

Emotional Intelligence and Entrepreneurs

Mirela Kljajić-Dervić

University of Bihac, Faculty of economics, Bosnia and Herzegovina
mirela.kljajic-dervic@unbi.ba, mirelakd@yahoo.com

Ema Burić

University of Zenica, Faculty of economics, Bosnia and Herzegovina
ema.mustajbasic@gmail.com

Šemsudin Dervić

Zavod zdravstvenog osiguranja USK-a, Bosnia and Herzegovina
semsudin.dervic@yahoo.com

Abstract. Emotional intelligence (EI) represents a series of interconnected emotional, personal, and social competencies and skills that affect one's ability to successfully manage their circumstances in any given environment. It impacts every aspect of human life, and thus, entrepreneurship itself. Entrepreneurship is the willingness and ability of an individual to seek out investment opportunities, establish and successfully run an enterprise. The concept of entrepreneurship has been associated with several activities concerned with the establishment and operations of business enterprises. It is the ability to create and build something from virtually nothing. It is an entire process which includes initiating, doing, achieving, risk-taking, and building an enterprise. This study used data collected by The Trait Emotional Intelligence Questionnaire (TEIQue), and the sample consisted of 56 entrepreneurs from Bosnia and Herzegovina (B&H) and the United Kingdom. Results show that EI has a big impact on entrepreneurship, especially in the first year of starting a business.

Introduction

Although essentially a psychological term, emotional intelligence (EI) has recently become the subject of management research, in both theory and practice. According to numerous pieces of research, emotional intelligence influences every aspect of one's life, including the professional.

In the scope of entrepreneurship, having a high emotional intelligence is extremely beneficial. With a high emotional intelligence comes a better understanding of the needs, feelings, and overall condition of others. For example, an entrepreneur with a high emotional intelligence can better understand their coworkers and clients, build a better relationship with them, and even create a product to fit the needs of their target customer.

The objectives of this study were threefold: to determine the entrepreneurs' emotional intelligence level, to examine the differences between UK and B&H entrepreneurs in each segment of the EI model, as well as to explore the impact of entrepreneurs' EI in the first year of starting a business.

Entrepreneurship

Entrepreneurship has gained the attention of academia in the last decades due to its important role in creating jobs and fostering economic development. Entrepreneurship is most often defined as the totality of organizational, innovation, and management skills. In practice, it is a process of creating new values by taking advantage of opportunities with certain available resources. An enterprise is, therefore, an

independent economic, technical, and social entity owned by certain entities, which produces a good or service for the needs of the market, using appropriate resources and reducing business risk, in order to achieve profit and other economic and social goals (Škrtić, 2006).

According to Austin (2018), entrepreneurship represents the willingness and ability of an individual to seek out investment opportunities, and to establish and run an enterprise successfully. The concept of entrepreneurship has been associated with several activities concerned with the establishment and operations of the business enterprises.

Stevenson and Gumpert (1985) define entrepreneurship as the process of creating value by putting together a unique package of resources to exploit an opportunity. Entrepreneurship is the ability to create and build something from virtually nothing. It is an entire process which includes initiating, doing, achieving, risk-taking, and building an enterprise.

Entrepreneurship and Economy

Entrepreneurship is considered an important mechanism for economic development through employment, innovation and welfare effects (Schumpeter, 1934; Acs and Audretsch, 1988; Wennekers and Thurik, 1999; Baumol, 2002).

The entrepreneurial function has been accepted as a vital component of economic growth for a long time. The latest empirical studies argue that historical theories explaining economic growth with capital accumulation and expansion of the labor force now fail to explain production function implicitly, and the lessons learned from experiences of numerous countries are supporting this approach (Baumol, 1968: 65).

To summarize, the traditional definitions of the term can be grouped in four main categories as follows (Tyson et.al, 1994: 166): entrepreneurship as stabilizing force; entrepreneurship as risk-taking; entrepreneurship as innovation; entrepreneurship as founding, owning or managing a enterprise. Most importantly, entrepreneurs make up the driving force behind any nation's economy; they are value-adders and represent the wealth of a nation and its potential to generate employment (Austin, 2018).

