information about the cognitive, emotional, interpersonal and social sphere that affects the performance of the family business is achieved (Broekaert et al., 2018).

The role and effects of family members’ emotions on the operational processes of a family business could be crucial after taking into consideration the personality traits of its stakeholders, family-internal and external, like Machiavellianism. The main purpose of a family business is all about its resilience. As a consequence, the personal approach of each one of the people who contribute to the family business’s operation and work for a common goal, potentially plays an important role in the general outcome, which is none other than profit, both business and personal. Indeed, a well-performing family firm has higher probabilities to be resilient and survive to a next generation.

Recognizing and regulating one’s own and others’ emotions seems to be crucial in creating effective interpersonal relationships between the family business stakeholders, as each member’s contribution plays an important role towards a profitable outcome. The individual within the family business undertakes different roles and positions within the family, ownership and management. EI and Machiavellianism are parts of one’s personality that can affect behavior in terms of decision making and interpersonal relationships in professional settings with high economic and social impact, like family businesses.

An important limitation to be considered is the fact that the self-report method adopted for the present research, although in highly structured format, may have some issues. Self-reported answers may be exaggerated, as respondents may be reluctant to reveal private details, causing various biases that may affect the results (e.g., social desirability bias). There are also cases when respondents guess the hypothesis of the study and provide biased responses to confirm the researcher’s conjecture by improving their profile or make them appear more distressed. Moreover, self-report studies are inherently biased by the person’s feelings at the time they filled out the questionnaire. According to whether a person feels better or worse at that time, their answers may tend to be more negative or positive, respectively.

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