

RELATIONSHIP BETWEEN EMOTIONAL INTELLIGENCE AND ENTREPRENEURIAL PERFORMANCE: THE MEDIATING EFFECT OF MANAGERIAL COMPETENCE

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Abstract

Research has shown that individuals with greater emotional intelligence are better able to appraise, manage and regulate the emotions of others. Such abilities allow these individuals to judge if the emotions are linked to opportunities, and thus use these emotions in the process of decision making that enhances higher performance. Consequent upon this, there is substantial evidence documenting the effects of emotional intelligence on leadership and educational performance. However, there is much less research examining how emotional intelligence and managerial competence affects entrepreneurial performance. This study therefore sought to investigate the mediating effect of managerial competence on the relationship between the dimensions of emotional intelligence (i.e., self emotional appraisal, others' emotional appraisal, regulation of emotions and use of emotions) and entrepreneurial performance. The study adopted ex-post-facto, multi-stage sampling technique and questionnaire to generate data from selected respondents in the hospitality industry in Benue State, Nigeria. The data were analysed

using multiple regression statistical method. It was found that managerial competence mediates the relationship between the dimensions of emotional intelligence and entrepreneurial performance. In view of this, enterprises' owners should ensure that their managers and employees are emotionally intelligent and managerially competent through a well planned recruitment and selection process.

Keywords: Emotional intelligence, Entrepreneurial performance, Managerial competence, Regulation of emotion, Use of emotion

INTRODUCTION

Emotional intelligence is increasingly relevant in organizational and people development. This is because emotional intelligence principles provide a new way to understand and assess people's behaviours, management styles, attitudes, interpersonal skills, and potential (Zintz, 2013). Thus, emotional intelligence is an important consideration in human resource planning, job profiling, recruitment, interviewing and selection, management development, customer relations, customer service, and many more (Bharwaney, Baron & Mackinlay, 2011). One of the areas where the application of emotional intelligence has been considered important is entrepreneurial performance. According Baron (2008), positive emotions enhance entrepreneurial creativity and opportunity recognition, and influence an entrepreneur's ability to turn past experiences into present solutions through heuristic processing. Entrepreneurs, who display passion- positive intense feelings about their ventures, tend to be more successful than those who do not display passion (Baun & Locke, 2004).

On the one hand, emotional intelligence plays a significant part in assisting managers and employees to manage dynamic change in the business environment (Rafiq, Naseer & Ali, 2011). Emotional intelligence and its competencies are believed to play a relatively dominant role for learning at the individual level to reach an organizational level (Singh, 2007). Self awareness, self confidence, self control, commitment, integrity, ability to communicate and influence, ability to initiate and accept changes; are competencies which are at premium in today's job market and are the hallmark of emotional intelligence (Riggio, 2010).

Managing our temperaments and mental status, and controlling tensions in the face of complex situation arising from work schedule and service delivery, goes to determine satisfaction derived by clients/customers and performance achieved by the individuals and organization. The values and philosophy of management, encouragement and reward system, organizational structure, risk taking acceptance and support level of senior management of those who are innovative and accept risk, have a considerable impact on enhancing

entrepreneurial performance. Where these characteristics are in shortfall, satisfaction derived from product and service delivery by clients is denied and thus leading to reduction in revenues and impacting negatively on performance. In the light of the increasing evidence surrounding the vital role that emotions play in facilitating the success of emerging ventures, corporate organizations may find it beneficial to begin enhancing their capacity to understanding and managing both their own emotions as well as the emotion of others (Baron & Markman, 2003).

Additionally, while there is substantial evidence documenting the effects of emotional intelligence on leadership performance (Goleman, Zeidner & Roberts, 2002), educational performance (Humphrey, Gurrin, Morris, Farrell & Woods, 2007), there is much less research examining how emotional intelligence and managerial competence affects entrepreneurial performance. Thus, this study seeks to investigate the mediating effect of managerial competence on the relationship between the dimensions of emotional intelligence (i.e., self emotional appraisal, others' emotional appraisal, regulation of emotions and use of emotions) and entrepreneurial performance.

