

ENTREPRENEURSHIP START-UP PROCESS THE ROLE OF EMOTIONAL INTELLIGENCE

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ABSTRACT

The main purposes of this study are to investigate the preeminent predictors of entrepreneurial behavioral intention; to examine to what extent entrepreneurial behavioral intention predict entrepreneurial behavior; to find whether individual's emotional intelligence is a moderating variable of the relationship between personality and entrepreneurial intention. Most interesting findings are as follow: There are no strong relationship between personality and intention. However, the combined effect of personality and emotional intelligence has a strong effect on entrepreneurial intention. The other significant finding is that two countries' respondents significantly differ from each other in terms of clarity in self emotion management, intention to do their own business and risk-taking. It is hoped that this study will give valuable contribution to both academic and business society.

Keywords: *Entrepreneurship, Personality, Intention, Emotional Intelligence*

1. INTRODUCTION

Psychologists have identified a variety of intelligences over the years. According to Thorndike, these intelligences can be grouped into "abstract", "concrete" or "social" intelligence. Abstract intelligence is an ability to understand and manipulate symbolic descriptions; concrete intelligence is an ability to understand and manipulate objects; whereas social intelligence, or Emotional Intelligence (EI), is "an ability to perceive one's own and other's internal states, motives and behaviors and to act toward them optimally on

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the basis of that information” [1, 2]. Since then, a lot of studies have related EI to many human emotions and behaviors. “Entrepreneurship is the process of creating something new with value by devoting the necessary time and effort, assuming the accompanying financial, psychic, and social risks, and receiving the resulting rewards” [3]. The act of entrepreneurship can be considered as a complex social activity which involves human interactions with its environment and social surrounding. Therefore, it is important to investigate how EI is integrated in the process and how it influences entrepreneurial behavior. EI encourages people’s creativity and constructs an innovative environment in which entrepreneurship can flourish.

This study is hoped to contribute and explain initial conception of entrepreneurship from psychological point of view. Two countries, Taiwan and Mongolia, are chosen for this study, due to their unique experiences in entrepreneurial activity. Taiwan is widely praised by its entrepreneurial success stories in the 1990’s and its people have relatively high entrepreneurial awareness [4, 5]. According to Mongolian National Chamber of Commerce and Industry and “The Workshop on SME Experience for Mongolian Entrepreneur” in 2004, Mongolia is strongly characterized by its newness of entrepreneurial activity. After the transformation from socialism to free market economy in 1990’s, many Mongolians started their own business. However, only few succeeded to develop their firms into big companies, and many others have failed to sustain their business. The contrast characteristics of two countries’ entrepreneurial situation, relatively high entrepreneurial awareness and newness of entrepreneurial activity, have motivated the author to choose these two countries as study target.

2. LITERATURE BACKGROUND

2.1. The Theory of Planned Behavior

A new venture comes into existence as a result of a well-planned process to achieve entrepreneur’s desire to gain economic benefits and aspiration [6, 7]. Consequently, a ‘person’, as the main actor of entrepreneurship, is treated as the unit of new venture creation analysis. Entrepreneurship is a strategic way of thinking that emphasizes opportunities over threats. The opportunity identification process is an intentional process [8]. Moreover, entrepreneurship is exactly a type of planned behavior in which intention models are ideally suited. Therefore, Theory of Planned Behavior [9] can be used to analyze the entrepreneurial start up intentions and their consequent behaviors. The focal arguments of TPB are as follow: intention is the predictor of behavior, and its preeminent antecedents are certain individual attitude. "Since much of human behavior appears to be under volitional control, . . . the best single predictor of an individual's behavior will be a measure of his intention to perform that behavior" [10]. Theorists, who support that attitudes are the preeminent antecedents of behavior, believe that the relationship between attitudes and behavior is mediated by behavioral intention [10-12]. In recent years, TPB has become one of the most widely used psychological theories to explain and predict human behavior [13]. “Personal and situational variables typically have an indirect influence on entrepreneurship through influencing key attitudes and general motivation to act” [8]. Since people have different personalities and various degrees of EI, therefore they are motivated in different ways to act. Therefore, it is interesting to observe how personality and people’s EI influence their

intention to act entrepreneurially. Without neglecting the fact that group and social level factors have strong influences on forming entrepreneurial intention, this study is focused on personal level factors – personality and EI.

