



EMOTIONAL INTELLIGENCE AND RISK-TAKING CAPACITY OF ENTREPRENEURS IN NIGERIA

Victor A. Umoh 

Department of Business Management, University of Uyo, Nigeria
viquMoh@gmail.com

Inemesit N. Ebito

Department of Business Management, University of Uyo, Nigeria

Mercy G. Okon

Department of Business Management, University of Uyo, Nigeria

Abstract

This study was conducted to examine the relationship between emotional intelligence and risk-taking capacity of entrepreneurs in Nigeria. The study was based on survey research design. Four hundred entrepreneurs selected through Taro Yamane sample size determination formula were administered with copies of questionnaire. The study recorded 68% response rate. It was hypothesized that the elements of emotional intelligence, self awareness, self regulation, motivation, empathy and social skills are not significantly related to entrepreneurs' risk-taking capacity. Results of test of hypotheses which were based on multiple regression analysis indicated that three of the elements, self awareness (Beta = 0.102, $t = 2.1702$, $P < 0.05$), self regulation (Beta = 0.491, $t = 2.3835$, $P < 0.05$) and motivation (Beta = 0.284, $t = 2.2016$, $P < 0.05$) are significantly related to entrepreneurs' risk-taking capacity. However, empathy (Beta = 0.321, $t = 1.4342$, $P > 0.05$) and social skills (Beta = 0.263, $t = 1.7258$, $P > 0.05$) were found to be having insignificant relationship with entrepreneurs' risk-taking capacity in Nigeria. The regression model reported an adjusted R^2 of 0.625 (62.5%). The F value (18.616) was significant at 0.05 level with its P value = 0.000. Based on these findings, it was recommended that entrepreneurs increase their self awareness through relevant training in order for them to be able to take

reasonable business risks; that entrepreneurs regulate themselves through appropriate management of emotions and that entrepreneurs motivate themselves to be able to withstand challenging moments in the life of their businesses.

Keywords: Emotional Intelligence, Entrepreneurship, Risk-taking, Small and Medium Scale Enterprises, Nigeria

INTRODUCTION

Emotional Intelligence (EI), is one concept that has succeeded in attracting the attention of many people over the years; a concept believed to be capable of influencing ability to manage organizations well. In view of its importance, EI is now being considered by organizations in such areas as planning for human resources, recruitment and selection, customer relations, profiling jobs, customer service, among others (Bharwaney, Baron & Mackinlay, 2011).

Emotional intelligence is about the individual's ability in managing and controlling emotions together with the ability of controlling other peoples' emotions. It involves proper monitoring and management of individuals' emotions intelligibly in order not to be unduly influenced in decision making process. It is ability of understanding other peoples' emotions in order to know the reasons behind their behaviour; this by extension would assist in better communication with them. Emotional intelligence has its roots in social intelligence; it is about having both interpersonal and intrapersonal intelligence (Naseer, Chrishti, Rahman and Jumani, 2011).

The concept of EI is important to both organizations and its people; it offers tenets that bring about insight into managers' behaviours which may include style of management, potential, interpersonal skills and the like (Zintz, 2013). Again, EI is said to significantly contribute to helping employees' and managers' capacity in managing the dynamic nature of business environment (Rafiq, Naseer & Ali, 2011). This is because it enhances one's ability to manage as well as control emotions, changes in the business environment notwithstanding, even as such changes come with risks.

Every business carries uncertainty. When an entrepreneur forecasts for the business, demand expected in future is used as guide. As the forecast materializes, the business becomes profitable, otherwise loss may be incurred. Hence, the entrepreneur is seen as a rational thinker whose efforts are geared at being saved from excessive risks. This is on account of the fact that even as he wants to be successful, he would only settle for challenges considered achievable. There is no gainsaying the fact that entrepreneurship involves various risks. Financial, personal, management risks and the like are some of these risks. An entrepreneur assumes risks by taking to entrepreneurship and therefore would require counsel

in the relevant ones. Beginning a venture to a great extent is dependent on how the entrepreneur perceives relevant risks in business.

