

## **Influence of Emotional Intelligence on Entrepreneurial Orientation, observed within graduating students**

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### **Abstract**

*In the current era of complex and dynamic environment in organizations, scholars are more attentive to study the antecedents of entrepreneurial orientation. Moreover, the role of emotional intelligence started to make inroad into entrepreneurship research. The study of emotional intelligence and entrepreneurial orientation devised a line of research that deals with the concept that emotional intelligence can be used to predict the entrepreneurial orientation. This study primarily aims to expand understanding the influence of emotional intelligence on entrepreneurial orientation. The mix of four tools comprising emotional intelligence (self emotional appraisal; others' emotional appraisal; use of emotions and regulation of emotions) has been expected to influence the entrepreneurial orientation. To test the proposed model data was collected from 300 graduating students of business studies departments from HEC recognized public sector universities of Lahore, and the data analyzed through SPSS. Regression analysis between variables suggested significant relationship of emotional intelligence with entrepreneurial orientation.*

**Keywords:** emotional Intelligence, entrepreneurial orientation, self emotional appraisal; others' emotional appraisal; use of emotions and regulation of emotions.

### **1. Introduction**

Today's fast growing and dynamic organizational environment demanded the firms and individuals to be entrepreneurially oriented to survive and cope with the changes. Moreover, entrepreneurial orientation is one of the main focuses of not only in entrepreneurship field and also in other fields of business studies, Because it defines an individual's tendency to behave as an entrepreneur, even as an employee of organization. Researchers suggested that a person who acts entrepreneurially oriented in a firm can play a decisive role in establishment of an entrepreneurially oriented organization. Although the measurement of entrepreneurial orientation is a complex concept, but different models are considered reliable in this context (Hayton & Kelly, 2006; Zampetakis & Kefatsios, 2010).

Recent developments in the field of human resource management and psychology have also established the connection between emotional functioning and psychological characteristics; building decision making. The concept behind the theory is that, the humans are not like the machines to which an employer or manager can operate and can take the predicted results. Rather the humans have emotions, feelings and cognitive abilities that can be mold and manage to make them to work. In this regard, application and importance of Emotional Intelligence cannot be ignored to predict entrepreneurial behavior (Pachulia & Henderson, 2009).

Entrepreneurial Orientation is the decision making ability. The concept of entrepreneurial orientation has been evaluated on different viewpoints, i.e. psychological factors, social and contextual factors etc. Insofar this study is concerned; the individuals' entrepreneurial orientation is comprised of his/her psychological characteristics.

These characteristics are achievement motivation; propensity to take risks; internal locus of control; innovation; extroversion and self confidence. The empirical study has determined that the psychology of an individual is situated at the heart of decision making. This is the reason for which the researchers use psychological factors to describe entrepreneurial orientation (Paradhan & Nath, 2012).

Within last decade, the study of entrepreneurship has commenced a new line of research. That holds the concept that the individuals are differ in their entrepreneurial orientation and because of their emotion-related dispositions. These emotion-related dispositions are different social skills regarding emotional content. This new line of research extended the view that the humans are differ in their emotional processing; i.e., perception about own and others' emotions, use of emotions, regulation of emotions etc. This variation is one of the key players behind an individual behavior (Zampetakis, Kafetsios, Bouranta, Dewett, & Moustakis, 2009).

## **2. Theoretical Framework**

Different scholars have studied the pathway between emotional intelligence and entrepreneurial orientation. An individual having higher emotional intelligence has capacity to tolerate stress and sudden changes in environment. Because they can screen out the irrelevant emotional content to regulate frustration and stress in a manner that subsequently resulted in different positive behaviors; originating entrepreneurial behavior. Moreover, the cognitive aspect of the pathway between emotional intelligence and entrepreneurial orientation is also suggested to understand the relationship between the variables. The cognitive aspect of emotional intelligence suggests that an individual having higher emotional intelligence is more likely to exhibit proactivity and creativity toward problem solving. The problem solving behavior with proactivity and creativity has been quoted as the entrepreneurial orientation (Mair, 2005; Zampetakis, Beldekos, & Moustakis, 2009).

Neqabi and Bahadori (2012) stated the emotional intelligence as an influential factor to create entrepreneurial behavior among individuals. The human beings are categorically affected by their emotions so the emotional intelligence has an obvious role in peoples' doing and functionality. They proposed that the functionality of individual is not a determinant of technical skills and intelligence quotient (IQ) only; rather the emotional intelligence is also one of main determinants of functionality and success during a human lifespan. Emotional intelligence is an ability to identify, describe, comprehend, and manage the emotions. The human life can't be smooth and constant, as the change is only constant thing in this world. Therefore, the human life cycle has sometime negative and miserable conditions and sometime it's relatively smoother. In addition, the human reactions toward these ups and down shape the circumstances of life. The trait of emotional intelligence is the way of these reactions of humans. Moreover the authors proposed that the person having low emotional intelligence has to face the depression and hopelessness, because these individuals are less likely to face changes and stress. On contrary, the person having higher emotional intelligence will calm and satisfied, because of effective handling of different situations and stress.

