A Systematic Literature Review of Emotional Intelligence and Entrepreneurial Abilities

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Abstract

The phenomenon of intelligence has changed its definition and perception through the last many decades. Emotional intelligence surfaced way back in 1920 and today has become one of the most discussed and researched topics. This article attempts to explore the possible relationship between emotional intelligence and entrepreneurship and discusses the ways in which emotional intelligence can impact budding or established entrepreneurs in their journey towards business success. The authors have reviewed the existing literature in this context and compiled the most relevant and interesting pieces of information on this subject. The authors find that based on existing research, it is evident that emotional intelligence has a strong positive correlation with entrepreneurial abilities.

Keywords: Emotional Intelligence, Entrepreneurship

Introduction to Emotional Intelligence

From time immemorial, human beings have strived to understand and analyse the concept of 'intelligence', since human species is the most generously gifted by this aspect of life. Till early twentieth century, it was believed that intelligence is only unidimensional and was best explained by the concept of 'intellectual intelligence'. This theory was rooted in the belief that intelligence is a function of rational logic.

Emotional intelligence, in essence, can be traced all the way back to 1920, when Thorndike first spoke about the concept of 'social intelligence'. Taking that forward, the first attempt to measure 'social intelligence' in children was made by Edgar Doll in 1935. On similar but more advanced lines, in 1983, Gardner did some path breaking work and introduced the concept of 'multiple intelligence', which basically spoke about two different types of intelligences – the interpersonal intelligence and the intrapersonal intelligence. Gardner (1999) clarified the difference between what is known as inter-personal intelligence and intra-personal intelligence. It is believed that interpersonal skills focus on how one person deals with the behaviour and desires of others, whereas intrapersonal intelligence means to understand our own internal behavioural attributes.

The term 'emotional intelligence' was used in literature prior to 1990 also (Greenspan, 1989), but it is believed that the first proper definition of 'Emotional Intelligence' was made available by Mayer and Salovey in 1990.

However, in the mid-1990s, Daniel Goleman started popularising a concept called "emotional intelligence" (and its corresponding measure called 'emotional quotient' or 'EQ') based on earlier work done by researchers John Mayer and Peter Salovey.

In 2004, The Encyclopedia of Applied Psychology suggested three different frameworks or models of EI. These are:

(i) The ability model of Mayer and Salovey (1997)
(ii) Daniel Goleman's model (1998)
(iii) Bar-On model (1997, 2000)

EQ or emotional intelligence is understood to be the capacity to recognise emotions as they occur and appear in oneself and also as they happen in others. It is also the capacity to discriminate between different feelings and to give these feelings suitable names or labels, and to then use this learning to guide thoughts and behaviour patterns (Mayer, Caruso, & Salovey, 1999).

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According to Goleman (1998, p. 317), EI is to be seen as the power to recognise feelings within oneself and feelings within other people and then figuring out a way to manage these feelings and emotions within oneself and within others.

There are two primary schools of thought as far as EI is concerned. One school of thought which argues that emotional intelligence should be seen as an ability and another school of thought which professes that 'emotional intelligence' should be seen as a trait. Mayer and Salovey (1997) opine that EI should be seen as an ability. However, an alternate proposal suggests and recommends that EI be seen in a broader framework including personality traits (e.g., Bar-On, 2000; Boyatzis, Goleman, & Rhee, 2000; Goleman, 1995, 1998).

Introduction to Entrepreneurship

The very mention of the word 'entrepreneurship' invokes an imagination of a person who is full of passion and enthusiasm and is buzzing with an idea which he/she believes has the potential to change the way the world looks or operates in a particular way. A lot of research has happened and is currently happening on the parameters on which success depends for an entrepreneur and on whether we can predict if a particular entrepreneur will make it big or not.

Entrepreneurs are individuals who initially recognise a new business opportunity and then attempt to exploit a new business opportunity by establishing a new business venture (Shane & Venkataraman, 2000). Also, a key aspect of an entrepreneurial set-up is the fact that the environment in which entrepreneur functions are difficult to predict and are continuously changing (e.g., Lichtenstein, Dooley, & Lumpkin, 2006). This means that the entrepreneur does not always have the luxury to follow pre-defined set of standard operating procedures and rigid organisational structures, rather 'they make it up and they go along' (Baron, 2008). In such an ever changing and uncertain environment, the impact of emotional intelligence displayed by the entrepreneur might have more impact and relevance than in other more predictable business environments.

It is interesting to note that a study revealed that more than 50% of new business ventures that are started seem to terminate within the first 5 years of their existence (Aldrich, 1999). It thus becomes interesting to find out what factors can enhance the probability of an entrepreneur to succeed in his/her business venture.