The capacity of entrepreneurs to take risks may be considered to be a reflection of emotional intelligence which has been linked with the capability of an individual to analyse one's values and emotions (Nghah & Salleh, 2015). According to Goldman (1995), emotional intelligence comprises five constructs of self awareness, self regulation, motivation, empathy and social skills. Furthermore, the concept is said to influence entrepreneurial behaviour (Zampetakis, Kafetsios, Bouranta, Dewett and Moustakis, 2009).

Statement of the Problem

By getting involved in entrepreneurship, entrepreneurs take risks hoping to be rewarded with personal satisfaction and profit while facilitating the provision of goods and services which in the process results in improvement in standard of living, generation of employment and growth in the economy. However, the importance of entrepreneurship notwithstanding, many people find it difficult taking risks, hence would not go into business even where there may be opportunities; such persons appear to be lacking in the capacity to assume risks.

The capacity to take risks is an important entrepreneurial behaviour because it can make the difference between success and failure in entrepreneurial pursuits. In relevant literature, emotional intelligence has been linked with success in different areas of human endeavour. Can this also be true of risk-taking? Setting up and running a business which is what entrepreneurs do involve risks- taking. However, despite the likelihood that emotional intelligence may influence entrepreneurial behaviour of risk-taking, this relationship has not been researched. Thus, this study investigates the relationship between emotional intelligence and risk-taking capacity of entrepreneurs in Nigeria.

Objectives of the Study

In this study, the general objective was to investigate the relationship between emotional intelligence and risk –taking capacity of entrepreneurs in Nigeria. Specifically, the study sought to:

- i. Investigate the relationship between self awareness and risk-taking capacity of entrepreneurs in Nigeria
- ii. Examine the relationship between self regulation and risk-taking capacity of entrepreneurs in Nigeria
- iii. Investigate the relationship between motivation and risk-taking capacity of entrepreneurs in Nigeria

- iv. Investigate the relationship between empathy and risk-taking capacity of entrepreneurs in Nigeria
- v. Investigate the relationship between social skills and risk-taking capacity of entrepreneurs in Nigeria

Research Questions

The following research questions were raised in this study:

- i. What is the relationship between self awareness and risk-taking capacity of entrepreneurs in Nigeria?
- ii. How are self regulation and risk-taking capacity of entrepreneurs in Nigeria related?
- iii. What relationship exists between motivation and risk-taking capacity of entrepreneurs in Nigeria?
- iv. How do empathy and risk-taking capacity of entrepreneurs in Nigeria relate?
- v. What is the relationship between social skills and risk-taking capacity of entrepreneurs in Nigeria?

Research Hypotheses

In this study, the formulated hypotheses were:

H_{Q1}: There is no significant relationship between self awareness and risk-taking capacity of entrepreneurs in Nigeria

H_{Q2}: There is no significant relationship between self regulation and risk-taking capacity of entrepreneurs in Nigeria

H_{Q3}: There is no significant relationship between motivation and risk-taking capacity of entrepreneurs in Nigeria

H_{Q4}: There is no significant relationship between empathy and risk-taking capacity of entrepreneurs in Nigeria

H_{Q5}: There is no significant relationship between social skills and risk-taking capacity of entrepreneurs in Nigeria

REVIEW OF LITERATURE

Theoretical Framework

The Protection Motivation Theory was used as the theoretical foundation of this study. This theory was developed by R.W. Rogers in 1975. According to the theory, individuals will likely protect themselves as they expect negative results coupled with the desire of avoiding such negative happenings from coming their own way. The theory explains the fear appeals and how

individuals would be coping with it. Entrepreneurship is risky and entrepreneurs take risks as they venture into businesses therefore, many people would not go into business but would choose to protect themselves from likelihood of recording losses. Thus, while entrepreneurship is rewarding, it is also known to be risky with the potential of resulting in losses.

In the context of this study, emotional intelligence is expected to play an important role in influencing entrepreneurs into having the capacity to assess and take only moderate risks with a view to enjoying the reward that may accrue.