Neqabi and Bahadori, (2012) also stated that the emotional intelligence can affect the entrepreneurial behavior through two processes. The first process is self assessment of emotional utility. It refers that if an individual possessed high emotional intelligence he'll be more able to handle and control his fear, anxiety, anger caused by work load, pressure, and stress. In addition, he/she will show high tolerance toward stress creating environmental changes. Within organizational setting, the environmental changes are a usual thing, which might cause stress to staff of the organization. For example, change of manager; technology, working area etc. The person who possessed high emotional intelligence will be more adaptable to these changes because of his high stress tolerance, quick understanding and quick assessment of others' behavior. The second process is the need of recognition. The person who possessed high emotional intelligence tends to be more creative and social to be effective in his learning and performance. That behavior facilitates entrepreneurial orientation. There are evidences that emotional intelligence increase innovative and creative behavior among individuals. The discussion on emotional intelligence and entrepreneurial orientation boil down following hypothesis:

**H1: Emotional intelligence has significant and positive impact on entrepreneurial orientation.**

## **3. Review of Literature**

### **3.1. Emotional intelligence**

Salovey and Mayer (1990) defined a model of emotional intelligence, which is considered as the first model in this context. According to them "emotional intelligence is a subset of social intelligence, that helps to scrutinize own and other's emotions and to regulate them for problem solving". The first model of emotional intelligence by Salovey and Mayer, (1990) was comprising of three components, appraisal and expressions of own and other's emotions; regulation of own and other's emotions; utilization of emotions. Mayer and Salovey (1997) revised the model of emotional intelligence they proposed in 1990.

In the revised model, they focused more on the cognitive aspects of emotional intelligence and introduced potential for emotional growth or facilitating thoughts. According to Mayer and Salovey, individuals possessing emotional intelligence respond according to the importance of emotions they perceived.

Goleman (1995) wrote an influential book "Working with Emotional Intelligence" expanded the construct of emotional intelligence by analyzing the influence of expression and understanding of emotions on social and communication skills. He explored emotional intelligence as one of important factor to perform above average at each level of jobs. Goleman (1998) formulated an emotional intelligence model comprises five self management and relationship skills, self awareness; self regulation; motivation; empathy; and social skills, and defined these abilities as the key to become leader.

Petrides and Furnham (2001) classified the models of emotional intelligence on the basis of the functionality of model i.e., how the construct is being measured, called Trait versus ability approach. Before this the models were distinguished and classified on the basis of their elements, called ability versus mixed approach. Perez, Petrides, and Furnham (2005) classified the models in three types, Ability models; mixed models; and trait models. Ability based models explain emotional intelligence as the human ability to perceive and process information that may vary in individuals. Mixed models based on the concept that the emotional intelligence is learned capabilities rather than innate capability. In addition, the individuals can work out to develop these capabilities. In addition, the trait models are based on the self assessment and self perception of abilities.

Wong and Law (2002) explained the model of emotional intelligence. According to them Emotional intelligence is a set of interrelated behavioral abilities to deal with emotions, and it has four dimensions, self emotional appraisal (SEA); others' emotional appraisal (OEA); regulation of emotions (ROE); and use of emotions (UOE). These dimensions were firstly developed by Mayer and Salovey (1997). Wong and Law, (2002) developed the scale on the basis of same dimensions and called it WLEIS (Wong and Law Emotional Intelligence Scale).

### **3.2. Entrepreneurial orientation**

Miller (1983) is considered as the pioneer to develop the construct. Miller (1983) defined that entrepreneurially oriented firms are those who work according to three elements, Proactive; risk taking; and innovation. Covin and Slevin (1991) argued that, the model defined by the Miller (1983) is uni-dimensional; if one dimension is being focused highly and scoring high, other dimensions would be score high as well. according to them, if an organization is focusing on innovativeness, then the risk taking and proactive behavior would be developed itself, and vice versa for other dimensions.

Lumpkin and Dess (1996) challenged the theory of Covin and Slevin, (1991) that the model of entrepreneurial orientation is uni-dimensional. According to them, all dimensions of entrepreneurial orientation model need not to be covary. Rather the combination of all dimensions depends on environmental factors and opportunities persuaded.