LITERATURE REVIEW

Emotion and Emotional Intelligence

A new stream of emotion studies have started in entrepreneurship research. This is because an understanding of emotions is not only conducive for intellectual growth, but also holds a significant role in individual happiness (Foo, 2011) and in enhancing the potential success and performance of entrepreneurial ventures (Amy, 2010). Goleman (2005) conceptualized emotions as any feelings, thought, psychological or biological state unique to it and a part of personal tendency to act accordingly. Goleman (1998) explained that emotional intelligence refers to the capacity for recognizing our own feelings and those of others, for motivating ourselves, and for managing emotions well in ourselves and in our relationship. Goleman further viewed emotional intelligence as separate from cognitive intelligence (measured by IQ tests) and complementary to academic intelligence (measured by academic performance). Emotional intelligence is linked to the ability of comprehending oneself and others, communicating with other people and adapting oneself with his surrounding environment (Mahmood, Samaneh & Atefeh, 2012). Mayer, Salovey & Caruso (2000) defined emotional intelligence as the ability to perceive and express emotion, assimilate emotion in thought, understand and reason with emotion, and regulate emotion in the self and others.

Similarly, emotional intelligence is the ability to perceive, appraise and express emotion (Hughes, Patterson & Temell, 2005). It is the ability to carry out accurate reasoning focused on emotions, and the ability to use emotions and emotional knowledge to enhance thought (Mayer,

Roberts & Barsade, 2008). Wong & Law (2002) defined emotional intelligence as a set of interrelated abilities possessed by individuals to deal with emotions. Wong & Law developed a new four dimensions of emotional intelligence that is based on Mayer & Salovey (1997) emotional intelligence model. Wong & Law new scale is composed of: (1) Self Emotional Appraisal (SEA) - is an individual's ability to understand and assess his or her deep emotions and express these emotions naturally. (2) Others' Emotional Appraisal (OEA) - is the ability to perceive and understand the emotions of other people around you. (3) Regulation of Emotions (ROE) - is an individual's ability to regulate his or her emotions, which will enable a more rapid recovery from psychological distress. (4) Use of Emotions (UOE) - is the ability of an individual to make use of his or her emotions by directing them towards constructive activities and personal performance.

Scholars tend to view emotional intelligence as a factor which has a potential to contribute to more positive attitudes, behaviours and outcomes. Someone who possess high emotional intelligence is (a) more adept to perceiving, understanding and managing emotion; (b) more likely to solve emotional problems with less effort; (c) more open and amenable in social interaction; (d) less prone to negative or problem behaviours; and (e) more proficient at articulating goals (Mayer, Salovey & Caruso, 2004). Some scholars asserted that emotional intelligence is a missing factor in the entrepreneurship research and discussion (Cross & Travaglione, 2003; Piperopoulos, 2010), and also the development of entrepreneurship is related to a capability of an individual to analyze his/her emotions and values (Zakarevicius & Zuperka, 2010).

Entrepreneurial Performance

Performance is the amount of individual effort spent on a job (Robbins, 2005). Entrepreneurial performance can be explained by; willingness to start an enterprise, ability to identify opportunities, or success of the enterprise (Baron, 2004). Entrepreneurial performance is a personal conviction of achieving goals and economic optimization via a robust social networking. Entrepreneurial performance has been linked to cognitive and social skills, at least in part (Baron & Markman, 2003); and psychological measures have attempted to assist in the identification of cognitive and social factors that affect entrepreneurial performance as well as techniques that assist in coping with the lack of social or cognitive abilities (Baron, 2000). Through this process, psychologists have suggested training on social and interpersonal skills that may be vital to the entrepreneurial process. Several skills and abilities have been identified as determinants of successful interaction with others (Baron & Markman, 2000), including

accurately perceiving others, making good first impressions, and the ability to persuade or influence others.

Previous researchers have suggested that performance is a multidimensional construct that is difficult to measure (Zahra et al., 2002). For instance, new ventures are usually private organizations with no obligation to disclose performance information; therefore, traditional measures of financial performance are often unavailable (Chandler & Hanks, 1993) or business owners are unwilling to share this information with outsiders. Thus, the use of multiple indicators to gauge performance is recommended (Zahra et al., 2002). The indicators are quantitative indicators (i.e., return on investment, profit and sales volume) and qualitative indicators (i.e., knowledge, experience, and capacity to develop new processes and products). However, they have their limitations (Sarwoke et al., 2013). Similarly, Chandler & Hanks (1993) recognized the inherent challenges in entrepreneurial research and thus identified three most common approaches to estimating entrepreneurial performance when only self-reported data is available; they are: (1) measuring firm performance in broad categories; (2) using measures of firm performance in relation to competitors; and (3) measures of others satisfaction with the firm's performance.

