

Multinationals, Leadership and Emotional Intelligence in the New World Landscape.

PhD. Constantina Skenteri

ABSTRACT

The concepts of leadership and emotional intelligence (EQ) have attracted attention into academic discourse. Considering the changing world landscape in terms of economy, geopolitics and culture, the study commits in exploring the connection between EQ, leadership, and Multinational (MNE) performance, along with the impact of MNE on the host country. The purpose of the paper is to add a new valuable component to the traditional foreign direct investment (FDI) theories and to point out the importance of human centric approach to economic and social development.

The article introduces a conceptual framework envisioned by the challenges encountered by leaders in international cultural context and relations with diverse participants of the host country. The framework illustrates the role of EQ at leadership level, MNE performance, and linkages that the MNE creates with the host country such as local suppliers, customers, government authorities, agencies, research institutions etc.

The conceptual framework supports the paper's proposition that there is a direct positive relation of leadership emotional intelligence with leadership effectiveness, employee motivation, innovation, performance level at multinational level, as well as stronger linkages with the host economy, beneficial partnerships arising from networking and relationships, diffusion of innovation, transfer of technology and know-how, overall leading to host country development and growth.

The article concludes with case studies which provide further understanding on the critical role of EQ and self-regulation in leadership, by combining fields like economy, geopolitics, and sociology. The infusion of EQ as an element that really matters to the success of organizations at various sectors and future empirical investigations on the topic, could have real-world implications. The deeper we look, the further beyond we are likely to see.

Keywords: Multinationals, Leadership, Emotional Intelligence.

I. INTRODUCTION

The world landscape is changing swiftly catching sight of global pandemic, tensions between the United States and China, war Russia-Ukraine, escalating inflation, another war Israel-Hamas, and the certainty of unpredictable future. In the age of historical world events, geopolitics and rocket-speed technology advances, the glorification of globalization seems to be no longer there. Indeed, the fascinating success of globalization is fading away. Or maybe, the hyper globalization is being transformed and foreign companies are finding new opportunities in emerging and developing markets. Being spoiled with cheap energy from Russia and cheap manufactured goods from China, Europe has to keep an eye on new opportunities that are arising worldwide.

With this in mind, one of the main factors that makes the difference in extraordinary or unpredictable situations is "Who" is/are in charge of the Multinational (MNE). Thus, the article explores the role of leadership and leader's emotional intelligence (EQ) in decision-making and effectiveness, in the performance of the MNE and achievement of long-term objectives, in evaluating common ground and establishing relation between the MNE and the host country, as well as in contributing and adding value to the host economy. The paper introduces a conceptual framework designed by using as guide the challenges faced by leaders in diverse cultural contexts. Finally, case studies serve to deliver further insights.

1. The Dynamics of Diversification in the New Reality

The recent decades witnessed the era driven mainly by globalization where foreign companies rushed into China and other countries for cheap labour cost, efficient manufacturing and supply chains, which in turn stimulated economy growth, low prices and low inflation. The current era, instead, marks the shift away from

the increasing globalization, or even the edge of deglobalization. Multinationals and policy makers, impacted by the recent developments and vulnerabilities, are prioritizing supply-chain resilience, security, and diversification, rather than focusing purely on cost reduction. A recent study by Al-Banna et al., (2023) emphasizes the needs for organizations to classify supply chain resilience as a priority in face of disruptions while emphasizing the potential of digital technologies to enhance their resilience, hence ensuring sustainable growth.

Geopolitical uncertainties and tech rivalry between the United States and China and the risks to business exposed by the pandemic, urged more manufacturers to diversify. The accelerating trend away from the world's biggest factory is part of a growing "China plus one" strategy to redesign global supply chains (Basu and Ray, 2021; Ryan, 2023). However, geopolitics is not the only driver of diversification. Rising competitive pressures, slowing economic growth, rising production costs coupled with deteriorating business environment most evident in highly restricted sectors such as digital services and energy, has driven foreign companies to refocus resources in other destinations outside China (Kratz and Boullenois, 2023). Meanwhile, The Belt and Road Initiative (BRI) launched by the Chinese government in 2013, with the scope to regain the role of global economic leader, was viewed as China's way for globalization igniting a big discussion - support and critics.

As multinationals, especially tech giants¹, are expanding operations and taking jobs with them, India and Vietnam are taking advantage in diversifying manufacturing exposure. Both countries represent the two most prominent destinations, gaining so a more important position in the global supply chain. India and Vietnam share common characteristics as ease of doing business, vast labour pool, low labour costs and high productivity. Other countries include South Korea, Kenya, Thailand, Indonesia, Poland, Mexico, etc. The United States and Europe have the opportunity to cooperate with these emerging economies, as alternatives to China, and take major decisions about trade, foreign investment, and technology policies in ways that promote mutual economic benefits and security, as well as enhance international economic rules and norms (Goodman et al., 2022).

It goes without saying that these essential, yet complex decisions are shaped at managerial top-level positions. Given the new world geopolitical and economic situation, and the complications from outburst in technology there is a need to invest in and enhance leadership. International leaders should not only match the challenges of times but be able to navigate and redirect. It takes competence, knowledge, cultural intelligence, and emotional intelligence to do what is right. Doing what is fair for the foreign company, for employees and for the host country calls for a balance in interests and values.

2. International Leadership | What is the Literature Missing Out?

Developing future international leaders is a vital part of an MNE's long-term plans, in particular when navigating in unprecedented times. This applies not only to the context of interactions with global employees, customers, suppliers, competitors, but also in terms of global perspectives, cultures, and strategies in various operations of business, including finance, research and development (R&D), productivity, marketing, and human resources. Therefore, there is a need to upgrade traditional theories of foreign direct investment (FDI) and incorporate additional relevant elements, such as leadership style and leader's EQ, as critical components on the impact that FDI has in terms of motivation, innovation, performance, technology transfer, linkages, spillovers, development, and economic growth.