Mair (2005) argued that entrepreneurial behaviour include strategic vision, energetic and creative way to work, change orientation, and avoiding red-tape within organization. He also referred it as innovative use of resources and defined its importance on individual and organizational level.

Lumpkin and Dess (1996) defined the construct of entrepreneurial orientation and its relationship with organizational performance. Moreover, they added two dimensions of Competitive aggressiveness and Autonomy in the main construct of Miller (1983). According to them, these two dimensions are salient to define entrepreneurial orientation.

## **4. Research design**

The current study is conducted with the intent to study the relationship between emotional intelligence and entrepreneurial orientation. Hypothesis and the theory behind the hypothesis is explained and developed through the existed work relevant to the hypothesis and then the hypothesis was tested therefore the study can be classified as the deductive approach study. Moreover, the data collection technique is cross sectional because the data is collected from sample on one time basis and the collected data was primary and quantitative in nature.

The Universe for the dissertation is the city of Lahore and population is the graduating students i.e. last year students of BS (Hons) of business studies and management sciences departments of HEC recognized public sector universities in Lahore in 2015. Standard size of sample (300) is used for the study.

A structured questionnaire developed by Pradhan and Nath, (2012) has used for the present study to collect primary data from respondents. The collected data is assessed by Statistical Package for social sciences (SPSS) software. The cronbach alpha for EI scale is 0.81 while 0.89 for EO scale. The regression analysis test used to process data.

## 5. Findings of the study

### 5.1. Demographic profile

The demographic profiles (shown in Table1) demonstrated that the 60.7 % of total respondents are the female and remaining are male respondents. Majority of the respondents 47% are of the age group of “21 to 23”, followed by the age group “18 to 20”; 36% and remaining 17% are of the total are above 23 age group. The difference between the ratios of students from urban area and rural area is noteworthy. Majority of the students (79.3%) belongs to urban areas and remaining 20.7% are from rural areas.

### 5.2. Pre conditions for regression analysis.

- i. Related pair of scores  
EI and EO (IV and DV) have related pair of scores. As the each subject scored on EI has also scored on the EO scale.
- ii. Existence of linear relationship  
Existence of linear relationship can be examined through the scatter/dot plot. As we can see that the dots of scattered data are concentrated around a straight linear line. (*figure 1*)
- iii. Ordinal level of variables  
The data can be measured on an ordinal level of 5-point likert scale included, not at all true; seldom true; sometimes true; true; mostly true.
- iv. Homoscedasticity of variance  
Homoscedasticity of variance demonstrates the constant variability of Y score. (*figure 1*)

### Hypothesis:

**H1: Emotional intelligence has significant and positive impact on entrepreneurial orientation.**

**H0: Emotional Intelligence has no significant and positive relationship with entrepreneurial orientation.**

**Table 2** of “Model Summary” measures the “goodness of fit”. R is the measure of simple correlation between independent and dependent variable. Value of R for our model is 0.855, indicates high correlation between EI and EO, because the value 0.855 is enough close to 1 to conclude it. In the table of “Model Summary” The value of “R square” point out the variation in the data of dependent variable explained by independent variable. This value also called the “coefficient of determination. Coefficient of determination for the model is 0.73. Therefore, we can say that the model is useful to explain the 73% variation of EO.

**Table 3** used to evaluate the hypothesis, that either the linear relation between variables existed or not. Using f-statistics, sig. value defines the probability of occurrence of event “by-chance”. If the “Sig.” value is 0.05, it means that there is 5% chance that a particular event is occurred by chance. The table of ANOVA shows that the significant linear regression is existed between EI and EO. Since the  $F= 807.056$ , Sig. value = 0.000; less than 0.05. So the null hypothesis, that there is no significant relationship existed between EI and EO is rejected.

## 6. Discussion, Conclusion and Limitations

### 6.1. Discussion

Direct relationship between EI and EO are investigated and the hypothesis has been accepted as  $p\text{-value} = 0.000 \leq 0.05$ , Therefore, the results of the study gave empirical confirmation of the conceptual model proposed. The model assisted to define that the Emotional intelligence positively influences the entrepreneurial orientation. So we can say that the level of EI can predict the level of EO of individuals.

The results of research are empirical confirmation of Pradhan and Nath’s (2012) view that the EI is fundamental while examining an individual’s entrepreneurial orientation. In addition, that EI has been observed as the predictor of entrepreneurial orientation in dissertation, which is confirmed by the literature as well (Neqabi & Bahadori, 2012; Pradhan & Nath, 2012). The studies discussed the impact of emotional intelligence on entrepreneurial orientation.