Entrepreneurship in Bosnia and Herzegovina

Entrepreneurship in Bosnia and Herzegovina (B&H) is not as developed. Unfortunately, many external factors are negatively impacting the speed of this development, even though there is a lot of general appetite and intention for starting a business. Unstable political situation, high taxes in comparison to the low standard of living, weak financial support by the government, shortage in information and education opportunities for future entrepreneurs, complicated bureaucratic procedures etc., are only some of the features of doing business in B&H.

Bosnia and Herzegovina does not even have publicly available registers for organizing different types of business activities, even though these are required by the law. According to the Agency for Statistics of Bosnia and Herzegovina (2019), there were 35,077 registered enterprises on 31st December 2019, out of which 34,693 were small and medium enterprises (SMEs). Still, the number of artisans who also administer a portion of business activities remains unknown.

While trying to gain insights into the scientific data on this topic, we also encountered a lack of information. Unfortunately, there are not many recent scientific papers that have examined this issue.

Apparently, entrepreneurship is neither the primary focus nor the matter of interest of neither the government nor the scientific community.

One of the best indicators of the business environment, both in BIH and the world, is the Ease of doing business index. This is a document by the World Bank which analyzes how easy it is for a local entrepreneur to start and operate a small or medium enterprise in accordance with the current country's legislation. The document measures and keeps track of regulatory changes concerning 11 stages in an enterprise's life cycle: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and labor market regulation. According to the Ease of doing business index, B&H was ranked 89th out of a total of 190 countries in 2019. According to the total score, all countries of former Yugoslavia were ahead of BIH: Slovenia was ranked 40th, Kosovo 44th, Serbia 48th, Montenegro 50th, Croatia 58th, while North Macedonia even managed to get in the top 10 countries, being ranked 10th (Lakoća poslovanja, 2019).

Entrepreneurship in the United Kingdom

Entrepreneurship in the UK is well-developed. According to the data available online, at the start of 2020, there were 5.9 million small businesses registered. Compared with the previous year, the private sector business population increased 1.9%, or in other words, there were 113,000 new businesses (FSB, The Federation of Small Businesses, 2020). Research to date has shown that people have an extraordinary intention for an entrepreneurial career. Rosling (2020) states that 64% of the UK workforce wants to set up a business and 83% of 18-24-year-olds dream of self-employment. Aforementioned Ease of doing business index shows that the environmental factors that support entrepreneurship in the UK are remarkably developed. According to the previously referenced 2019 report, the UK was ranked 9th worldwide (Lakoća poslovanja, 2019).

The data on the Entrepreneurship in UK (2020) website shows that the British government provides not only financial support but also complete entrepreneurship development networks. They assist with technical matters, manufacturing procedures, marketing strategies, innovation, design implementation, imports and exports, and legal issues. Entrepreneurs are offered coaching by experienced mentors to improve their businesses, and there are special programs available to help them achieve a fast-tracked growth. The latter include performance standardization, market research, investment, innovation, and training skills for employees. The UK entrepreneurs can network with like-minded people through business collaboration and innovation networks. These can assist in supply chain management collaboration, market exploitation, and sharing of procedures and technologies for a mutual benefit. Businesses in the UK often need expert knowledge for growth, and there are two councils that offer some on manufacturing advice and performance development, namely The Manufacturing Advisory Service (MAS) and Designing Demand.

UK Business Incubation (UKBI) is in charge of creating the right working environment, and subsequently – successful entrepreneurship. Research and development (R&D) centers, laboratories, social regeneration projects and commercial clusters are services available to the targeted UK entrepreneurs for diversification. They can share technical, scientific and research resources. The UK government has also announced financial measures to aid entrepreneurship during recession under the scheme "Small Loans for Business", which provides loans up to £50,000. A feasible and comprehensive business plan must be submitted for application. Additionally, the Grant for research and development has made special grants available for innovative products with the aim of promoting entrepreneurship in the UK (Entrepreneurship in UK, 2020).