2.2. Personality and Entrepreneurial Intention

Holland [14] argued that a person's preference toward a certain career will reflect the personal traits and behavior associated with that type of profession. He assumed that the environments in which people live can be characterized by their similarities with their personalities. He also inferred that the interplay of people and environments lead to several outcomes that can be predicted and understood from our knowledge of the personality types and the environment models. Occupation choice reflects individual's personality and represents one's motivation, knowledge, and understanding of his abilities. However, various categories of different occupations require different abilities, identifications, values, and attitudes [15]. Specifically, entrepreneurs' personality attributes have been identified by several researches. Moreover, Holland found that "The special heredity and experience of the enterprising person lead to a preference for activities that entail the manipulation of others to attain organizational goals or economic gain; and an aversion to observational, symbolic, and systematic activities. These behavioral tendencies lead in turn to an acquisition of leadership, interpersonal, and persuasive competencies, and to a deficit scientific competencies" [16]. His theory has been referenced by over 500 studies related to career development theories [17]. From the logic above, it can be drawn that personality can be an indicator of entrepreneurial intention. To measure the personality trait and how it relates with entrepreneurial intention, several studies have employed The Big-Five factors [18-20]. Based on the literature above, I proposed the following hypothesis:

H1: Personality has an impact on entrepreneurial intention.

2.3. Entrepreneurial Orientation

Covin and Slevin [21] argued that behavior is the essential element in entrepreneurial process. An individual's behavior could be observed and measured through his/her actions because of its overt and demonstrable nature. Being entrepreneurs requires individuals to act entrepreneurially. "Different ways of becoming an owner-manager presumably differ in the extent to which they involve what might be termed entrepreneurial behavior" [22]. In 1996, Lumpkin and Dess extended this entrepreneurial orientation construct and identified five distinctive dimensions that characterize and distinguish the key entrepreneurial behaviors. They considered establishing new business or how to enter the market is the central concept of entrepreneurship. The process of new entry is described as the act of launching a new venture; either by a start-up firm, through an existing firm, or via internal corporate venturing [23]. New entry is thus identified as a critical point which underlies the very concept of entrepreneurship. Therefore, entrepreneurial behavior of venturing new entry is clearly distinguished from other professions. Even though they did not explicitly operationalize entrepreneurial orientation as behavioral construct, some other scholars implicitly considered entrepreneurial orientations as entrepreneurial behaviors. Neck et al., [24] argued that entrepreneurial orientation is a specific set of behaviors or processes that are displayed by an entrepreneur. Lumpkin and Dess [25] stated that an entrepreneurial orientation refers to the strategic process and style of firm. However, since the actors of those

firms are individuals, entrepreneurial orientation could be applied to measure individual's strategy-making process and style. This is another reason why individual level factors which define the formulation of entrepreneurial intention are emphasized in this paper. In addition, they underlined the logic that "for both start-up ventures and existing firms, entrepreneurship carried on in the pursuit of business opportunities spurs business expansion, technological progress, and wealth creation" [23]. They indirectly defined entrepreneurial orientation as "entrepreneurial behavior" demonstrating how new entry is undertaken. Therefore, consistent with the theory of planned behavior, if entrepreneurial orientation is an overt behavior, it should be predicted by immediate antecedent entrepreneurial intention and individual personality in the entrepreneurial intention forming. Based on the discussions above, we are operationalizing entrepreneurial orientation into risk taking, innovativeness, aggressiveness, pro-activeness and autonomy [23, 26] as specific overt behavior which are necessary for implementing new business ideas in practice. Therefore:

H2: Entrepreneurial intention has mediating effects between individual personality and entrepreneurial behavior.