Leadership involves influence (Northouse, 2010) and is related to company's culture. Leadership is of utmost importance when expanding internationally as it impacts the foreign company's performance and thus affects the host economy, directly and indirectly.² Nevertheless, the role of multinational's type of leadership and leader's EQ on the impact of the host economy has not been "sealed" with empirical evidence so far.

Literature is being soaked with descriptions of traits and skills, recipes of how a great leader should be, what are the main functions and how things work successfully. Most of the approaches share common ideas on the essential competencies of a leader such as: operating effectively in cross-cultural teams; developing a broad perspective; balancing contradictions; handling vague situations, becoming emotionally resilient, autonomous, open-minded; and being able to take decisions in the absence of all facts (Vann et al., 2014).

The Globe study in 2004, including 17000 middle managers in 62 cultures, came up with the portrait of desirable universal leader: charismatic, high integrity and outstanding communication skills (Globe, 2020). The study further explained the implications of history and culture in influencing leadership practices and follower

¹Apple started its manufacturing diversification before the outburst of the pandemic.

²There is a rich literature on the impact of FDI on the host country showing positive contributions to economic growth in different ways as productivity, job creation, transfer of technology and high-skilled labour, exporting, infrastructure. Edrak et al., (2014) and Le (2021) provide a summary of the studies. Yet, there is controversy in the results provided by empirical evidence, depending on methodology used, country focus, effects studied, and the complexity of the concept itself.

expectations. Dorfman et. al (2004), developed from the Globe study and endorsing leadership profiles, demonstrated that the values, ideas and beliefs of a culture or culture cluster determine its conception of effective leadership.

Instead, London Business School did draw (literally) the portrait of a leader using created artworks and explored the development and meaning of values among a group of international leaders (Reckhenrich and Van Meer, 2010). Individual values stem from a variety of sources: first, inherited values that are passed from the family and imprinted on our character through family and culture and are deeply rooted in; second, advanced values that are formed through watershed events - these can be linked to inherited values, yet stand out as they have been individualized proven by challenging life situations, and create the character a person is mostly seen for; third, operational values that are related to the task at hand and should be chosen consciously for the task and the context in which one is working but must be aligned to the other two categories of values.

Considering the studies mentioned above, we can also reflect and consider that a leader is human, has weaknesses (sometimes visible, others invisible) and that every leader has his own unique approach. Hence, it is hard to design a standardized leadership formula. However, some traits that can be universal are courage, competence, empathy, warmth, and adaptivity to respond to various challenges and circumstances, which brings the role emotional intelligence in light. While the interest in leadership is growing in its perceived importance to multinationals, there is a growing importance in emotional intelligence as a crucial component in leadership development.

Even though the concept is relatively new, emotional intelligence in leadership is considered a source of organization's competitive advantage, employee motivation, innovation, and strategy. Several studies have shown interest and discussed the role of emotional intelligence on leadership effectiveness (Abdulkarim, 2013; Roark, 2013, Hassan, 2015, Shaaban, 2018). Kellerman (2010) highlighted that people who aspire a leadership role must also consider an emotional element. Dulewhicz and Higgs (2000) noted that effective managers who are aligned with their employee's feelings and emotions, and make efforts to enhance morale, often obtain higher performance from their employees.

Whereas Bass and Avolio (1994) show that managers who use transformational leadership style tend to have higher levels of emotional intelligence. Transformational leadership - communication of expectations and creation of team spirit - is considered a more effective leadership style promoting higher performance. Lam and O'Higgins (2012) contributed to the insights about interrelationships between manager's emotional intelligence, leadership style and employee outcomes indicating that the power of manager's emotional intelligence on employee satisfaction is mediated by manager's transformational leadership style.

Finally, Goleman (2019) emphasized that human relations should be very important for a leader, and that emotional intelligence represents almost 90% of what differentiates superior performance from leaders with similar skills and technical knowledge. According to Goleman emotional intelligence is the most important predictor of leadership.

The literature presented above either focuses on leadership effectiveness in international context lacking the inclusion of emotional intelligence as a factor, or on leadership effectiveness and emotional intelligence including local companies or without clarifying whether the companies are local or foreign. Hence, to our knowledge, there is no scientific or empirical evidence on the direct role of leadership emotional intelligence on multinational's performance, and if and how is emotional intelligence related to the direct and indirect effects of the foreign company in the host country.

3. Emotional Intelligence and Leadership in International Business

The concept of "Emotional Intelligence" was introduced by Salavoy and Mayer (1990) and brought to fame by Goleman (2005). Goleman breaks down EQ into five components: self-awareness, self-regulation, motivation, empathy, social skills. In other words:

Emotional intelligence is the ability to recognise, understand, interpret, demonstrate, and control own feelings and feelings of others; as well as influence those feelings to relieve stress, communicate effectively, empathize, overcome challenges, defuse conflict with the purpose of achieving desired organizational goals.

It is important to understand the impact that an emotionally intelligent leader can have on the organizational performance and culture. In the context of international business and MNEs, there is a perceived direct link between emotional intelligence, leadership effectiveness and impact of foreign company in the host economy, in cross cultural settings. **EQ is critical** in the following aspects:

1. The international leader's ability to construct his character "persona", cautiously select and build the character of his entourage, and strengthen the company's image.
2. The ability to create and develop awareness and perception particularly important in dealing with complex deals, ambiguous situations, chaos, and conflict.