Emotional Intelligence and Entrepreneurship

Since our topic is not related to the study of environmental factors which affect entrepreneurship, we are now focusing on the internal factors, that is, the features associated with individuals, one of them certainly being emotional intelligence. To date, abundant research has been conducted globally on the impact of EI on entrepreneurship, through commitment of entrepreneurial appetites and intentions.

One instance of such research was done by Ngah and Salleh (2015), who claim that emotional intelligence undoubtedly impacts entrepreneurship. According to them, its influence on entrepreneurial and social interactions is evident in negotiations, identifying and exploiting opportunities, obtaining and organizing resources, managing stress, obtaining and maintaining customers as well as providing leadership.

Humphrey (2013) considers that the importance of EI in terms of entrepreneurship refers to the ability to regulate one's emotions, which can help entrepreneurs deal with well-known problems that arise when starting a business. The ability to interact effectively with other people, a skill associated with higher EI, is often necessary for individuals attempting to exploit opportunities through innovation (Ahmetoglu et al., 2011).

Emotional intelligence (EI) has significant impact on several variables such as effects for entrepreneurial situations and social interactions like negotiation, attaining and organizing resources, identifying and exploiting opportunities, managing stress, getting and maintaining customers, as well as being a good manager and leader (McLaughlin, 2012, Awad and Kada, 2012).

Ghorbani et al. (2012) claim that EI conditions the entirety of characteristic entrepreneurial behaviors and activities. They see it as the foundation of all social interactions which involve activities such as presenting to investors, gaining and maintaining customers, negotiating, as well as attracting, selecting, and handling employees, suppliers, and partners. They see EI as a combination of competencies which contribute to a person's ability to manage and monitor his or her own emotions, to correctly gauge the emotional state of others and to influence opinions.

Emotional Intelligence

The term "emotional intelligence" was first introduced in the early 1990s by the psychologists Salovey and Mayer (1990). Since it enhanced the confusion in the already controversial field of intelligence studies, the concept was initially disapproved among the experts in the field of psychology (Ilić, 2008). Therefore, Salovey and Mayer (1990) failed to popularize it at the time, and it was only when Goleman published "Emotional Intelligence: Why It Can Matter More Than IQ" in 1995, that EI was acknowledged in the scientific community. Since then, it has become the focal point of study for many social science researchers (Ilić, 2008).

Various term definitions have been created over the years, but Salovey and Mayer's (1990) remains the most prevalent. They defined it as a type of social and personal intelligence which contributes to a precise evaluation of emotion in oneself and in others, as well as the ability to distinguish that information and use it to guide one's thoughts and behaviors (Mortan et al., 2004).

Bar-On (1997) defined emotional intelligence as a series or interconnected emotional, personal, and social competencies and skills which influence one's ability for successful managing of their circumstances in any given environment.

According to Mayer, Salovey and Caruso (2000), emotional intelligence comprises two parts: emotion and intelligence. Emotion is defined as a feeling or reaction which is a direct response to a certain real

or imaginary situation. Intelligence, on the other hand, is defined as one's ability to engage in different forms of reasoning.

Regardless of its definition, emotional intelligence undoubtedly has a great influence on every aspect of human life. This includes major life outcomes, such as improved psychological health and well-being (Schutte et al., 2007), as well as fulfilling social relationships (Lopes et al., 2004). Furthermore, EI is a good predictor of work performance (O'Boyle et al., 2011), work commitment, job involvement and satisfaction (Carmeli, 2003).

Nevertheless, emotional intelligence is not a guarantee of a successful life of its own accord (Goleman, 2001). Rather, it is a platform for developing emotional competencies, which can in turn foster the achievement of exceptional work results.

On top of the various definitions found in literature, emotional intelligence has also been presented through a number of different models. This paper will refer to the one established by Petrides (2009), as seen in Figure 1.