Conceptual Review

The entrepreneur and Emotions

Going into entrepreneurship is said to be linked with energy, passion, being creative, generating and engendering business opportunity (Ngah & Salleh, 2015). Psychology has seldom been highlighted in entrepreneurial studies; it is however related to the capability of an individual to analyse one's values and emotions (Ngah & Salleh, 2015). Positive emotions may enhance entrepreneurial creativity as well as opportunity recognition. Thus being persistent and also maintaining a positive attitude in challenging times can sometimes be the deciding variable in either succeeding or failing in business. Thus emotions influence entrepreneurial behaviour (Goldenberg, Matheson and Mantler, 2006).

Emotional Intelligence

The daily activities of individuals are impacted by emotions. It is therefore advantageous for people who are emotionally intelligent. This is because such persons are able to recognize this and use same in managing their emotions. Researches seem to suggest that emotional intelligence plays important part in individuals' job delivery, motivation, decision making and general management. In real life situation, people experience and relate their feelings and emotions to their activities every day. Hence, people's emotions have engendered useful information on relationships, behavior and every aspect of the human life. Emotional intelligence (EI) covers the ability of perceiving, controlling and evaluating emotions. As a concept, EI has grown into becoming a key indicator of a person's knowledge and abilities in life. It is important in all spheres of endeavour.

Components of Emotional Intelligence

Goldman (1995) models emotional intelligence along five constructs of self awareness, self regulation, motivation, empathy and social skills.

Each of these constructs is discussed below:

i. Self Awareness

This explains one's ability to recognize and understand one's own emotions. It is a critical part of emotional intelligence. Beyond just recognizing one's emotions, however, is being aware of the effect of the actions taken by an individual on others as well as other peoples' emotions. In order to become self-aware, the individual must be capable of monitoring his own emotions, recognize different emotional reactions, and then correctly identify each particular emotion. Self-aware individuals also recognize the relationships between the things they feel and how they behave.

ii. Self-Regulation

In addition to being aware of one's own emotions and the impact such may have on others, emotional intelligence requires the individual to be able to regulate and manage his emotions. This doesn't mean putting emotions on lock-down and hiding one's true feelings. Rather, it implies the individual should wait for the right time, place and avenue to express his emotions.

iii. Motivation

Being intrinsically motivated plays a key role in emotional intelligence. For people who are emotionally intelligent, their motivation may come from within. Such individuals have a passion to fulfill their own inner needs and goals. They seek things that are internally rewarding. Again, such individuals experience flow from being totally in tune with an activity while pursuing peak experiences. They set goals, are driven by the need to achieve them and are always making efforts at improving their performance.

iv. Empathy

This is the ability to understand how others are feeling. Empathy is absolutely critical to emotional intelligence. But this involves more than just being able to recognize the emotional states of others. It also involves one's responses to people based on this information. Therefore, being empathetic implies being guided by one's emotions in dealing with other people and their concerns.

v. Social Skills

The ability to interact well with others is another important aspect of emotional intelligence. Building relationships is quite beneficial to business leaders. Also, good rapport between managers and co-workers is useful to business success. Being socially skillful in such areas as active listening, verbal communication and nonverbal communication skills and persuasiveness are vitally needed in successful business management.

Emotional Intelligence and Entrepreneurial Risk taking

According to Zampetakis, Kafetsios, Bouranta, Dewett and Moustakis (2009), emotional intelligence influences entrepreneurial behavior; continued the authors are of the opinion that individuals in possession of high self-perceived emotional intelligence may display a very high level of tolerance in respect of stress and stressors in their environment of operation. Generally, risk-taking refers to moving toward something without being concerned of possible outcome. It explains the perceived probability of receiving the rewards or incurring losses associated with success or failure of a proposed situation. Risk-taking therefore involves deciding between two alternatives, while anticipating reward and without any concern of failing. It follows that possessing the ability of interpreting potentially risky situations and the capacity of avoiding excessive risks are some essential skills an individual should develop.