3. The leader's ability to acknowledge own actions, take responsibility for mistakes or wrongdoing, handle communicating (also) bad news, manage emotions of followers. The ability to let go of what cannot be controlled. The ability to know where to step back or stop, to avoid adverse domino effect.
4. The leader's ability to adopt to diverse cultural settings – to bridge cultural differences, to have empathy and see things from all perspectives, to understand the needs and concerns of others, to understand and respect the cultural and emotional norms of the host country, and ultimately make objective decisions.
5. The leader's ability for self-motivation and motivation of employees – the ability to channel the energy, talents, and commitment of employees to achieve organizational goals. To foster motivation, leaders need to listen and communicate, recognise people's diverse needs and motives, cultural foundation and social mechanisms that determine motivation. Efficient motivation drives high performance, retention of high calibre employees, greater long-term outcomes.
6. The ability to build long-term relations based on respect and trust, and to build perspective and capacity. Foreign investment is not only a financial investment, but it embodies a type of deal between the multinational and the host country with the purpose of longevity and long-term mutual benefits to all members involved.
7. The leader's capability for personal growth. The capacity to form advanced values. The ability to self-regulate and recover quickly from personal triggering situations. The ability to recognise, understand and work towards healing from past trauma³ (if any), to achieve work-life balance, emotional well-being, and good mental health. Lastly, the ability to process and control dark traits of human nature (personal and of others) such as greed, envy, anger issues, hate is critical as it can potentially impact performance and decision making in the company and extend impact outside the company.⁴

4. The Role of Emotional Intelligence in Leadership Challenges

Emotional intelligence serves as a solid foundation in handling leadership challenges.

4.1. Balancing Interests and Values | Corporate Social Responsibility

Profitability is the primary interest for most of the multinationals, which in turn affects liquidity, attracts investments for further growth and expansion, research and development (R&D), networking with the host economy, corporate social responsibility (CSR) and the overall survival of the company in the long run. However, when the company's priority is only profitability, conflicts with its social responsibility arise to the "profit-purpose paradox". The question is what is the limit of profitability? Is there a limit?

The limit is the framework of law, ethics, and morality. Moving away from these boundaries, profits lead to greed. Greed is part of human nature, hence part of a company as well. The attitude of the multinational towards host country and the way it treats its employees, the way it handles relations with the host companies and institutions, has an impact not only to the multinational itself but it extends to the relations between nations and people. Reaching a balance between interests and values is the real challenge.

Therefore, "who" are the leaders in top positions, the strength of character and emotional intelligence, are fundamental on the decision-making process and on the future direction of the company. Emotional intelligence is essential to self-discipline, the ability to control impulses and dark traits such as greed, envy, hate, manipulation, exploitation. The main element in self-respect is self-control, which in turn inspires respect of others. Emotional intelligence is key in working towards long-term solutions and building partnerships.

Developing emotional intelligence can be essential for multinationals to contribute to the society and environment while making profits. Provided that implementing effective CSR is complicated, emotional intelligence enables leaders to understand and effectively address the needs of stakeholders related to CSR, cultivate a culture of social responsibility within the company and have a beneficial influence on society and the environment (Leban and Zulauf, 2004, Ahsan, 2023).

The type of leadership that can foster organizational structure that values CSR is transformational leadership, according to which leaders not only empower and inspire their teams to accomplish their objectives, but also grow personally and professionally (Bass and Avolio 1994, Ekawarna, 2022).

4.2. Adaptability and Flexibility

Another challenge of an international leader is being adaptive to a wide variety of circumstances; adopting behaviour where necessary; anticipating situations to avoid the avoidable; being prepared for the

³ Learning to identify and understand emotions is an important part of recovery. According to Dr. Maté (2021) "trauma is not what happens to you, it is what happens inside you as a result of what happens to you".

⁴ Unresolved trauma, chronic stress, mental illness, social pressures are some of the common conditions that increase the risk of addiction (to power, wealth, technology, work, danger, substances etc.). Addiction arises as a cope mechanism to soothe pain or stress, often when there are unmet emotional needs, and is associated with impulsive low-class pleasures that give instant gratification. Addiction comes with consequences on personal life, all kind of relationships, and work achievement, performance, decision-making, morale etc.

unexpected; having uncertainty tolerance; enhancing policy coherence; reconciling different agenda and different priorities of the foreign company and host country, members and participants from business sector, society, governmental entities etc. All the above require attention and observation, which are both connected to awareness of mind, emotions, behaviour and to those of others.

4.3. **Connection and Commitment**

As mentioned above, when a company expands globally, it does not only invest financially in the foreign country, but it creates a relation with the host government, local companies, institutions, universities, research centres etc. The quality and duration of this relationship, managing conflict of interest, dispute resolution, and the contribution of the multinational to the host economy through innovation, technology, linkages, and development, are determining factors in the performance and success of the multinational. Emotional intelligence helps leaders steer context in which many members operate, members with different interests and different priorities, yet be capable to find a common ground.

4.4. **Transcending Cultural Barriers**

When operating in a foreign culture, people might have similar professional knowledge and skills, within the same multinational, but the way of working, patterns of behaviour, social skills, and ways of doing business might be totally different. To understand and effectively influence other people's emotions in another culture, harmonize working practices and maximise teamwork, the international leader needs to have empathy along with cultural intelligence - be familiar with that culture's emotional norms and scripts.

Having empathy is crucial to understand the perspective of members of the other culture, to foster mutual understanding, and a step towards a transcultural orientation. Trans-culturalism⁵ embraces cultural diversity and at the same time attempts to go beyond cultural barriers and encourages mutual cultural adaptation, universal standards and values between diverse intellects and diverse realities.

4.5. **Giving Rise to Innovation**

Giant corporations (for instance Kodak, Nokia, IBM, General Motors, BlackBerry) failed to innovate and forgot that they are not immune to market shifts. These famous cases with interesting stories are a reminder that no one is untouchable. Multinationals affect the development and diffusion of innovation across national borders, directly or indirectly to the host country. One of the main functions of an international leader is innovation. Emotional intelligence contributes to higher innovation.

An emotionally intelligent leader fosters a culture that enables followers to feel comfortable with contributing to innovation and change, effectiveness and success of the organization. Leaders can create environments that give rise to successful and consistent innovation and the main factors which help empower innovation are a simple and collaborative structure, culture and values of the company, a concept of leadership like a service that lends itself to his team.