Four dimensions of EI developed by Mayer and Salovey (1997) are salient in this context, Self Emotional Appraisal; Other's Emotional Appraisal; Use of Emotions; and Regulation of Emotions, while, entrepreneurial orientation is the decision making style and process. And from the lens of psychology it is comprise of Achievement motivation; Locus of Control; Propensity to taking risk; innovativeness; self-confidence and extraversion (Pradhan & Nath, 2012).

The findings are similar to the study of Rahim and Minor (2003), that the Awareness of emotions and regulation of emotions as subcomponents of EI, positively affect the problem solving behaviour. The more a person is able to understand; appraise; use and regulate his own and others' emotions, more he is able to, work innovatively; take risks; behave confidently and possess the qualities of achievement motivation; internal locus of control and sociable (extrovert). That all come up the entrepreneurially oriented behavior.

The findings of study also matched with the Zampetakis et al., (2009), who argued that the person scoring high on EI scale is more likely to have entrepreneurial behavior. Because the person possessed attribute of EI acknowledges his own and others' ideas and views. Therefore, can more able to behave confidently towards accomplishment of the ideas as well. Additionally, individuals having higher EI are more likely to perform well in emergency situations and to handle the conflicts at work places. Also that Empirical studies suggested that emotional intelligence has a positive impact on creativity (Zhou & George, 2003) which is considered as most vital skills required for an entrepreneur to cope with changing environment. Moreover, several studies based on emotions revealed that the positive emotions may help to survive in stress and crisis; facilitate innovation and perk up decision making (Neqabi & Bahadori, 2012).

## 6.2. Conclusion

The findings suggested that the emotional intelligence among individuals shape the behavior of individuals, while making them persistent toward task accomplishment, internal peace of mind, socially and internally strong and innovative to solve problems. All these traits lead to the final mixture of entrepreneurial orientation, i.e. achievement motivation, internal locus of control, risk taking, innovativeness, self-confidence, and extroversion. The hypothesis testing confirmed the relationship and provided additional evidence that emotional intelligence of individuals can positively influence their entrepreneurial orientation.

## 6.3. Limitations

The sample of study consists of students of public sector Universities of Lahore.

The study consisting only one independent variable so we cannot generalize the relationship between emotional intelligence and entrepreneurial orientation.

Mediating relationship of different variables is not examined.

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**Table 1: Demographic profile of responders**

Characteristics	Frequency	Percent
<b>Gender</b>		
Male	118	39.3
Female	182	60.7
Total	300	100.0
<b>Age</b>		
18 to 20	108	36.0
21 to 23	141	47.0
above 23	51	17.0
Total	300	100.0
<b>Residential location</b>		
Rural	62	20.7
Urban	238	79.3
Total	300	100.0

Table 2: Model Summary			
Model	R	R Square	Adjusted R Square
1	.855 <sup>a</sup>	.730	.729

a. Predictors: (Constant), EI\_score

Table 3: ANOVA <sup>b</sup>					
Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	69814.568	1	69814.568	807.056	.000 <sup>a</sup>
Residual	25778.562	298	86.505		
Total	95593.130	299			

a. Predictors: (Constant), EI\_score  
b. Dependent Variable: EO\_score

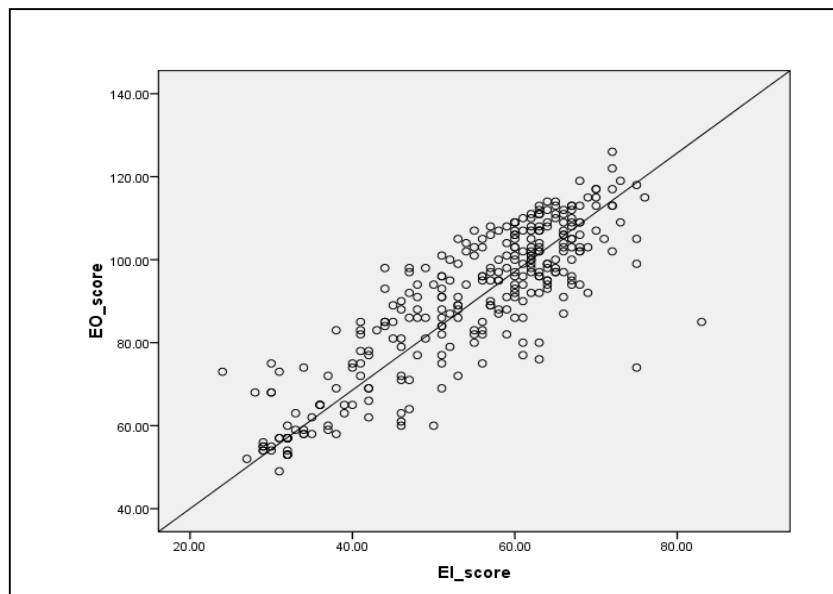


Figure 1: linearity and homoscedasticity of data