Emotional Intelligence and Entrepreneurship

An emerging field of research within the overall umbrella of research on entrepreneurship is the possible effect of emotions and feelings of the entrepreneur on his entrepreneurial venture. It has been found that the ability of an entrepreneur to recognise opportunity and to be creative is enhanced by positive emotions (Baron, 2008). Also, the ability that is positively influenced by positive emotions in an entrepreneur is the ability of the entrepreneur to convert learnings from experiences of the past into solutions of the present (Baron, 2008).

In an interesting study done on the passion an entrepreneur displays about his/ her business venture, it was found that entrepreneurs who display a strong positive feeling or passion about their entrepreneurial venture have a better chance of success than those who don't display such passionate positive emotions (Baum & Locke, 2004). Smilor (1997) made a suggestion that one of the most observed phenomenon in the whole entrepreneurial process was that of passion. Bird (1989) observed that the behaviour of a typical entrepreneur was full of emotional energy and passion.

While many studies done on the impact of positive emotions on entrepreneurial ability seem to show that the more passionate the entrepreneur is, the more likely he/she is to succeed. However, we need to understand that the entrepreneur in today's world is not operating in isolation of his colleagues, clients and employees and other human and non-human environment and hence the capability to understand and handle the emotions in others also needs to be studied and its impact needs to be measured.

New research indicates that success of a new business venture has a critical dependence on the ability of the entrepreneur or the business owner to efficiently manage the human side of the business (Barber, Wesson, Roberson, & Taylor, 1999). When we speak of managing the human side, it naturally encompasses how emotions of the people representing the business and the emotion of the clients of that business are handled.

It is of supreme importance for a new business venture to attract new clients and research tells us that emotions play an important role in the decision of a new client to invest (Mulligan & Hastie, 2005).

Traditionally, it has been believed that emotions are controlled by a different part of the brain where-as logic and cognition originate in a different part of the brain, and hence emotions are essentially construed as separate from cognition (Boren, 2010). However, path breaking work done by Cohen (2005) demonstrated that the region of the human brain responsible for processing logic and reasoning and the area of the human brain responsible for emotions and feelings are not that distinct but in fact seem to be connected at a neural level. Emotional intelligence is believed to be that field of science which considers the results of integrating the emotional functioning of the brain and the logical processing of the brain to create a rare ability where the cognitive tasks can make efficient use of emotional information. This can have a significant impact on the entrepreneur since researchers have found that creativity is connected to emotion and creativity is a key component of entrepreneurial success (Boren, 2010). While the connection between creativity and effect is complex, evidence suggests that by and large, individuals experiencing positive effect tend to be more creative than those experiencing negative effect or even a neutral effect (e.g., Estrada, Isen, & Young, 1997; Isen, 2000).

One of the most important features of success for an entrepreneur is the ability for his/ her team to recall important information at the right time and make the right business decisions under pressure based on this information in an unpredictable environment. Research shows that positive moods can enhance memory storage and recollection of information. Individuals store and recall information from their memory depending on the mood they were experiencing when the information was being dissipated. Emotionally intelligent leaders or entrepreneurs would hence have the ability to affect the right and relevant moods in their teams when giving important information (Baron, 2008).

Positive feelings and emotions also seem to have a direct influence on the ability of the entrepreneur to deal with stress and pressure (e.g., Carver & Scheier, 2001). Positive feelings and emotions encourage matured strategies to deal with stress like direct efforts to solve the problems causing stress whereas negative feelings and emotions lead to ineffective strategies to deal with stress like avoidance, denial or substance abuse.

A lot of new ventures are started by two or more entrepreneurs coming together and 'co-founding' a company. Needless to say, the success and health of the venture depends now on the co-founders and their ability to mutually work together in harmony. Research shows that positive feelings and emotions tends to reduce the conflict between individuals who work together, like the co-founders of a new venture (e.g., Barsade, 2002). Studies have indicated that there is evidence that conflict between co-founders of a business venture negatively effects the survival of new ventures (e.g., Ensley, Pearson, & Amason, 2002). Hence, it is of utmost importance that co-founders understand and practice living and spreading positive feelings and emotions.

So far, we have discussed how the entrepreneur, who is playing the role of a high impact decision maker or a leader in his/ her business venture, effects the performance of his/ her team members or juniors based on positive or negative emotional affect. But we should not ignore the possibility of the reverse process happening, meaning situations in which the team members of a new business venture or a startup may influence, emotionally, the mood and feelings of the entrepreneur, CEO or the business owner/ leader. Researchers in this field studied the possibility of an emotional contagion, which means the emotional states in one person can be conveyed to others, and have found that emotional contagion can flow from leaders to followers and also interestingly enough, from followers to leaders.