The challenge arises when the culture of the organization is not supportive of innovation. What is the impact of an emotionally intelligent leader on innovation? How to create a culture that facilitates and embraces change? Some factors which hinder innovation are distrusting relationships, bureaucratic structures (working in an environment with a lot of rules, red tape, policies, and procedures), authoritarian top-level leadership style (people don't have voice, or they tell bosses what they want to hear), stress (stress related to lack of time or lack of other resources).

4.6. **Creating Meaning in the Workplace**

Nowadays, where almost everything is digital, people want more meaning at work and life. Employees want more than just a job and basic salary. Creating meaning in the workplace boosts motivation. Meaning is universal and transcends most cultures. Therefore, another tough challenge for an international leader is: *How to create meaning for myself? How to create meaning for my employees? How to help employees find meaning in their work?*

Leaders with strong emotional intelligence have the ability to model exemplary behaviour for their followers and teams, cultivate a positive culture, help generate a sense of identity and meaning in the workplace. Meaning gives a sense of direction and can be found in valued responsibility. Meaning goes beyond cultural barriers. All in all, it has the potential to enhance job satisfaction, employee well-being and organizational effectiveness.

Emotional intelligence contributes to job satisfaction, makes the relationships strong in the workplace, and has direct negative impact on turnover intention (Saeed, et al., 2014)

5. **Towards the Conceptual Framework**

Challenges faced by leaders in the diverse cultural contexts that the multinational operates, serve as a guide for the Conceptual Framework and Hypothesis of the study (Table 5.1).

⁵ Trans-culturalism was introduced as term during the 1940s by the Cuban sociologist Fernando Ortiz.

Table 5.1 Conceptual Framework | The Impact of High EQ Leadership on MNE and Host Country.

Leadership Level**Emotional Intelligence**

- Effective in balancing interests and values.
- Respected, valued and admired.
- Competent in dealing with human nature.
- Effectively perceive, understand, and manage emotions, own and other people's.
- Flexible and adaptive to changing circumstances.
- Excellent communication appropriate for the situation.
- Ability to influence work and social environment.
- Conflict avoidance, management and resolution.
- Negotiating skills with the intention to add value.
- Towards a transcultural orientation.
- Create a culture of social responsibility.
- Effective CSR leadership.
- Ability to build strong relationships with stakeholders.
- Success of MNE and subsidiary are equally important.
- Ability to build connections in the host country.

MNE Level**Emotional Intelligence**

- Maximisation of teamwork.
- Collaborative culture.
- Effective motivation systems.
- Creation of meaning in the workplace.
- Higher employee job satisfaction.
- Embracing change and giving rise to innovation.
- Implementing effective CSR.
- Higher company performance.
- Stronger image and better reputation of the company.

Host Country Level**Emotional Intelligence**

- Forge local relationships which lead to linkages.
- Mutually beneficial partnerships and collaboration.
- Beneficial influence on society and environment.
- Diffusion of innovation across the host economy.
- Leakages of managerial know-how and expertise.
- Tech transfer through linkages and spillover effects.
- Facilitation of development.
- Overall contribution to economic growth.

Research Hypothesis: *There is a direct positive relation of leadership emotional intelligence with leadership effectiveness, employee motivation, innovation, performance level at multinational level, as well as stronger linkages with the host economy, beneficial partnerships arising from networking, relationships with local customers and suppliers, diffusion of innovation, transfer of technology and know-how, altogether leading to host country development and growth.*

H1: *Leadership effectiveness increases with emotional intelligence.*

H2: *Multinational's performance improves with leaders with high emotional intelligence.*

H3: *Positive impact of multinational on the host country, direct and indirect, is more likely to occur with leaders with high emotional intelligence.*

VI. CONCLUSIONS

The study puts an effort into discovering a connection between emotional intelligence, leadership and MNE's impact. The intention is to enrich traditional FDI theories by adding a valuable component. The challenge is to merge fields like economy, geopolitics, and sociology. Infusing a human centric approach is critical to facilitate economic development.

Emotional intelligence and leadership are buzz words that have attracted a lot of attention in the academic and business world. It is interesting to explore their role in the linkages that multinationals create with the host country, as well as the impact on employee motivation, innovation, technology transfer, development, and growth. The conceptual framework is mediated by the challenges that international leaders face in cross-cultural context and interactions with various members of the host country.

Not everything about being a leader is adorable. It takes hard work, responsibility, stress, challenges particularly in global business where stakes are high. When leaders understand what they are doing and why they are doing it, things get easier. And, when leaders combine clear intention with elevated emotion, they are capable to generate an impact. That's when emotional intelligence steps in, which is a collection of abilities born or acquired, upon which leadership is built. Emotional intelligence is part of who a leader is.

International leaders depend on their followers and followers need inspiration, direction, motivation, decision-making, feedback etc. These days, the functions of an international leader are becoming even more strategic and challenging influenced by the recent developments, geoeconomics, modern culture, digitalization etc. As most international organizations and businesses are racing to revolutionize their industry by increasingly investing and deploying artificial intelligence (AI), the human nature remains the same.

There is increasing interest in exploring the impact of emotional intelligence as an important component in the long-term success in business and life. Investing in emotional intelligence as a prerequisite in leadership development is a mindful decision by multinationals which could include leadership programmes, trainings and seminars, open communication, spontaneous discussions without a headline, providing role model – case studies (individual or team) inside the subsidiary or parent company or other companies.

Leaders with emotional intelligence exert better effects on reality, on their employees, on their company and on host economy. Building emotional intelligence is a consistent long-term process, embracing mistakes and failures, yet developing consciousness, personal growth and earned gratification. Personal events shape own development and according to Carol Dweck (2006) growth mentality involves learning through lived experience. Having a growth mindset is essential for success and for improving emotional intelligence.

