

The Relationship between Emotional Intelligence and Self Efficacy: a study on Indian Entrepreneurs

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Abstract

This paper shows the relation of Emotional Intelligence and self-efficacy. Emotional Intelligence has been proved as an important component which leads to achievement of success. So also Self efficacy enhances the spirit of achievement. Emotional Intelligence can be taught. For the same reason this paper has been written to analyze that if Emotional Intelligence is enhanced in a person, would Self efficacy also get enhanced. If so then this paper would help in ensuring that Emotional Intelligence should be taught as a subject to budding Entrepreneurs which in turn will help them in boosting their Self efficacy and thus would lead to attainment of success.

Key words: Entrepreneurship, Self efficacy, Emotional Intelligence, MSME

Introduction:

Entrepreneurship is the creation of new combinations (Schumpeter, 1934) and an entrepreneur's intentions to start a business and the decisions that occur before startup shape the subsequent goals, strategies, and structures of the new venture (Bird, 1988).

According to Cantillon "An entrepreneur is a person who buys factor services at certain prices with a view to selling its product at uncertain prices". Entrepreneur, according to Cantillon, is a risk taker who deliberately allocates resources to exploit opportunities in order to maximize the financial return. Cantillon emphasized the willingness of the entrepreneur to assume risk and to deal with uncertainty.

Entrepreneurial spirit is characterized by innovation and risk-taking. The exploitation of entrepreneurial opportunities may include actions such as developing a business plan, hiring the human resources, acquiring financial and other required resources, providing leadership, and being responsible for the venture's success or failure. Entrepreneur is a person of telescopic faculty drive and talent who perceives business opportunities and promptly seizes them for exploitation. Table 1.1 exhibits the entrepreneurial characteristics.

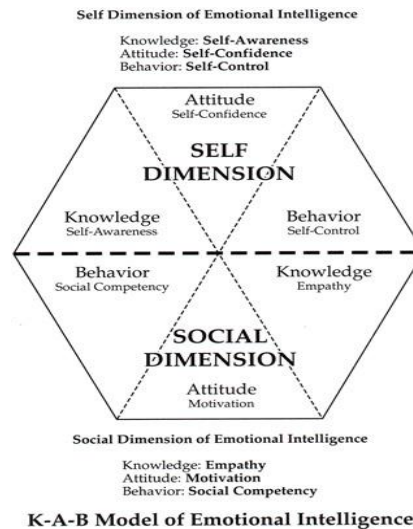
Table 1.1: Personal entrepreneurial characteristics

	Core competencies	Entrepreneurial activities
1.	Initiative	Does things before asked for or forced to by events and acts to extend the business to new areas, products or services.
2.	Perceiving opportunities	Identifies business opportunities and mobilizes necessary

		resources to make good an opportunity.
3.	Persistence	Takes repeated or different actions to overcome obstacles.
4.	Information gathering	Consults experts for business and technical advice. Seeks information of client or supplier's needs. Personally undertakes market research and make use of personal contacts or information networks to obtain useful information.
5.	Concern for quality work	States desire to produce or sell a better quality product or service. Compares his performance favorably with that of others.
6.	Commitment to contractual obligations	Makes a personal sacrifice or expands extraordinary effort to complete a job, accepts full responsibility in completing a job contract on schedule, pitches in with workers or work in their place to get the job done and shows utmost concern to satisfy the customer.
7.	Efficiency orientation	Finds ways and means to do things faster, better and economically.
8.	Planning	Various inter-related jobs are synchronized according to plan.
9.	Problem solving	Conceives new ideas and finds innovative solutions.
10.	Self-confidence	Makes decisions on his own and sticks to it in spite of initial setbacks.
11.	Experience	Possesses technical expertise in areas of business, finance, marketing, etc.
12.	Self-critical	Aware of personal limitations but tries to improve upon by learning from his past mistakes or experiences of others and is never complacent with success.
13.	Persuasion	Persuades customers and financiers to patronize his business.
14.	Use of influence strategies.	Develops business contacts, retains influential people as agents and restricts dissemination of information in his possession
15.	Assertiveness	Instructs, reprimands or disciplines for failing to perform.
16.	Monitoring	Develops a reporting system to ensure that work is completed and quality norms
17.	Credibility	Demonstrates honesty in dealing with employees, suppliers and customers even if it means a loss of business.
18.	Concern for employee welfare	Expresses concern for employees by responding promptly to their grievances.
19.	Impersonal relationship	Places long-term goodwill over short-term gain in a business relationship.
20.	Expansion of capital base	Reinvests a greater portion of profits to expand capital of the firm
21.	Building product image	Concerned about the image of his products among consumers and does everything possible to establish a niche for his products in the market

To attain the above mentioned characteristics being high on Emotional Intelligence and Self efficacy becomes important.