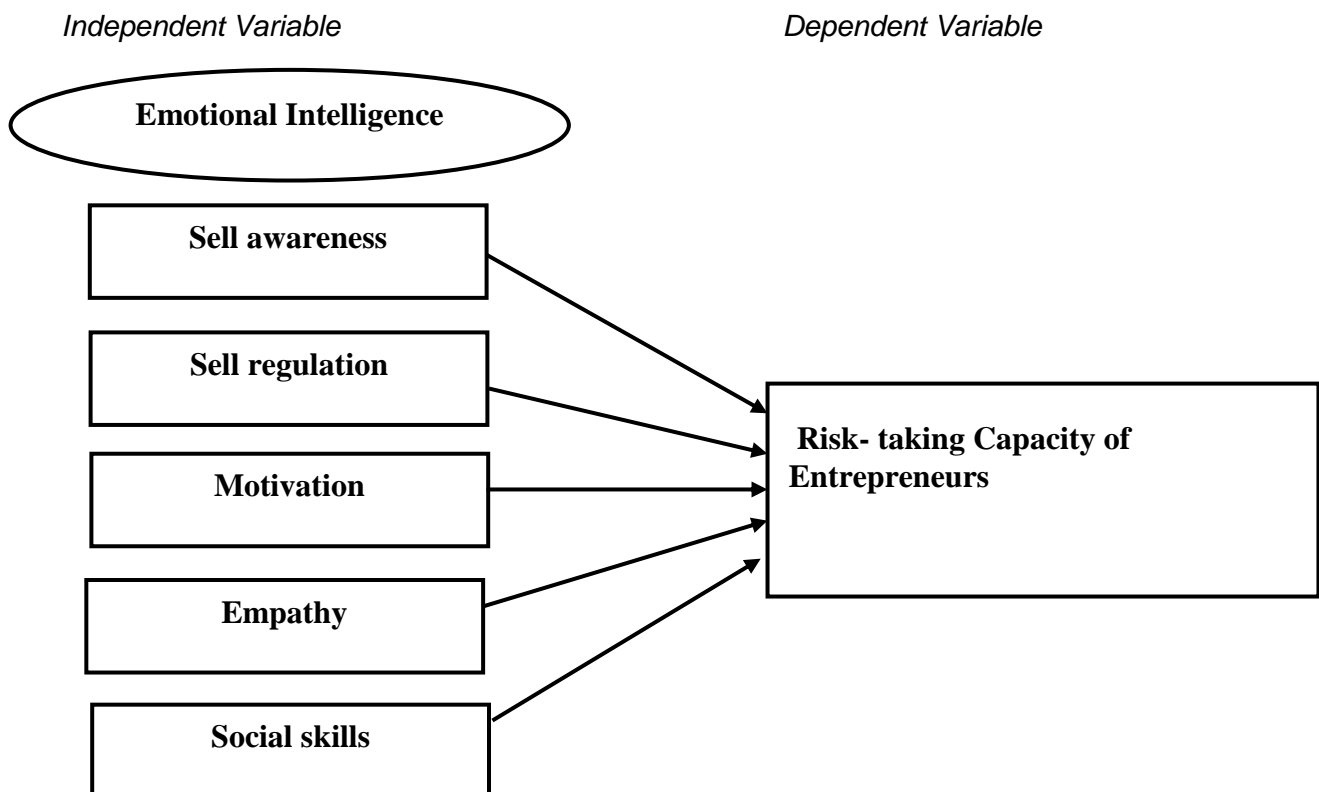


Figure 1: Conceptual Framework

Empirical Review

Kamalian and Fazel (2011) in their study established that entrepreneurship and emotional intelligence were significantly related. Furthermore, a positive relationship was found by Neghabi and Mohamad (2012) in their investigation of entrepreneurship and emotional intelligence. Also, Hassan and Omar (2016) who were interested in the role played by

emotional intelligence on entrepreneurial attitude in the determination of entrepreneurial intention among students, revealed that a significant relationship existed between entrepreneurial attitude and entrepreneurial intention. Again, Kundu (2015) studied how emotional intelligence impacted the risk taking and wealth creation behavior of women entrepreneurs. It was established in the study that emotional intelligence and entrepreneurial behaviour were correlated. In another study carried out by Kaur(2017) on risk taking behaviour of Secondary School Students and their emotional intelligence, it was revealed that risk taking behaviour and emotional intelligence were correlated.