Education, through personal learning and experience as well as positive environmental influences, is a step to change. Wealth is an indicator of success, but not the core measure of success. Mental health and emotional well-being are the true measure. What creates greatness is the inspiration and the meaningful impact great leaders make to the world.

Future Implications

The paper manifests a contribution to the literature as it provides clear and deeper understanding on the impact that high EQ leadership has on the multinational, the host country, and the overall influence on the global society and environment.

Future research could focus on examining empirically the conceptual framework of this paper, test the hypotheses outlined above and display the conditions necessary to reap the full benefits that come with FDI in the host economy.

The integration of emotional intelligence as an element that really matters to the success of organizations at various sectors and future empirical investigations on the topic, could have real-world implications on business, geopolitics, and society.

REFERENCES

- [1]. Abdulkarim, R. M. (2013). “*The Relationship Between a Leader’s Self-Perceived Level of Emotional Intelligence and Organizational Climate, As Perceived by Organizational Members*”. Grand Canyon University, Dissertations and Theses, 169.
- [2]. Ahsan, M.J. (2023). “The Role of Emotional Intelligence in Effective Corporate Social Responsibility Leadership”. *International Journal of Organizational Analysis*, 31 (8). Available at: <https://www.emerald.com/insight/content/doi/10.1108/IJOA-02-2023-3615/full/html>
- [3]. Al-Banna, A., Z. Rana, M. Yaqot, and B. Menezes (2023). “Interconnectedness Between Supply Chain Resilience, Industry 4.0, and Investment”. *Logistics* 7, nr. 3: 50.
- [4]. Bass, B., & B. Avolio (1994). “*Improving Organizational Effectiveness Through Transformational Leadership*”. Palo Alto, CA: Sage Publications.
- [5]. Basu, P. and P. Ray (2021). “*Global Supply Chains in a Post-Pandemic World: Seeking Viable Alternatives in a China-Plus-One Strategy*”. Indian Institute of Management Calcutta, Working Paper Series Nr. 855. Available at: https://www.iimcal.ac.in/sites/all/files/pdfs/wps_855.pdf
- [6]. BBC News (2015). “*Volkswagen: The Scandal Explained*”. Available at: <https://www.bbc.com/news/business-34324772>
- [7]. Betty, G. (2002). “Why Tyrants Go Too Far: Malignant Narcissism and Absolute Power”. *Political Psychology*, 23 (1), p. 1-37.
- [8]. Birt, R. (1993). “Personality and Foreign Policy: The Case of Stalin”. *Political Psychology*, 14 (4), p. 607-625.
- [9]. Coolidge, F., F. Davis, & S. Daniel (2007). “Understanding Madman: A DSM-IV Assessment of Adolf Hitler”. *Individual Differences Research*, 5 (1), p. 30-43.
- [10]. Dorfman, P. W., Hanges, P. J., & Brodbeck, F. C. (2004). Leadership and Cultural Variation: Identification of Culturally Endorsed Leadership Profiles. In R. J. House, P. J. Hanges, M. Javidan, P. W. Dorfman and V. Gupta (Eds.), “*Culture, Leadership, and Organizations: The GLOBE Study of 62 Societies*” (pp. 669-719). Thousand Oaks, CA: Sage.
- [11]. Dulewicz, V., and M. Higgs (2000). “Emotional Intelligence – a Review and Evaluation Study”. *Journal of Managerial Psychology*, 15(4), p. 341-353.
- [12]. Dweck, C. S. (2006). “*Mindset: The New Psychology of Success*”. New York, NY: Random House.
- [13]. Goleman, D. (2005). “*Emotional Intelligence – Why It Can Matter More Than EQ.*” Bantam Books.
- [14]. Goleman, D. (2019). “*The Emotionally Intelligent Leader*”. Boston: Harvard Business Review Press.
- [15]. Goodman, M., M. Reynolds, and J. Fittipaldi (2022). “*Economic Security in Emerging Markets: A look at India, Vietnam and Indonesia*”. Centre for International and Strategic Studies (CSIS) Briefs. Available at: <https://www.csis.org/analysis/economic-security-emerging-markets-look-india-vietnam-and-indonesia>
- [16]. Edrak, B. B., B. Gharleghi, B. C. Y. Fah, & M. Tan (2014). “Critical Success Factors Affecting Malaysia’ SMEs through Inward FDI: Case of Service Sector”. *Asian Social Science*, 10 (16), p. 131-138. Available at: <https://doi.org/10.5539/ass.v10n16p131>
- [17]. Ekawarna, E. (2022). “Analysis of the Influence of Organizational Culture, Transformational Leadership Behaviour, and Psychological Capital on Readiness for Change in Elementary School Teachers”. *American Journal of Humanities and Social Sciences Research*, 6 (10), 60-74.
- [18]. Encyclopedia.com (2018). “Enrico Mattei”. Available at: <https://www.encyclopedia.com/people/history/italian-history-biographies/enrico-mattei>
- [19]. Isaacson, W. (2023). “*Elon Musk*”. Simon and Schuster, ISBN13: 9781982181284
- [20]. Hassan, A., (2015) “The Impact of Emotional Intelligence on Leadership Competences Development of Employees”. *International Review of Management and Business Research*, 4 (1), p. 2306-9007.
- [21]. Jung, C. C. (1931). “*Modern Man in Search of a Soul*”. Mariner Books Edition. ISBN 0-15-661206-2
- [22]. Lam, C. S., O’Higgins, E.R.E. (2012). Enhancing Employee Outcomes: The Interrelated Influences of Manager’s Emotional Intelligence and Leadership Style. *Leadership and Organisation Development Journal*, 33 (2), p. 149-174.
- [23]. Lawrence, D., E. Ben, & V. Silver (2015). “*How Could Volkswagen’s Top Engineers Not Have Known?*” Bloomberg Businessweek, Available at: <https://www.bloomberg.com/news/articles/2015-10-21/how-could-volkswagen-s-top-engineers-not-have-known-#xj4y7vzkg>
- [24]. Le, P.N. (2021). “Literature Review on the Impact of Foreign Direct Investment in the Emerging Economy: The Case of Vietnam”. *Open Journal of Business and Management*, 9 (2), Available at: https://www.scirp.org/pdf/ojbm_2021033014574220.pdf
- [25]. Leban, W. and Zulauf, C. (2004). “Linking Emotional Intelligence Abilities and Transformational Leadership Styles”. *Leadership and Organizational Development Journal*, 25 (7), p. 554-564.

