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The relationship between the emotional intelligence of entrepreneurs and the new venture creation: The role of age, gender and motive

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ABSTRACT

The study investigates the effect of emotional intelligence (EI) of entrepreneurs on new venture creation (NVC). A self-administered questionnaire is used to test the study hypothesis on a sample of 378 Egyptian entrepreneurs. The analysis shows that there is a significant relationship between emotional intelligence and new venture creation. There are three constructs of EI (interpersonal skills, internal motivation and self-awareness), which support the creation of new ventures.

The results of the empirical study are validated using demographic characteristics (age and gender) and the motivation of entrepreneurship (necessity-driven or opportunity-driven). The findings show that age has a moderating effect on the relationship between EI and NVC, whereas gender does not play a role in this relationship. There are differences in the relationship between emotional intelligence and new venture creation based on the motivation to engage in entrepreneurship. Although the relationship is significant in the cases of both necessity-driven and opportunity-driven entrepreneurs, the dimensions/constructs of EI that support the new venture creation are different in each case.

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1. Introduction

Entrepreneurship has gained the attention of academia in the last decades because of its important role in creating jobs and fostering economic development. This is the reason for its current vital importance to developing countries, which are trying to develop entrepreneurship to achieve growth and prosperity. SMEs provide opportunities for a reasonable standard of living for a large segment of these populations. Therefore, it is important to identify ways to foster and develop SMEs in developing countries. This means, to train and develop the people who initiate and manage these SMEs, i.e. the entrepreneurs. Thus, attention should be given to enhance entrepreneurship in these countries. However, there is no one agreed upon model of the entrepreneurial individual, as the research on what creates and develops entrepreneurs, has produced inconsistent results (Alon & James, 2005; Cross & Travaglione, 2003; Liñán, Fernández-Serrano, & Romero, 2013).

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To understand the process that leads to new venture creation, it is important to identify what makes individuals take the decision to engage in this process of creating a new venture and to dedicate the required time and resources (Cross & Travaglione, 2003). Thus, there is more recently a return in the direction of entrepreneurial analysis to the human being with his/her traits and abilities. This is significant now, as it is becoming more and more vital to encourage and enhance entrepreneurship and new venture creation.

One of the traits/abilities proposed as having an impact on entrepreneurial success is emotional intelligence (EI) (Cross & Travaglione, 2003; Ghosh & Rajarm, 2016; Rhee & White, 2007). Studies started first to investigate the relationship between emotional intelligence (EI) and Entrepreneurial Attitudes (EA), then with Entrepreneurial Behaviour (EB) (Baron, 2007; Cross & Travaglione, 2003; Mortan, Ripoll, Carvalho, & Bernal, 2014), now it is related to to the NVC (Cross & Travaglione, 2003). Furthermore, the literature is highlighting the motive for engaging in entrepreneurship and differentiating between entrepreneurs in times of necessity (when the entrepreneur starts a business due to the lack of adequate income) and in times of opportunity (when the entrepreneur starts a business to capture a business opportunity in the market) (Liñán et al., 2013).

The literature proposes, that there is a lack of a concise model of the entrepreneurial individual (Cross & Travaglione, 2003) and there is scarcity in research distinguishing entrepreneurs in times of necessity and in times of opportunity (Liñán et al., 2013). In addition, developing countries need SME development, which is mostly initiated by entrepreneurs. Thus, there is not enough in country-specific research focusing on the entrepreneurs as individuals, their behaviour and activities' outcome in developing countries.

This study will investigate the relationship between EI and NVC of entrepreneurs and will focus on one developing country, Egypt. Egypt has 75% of its labour force employed in SMEs (El-Said, Al-Said, & Zaki, 2014). Despite their unquestionable importance to the country and its development, still they are facing many problems, especially on the micro level. One of these problems is preparing and developing effective entrepreneurs.

This study is an attempt to shed more light on the field of entrepreneurship development. It will examine emotional intelligence and how it affects achieving success as an entrepreneur, which is measured through new venture creation. It will also analyze the effect of age and gender on this relationship, while differentiating between times of necessity and times of opportunity of the Egyptian entrepreneurs.

The statistical analysis shows that age has a moderating effect on the relationship between EI and NVC, whereas gender does not play a role in this relationship. There are also differences in the relationship between emotional intelligence and new venture creation in the case of opportunity-driven and in the case of necessity-driven entrepreneurs. The findings add to the body of knowledge on entrepreneurship. They also have practical implications to policy makers and entrepreneurs, as they propose recommendations for entrepreneurship education and capacity development programmes.

The next section of the study examines the literature and shows the research gap. It will conclude with the conceptual model and the research questions and hypothesis. Then the methodology and research design will be explained, followed by the data analysis and the discussion of the outcomes. The last part will be devoted to the conclusion, limitations and recommendations.

2. Literature review

The focus of the research on entrepreneurship kept changing over the years. First, in the 1970s and 1980s research focused on the entrepreneur as a human being and analyzed his/her characteristics (Cross & Travaglione, 2003). In the 1990s research moved to explore the cognitive abilities of the entrepreneur (Allen, 2012) and identified self-efficacy as a core of the entrepreneurial abilities (Mortan et al., 2014). Eventually the research spectrum expanded to include the entrepreneurial intentions and behaviour and most recently, it incorporated the output and main aim of the entrepreneurial process, which is new venture creation (Allen, 2012; Hack, von Bieberstein, & Kraczy, 2014).

2.1. Emotional intelligence

Emotional intelligence has its roots in social intelligence; it is about having both interpersonal (ability to interact with others) and intrapersonal (cognitive skill to understand one's self) intelligence (Naseer, Chishti, Rahman, & Jumani, 2011). This means it focuses on the ability and skills to know one's own emotions and manage them, as well as the ability to detect emotional cues in others and react accordingly.

The literature identifies two main streams for studying emotional intelligence: one is based on the ability model, developed by Mayer and Salovey (Mayer & Salovey, 1997). The second is based on the mixed models, which was initiated by Bar-On and then elaborated by Daniel Goleman (Aslan & Erkuş, 2008; Caruso, Mayer, & Salovey, 2002; Goleman, 2001). The latter is mostly used in the literature (Cross & Travaglione, 2003) and perceives EI as a mixture of both cognitive ability and personality. It defines EI as "the ability to recognize and regulate emotions in ourselves and others" (Goleman, 2001).

EI consists of five main dimensions: self-awareness, self-management, self-motivation, social awareness, and relationship management (Goleman, 2001). Self-awareness involves knowing one's internal states, having self-confidence and having a realistic assessment of one's abilities. Self-management involves managing one's own emotions and regulating one's impulses. Self-motivation is concerned with reaching goals and driving one's self to achieve. Social awareness (empathy) is about understanding the emotions of others and reacting correctly to them. Relationship management refers to communicating with

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