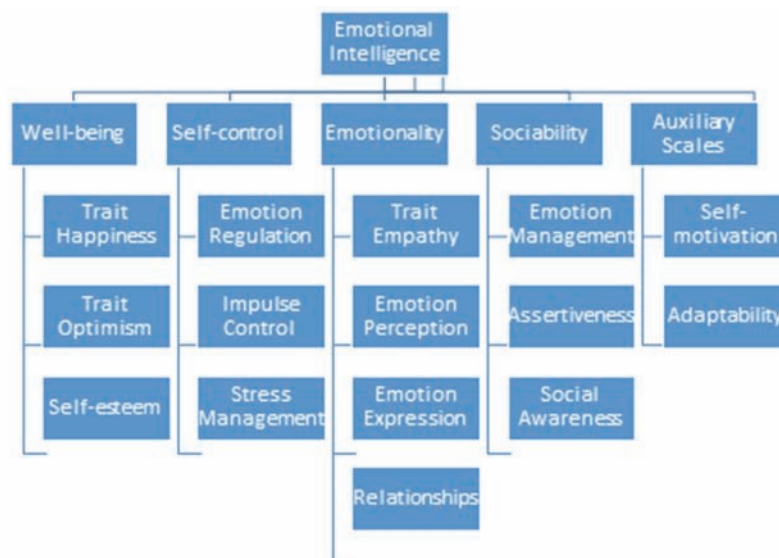


Figure 1 Petrides's (2009) model of emotional intelligence

Each of this model's 15 determinants (scales) will now be clarified. Adaptability allows one to compromise and accommodate to new conditions, while assertiveness implies being upfront, honest, and determined to fight and advocate for oneself. Emotion perception is associated with one's clear estimation of their own and the feelings of others. While emotion expression is one's ability to successfully convey their feelings to others, one's ability to affect others' feelings is called emotion management. Emotion regulation refers to one's ability to effectively control their emotions (Petrides et al., 2007).

If one is more thoughtful and less likely to give in to temptation, we can say he or she has a proper impulse control. Emotional intelligence is also related to the ability to build quality, meaningful relationships. Self-motivation is one's personal drive and tenacity which decreases the likelihood of giving up when faced with challenges, whereas self-esteem implies self-confidence stemming from success. Proficient networkers with excellent social skills have a developed social awareness. Stress management is related to the effective handling of stressful circumstances and the ability to endure pressure. The ability to comprehend different situations from the perspectives of others is called trait

empathy. Trait happiness refers to pleasure and joy associated with one's life, whereas trait optimism signifies one's confidence and hope about life (Petrides et al., 2007).

A notable development related to emotional intelligence, along with the previously discussed model, is an instrument called Trait Emotional Intelligence Questionnaire (TEIQue). It consists 153 claims in connection with the 15 previously mentioned determinants (scales) of EI. There are also several different variations of this instrument, including a condensed version with 30 questions, and forms for adolescents and children. The questionnaire has been translated into over 25 languages (Mijatović, 2018).

Discussion

The sample for this study consisted of 56 entrepreneurs from Bosnia and Herzegovina and the United Kingdom. The study used data collected by The Trait Emotional Intelligence Questionnaire (TEIQue). We used a condensed version of the instrument with 30 questions, with additional entrepreneur-related questions. A total of 21.43% of the participants were female and 78.57% were male. 66.07% of the participants were from B&H, and 33.93% were from the UK.

The proportion of individuals with low total EI was 69.23% for entrepreneurs in B&H and 30.77% for entrepreneurs in the UK.

A big impact of emotional intelligence on entrepreneurship is reflected in the average age for starting a business. Among 56 participants, the average age when they started their business was: 25.95 for participants with a high score, and 36.54 for participants with a low score. This indicates that individuals with higher emotional intelligence are likely to start their business younger.