- [26]. Jin, A. and A. Sriran (2023). "Elon Musk Says Tesla Not Immune to Tough Economy That He Foresees". Reuters News, Available at: <https://www.reuters.com/business/autos-transportation/tesla-succession-planning-demand-focus-ahead-shareholder-meeting-2023-05-16/>
- [27]. Kellerman, B. (2010). "Leadership: Essential Selections on Power, Authority, and Influence". N.Y.: McGraw-Hill Professional.
- [28]. Kratz, A. and C. Boullenois (2023). "Challenges of Diversification Away from China". Rhodium Group, Working Paper, Available at: <https://rhg.com/research/irrational-expectations-long-term-challenges-of-diversification-away-from-china/>
- [29]. Megargee, G. (2011). "Hitler's Leadership Style". BBC History, Available at: <https://www.bbc.co.uk/history/worldwars/>
- [30]. Miller Center (2023). "U.S. Presidents / Ronald Reagan 1911-2004". Available at: <https://millercenter.org/president/reagan>
- [31]. Maté, G. (2021). "The Wisdom of Trauma". Available at: <https://thewisdomoftrauma.com/>
- [32]. Montefiore, S. (2007). "Young Stalin". London: Weidenfeld & Nicolson. ISBN 978-0-297-85068-7.
- [33]. Northouse P. (2010). "Leadership Theory and Practice". Thousand Oaks, CA: Sage Publications.
- [34]. Reckhenrich, J. and P. V. Van Meer (2010). "The Portrait of a Leader". London Business School, Available at: <https://www.london.edu/think/the-portrait-of-a-leader>
- [35]. Reuters (2020). "Volkswagen says diesel scandal has cost it 31.3 billion euros". Available at: <https://www.reuters.com/article/us-volkswagen-results-diesel-idUSKBN2141JB>
- [36]. Reuters (2023). "The State of Legal Cases in VW's Diesel Scandal". Available at: <https://www.reuters.com/sustainability/state-legal-cases-vws-diesel-scandal-2023-06-27/>
- [37]. Roark, C. S. (2013). "A Mixed Methods Study Exploring the Relationship Between Servant Leadership and Emotional Intelligence". Indiana Wesleyan University. Dissertations and Theses, 272.
- [38]. Ryan, O. (2023). "Vietnam Becomes Vital Link in Supply Chain as Business Pivots from China". The Financial Times, Available at: <https://www.ft.com/content/29070eda-3a0c-4034-827e-0b31a0f3ef11>
- [39]. Vann, B. A., A. N. Coleman, & J. A. Simpson, (2014). "Development of the Vannsimpco Leadership Survey: A Delineation of Hybrid Leadership Styles". *Swiss Business School Journal of Applied Business Research*, 3, p. 28-38.
- [40]. Saeed, I., M. Waseem, S. Sikander & M. Rizwan (2014). "The Relationship of Turnover Intention with Job Satisfaction, Job Performance, Leader Member Exchange, Emotional Intelligence, and Organizational Commitment". *International Journal of Learning and Development*, 4 (2).
- [41]. Salavou, P. and J. Mayer (2009). "Emotional Intelligence". *Imagination, Cognition and Personality*, 9 (3), p. 185-211.
- [42]. Shaban, S. (2018). "The Impact of Emotional Intelligence on Effective Leadership in the Millitary production Factories (MPF) in Egypt". *Journal of Business and Retail Management Research*, 12 (4). Available at: <https://jbrmr.com/index.php?view=current&cid=401>
- [43]. Jin, A. and A. Sriran (2023). "Elon Musk Says Tesla Not Immune to Tough Economy That He Foresees". Reuters News, Available at: <https://www.reuters.com/business/autos-transportation/tesla-succession-planning-demand-focus-ahead-shareholder-meeting-2023-05-16/>

APPENDIX

Case Studies | Leaders and Autocrats

This section provides distinct cases that point out the important role of emotional intelligence in leadership. In specific circumstances, with specific professional knowledge and technical skills, emotional intelligence makes the difference in how we react, what are the decisions we take and the choices we make. Emotional intelligence and intellectual ability or subject matter expertise (IQ) are most effective when both are present.

The signs of emotional intelligence are found in entrepreneurs, chief executives and leading officials, politicians, consultants, therapists, and other roles that call for self-leadership skills and top-level leadership skills with subordinates. When evaluating the role of leadership, either business leaders or political leaders, there seems to be an analogy in behaviour. In part because there is interdependency between economy and geopolitics, and mainly because despite period, culture, and sector, human nature at its core is the same. How leaders handle their power tells their story and shows who they are.

1. Elon Musk

Elon Musk is the most influential business personality today. With brilliant intellect and engineering acumen, it is interesting to focus on his human aspect. In fact, Musk has better relationships with his robots rather than with his people. Like every leader, he has strengths and weaknesses. His endeavors have received praise but also loathing. Musk's contributions to technology have shaped the tech future worldwide. His spot-on

warnings on the risks of AI and the need to reform the traditional education system make people think thoroughly about the wanted future. The lessons he conveys through his brilliant ideas, resilience, resistance to pressure, as well as his dark aspects, make him a captivating case-study.