METHODOLOGY

The survey research design was used in the current study. The population of this study was made up of 1,319,607, being the number of small businesses in Akwa Ibom State of Nigeria (SMEDAN, 2013). In this study, businesses surveyed cut across manufacturing, welding, process, distribution and services. A sample size of 400(converted from 399.9) was determined from Taro Yamane's formula. The purposive sampling technique was used in selecting respondents from various lines of business studied. After a review of relevant literature, questionnaire was developed and used in obtaining data; it was titled "Emotional Intelligence and Risk-Taking Capacity of Entrepreneurs". It had two sections. Section one was for respondents' personal details. Section two contained items used in measuring variables on a five-point Likert Scale. The instrument recorded Cronbach alpha test results of 0.82 (self awareness); 0.79 (self regulation); 0.66 (motivation); 0.75 (empathy) and 0.68 (social skills). The study achieved 68% response rate. Multiple regression analysis was used in data analysis at 0.05 level of significance using SPSS. The Multiple Regression model is represented thus:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + e$$

Where:

Y	=	dependent variable (Risk- taking Capacity of Entrepreneurs)
a	=	the y intercept
b	=	regression coefficient
X ₁ -X ₅	=	independent variables
X ₁	=	Self Awareness
X ₂	=	Self Regulation
X ₃	=	Motivation
X ₄	=	Empathy
X ₅	=	Social Skills
e	=	error term

ANALYSIS AND FINDINGS

Five hypotheses were formulated in the study. To test these hypotheses, multiple regression analysis model was used. The analyses were carried out using Statistical Package for Social Sciences (SPSS) version 20 and at 5% significance level (p. value of 0.05).

Table 1: Model Summary between Emotional Intelligence and Risk –Taking Capacity of Entrepreneurs

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	ANOVA F-Value	Sig
1	.833 ^a	.694	.625	11.106	18.616	0.000

a. Predictors: (Constant), Safe Awareness, Self Regulation, Motivation, Empathy, Social Skills

b. Dependent Variable: Risk –Taking Capacity of Entrepreneurs

Table 1 shows results of regression between emotional intelligence and risk –taking capacity of entrepreneurs in Nigeria. The R^2 of 0.694 shows the relationship between dependent and independent variables. The adjusted $R^2 = 0.625$ (or 62.5%), indicates that the five independent variables of self awareness, self regulation, motivation, empathy and social skills together explained 62.5% of variation that exist in the dependent variable, risk –taking capacity of entrepreneurs. The remaining 37.5% could be attributed to other variables that are not included in the model. The F value (18.616) is significant at 0.05 level with its P value = 0.000. This indicates a good predictive power.

Table 2: Coefficient of Multiple Regression Model for Emotional Intelligence Variables

Model	Unstandardized coefficients		Standardized Coefficients	T	Sig
	B	Std. Error	Beta		
(Constant)	106.136	11.303		7.137	.000
Self Awareness	.013	.047	.102	2.1702	.000
Self Regulation	.194	.206	.491	2.3835	.004
1 Motivation	.257	.129	.284	2.2016	.001
Empathy	.117	.076	.109	1.4342	.806
Social Skills	.373	.186	.321	1.7258	.226

a. Dependent Variable: Risk –Taking Capacity of Entrepreneurs

Hypothesis One - There is no significant relationship between entrepreneurs' self awareness and their risk –taking capacity

From Table 2, it is concluded that self awareness has a significant relationship with entrepreneurs' risk-taking capacity in Nigeria, where (Beta = 0.102, $t= 2.1702$, $P< 0.05$). The hypothesis that there is no significant relationship between entrepreneurs' self awareness and their risk –taking capacity is rejected. The implication of this finding is that self awareness is significantly related to entrepreneurs' risk-taking capacity in Nigeria.

Hypothesis Two - There is no significant relationship between entrepreneurs' self regulation and their risk –taking capacity

From Table 2, it is concluded that self regulation has a significant relationship with entrepreneurs' risk-taking capacity in Nigeria, where (Beta = 0.491, $t= 2.3835$, $P< 0.05$). The hypothesis that there is no significant relationship between entrepreneurs' self regulation and their risk –taking capacity is rejected. The implication of this finding is that self regulation is significantly related to entrepreneurs' risk-taking capacity in Nigeria.