2.4. Emotional Intelligence (EI)

EI can be defined as "the ability to carry out accurate reasoning about emotions and the ability to use emotions and emotional knowledge to enhance thought" [27]. EI represents social abilities and skills to help individuals cope with the pressures and challenges from their surroundings [28]. These definitions are refined with Bar On model, "emotional-social intelligence is a cross section of interrelated emotional and social competencies, skills and facilitators that determine how effectively we understand and express ourselves, understand others and relate with them, and cope with daily demands" [29]. Later on, Goleman refined the definition of EI to "the capacity for organizing our own feelings and those for others, for motivating ourselves, and for managing emotion well in ourselves and in our relationship" [30]. EI is correlated with higher life satisfaction, better perceived problem-solving and coping ability and lower anxiety. Theorists argue that emotionally intelligent people make better decisions [31] and accurate appraisal [27, 32]. Generally speaking, EI facilitates individuals to be better decision makers, have better social relationship and being able to overcome their depression. In his study in 2005, Bastian [33] claimed that "emotions may moderate intelligent behavior by influencing an individual's reaction and interpretation of information". This finding supports the assumption in this study that EI moderates the relationship between personality and their entrepreneurial intention. Personality is the basic characteristics of individuals which are heredity-based and largely derived from the interplay of personal upbringing and environment. On the other hand, EI is situational specific affections that could be learnt throughout our life time. Therefore, any decision-making, to its large extent, is determined by our personality and EI combined together. In addition to this fact, "accurately perceiving a person's emotions (type and intensity) facilitates the prediction and understanding of that person's subsequent actions" [34]. In other words, if one could be accurate on obtaining information through better emotional perception and understanding, the EI should help individuals to understand clearly their intention to be self-employed.

H5: Emotional intelligence has a positive moderating effect on the relationship between individual personality and entrepreneurial intention.

3. METHODOLOGY

A paper-based survey was conducted in two months with the target respondents: MBA students, active entrepreneurs, and individuals with business experience in Taiwan and Mongolia. With the help of fellow researchers and social networking, respondents were directly approached and asked to answer the paper based survey in 15-20 minutes' time. All questionnaire items were carefully translated into both native languages to eliminate misinterpretation.

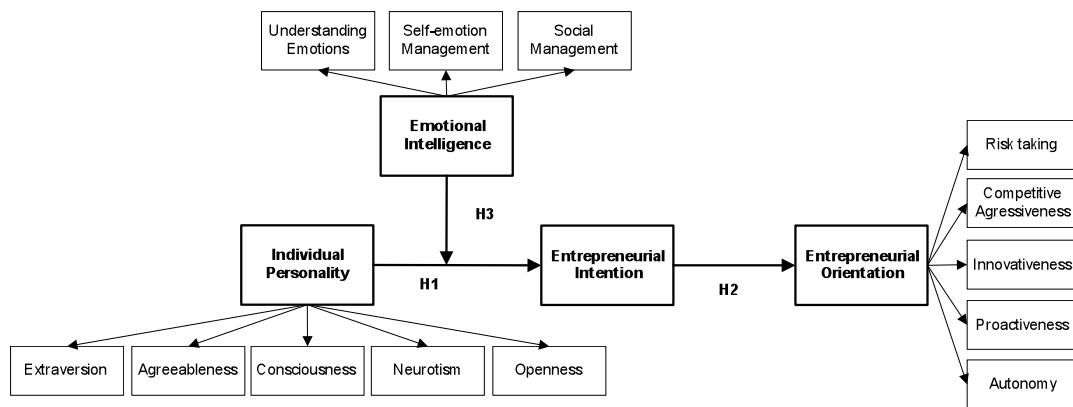


Figure 1: The research model

Table 1: Sources of questionnaire development

Constructs	Sources
Individual personality	Rammstedt & John, 2006 [35]
Entrepreneurial intention	Segal et al., 2005 [36], Shaver & Scott, 1991 [6]
Entrepreneurial orientation	Hughes & Morgan, 2007 [26], Lumpkin & Dess, 1996 [23]
Emotional intelligence	Salovey, 1995 [37] & Brackett et al., 2006 [34]

4. THE RESULTS

In total there were 361 responses which consisted of 56.2% Taiwanese (TW) and 43.8% Mongolian (MGL) respondents. The primary attributes of the respondents shown in following table consist of six major items: 1) Nationality 2) Gender 3) Experience of starting their own business. The complete demography can be seen in Table 2.