Emotional Intelligence (EI) is ability, skill or, in the case of the trait EI model, a self-perceived ability to identify, assesses, and controls the emotions of oneself, of others, and of groups. It is the way of recognizing, understanding, and choosing how we think, feel, and act. It shapes our interactions with others and our understanding of ourselves. It defines how and what we learn; it allows us to set priorities; it determines the majority of our daily actions. Research suggests it is responsible for as much as 80% of the success in our lives.



Self-efficacy as defined by Bandura (1997) is “people’s judgement of their capabilities to organise and execute courses of action required to produce given attainments” and have the consequence that “people’s level of motivation, affective states, and actions are based more on what they believe than on what is objectively true.” Individuals need to have an accurate sense of self-image to prevent negative outcomes. According to McGee et al (2009), entrepreneurial self-efficacy (ESE) is a “construct that measures a person’s belief in their ability to successfully launch an entrepreneurial venture.” People’s beliefs about their efficacy can be developed by various sources of influence. **The self-efficacy components are Need for achievement, Tolerance of ambiguity, Locus of control, risk-taking propensity**

Need and Scope of the study:

In India MSME plays an important role in the Economy. But in India because of the tough competition, SMEs Owners need to be competent and emotionally stable to handle the stress and the change in emotions with the ups and downs of business and the business cycle. If emphasis is paid on developing effective entrepreneurs with the desired entrepreneurial competency, development and growth of the economy can be enhanced. But there has been a little focus on developing the entrepreneurs.

Such training programs should be developed that can help entrepreneur develop the competencies required for the development of a sustainable organization. There is a huge need for a lecturing update to be done to help students to become successful entrepreneurs (Ngwenya Tshepiso, The business Review, Cambridge, 2007)

This research would help in understanding how Emotional Intelligence is related to Entrepreneurial Self efficacy of entrepreneurs which in turn helps in sustainability of an Entrepreneur. **This would help in developing effective behavioral training programs for the budding and existing entrepreneurs. Further research should be done to study how self-efficacy leads to development of entrepreneurial intention.**

Review of Literature:

Building on competency modeling techniques and emotional intelligence literature, **Camuffo a, Gerli F, Gubitta P, (2012)** explored link between personal characteristics and competencies of entrepreneurs and the performance of their firms. He too further suggested that lot of work needs to be done in order to enhance the entrepreneurial competencies of management students. For the same reason it becomes important to understand how these entrepreneurial competencies can be developed in an individual. Based on the same, B- schools can come up with effective entrepreneurial development training models.

Emotional intelligence leads to Entrepreneurial success:

Johanna Mair, *“Entrepreneurial Behaviour in a large traditional firm: Exploring key drivers” 2002* conducted an empirical study through which he proved that Managers cognitive and social variables significantly influenced the way they perceived there supportive context. Emotional self awareness had a negative impact on the freedom to act. Emotional Self awareness had a positive impact on the Entrepreneur behavior. **Nuzhath Khatoon,** *“The Impact of Emotional Intelligence on the growth of Entrepreneurship”* International Journal of Business Management & Research (IJBMR) Vol. 3, Issue 3, Aug 2013, 1-8, Emotional Intelligence improves an individual’s social effectiveness which is considered as one of the important element of the success of an entrepreneurship. Higher the emotional intelligence the better social network, which in turns lead to better business relations. The importance of emotional intelligence has clearly demonstrated that it has the greatest effect on the performance of an individual. The result of the study states that there is no significant difference between the scores of emotional intelligence regarding gender and age. The study indicates that is a significant difference between the scores of emotional intelligence and growth percentage of the entrepreneurs. So, emotional intelligence has a greater impact on the growth of enterprises.

Self-efficacy to Entrepreneurial Self-efficacy:

Originally defined by **Bandura** (1994, p. 72) as "one's beliefs in their abilities to perform a certain level of performance or desired outcomes that influence situations that affect their lives", self-efficacy has become an important variable considered in the non-cognitive study of entrepreneurial behavior. Like **Chen et al.** (1998), by entrepreneurial self-efficacy we understand the self-belief in one's ability to adopt the role and conduct the tasks of an entrepreneur successfully. In a given situation, entrepreneurs perceive more opportunities than those who have low levels of entrepreneurial self-efficacy, who perceive the same situation to have more costs and greater risks (**Cooper & Lucas, 2005; Vecchio, 2003**). People who have a higher level of self-efficacy also feel more competent to overcome perceived obstacles and they anticipate more positive results (**Vecchio, 2003**) and persist in the effective search and organization of activities in the midst of uncertainty (**Trevelyan, 2009**). Entrepreneurial self-efficacy enables us to differentiate entrepreneurs from managers and it also correlates with the intention of owning a business, pointing to the notion that the individual who believes or feels him or herself most capable of undertaking a business concern is more prone to implementing such behaviour than one who does not feel able to do so (Chen et al., 1998). Further, entrepreneurial self-efficacy studies provide data that help to understand why some businesses do not grow, on the grounds that some entrepreneurs have insufficient self efficacy to cope with specific tasks (Vecchio, 2003).