Musk is the smart boy with difficult childhood experiences. By exploiting his intelligence, he is ambitious to impact the world a great deal. Perceiving himself as a super-hero with inflated self-esteem, Musk is usually able to find money to fund his ventures, obsessively dedicated towards ensuring that they succeed, sometimes arrogant and unpleasant, with uneasy social skills and poor understanding of his limits. Put differently, there's nothing extraordinary about a genius. Everything substantial casts a shadow (Jung, 1931).

According to his biographer Walter Isaacson (2023), Musk is a "*man child*" who does not have a natural feel for empathy or emotions. His tumultuous childhood was marked by strained relationship with emotionally abusive father and ruthless bullying as a kid in school in South Africa. Isaacson believes Musk wanted to buy Twitter as "*now he could own the playground*". Maybe there is a bit more behind the story of Musk's new expensive game.

The combination of his genius nature, childhood trauma and genes drive him to be "more" than others, to want "more" than others, to always hunt and long for "more". As drama and chaos are Musk's passions, he initially got amused with the confusion he caused with Twitter, declaring "*the deal is on hold*" (May 2022). Musk and Twitter fought for months over his attempt to back out of the acquisition. When Twitter sued him with a \$1 billion break-up fee, Musk was "forced" to complete the \$44 billion deal (October 2022), and meanwhile saw Twitter lawsuit threat and flow of events as opportunity. Twitter was rebranded to "X" and one year after the acquisition dropped in value to \$19 billion.

Musk has revolutionized the automotive industry with Tesla which, however, is now facing growing competition. In addition, even though electric cars emerged as a valuable tool against transport related emissions and climate change, this does not mean that there is no environmental impact at all. With the innovation in the sector moving forward, developing greener and more eco-friendly vehicles is the trend. In the face of financial uncertainty and anticipating the world economic crisis, buying Twitter seems to be Musk's strategic move to diversify into new markets, like social media and digital banking. In a recent interview, he stated "*Tesla is not immune to the global economic environment.*" (Reuters, 2023).

In the midst of tough times for global economy, with six companies to manage, eleven children, the grandiose ambition to save humanity, and the urge to reach Mars, there is definitely quite a lot to handle, even for Elon Musk. It seems like he is playing a game with his ego, repeating a familiar pattern. Seeking unrelentingly for drama, putting impossible objectives and overcommit, believing that there is always better way, taking criticism personally, needing total control, typhoon tempered, and smoking marijuana during live podcast, provides a curious controversial case on the leadership role model that Musk is providing to his employees and to society. Next big challenge? Maybe, conquering his ego?!



2. Enrico Mattei and ENI (1953)

The case of Enrico Mattei, visionary with nationalist feelings, is that of strong leadership with high EQ. Having studied accounting and learnt social philosophy, Mattei was a small industrialist before the war and became an active anti-fascist by 1943 when the Allies invaded Italy. He even succeeded by organizing and leading anti-government and anti-Nazi activities, gaining respect for his integrity (Encyclopedia.com, 2018).

After World War II, as a recompense for his contribution, the new coalition government appointed Mattei as special commissary for The Italian Petroleum Agency (AGIP). The task given was to dismantle the agency and sell the assets to private interests. Instead of liquidation, refusing to believe in defeat, Mattei enlarged and reorganized it into Ente Nazionale Idrocarburi (ENI) in 1953 and was appointed as its president by the new authority (Pozzi, 2010). Mattei managed to create one of the largest public industrial conglomerates in Italy. He used his position as a deputy in parliament 1948-1953, to enhance the economic goals of his gigantic enterprise. Within 10 years, ENI expanded in oil and gas, and entered other fields such as motels, textiles, and newspapers.

Mattei expanded his operation also in the Middle East and Africa. To preserve Italy's foreign oil supply, Mattei negotiated innovative partnerships with Egypt and Iran, by not following the traditional arrangement of 50-50 division of profits. He initiated new arrangements, the so-called 75-25 formulae, in which the host country that owned the exploited oil reserves received 75 percent of the profits. This was a very important agreement to the Italian state as it competed the Anglo-American companies in the world market. At the same time, it was perceived as a major challenge to the arrangements usually negotiated by the major oil companies. Mattei died in a plane crash in 1962, at the age of 56, leaving a legendary legacy hard to match.



3. Volkswagen Dieseldiegate (2015)

This case study focuses on the Volkswagen Crisis and how “Dieseldiegate” was handled. In September 2015, The Environmental Protection Agency (EPA) found that many VW cars being sold in America had a “defeat device” – or software in diesel engines that could detect when they were being tested, changing the performance accordingly to improve results (BBC News, 2015; Lawrence et al., 2015; Reuters, 2020). German automakers had bet heavily on diesel-fuelled cars with tax incentives from their government but couldn't meet the strict U.S. clean-air standards unless they resorted to cheating.

VW has had a major push to expand diesel vehicle sales in the U.S., backed by a huge marketing campaign trumpeting its cars' low emissions. To meet that end, in 2008 VW launched a new technology claiming it would achieve high fuel economy and performance meanwhile satisfying the strict emissions standards only when in test mode. VW engaged in using defeat devices to cheat. Knowing the impact of the excessive levels of toxic diesel emissions on environment pollution, VW misinterpreted the emissions standards for years in order to get EPA and CARB certifications that allowed the vehicles to be sold in the U.S.

When EPA and CARB started to realize what was happening, VW stayed vague until regulators threatened to deny certification of its 2016 model year diesels. And finally, when the story line was crystallized and VW could not continue its rogue scenario anymore, it destroyed evidence of the fraud. The VW top managers pleaded ignorance of the cheating, blaming low-level engineers and managers, despite knowing about it since 2007.

Eight years after the first allegations became public, the lawsuits keep coming. Charges against VW and its executives continue to be filed with no end in sight (Reuters, 2023). CEO Martin Winterkorn resigned few days after the scandal, while denying any wrongdoing himself. He received a \$64 million golden parachute and pension payout, and was replaced by Matthias Mueller, the former boss of Porsche. Observers believed that the reputational damage to the “German National Car” would be persistent and incalculable.