In a research done by Tee and Ashkanasy (2008) found that leaders who were in groups which had a positive mood took faster decisions and displayed better performance than compared to leaders who were in negative mood groups. Hence, it is believed that the emotions and feelings of followers can also have an impact on leaders.

Another important factor to be considered for new business ventures is trust that the entrepreneur has in his/ her team and the trust that the team members or employees have in the entrepreneur/ leader. Simons (1999, 2002) through his research established that if the leader displayed negative moods and feelings towards his team, then the team members/employees develop attributions of insincerity which will negatively impact the trust climate of the team and this will negatively impact performance.

The behaviour that leaders/ entrepreneurs display is either attributed towards the leader's internal attitude or towards external circumstances. If a leader consistently displays negative emotions and feelings, then due to the effect of emotional contagion, the team members or employees shall also display more negative emotional behaviour at the work place. Also, if the leader consistently displays negative emotions and feelings, the members of the company/ team shall start attributing this behaviour to the leader's internal attitude rather than towards external environmental circumstances (Dasborough, 2006; Dasborough & Ashkanasy, 2002).

An important procedure in the life of any entrepreneur is to evaluate a given business situation in terms of risk. The ability to take risks for an entrepreneur is influenced by the emotional state that the entrepreneur is in. When an entrepreneur is experiencing positive emotions, he/ she evaluates the situation positively (Carver, 2003; Isen & Shalker, 1982) and hence might be willing to take more risks (Leith & Baumeister, 1996). Also, our emotions have the capability to give information about the world that surrounds us (Schwarz & Clore, 1983, 2003). When we experience positive moods and feelings, the signal we internally get is that the environment is safe. Such conditions may encourage an individual to try out new and novel things (Fredrickson, 2001).

It is also observed from previous research that entrepreneurs view a new business opportunity from the lens of their previous success or failure experiences. Also, there are emotional interferences on why an entrepreneur will pursue or not pursue a new business opportunity. For example, it was found that entrepreneurs who have seen prior failures in business tend to be conservative in reacting to positive signals in a new opportunity context. Entrepreneurs tend to make opportunity related information personal and then take a decision (Wood, McKelvie, & Haynie, 2014). Another common view as far as evaluating a new opportunity is concerned, is that this evaluation is based on the knowledge the entrepreneur possesses about the industry and the opportunity and hence it gives an impression that the decision to pursue the opportunity is more based on knowledge and less on emotional inputs. A study which challenges this belief was conducted by Wood and Williams in 2013 that showed that in some cases, more knowledge possessed by the entrepreneur serves as a tool of inaction and hence deterred quick decision on the entrepreneur's part for evaluating a new business opportunity.

Traditionally, it is believed that men have stronger entrepreneurial intentions than women and historically, the world saw more men play the role of entrepreneurs than women. This trend is rapidly changing now. Women also traditionally are believed to be more emotional than men. In recent studies, it was found that when it comes to starting new ventures, women perceived emotional barriers like fear of failure to be more important a restricting factor than men. (Shinnar, Giacomin, & Janssen, 2012). Also, entrepreneurship is a very emotionally charged journey because it has extreme demands of time, there is a lot of uncertainty involved and also there are personal consequences tied to the fate of the firm (Cardon, Foo, Shepherd, & Wiklund, 2012). Also, we can see that emotional intelligence is increasingly becoming one of the main factors in what makes people become successful in either business organisations or even in social environments. Across different nationalities and cultures, we see a link between emotional intelligence and entrepreneurial orientation (Pradhan & Nath, 2012).

Table 1: Literature Summary: Emotional Intelligence

Sr. No	*Year*	*Researcher*	*Contribution/ Ideas Expressed*
1	1920	Thordnike	Introduced the concept of 'social intelligence'
2	1935	Doll	Attempt was made to measure 'social intelligence'
3	1983	Gardner	Introduced the concept of 'multiple intelligence', which basically spoke about two different types of intelligences – the interpersonal intelligence and the intrapersonal intelligence.
4	1990	Mayer and Salovey	Established a proper definition of the term 'emotional intelligence'.
5	1995	Goleman	Popularised and established the concept of 'emotional intelligence' and its corresponding measure called 'emotional quotient' or 'EQ'
6	2000	Bar-On	Reuven Bar-On suggested a new term called 'emotional social intelligence (ESI)' since he believed that emotional intelligence is like a set of non-cognitive abilities unlike what Mayer and Salovey suggested in their theory in 1990. His model is tested with measures like Bar-On EQ-i.