Throughout the literature, entrepreneurial firm performance is measured both objectively and subjectively. Objective measurement is typically examined by analyzing hard numbers or financial measures, while subjective performance is assessed more in terms of personal beliefs or views (Reijonen, 2008). Subjective measures are often self-report measures at the firm and/or individual levels of analysis (Haber & Reichel, 2005), such as the entrepreneurs' perspective on financial (eg., growth, profitability) and non financial (eg., job satisfaction, product quality) dimension.

Performance has been assessed using financial firm performance, relative firm performance and personal performance. Examples of financial firm performance are growth, profitability, turnover, return on investment, number of employees and stock market performance (Walker & Brown, 2004; Combs, Crook & Shook, 2005). Gupta & Govindarajam (1984) argued that subjective firm performance could be measured by asking respondents to state the importance and satisfaction with their relative firm on several performance measures. Another commonly used technique for assessing entrepreneurial performance is to ask founders to compare the performance of their company with their closest competitor (Sapienza, Smith & Gannon, 1998). According to Porter (1980), firms are aware of the activities their competitors are undertaking. This contention was empirically supported in the entrepreneurship realm by Brush & Vanderwerf (1992), competitors are aware of the performance of new ventures similar to their own. Other supporters of relative performance measure contend that

objective financial measures alone insufficiently predict firm success or performance (Reijonen, 2008). Researchers contend that business owners should be the initial starting point for analyzing performance (Stemberg, 2004; Simpson, Tuck & Bellamy, 2004) because objective financial measures may be inappropriate, misleading, and even meaningless for entrepreneurs who each have their own views on performance and/or success (Simpson et al., 2004).

The subjective measures of success seen throughout literature include personal satisfaction, pride in the job, personal achievement, and lifestyle flexibility (Reijonen, 2008). Used in the entrepreneurial literature as a surrogate for objective performance measures personal performance. Personal performance is a measure of performance where organizations are successful to the extent that the interest of the stakeholders are indeed satisfied (Murphy & Callaway, 2004), with the business owner being the most important stakeholder in the entrepreneurial venture. Cooper & Artz (1995) identified personal performance as personal success or entrepreneurial satisfaction, as it is sometimes called, as fundamental to success and critical to investment and continuance decision of the entrepreneur. Personal performance can also be viewed as a measure of entrepreneurial performance as it provides a foundation for which individual entrepreneurs make decisions on whether or not to invest money and/or time, whether to cut back, or even to close shops; additionally, it might influence if entrepreneurs are effectively with customers, buyers, suppliers and other employees in interpersonal interaction (Schuttle et al., 2000).

Effect of Emotional Intelligence on Entrepreneurial Performance

Successful performance of most entrepreneurial ventures hinges not only on the individual characteristics of the entrepreneur, but also on the entrepreneur's ability to recruit and manage employees and clients (Baron & Hannan, 2002). Recent research on emerging business indicates the ability to effectively manage the human side of the business plays a critical role in the success and performance of a new venture (Graham, Murray & Amuso, 2002). Amy (2010) further noted that an emerging, very promising, stream of research on entrepreneurs pertains to the role of affect (feelings and emotions) in enhancing the potential success of entrepreneurial ventures. For example, research indicates that positive emotions may enhance entrepreneurial creativity, including opportunity recognition (Baron, 2008). Entrepreneurs who display passion (positive intense feelings) about their ventures tend to perform more successful than those who do not display passion (Baun & Locke, 2004).

Previous researchers have also provided evidence that aspects of social intelligence are critical to entrepreneurial success (Baron, 2000). For example, emotional intelligence may play a critical role in an entrepreneur's ability to present to investors, bankers, venture new

customers, friends and family, in order to obtain financing, gain new customers, and/or maintain current customers. This emotional intelligence abilities may be particularly crucial for negotiations, the selection of employees or partners and the attracting and handling of customers, employees, suppliers and partners (Foe, Elfenbein, Tan & Aik, 2004; Fulmer & Bany, 2004).