Hypothesis Three - There is no significant relationship between entrepreneurs' motivation and their risk –taking capacity in Nigeria

From Table 2, it is concluded that motivation has a significant relationship with entrepreneurs' risk-taking capacity in Nigeria, where (Beta = 0.284, $t= 2.2016$, $P< 0.05$). The hypothesis that there is no significant relationship between entrepreneurs' motivation and their risk –taking capacity is rejected. The implication of this finding is that self motivation is significantly related to entrepreneurs' risk-taking capacity in Nigeria.

Hypothesis Four - There is no significant relationship between entrepreneurs' empathy and their risk –taking capacity

From Table 2, it is concluded that empathy has no significant relationship with entrepreneurs' risk taking capacity in Nigeria, where - (Beta = 0.321, $t= 1.7258$, $P> 0.05$). The hypothesis that there is no significant relationship between entrepreneurs' empathy and their risk –taking capacity is upheld. The implication of this finding is that empathy is not significantly related to entrepreneurs' risk-taking capacity in Nigeria.

Hypothesis Five - There is no significant relationship between entrepreneurs' social skills and their risk-taking capacity in Nigeria.

From Table 2, it is concluded that social skill has no significant relationship with entrepreneurs' risk-taking capacity in Nigeria, where (Beta = 0.263, $t = 1.9627$, $P > 0.05$). The hypothesis that there is no significant relationship between entrepreneurs' social skill and their risk-taking capacity in Nigeria is upheld. The implication of this finding is that social skill is not significantly related to entrepreneurs' risk-taking capacity in Nigeria.

DISCUSSION OF FINDINGS

This study was carried out to investigate the relationship between emotional intelligence and the risk-taking capacity of entrepreneurs in Nigeria. The results of this study suggest that self awareness, self regulation and motivation of entrepreneurs are significantly related to entrepreneurs' risk-taking capacity in Nigeria. These findings suggest that entrepreneurs with higher levels of self awareness, self regulation and motivation can be expected to have the capacity to take business risks.

A number of studies strengthen the findings of this study. Salvador (2008) demonstrated that the main dimensions of emotional intelligence have a positive and significant relationship with entrepreneurial self-efficacy. Also, Zampetakis et al (2009) found that individuals with high emotional intelligence have a good awareness of their emotional self-efficacy. They also possess lower level of risk aversion (Foo, 2011).

Emotional characteristics can help individuals to persist in their intention to work toward attaining an objective even when unforeseen problems arise; these are often considered as important attitudes for start-up of a company, given the levels of risk that business activities demand (Zampetakis et al 2009). Mortan, Ripoll, Carvalho, and Bernal (2014) believed that people with high emotional intelligence have strong belief in their entrepreneurial skills and recognize themselves as individuals with better opportunities to embark on the entrepreneurial activities, as they acclimate better with the environment and their work conditions in a better manner under stressful situations and adapt to changes in an effective manner.

Zampetakis et al (2009) affirmed that individual with high emotional efficacy show higher level of tolerance toward stress handling capacity and possess greater disposition to proactivity which in turn facilitates entrepreneurial behavior. Skudiene, Auruskeviciene, Reardon and Stangej (2011) affirmed that emotional intelligence is one of top ten key capacities important for the next generation of entrepreneurial managers.

CONCLUSION AND RECOMMENDATIONS

This study was centered on the relationship between emotional intelligence and the risk-taking capacity of entrepreneurs in Nigeria. The results of analysis carried out in the study indicate that entrepreneurs' emotional intelligence elements of self awareness, self regulation and motivation were significantly related to entrepreneurs' risk-taking capacity. Therefore, it is safe to conclude that entrepreneurs that have self awareness, ability to motivate as well as regulate themselves are more likely to take risks in the context of Nigeria. This outcome has implications in predicting entrepreneurs with the capacity to take moderate and calculated risks that would put them ahead and make for their success in turbulent and unpredictable business environment where others fail. Based on the findings of this study, the following are recommended:

- i. Entrepreneurs have to increase their self awareness through relevant training in order for them to be able to take reasonable business risks.
- ii. Entrepreneurs have to regulate themselves through appropriate management of emotions; this will guide and assist them in assuming potentially rewarding business risks.
- iii. Entrepreneurs have to motivate themselves at all times. Entrepreneurship involves a lot of issues, the ups and downs. Only self motivated persons can withstand challenging moments in the life of their businesses.