Well-being as a segment of the EI model was also considered, including one's self-esteem, trait optimism and trait happiness. 81.82% of the participants with a low score were entrepreneurs from B&H, which can be linked to the unfavorable political, social and business environment in this country. On the other hand, only 18.18% of those with a low score were entrepreneurs from the UK.

The big difference between entrepreneurs from B&H and the UK can also be observed in the self-control segment, where 83.33% of the participants with a low score were entrepreneurs from B&H and 16.67% were those from the UK.

Emotionality is defined as the ability to accurately perceive one's own and the feelings of others, to communicate them and empathize with them, as well as to have fulfilling personal relationships. Even in this segment 68.42% of the participants with a low score were from Bosnia and Herzegovina, and the remaining 31.58% were the entrepreneurs from the United Kingdom.

The smallest difference in a low score between entrepreneurs in B&H and the UK was in the sociability segment. Sociability is the ability to recognize, acknowledge, and understand the viewpoints or emotional expressions of others, to influence other people's feelings, and to be assertive for what is right. In this segment, 56.25% of the participants with a low score were the entrepreneurs from B&H, and 43.75% were from the UK.

Conclusion

Emotional intelligence had not been previously considered as a significant factor influencing entrepreneurship in research, especially in B&H and the region. This study has provided certain information which can serve as a foundation for further research in this area, where we suggest exploring

the underlying cause for the slow entrepreneurial development in B&H. The study has shown that entrepreneurs in Bosnia and Herzegovina have a lower emotional intelligence when compared to their peers from the United Kingdom, which is directly proportional to the level of entrepreneurial development in these countries respectively. The fact is that emotional intelligence reflects the state of the surrounding, but it does not mean that its effect on entrepreneurship should be neglected. This study has also brought an interesting fact to light, that is, individuals with higher EI are more likely to launch their business at a younger age.

References

1. Acs, Z. J., & Audretsch, D. B., (1988). Innovation in large and small firms: An empirical analysis. *American Economic Review*.
2. The Agency for Statistics of Bosnia and Herzegovina (2019). Business Statistics. Units of the Statistical Business Register Data as of December 31, 2019. Accessed at http://www.bhas.ba/data/Publikacije/Saopštenja/2020/SBR_01_2019_Y1_1_BS.pdf
3. Ahmetoglu, L., & Premuzic, C., (2011). EQ-nomics: Understanding the relationship between individual differences in Trait Emotional Intelligence and entrepreneurship. *Personality and Individual Differences*
4. Austin, D. (2018). *Fundamentals of Entrepreneurship Development*. Panamaline Books Distributors.
5. Awad, M.S., Kada, A. H., (2012). Emotional intelligence and entrepreneurial orientation. The moderating role of organizational climate and employees' creativity.
6. Bar-On, R., (1997). *The emotional quotient inventory (EQ-i). Technical Manual*. Toronto: Multi Health Systems.
7. Baumol, W.J., (1968). Entrepreneurship in Economic Theory). *The American Economic Review*, Vol. 58, No. 2, Papers and Proceedings of the Eightieth Annual Meeting of the American Economic Association May.
8. Baumol, W.J. (2002) "Entrepreneurship, Innovation and Growth: The David-Goliath Symbiosis," *Journal of Entrepreneurial Finance and Business Ventures*: Vol. 7: Iss. 2, pp. 1-10.
9. Carmeli, A., (2003). The relationship between emotional intelligence and work attitudes, behavior and outcomes. *Journal of Managerial Psychology*
10. Entrepreneurship in UK (2020). How to Become an Entrepreneur. *Entrepreneurs UK*. Accessed at <https://www.entrepreneursuk.net/entrepreneurship-in-uk/>
11. FSB, The Federation of Small Businesses (2020). UK Small Business Statistics. Accessed at <https://www.fsb.org.uk/uk-small-business-statistics.html>
12. Ghorbani, G. Johari, S., Moghadam, A.A., (2012). Analysis of the Relationship Between Emotional Intelligence and Entrepreneurship. *Middle East Journal of Scientific*.
13. Goleman, D. (1995). *Emotional intelligence: Why it can matter more than IQ*. New York: Bantam Books.