The relationship between emotional intelligence and entrepreneurial performance were also developed on the basis of previous research finding concerning the influence of social and political skills (Baron & Tang, 2008). Political skill is defined as the ability to effectively understand others at work and to use such knowledge to influence others to act in ways that enhance one's personal and/or organizational objectives (Ahearo, Ferris, Hochwarter, Douglas & Ammeter, 2004). Aspects of political skills are closely related to emotional intelligence (i.e., social adaptability, social perception and expressiveness) and can thus be viewed as complementary social skills (Ferris, et al., 2005; Harris, Kacmar, Zivnuska & Shaw, 2007). Emotional intelligence is a dimension of social intelligence (Mayer et al., 2004) and pertains to the ability to be socially adaptable in a wide range of social situations. Results of previous studies have provided evidence that social adaptability has a positive relationship with firm performance (Baron & Markman, 2003). Emotional intelligence involves perceiving others accurately and previous researches suggest that social perception predicts favourable outcomes in various business contexts, for example, social perception can predict positive interview ratings (Kacmar, Carlson & Bratton, 2004) and more positive performance evaluations from supervisors (Harris, et al., 2007). Perceiving others accurately, a component of emotional intelligence is directly related to entrepreneurial activities as well; such activities include successful negotiations, selecting superior partners and hiring top quality employees (Baron & Tang, 2008). According to Kafetsios & Zampetakis (2008), emotional awareness associated with emotional intelligence is expected to benefit social and interpersonal relationship which affect the experience of emotions and stress in the work place. Individuals with greater emotional intelligence are better able to use their abilities to appraise and manage the emotions of other people (Sy et al., 2006). Individuals with greater emotional intelligence are also better able to use these emotional intelligence skills to cultivate positive personal interactions, which helps boost personal morale, the morale of others, and contributes to the feelings of personal success and job satisfaction (Shimazu, Shimazu & Odahara, 2004).

Expressiveness is the ability to express feelings and reactions clearly and openly and has been identified as closely related to emotional intelligence and exerting interpersonal influence (Cialdini, 2000). For entrepreneurs, the ability to understand and accurately express non verbal emotions as well as interpret the emotional expressions of others will help

entrepreneurs in relating to clients and employees alike (Amy, 2010). Amy further argued that the capacity to be creative is fundamental to the survival of the venture; hence, the ability to formulate original ideas triggered by emotions is of the utmost importance.

Mediating Effect of Managerial Competence

The concept of competency is based on the theory of performance (Bhardwaj & Punia, 2013). Competency is considered as a measurable characteristic of a person that is related to effective performance in a specific job, organization or culture. Competencies are the characteristics of people that differentiate performance in a specific job or role (Wei, 2009). Furthermore, competencies encompass clusters of skills, knowledge, abilities, and behaviours required for people to succeed (Davis, Naughton & Rothwell, 2004). Competencies are now commonly conceptualized as measureable patterns of knowledge, skills, abilities, behaviours and other characteristics that differentiate high from average or poor performance (Rodriguez, Patel, Bright, Gregory & Gowing, 2002).

Some studies in literature have examined the differences in features between entrepreneurs and managers. Stewart, Watson, Carland & Carland (1998) asserted that entrepreneurs are higher in achievement motivation, risk taking propensity, and preference for innovation than are both corporate managers and small business owners. Moreover, Stewart & Roth (2007) indicated that entrepreneurs exhibit higher achievement motivations than managers and that these differences are influenced by the entrepreneur's venture goals.

The increasing need to improve management capability to sustain business performance has drawn attention to the managerial competence perspective (Boam & Sparrow, 1992). The foundation of managerial competence research is identifying characteristics of effective managers that enable organizations to be successful. Boyatzis (1982) defined managerial competencies as underlying characters of a person resulting in superior job performance. Schroeder (1989) developed three classes of competencies: entry level competence (consisting of individual characteristics), basic competences (consist of knowledge and skills needed to perform the functions of managing), while high performance competencies include behaviours that produce superior work group performance in complex organizational environments. Essential competencies in managerial roles include conceptual competence, which entails coordinating the firm's activities and human competence which involves working with others, understanding others, and motivating others working in groups or as individuals (Pavett & Lau, 1983).