REFERENCES

- Bharwaney, G., Baron, R. & Mackinlay, A. (2011). EQ and the bottom line. UK: EI World.
- Foo, M.D. (2011). Emotions and entrepreneurial opportunity evaluation. *Entrepreneurship Theory and Practice*, 35 (2), 375- 393.
- Goldenberg, I., Matheson, K., Mantler, J., (2006). The Assessment of Emotional Intelligence: A Comparison of Performance-Based and Self-Report Methodologies. *Journal of Personality Assessment*, 86(1), pp.285-290.
- Goleman, D. (1995). "Emotional intelligence", Bantam Books, New York, USA.
- Hassan, R. A. & Omar, S. N. B. (2016). The effect of Emotional Intelligence and Entrepreneurial Attitude on Entrepreneurial Intention, *Kuwait Chapter of Arabian Journal of Business and Management Review*, 5(12), 1-10.
- Kamalian, A. and Fazel, A. (2011). Examining the relationship between Emotional Intelligence and Students' Entrepreneurship, *Journal of Entrepreneurship Development*, Vol. 3, No. 11, pp. 127-146.
- Kaur, A. (2017). Risk Taking Behaviour of Secondary School Students in relation to Emotional Intelligence, *Scholarly Research Journal for Humanity, Science and English Languish*, 49(2):11-20.
- Kundu, D.(2015). A Case Study on Role of Emotional Intelligence on Risk Taking and Wealth Creation Behaviour among Women Entrepreneurs, *Research Review Journal*, 4(5): 530-534.
- Mortan, R.A.; Ripoll, P., Carvalho, C., and Bernal, MC (2014). Effects of emotional intelligence on entrepreneurial intention and self-efficacy. *Journal of Psychology of Work and Organizations*, 30 (3), 97-104.
- Naseer, Z., Chisti, S., Rahman, F. & Jumani, N.B. (2011). Impact of emotional intelligence on team performance in higher education institutes. *International Online Journal of Educational Sciences*, 3(1), 30-46.
- Neghabi, S. and Mohamad, K. (2012). The relationship between Emotional Intelligence and Entrepreneurial Behavior, *Journal of Military Physician*, Vol. 14, No. 2, pp. 123-128.

- Ngah, R & Salleh, Z. (2015). Emotional Intelligence and Entrepreneurs' innovativeness towards Entrepreneurial Success: A Preliminary Study. Malaysian Academy of Entrepreneurship and SME Development, Faculty of Business Management, Universiti Teknologi MARA
- Rafiq, M., Naseer, Z. & Ali, B. (2011). Impact of emotional intelligence on organizational learning capability. *International Journal of Academic Research*, 3(4), 321-325.
- Rogers, R. W. (1975). A Protection Motivation Theory of Fear Appeals and Attitude Change. *Journal of Psychology*, 91 (1): 93-114.
- Salvador, C.M. (2008). Impact of perceived emotional intelligence on entrepreneurial self-efficacy. *Psychology Bulletin*, 92, 65-80.
- Skudiene, V., Auruskeviciene, V., Reardon, J., and Stangej, O. (2011). The effect of emotional intelligence on project outcomes. *Transformation in Business & Economics*, 10, 1 (22), 125-137.
- SMEDAN(2013). Small and Medium Enterprises Development Agency of Nigeria: SMEDAN and National Bureau of Statistics Collaborative Survey: Selected Findings
- Zampetakis, LA, Kafetsios, K., Bouranta, N., Dewett, T., and Moustakis (2009). On the relationship between emotional intelligence and entrepreneurial attitudes and intentions. *International Journal of Entrepreneurial Behavior S Research*, 15 (6), 595-618..
- Zintz, A. (2013). Strategic leadership resources. Retrieved from <http://www.strategicleadershipresource.com> on February 9, 2014