Table 2: The demographic information of the respondents

Item	Category	Sum	%	Item	Category	Sum	%
Nationality	Taiwanese (TW)	203	56.20%	Business Experience	0 year	67	18.60%
	Mongolian (MGL)	158	43.80%		1 year	154	42.70%
Gender	Male	191	52.90%		2 years	75	20.80%
	Female	170	47.10%		3 years	23	6.40%
					4 years	5	1.40%
				5 or more	37	10.20%	

Factor analysis and reliability test were run to eliminate the irrelevant variables. Independent Sample T-test was run to compare the similarities and differences between the two countries' entrepreneurs. Out of 12 factors, Taiwanese and Mongolian respondents differed in intention, risk taking, and self-management clarity skill. The result also showed that most similar responses between two countries are pro-activeness (t-value=0.072, sig. =.942) and autonomy (t-value= 1.694, sig. =.910).

Table 3: The similarities and differences between Taiwan and Mongolia entrepreneurs

Construct	Code	Factors	Mean		t value	Sig.
			TW	MGL		
Personality	Perf1	Extraversion	3.081	3.164	-1.366	.173
	Perf2	Neuroticism	3.000	2.917	1.061	.290
	Perf3	Agreeableness	2.790	2.908	-1.605	.109
Intention	Intf1	Intention	3.279	3.586	-2.663	.008**
Entrepreneurial orientation	Entorf1	Risk taking	4.306	4.128	2.632	.019**
	Entorf2	Autonomy	3.719	3.578	1.694	.910
	Entorf3	Pro-activeness	3.541	3.534	.072	.942
	Entorf4	Aggressiveness	3.640	3.477	1.640	.102
Emotional Intelligence	Eminf1	Soc. management – calming	2.463	2.547	-.936	.350
	Eminf2	Soc. management – pleasing	3.584	3.698	-1.490	.137
	Eminf3	Self management – clarity	3.017	2.765	2.669	.008**
	Eminf4	Self management – stability	3.625	3.557	.661	.509

Furthermore, linear regression results revealed that the relationship between entrepreneurial intention and orientation is strong and significant ($\beta > 0.1$; $P_{\text{value}} < 0.05$). However, the relationship between individual personality and entrepreneurial intention was proven to be weak.