RESEARCH METHODOLOGY

The research design and sampling technique adopted for this study are ex-post facto and multi-stage respectively. Simple random sampling technique was employed to select from the population of hotels and restaurants/bars the sample of hotels surveyed and to select the elements that completed the questionnaire. The population of the study comprised of 1,221 employees, managers and owners of the 96 registered hotels and 27 registered restaurants/bars in Makurdi. The Yamane (1967) sample size determination method was employed to select from the population the hotels and restaurants/bars surveyed in this study, while the individual sample size for each of the hotels and restaurants/bars was computed using the Bourley's (1964).

The dimensions of emotional intelligence, Self-Emotional Appraisal (SEA), Others' Emotional Appraisal (OEA), Use of Emotion (UOE), and Regulation of Emotion (ROE) were measured based on factors that were gleaned from previous researches. Entrepreneurial performance was measured using financial entrepreneurial firm performance, relative entrepreneurial firm performance and personal entrepreneurial performance. Managerial competence was measured using individual characteristics, knowledge and skills needed to perform the functions of managing, ability to work with others, understanding others, and motivating others working in groups or as individuals.

These constructs were measured at 4-point Likert scale ranging from 1= strongly disagree to 4= strongly agree. The normality distribution of the data was confirmed using Chi-Square goodness-of-fit. The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and Bartlett's Test of Sphericity, and Cronbach alpha test were employed to assess the validity and reliability of the research instrument. The scale demonstrated an internal consistency with a Cronbach alpha of 0.82. Out of the 450 copies of questionnaire that were administered, only 351 were properly completed and thus used for data analysis. The data were analysed using multiple regression statistical method. The analysis was conducted through the SPSS 21.0 at .05 level of significance to test the null hypothesis.

Research Hypothesis: managerial competence does not mediate the relationship between the dimensions of emotional intelligence and entrepreneurial performance.

ANALYSIS

Test of Hypothesis

The result of the Regression analysis on the relationship between the dimensions of emotional intelligence and entrepreneurial performance is shown in Table 1. Table 1 showed that the dimensions of Emotional Intelligence (EI) (SEA, OEA, ROE and UOE) influenced

Entrepreneurial Performance (ENP) as the dimensions of EI explained 71.1% of the total variance in ENP ($R = .711$). This implies that the dimensions of EI are important in ensuring ENP in any enterprise.

TABLE 1: Result of the Regression on the Relationship between the Dimensions of EI and ENP

Model	Unstandardized Coefficients		Standard Coefficients		
	B	Std. Error	Beta	T	Sig.
Constant	4.845	.444		10.915	.000
SEA	.127	.067	.110	1.883	.041
OEA	.248	.072	.188	3.416	.001
ROE	.011	.051	.014	.210	.034
UOE	.251	.066	.227	3.786	.000

Dependent variable: ENP

Note: $R = .711$, $R^2 = .686$, Adj. $R^2 = .662$, SEA = Self Emotional Appraisal, OEA = Others' Emotional Appraisal, ROE = Regulation of Emotion, UOE = Use of Emotion, ENP = Entrepreneurial Performance

The result of the regression for the mediating effect of Managerial Competence (MGC) is shown in Table 2. Table 2 revealed that with the addition of the mediator variable, MGC, R increased to .759, that is, 75.9% of the variations in ENP are explained by the dimensions of EI plus MGC. Table 2 further showed that the dimensions of EI and MGC are significant ($P < .05$). MGC has a mediating effect, since there is an increase in the R values from 0.711 in Table 1 to 0.759 in Table 2 and Fisher's coefficient [$F(5, 345) = 6.760$] is significant ($P = .001$). Therefore, we reject the null hypothesis and conclude that MGC mediates the relationship between the dimensions of EI and ENP.