Table 2: Literature Summary: Emotional Intelligence and Entrepreneurship

Sr. No	*Year*	*Researcher*	*Contribution/ Ideas Expressed*
1	1982	Isen and Shalker	Positive emotions lead to positive evaluation of the current situation
2	1989	Bird	Entrepreneurial behaviour is observed to be full of emotion, energy and passion.
3	1996	Leith and Baumeister	Entrepreneur experiencing positive emotions might be willing to take more risks
4	1997	Estrada *et al*.	Individuals experiencing positive affect (i.e. positive feelings and emotions) can be more creative than individuals who are experiencing negative or even neutral affects.
5	1997	Smilor	Passion is supposedly the most observed phenomenon in the entrepreneurial procedure
6	1999, 2002	Simons	If the leader displays negative feelings and emotions then the trust climate is negatively impacted in the team members/employees.
7	1999	Aldrich	As many as 50% of businesses/ventures that start end up terminating within the first 5 years of existence
8	1999	Barber *et al*.	New business ventures have a critical dependence on the ability of the entrepreneur to efficiently manage the human side of the business.
9	2001	Fredrickson	When experiencing positive emotions, internal signals are received suggesting that the environment is safe and hence new things can be tried.
10	2001	Carver and Scheier	Positive feelings and emotions also seem to have a direct influence on the ability of the entrepreneur to deal with stress and pressure.
11	2002	Dasborough and Ashkanasy	Consistent display of negative emotions by the entrepreneur/leader shall have a negative emotional contagion effect on the team.
12	2002	Barsade	Conflict between co-founders of a new venture might be reduced by positive feelings and emotions.
13	2002	Ensley *et al*.	Survival of new ventures can be negatively influenced by conflict between the co-founders
14	2004	Baum and Locke	Entrepreneurs who display a strong positive feeling or passion about their entrepreneurial venture tend to be more successful than those entrepreneurs who do not display such a passionate feeling
15	2005	Mulligan and Hastie	Emotions can be an important factor in the decision of a new client to invest in a new business venture.
16	2005	Cohen	Cohen demonstrated that the region of the human brain responsible for processing logic and reasoning and the region responsible for emotions is connected at a neural level.
17	2008	Baron	Ability of an entrepreneur to recognise opportunity and to be creative is enhanced by positive emotions; Ability of the entrepreneur to turn past experiences into present solutions is positively influenced by positive emotions and feelings; Emotionally intelligent leaders or entrepreneurs would hence have the ability to affect the right and relevant moods in their teams when giving important information.
18	2008	Tee and Ashkanasy	Leaders in positive-mood groups made faster decisions and were more effective than leaders in negative-mood groups.
19	2012	Shinnar *et al*.	When it comes to starting new ventures, women perceived emotional barriers like fear of failure to be more important a restricting factor than men.
20	2012	Cardon *et al*.	Entrepreneurship demands high time pressures, uncertainty and personal consequences are tied up with the fate of the firm.
21	2012	Pradhan and Nath	Emotional Intelligence is emerging as an important factor in what makes people successful in business and social environments.
22	2013	Wood and Williams	More knowledge possessed by the entrepreneur can sometimes increase the odds of inaction in terms of evaluating a new business opportunity
23	2014	Wood *et al*.	Entrepreneurs tend to make opportunity related information personal and then take a decision. Past emotional experience of success or failure interfere in this decision.

Summary

This article studied the various aspects of emotional intelligence and how it tends to impact entrepreneurs in various ways in their entrepreneurial journey. Existing research in this field demonstrates that emotional intelligence and entrepreneurship are related in multiple ways and by and large, entrepreneurs having high degree of emotional intelligence display strong traits of successful entrepreneurship and are better poised to take their business ventures to successful outcomes.

Research shows that entrepreneurs with high levels of emotional intelligence tend to be more creative and have better abilities to identify and evaluate new business opportunities. Also, individuals with positive emotional affects have better risk taking and risk analysis capacity which is very important for entrepreneurs.

Success of new ventures depend on the ability of the leader/ entrepreneur to manage the human side of business which essentially has a lot of emotional dependence. Positive emotions also seem to enhance the ability of the entrepreneur to deal with stress and pressure. Since entrepreneurs operate in an environment of uncertainty, abilities like dealing with stress, being more creative and abilities to identify new business opportunities and evaluate risk becomes critical to the success of the entrepreneur and all these abilities are related to emotional intelligence. This article thus establishes, based on existing research, that emotional intelligence is an important parameter for the success of an entrepreneur. Since the world today is seeing more and more young people take up the path of entrepreneurship, we recommend that suitable trainings on enhancing emotional intelligence be taken seriously by budding and establishes entrepreneurs.

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