When it comes to the company's image, Volkswagen consistently depicted itself of having an ethical culture, good corporate governance, effective risk management, and a strong commitment to sustainability, even during the period of the fraud scheme. The questions are: how did the VW handle Dieseldiegate? How might

corporate culture have played into the scandal? What other options did the company have to tackle and overcome the problems?

In a company with stratified hierarchical structure, headed by autocratic leadership – a CEO who keeps tight control and doesn't tolerate bad news - few employees will find the courage to speak up and voice opposing views. The leadership style combined with the high pressure from the top, pushed workers to succeed at all costs. Half-hearted apologies, inability to take personal responsibility, and continuing efforts to hide the full extent of the scandal continue to haunt the VW Group years since the first revelations. A vast part of Winterkorn's golden parachute could be returned as a grant to EPA or other non-profit organizations for environmental protection, or to refund customers affected by the scandal.

4. Political Leaders

Emotional intelligence is critical for the success of State leaders. Well-known political leaders with remarkable emotional intelligence are Abraham Lincoln (16th U.S. President), Indira Gandhi (3rd Prime Minister of India), Franklin Roosevelt (32nd U.S. President), Winston Churchill (62nd and 64th Prime Minister of the United Kingdom) etc.

A notable example of efficient use of emotional intelligence is that of President Ronald Reagan (40th U.S. President), known for his ability to connect with people on emotional level, communicate persuasively, remain composed even during complex challenges, and build strong personal relationships with other world leaders. President Reagan believed in face-to-face diplomacy, and that alliances could be established, and differences could be resolved if two leaders talked to each other face-to-face. President Reagan's relationship with the Soviet Union's General Secretary Mikhail Gorbachev confirms the influence and results that come from two people willing to talk in person. Despite their initial scepticism and contradictions, they could agree that there could be no winner in a nuclear war.

5. Dictators

The objective of the last section is to emphasize the fundamental role of self-control and mental health to personal, leadership, socio-economic and political development, through the stories of cruel dictators.⁶ The common characteristics of tyrants such as Hitler, Mussolini, and Stalin, were difficult childhood, weak character, and immense ego, who under extraordinary socio-political circumstances became dictators.

Adolf Hitler - Nazi Dictator of Germany (1933-1945). Hitler loved his mother but feared and disliked his father who was harsh and distant. He lost both his parents at a very young age. Hitler's personality has been examined intensively by psychologists in the attempt to understand his ruthlessness and greed for unlimited power, concluding in traits such as antisocial, paranoid, narcissist, sadistic, with mental disturbances (Coolidge, 2007).

When Hitler became chancellor of Germany in 1933, he and his government assumed dictatorial powers and used propaganda to manipulate the public to support government's actions and policies - war and genocide. Hitler wanted to exercise absolute command, determined to give orders and the subordinates to follow them in precision (BBC, 2011). Hitler took acting lessons, practiced facial expressions, body languages, and would put countless hours into practicing the speeches he wrote himself. Public speaking was the main tool to promote German pride and persuade people he would lead Germany to grandiosity.

The famous psychologist and psychiatrist Carl Jung, observing Hitler and Mussolini interact in Berlin, noted that Hitler never laughed, did not impress with physical strength, and inspired only fear. According to the portraits made by Doctor Jung, Hitler was a shaman who sought to turn Nazism into a kind of religion claiming total power, Mussolini was an "original leader" with his own style, and Stalin was a barbarian leader who grabbed previous achievements and destroyed them without any creativity. Mussolini joined Hitler during World War II (WWII), whereas Stalin aligned with the United States and Britain.

Benito Mussolini - Prime Minister of Italy (1922-1925); Duce - Fascist Dictator (1925-1943). Mussolini was a restless kid, disobedient and aggressive, a bull at school and moody at home, disliked even by his own family, was expelled twice from two schools. The family of Mussolini was poor with Mussolini's father spending much of his time chatting about politics in taverns. As Mussolini grew in power, the way he treated citizens grew in brutality. His leadership traits, as a controversial dictator, include extravagant ambitions, flamboyant orator, egocentric and arrogant, intelligent and manipulative, with obsessive-compulsive reactions. One of the slogans was "*Mussolini is always right*".

Joseph Stalin - Dictator of the Soviet Union (1929-1953). In his troubled childhood, Stalin was smothered by his devoted mother and beaten by his alcoholic father who abandoned the family. Historian and

⁶ Information about the childhood of the dictators is adjusted from <https://www.britannica.com/> and <https://www.history.com/>.

novelist Montefiore (2007) presented a portrait of the dictator in “Young Stalin” offering a narrative on the early years of Stalin. Despite showing high intelligence, Stalin joined violent street-life and a tough gang band, exhibiting the combination of both “intellectual and killer”. After the WWII, Stalin engaged into tense relationship with the West, known as the Cold War. The Soviet dictator ruled by tyranny. Damaged by abuse and violence in his upbringing, Stalin damaged millions under his terror.

Once again, various authors and specialists have tried to find an explanation and apply theories to evaluate Stalin’s behaviour. There has been speculation that Stalin displayed signs of mental illness during each stage of his life, with extremely exaggerated symptoms during the period of the Great Terror. Birt (1993) indicated that his terrifying behaviour stemmed from paranoia, and paranoia often begins during childhood in a situation in which the child feels both dependent on and threatened by the father. Birt explained that while in power Stalin’s behaviour was indicative of a paranoid need to protect his narcissistic ego from external threats. Finally, Betty (2002) investigated the behaviours of Hitler and Stalin by applying a series of tests and claimed that each show grandiosity, underlying insecurity, brutality, and eventually flawed reality.

“Only those who do not seek power are qualified to hold it.” — Plato —

Author: Ph.D. Constantina Skenteri
Prof. Swiss School of Management, Italy