TABLE 2: Result of the Regression for the Mediating Effect of MGC

Model	Unstandardized Coefficients		Standard Coefficients		
	B	Std. Error	Beta	T	Sig.
Constant	4.977	.449		11.073	.000
SEA	.117	.068	.101	1.726	.025
OEA	.237	.073	.180	3.265	.001
ROE	.003	.053	.004	.057	.004
UOE	.311	.075	.282	4.146	.000
MGC	.118	.070	.107	1.694	.041

Dependent variable: ENP

Note: $R = .759$, $R^2 = .742$, Adj. $R^2 = .721$, $F = 6.760$, SEA = Self Emotional Appraisal, OEA = Others' Emotional Appraisal, ROE = Regulation of Emotion, UOE = Use of Emotion, MGC = Managerial Competence, ENP = Entrepreneurial Performance

DISCUSSION OF FINDINGS

The regression results showed that the dimensions of emotional intelligence (SEA, OEA, UOE, ROE) are related to entrepreneurial performance. This finding is similar to the result obtained by Naseer et al. (2011). Naseer et al. found that the dimensions of emotional intelligence (SEA, OEA, UOE, ROE) have positive impact on team performance. However, the result obtained by Mahmood et al. (2012) is at variance with this finding. Mahmood et al. (2012) found that there is a weak relationship between the dimensions of emotional intelligence and entrepreneurship. This variance in result could be attributed to the fact that Mahmood et al. used the mixed model approach of emotional intelligence.

Self emotional appraisal help managers and employees who are subjected to high capacity of emotional self assessing to stay calm and appropriately manage their spontaneous feelings and troublesome emotions even in working moments that is full of tensions. It has been established that managers and employees who are capable of high self evaluation will act more entrepreneurially and perform optimally in a more probable way (Zampetakis et al., 2009; Naseer et al., 2011; Javadi et al., 2012). Janghorabadian (2009) stated that perceiving others emotionally and desired interpersonal relationship will lead to the creation of collaboration spirit and cooperation in the organization in a way that staff will be able to exploit the existing opportunities in a suitable way by co-operating with each other and increasing the rate of entrepreneurial performance in the organization instead of competition against each other. Thus, managers and employees who are able to exploit their emotions and that of others appropriately will be able to have better relationship with colleagues and clients, communicate with each other, and behave in a manner that will help in customer attraction and retention, employee recruitment and selection, stronger relationship with stakeholder, thus solving entrepreneurial problems and ultimately leading to better performance. Also, when the emotional state is regulated adequately, there is adequate control, and the ability to organize and perceive is enhanced. Responsiveness, team building, negotiation, effective communication, in the managerial context, would lead to greater entrepreneurial performance. It is interesting to note that, most of the distinctive competencies belong to people management; which means that a considerable component of high performance in entrepreneurial tasks is due to the capability to effectively manage the relationships with others. The effect of managerial competence on the relationship between the dimensions of emotional intelligence and entrepreneurial performance implies that the higher the managerial competence of the enterprise owners and managers that is deployed with their emotional intelligence, the higher the entrepreneurial performance and vice versa.

CONCLUSION AND RECOMMENDATIONS

The study and application of emotional intelligence support the notion that emotions are functional when the information they provide is attended to, interpreted accurately, integrated into thinking and behaviour and managed effectively. Emotional intelligence and managerial competence plays an important role in improving performance. Sometimes employees and business owners are engaged in positive as well as negative emotions, it is important for them to perceive and analyze their own emotion and that of others, use them in an effective way, and regulate them in such a way that it provides them maximum benefits instead of harm.

Many of the tasks associated with managerial role, and thus managerial competence, are social in nature, such tasks include supervising, influencing, leading, and motivating people, thus, the emotional intelligence – managerial competence relationship is imperative. It is also somewhat intuitive that greater managerial competence would lead to greater entrepreneurial performance, as the ability to adequately perform the managerial tasks necessary would likely enhance the financial performance of the firm, performance relative to competitors, and the entrepreneur's feelings of personal performance success.

In view of the contribution of emotional intelligence to entrepreneurial performance and the mediating effect of managerial competence on the relationship between the dimensions of emotional intelligence and entrepreneurial performance, enterprises' founders/owners should ensure that their managers and employees are emotionally intelligent and managerially competent through a well planned recruitment and selection process, training and retraining programme, and the encouragement of a positive emotional climate within the organisation through rewards and compensation system. Furthermore, since the study surveyed a single sector- hospitality, and investigated the effect of a single mediating variable, managerial competence, the findings will only be limited to the hospitality sector and managerial competence. Thus, a replication of this study is suggested on a wider scope both in context and location so as to validate the generalization of the findings.

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