Accordingly, it is crucial to focus on possible factors that might influence the development of self-efficacy. For example, **Oliveira et al.** (2005), seeking to identify the impact of the social environment on the self-efficacy beliefs of entrepreneurs, reported that those who had a favorable micro-social environment (support from family and friends) had higher levels of self-efficacy than those who had an unfavorable micro-social environment.

Research Gap

There are many researches which have been done to analyse the relation between Entrepreneurial Emotional Intelligence and Entrepreneurial success. So also it has been proved that Self efficacy leads to higher success rate of an Entrepreneur. But very minimal literature shows a relation between Entrepreneurial Emotional Intelligence and Entrepreneurial Self efficacy. Through this paper we want to prove empirically whether there is a positive relation between Emotional Intelligence and Self efficacy of an Entrepreneur.

Conceptual Framework

As this study aims to investigate the relation between Entrepreneur Emotional Intelligence and Entrepreneurial Self efficacy, the research question and objective for this study are as below:

Research Objectives:

To empirically study the relation between Entrepreneurial Emotional Intelligence and Entrepreneurial Self efficacy.

Research Questions

RQ. What is the relationship, if any, between Entrepreneurial emotional intelligence and Entrepreneurial Self efficacy?

H₁₀ – There is no relationship between Entrepreneurial emotional intelligence and Entrepreneurial Self efficacy.

H_{1a} - There is a significant relationship between Entrepreneurial emotional intelligence and Entrepreneurial Self efficacy.

Research Methodology

Type of research: Descriptive

Population/ universe: MSME in Delhi/NCR.

Sampling technique: Convenient sampling

Sample size: 300

Data collection instrument: Questionnaire

Analysis tool: Correlation, regression

Level of Significance: $\alpha = 5\%$

Data Analysis

Pilot Test: A pilot test was conducted using data of **70 respondents**. **Reliability and validity** was checked. Further **Confirmatory factor analysis** was done to specify the number of factors required in the data and which measured variable is related to which latent variable.

Final Data Analysis: Covariance seen was as below -

	Estimate	S.E.	C.R.	P	Label
EI <--> SE	1.169	.158	7.407	***	

Correlation and Regression were applied using SPSS. The regression estimate for the emotional intelligence and self-efficacy was 1.169 and its corresponding p value is $0.000 < 0.05$. Since the p value is less than 0.05, we can conclude that emotional intelligence had a positive and significant impact on self efficacy. Hence null hypothesis can be rejected and alternate hypothesis can be accepted.

Discussion

Competent entrepreneurs are the ones who set up specific, achievable goals through the able strategy that they built up. Through the study we have found out that their high dependence of entrepreneurial success on the self-efficacy and emotional intelligence of the entrepreneur. Entrepreneurs are responsible for the financial feasibility of a strategy and controlling the strategic outcomes. For the same they have to be vigilant about the external environment and should be able to assess the threat and opportunities. Emotional intelligence of an entrepreneur help him in achieving the same. Playing the role of owner and manager, an entrepreneur must be good at managing his or her own time properly. Along with they should be confident to manage their business and work life pressure. Thus they need to be high on their self-efficacy too, so that they can evaluate themselves thoroughly prior to quitting their original employment.

Conclusion

From the results we can make out the importance of Emotional Intelligence has a positive impact on Self efficacy. Entrepreneurs face a lot of problems starting from Capital built up to high competition which is extremely challenging. The entrepreneurs thus need to be strong on Emotional Intelligence which further helps in enhancing their Self efficacy. It helps them to overcome the ups and downs that they face in their business cycle. Indian government is putting lot of emphasis on the development of Entrepreneurs and Startups. **For the same, many institutions are providing Entrepreneurial Education across the country. Emotional Intelligence should be made a part of the curriculum of the Entrepreneurial Education.** It would help the entrepreneurs in sustaining their business by enhancing their self-efficacy. Further research should be conducted taking other cognitive and non-cognitive factors like family background, experience, education, personality of the entrepreneur and their effect on entrepreneurial competency.

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