14. Goleman, D., (2001). *The Emotionally Intelligent Workplace: How to Select for, Measure, and Improve Emotional Intelligence in Individuals, Groups, and Organizations*. San Francisco, CA: Jossey-Bass.
15. Humphrey, R.H., (2013). The Benefits of Emotional Intelligence and Empathy to Entrepreneurship, *Entrepreneurship Research Journal*, 3, 3, pp. 287-294.
16. Ilić, E., (2008). Emocionalna inteligencija i uspješno vođenje. *Ekonomski preglod*.
17. Lakoća poslovanja (2019). Bosna i Hercegovina, Federalni zavod za programiranje razvoja, Accessed at: <http://fzzpr.gov.ba/bs/pubs/30/6/doing-business--lakoca-poslovanja>
18. Lopes, P., Brackett, M., Nezlek, J., Schütz, A., Sellin, I., & Salovey, P., (2004). Emotional Intelligence and Social Interaction. *Personality and Social Psychology Bulletin*.
19. Mayer, J.D., Salovey, P., & Caruso, D.R., (2000). Models of emotional intelligence. In Sternberg R.J. (Ed.), *Handbook of Intelligence*, Cambridge: University Press.
20. McLaughlin, E., B., (2012). *An Emotional Business: The Role of Emotional Intelligence in Entrepreneurial Success*. Denton, Texas.
21. Mijatović, L., (2018). Emocionalna inteligencija kao prediktor reaktivnosti i regulacije emocija u situaciji koja provocira uznemirenost. PhD Thesis. Belgrade Faculty of Philosophy.
22. Ngah, R., & Salleh, Z., (2015). Emotional Intelligence and Entrepreneurs' innovativeness towards Entrepreneurial Success: A Preliminary Study. *Malaysian Academy of Entrepreneurship and SME Development*.
23. O'Boyle, E. H., Humphrey, R. H., Pollack, J. M., Hawver, T. H., & Story, P. A. (2011). The relation between emotional intelligence and job performance: A meta analysis. *Journal of Organizational Behavior*, 32(5), 788-818.
24. Petrides, K.V., Pita, R. & Kokkinaki, F., (2007). The location of trait emotional intelligence in personality factor space. *British Journal of Psychology*.
25. Petrides, K.V., (2009). Psychometric Properties of the Trait Emotional Intelligence Questionnaire (TEIQue). In Stough, C., Saklofske, D. H., Parker, J. D. A. (Eds.), *Assessing Emotional Intelligence*, The Springer Series on Human Exceptionality, Boston, MA: Springer.
26. Rosling, L. (2020). 64% of Britain's Workforce Wants to Set Up Their Own Business. *SME Loans*. Accessed at <https://smeloans.co.uk/blog/64-percent-of-britains-workforce-want-to-start-a-business/>.
27. Salovey, P. & Mayer, J.D., (1990). Emotional intelligence. *Imagination, Cognition and Personality*, (3).
28. Schumpeter, J. A., (1934). *The theory of economic development*. Cambridge, MA: Harvard University Press.
29. Schutte, N. S., Malouff, J. M., Thorsteinsson, E. B., Bhullar, N., & Rooke, S. E. (2007). A Meta-Analytic Investigation of the Relationship between Emotional Intelligence and Health. *Personality and Individual Differences*, 42, 921-933.

30. Stevenson H. H. and Gumpert D. E., (1985). The Heart of Entrepreneurship. Harvard Business Review, March-April.
31. Škrtić, M. (2006). Poduzetništvo. Zagreb: Sinergija nakladništvo.
32. Tyson, L.A., Petrin, T., Rogers, H., (1994). Promoting Entrepreneurship in Eastern Europe. Small Business Economics.
33. Wennekers, A. R. M., & Thurik, A. R., (1999). Linking entrepreneurship and economic growth. Small Business Economics.