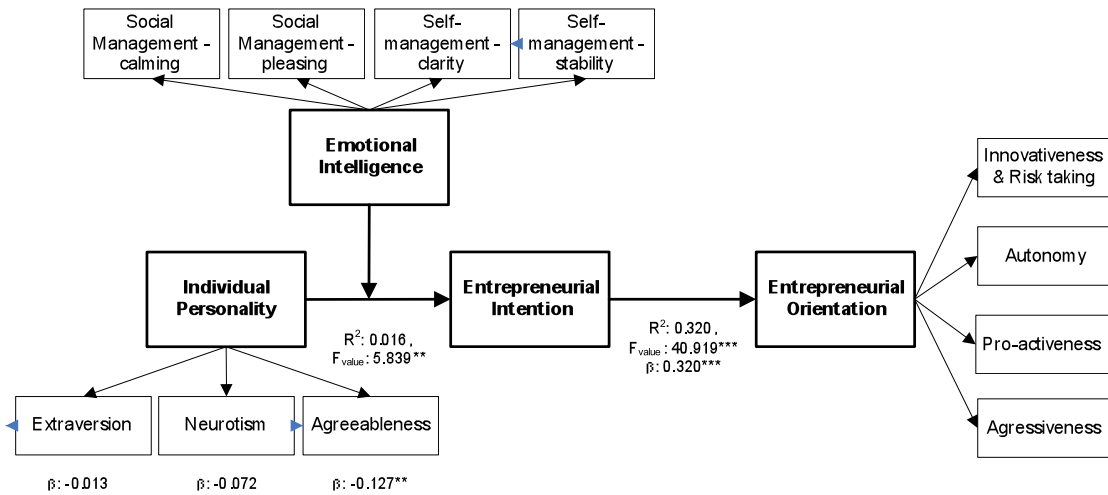


Figure 2: Regression results

Hierarchical linear regression was employed to prove the moderating effects of EI to the relationship between individual personality and entrepreneurial intention (Table 4). The interaction between EI and personality was represented by the combined effects of the two (Perf*Eminf). EI was proven to have a moderating effect if ΔR^2 is positive and ΔF value is significant after the employment of the combined effect (Perf*Eminf) in personality-intention relationship. It proved that EI has strong moderating effects on the relationships between all personality factors to intention.

Table 4: The moderating effects of Emotional Intelligence

Moderating Relationship			R ²	ΔR^2	F	ΔF
EI	⇒	Dependent factor				
Perf1*Eminf	⇒	Intf	0.266	0.049	7.310***	5,762***
Perf2*Eminf	⇒	Intf	0.248	0.032	6.661***	3.602**
Perf3*Eminf	⇒	Intf	0.244	0.027	6.495***	3.047**

5. CONCLUSIONS

5.1. Discussions

It can be concluded that once individuals have entrepreneurial intentions, they will act more pro-actively and aggressively. However, being risk-taking as well as independent could be subjective. The two nations' entrepreneurs significantly differ from each other in terms of intention to do their own business, risk taking behavior and clarity in emotional intelligence. Intention among Mongolians was proven to be stronger than Taiwanese. However, when it comes to risk-taking, also self-management (clarity), their responses were lower compared to Taiwanese respondents. From this finding it can be assumed that more entrepreneurially-experienced country entrepreneurs tend to be more risk taking and confident on their emotional clarity. They have more accurate calculation on business risk and confidence to start new successful business entry. On the other hand, people from less entrepreneurially experienced country tend to have strong intention to be self-employed rather than more

entrepreneurially developed country people. This tendency could be explained by the unexploited market opportunity in less entrepreneurially developed country. Personality was proven to have a weak influence on entrepreneurial intention. However, if being combined together with EI, personality factors will have strong impacts to entrepreneurial intention. Therefore, EI should be taken into consideration of entrepreneurial start up process and personal level study of entrepreneurship.

5.2. Implications

This study will add more empirical evidence on how personality, if being combined together with EI, could be have a strong positive impacts on behavioral intention and consequently, intention predicts the behavior. For managerial implication, the results could be used to identify the influencing factors of entrepreneurs. Entrepreneur researchers and business schools can utilize the results to find the suitable ways to motivate and increase their students' EI. The empirical evidences could also be used as future references for Mongolian entrepreneurs to develop SMEs. These SMEs could be the future key factor of the country economic development. For entrepreneurs from both countries, the two countries' specific differences and similarities could help them to understand the entrepreneurs' characteristics for a better cooperation. The study could also be extended into comparison to entrepreneurship in more advanced countries.

5.3. Research Limitations and Suggestions

The use of a simplified version of personality measurement should be replaced by a more comprehensive one for more accurate results. However, it should be considered that respondents (entrepreneurs) are busy. Secondly, this study did not set a specific limitation on industry background; therefore there might not be sufficient industry-specific insights. Future research can be conducted for specific industries, and might also consider employing more factors which might affect the entrepreneurial orientation. Other external and internal factors should be integrated to the research model; factors like motivation and social capital, to give a more comprehensive explanation over the entrepreneurial start-up phenomenon.

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