

## **A Comparative Analysis of the Relationship between Emotional Intelligence and Entrepreneurial Orientation in Public and Private Banks**

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### **ABSTRACT**

This study aims at having a comparative analysis between emotional intelligence and corporate entrepreneurship (entrepreneurial orientation) in the public and private banks. The methodology is descriptive/correlative and the samples include randomly selected 442 bank clerks. The means for gathering the data consists of two standard questionnaires, the reliability of which has been confirmed using the Cronbach's method. The results show that there is a significant correlation between emotional intelligence and corporate entrepreneurship however, the correlation ratio in the private banks is 11% higher than the public ones.

**Key words:** Emotional intelligence, corporate entrepreneurship, entrepreneurial orientation, social skills

### **INTRODUCTION**

Organizations must pay close attention to emotional intelligence since, it plays an important role in the working environments. Entrepreneurship, at the level of organizations and entrepreneurial orientation at the level of individuals, can be considered as competitive advantages in the modern era. In order to survive in an age of competition, organizations must consider such factors as creativity, innovation, risk taking and pro activeness both in the area of personnel and human resources and in the field of structure and processes. Some of the changes outside the organizations and some conditions inside them provide appropriate opportunities for innovation, discovering and using which is one of the important characteristics of entrepreneurs and entrepreneurial organizations. Developing available capacities, the corporate entrepreneurship creates new career opportunities. In this way, it has made both a competitive advantage and helped the social welfare (Cherniss *et al.*, 1998).

Therefore, it can be said that one of the major issues of the modern organizations is the entrepreneurial orientation in the employees and the important factors influencing it. In fact, the organizations will deteriorate if they lack entrepreneurial staff. Therefore, the entrepreneurial researches must be directed in a way that will analyze this orientation in the employees and test the effective factors on it. Considering the aforesaid points, the main question of study is whether there is a significant difference between the emotional intelligence and corporate entrepreneurship (entrepreneurial orientation) in the private and public banks or not.

According to Schumpeter's theory, entrepreneurship is the main force in economic development which includes innovation or creating new combinations of the materials. In a study, it is believed that the organizations can establish suitable environments for the entrepreneurial activities because they include necessary paradoxes for creative thoughts and behavior (Wren, 1995). Entrepreneurship can occur when an individual or a group of people start a new economic activity and it can happen inside an already active organization. This latter type is called corporate entrepreneurship. John Thomson believes that entrepreneurial behavior is a comprehensive and necessary need for all organizations (public, private, volunteer, etc.) in all sizes (large, average and small). The most acceptable practical definition of emotional intelligence has been suggested by Mayer and Salovey (1995). According to them, emotional intelligence consists of the ability to control one's feelings and others', to distinguish between them and to use this information for personal thought and practice (Mayer *et al.*, 2004).

Mayer suggested and proved on his observations that a manager's ability to control his emotions and thoughts has a positive effect upon the entrepreneurial behavior within an organization. The emotional intelligence influences the characteristic entrepreneurial behavior through two key processes. The first and foremost process is emotional evaluation. A high rate of changes in stress and environmental pressures can be witnessed in the employees with high level of emotional intelligence and self-awareness. They are more skilled at evaluating and controlling their emotions, for example, the employees with high emotional intelligence have more tolerability against the environmental pressure. Recognizing the desperate feelings and controlling those emotions in order to reduce stress is increased along with an increase in the level of entrepreneurial behavior. The second key process is cognitive one. The people with high emotional intelligence have a high level of understanding and motivation and as the result, they can create interests and facilitate the entrepreneurial behavior (Brundin *et al.*, 2008).

The organizational need for entrepreneurial practice results from the fact that they are active in a complex and dynamic environment with its characteristics of fast, important and unstable changes, which also represents the employees' tendency to work entrepreneurially (Humphrey, 2002).

There are numerous evidences proving that people with emotional skills excel in all areas of life, whether emotional and friendly relationship or understanding untold principles which help to progress an organization's guidelines (O'Neil, 1996).

Goleman says that the emotional intelligence exists when a person has appropriate characteristics such as self-consciousness, self-management, empathy and social skills. However, a new topic prevalent in the researches related to the management and organizations is the relationship between emotional intelligence and entrepreneurship. Cross and Travaglioni (2004) suggested that an entrepreneur's emotional intelligence is the missing link in understanding an entrepreneurial success (Goss, 2007).

A study entitled "Analysis of the effects of the managers' emotional intelligence on the employees' entrepreneurial orientation" was conducted by Brundin *et al.* (2008). This study shows how the emotional representations of the managers affect the employees in their tendency towards an entrepreneurial practice. The results of their study showed that there were significant interactive factors between the emotional intelligence and that the managers' emotional behavior has an essential and significant effect on the employees' decision taking. Especially, the means of trust and satisfaction in relation to the entrepreneurial projects increase the employees' tendency towards entrepreneurial practices. This finding approves the results of studies such as those

conducted by Mayer and Salovey (1995) that the emotional intelligence enables managers to use emotions as a mean of manipulating cognitive processes of the employees. The emotions direct the attention and the expressed emotions of the managers can encourage or discourage the employees (Clarke, 2010).

Albeit these results, it is a fact that the belief and satisfaction on the part of the managers encourage the employees in the positive forms according to their entrepreneurial motivations. While the managers' failure, worries and confusion has a reverse effect. But the negative forms are functional in case of a complex and dangerous situation and encourages paying attention to the details, adaptation and continuity.

These results are important for the managers in taking the responsibility of the entrepreneurial projects (Brundin *et al.*, 2008). Another study shows the emotional intelligence, it prove that the emotions and feelings of the service workers have strong influences on the customers' behavior. Zampetakis *et al.* (2009) proved that the characteristics and features of the emotional intelligence, as a form of emotional self-effect, can be considered as an important personal motivation for entrepreneurial attitudes and intentions. This relationship, however, is indirect and is balanced via a tendency towards pro activeness and creativity. They declared that students with high emotional intelligence and emotional self-effect have tolerance against the stress and pressure, which is a motivation for pro activeness. Wiklund and Shepherd (2003) said that pro activeness, innovation and risk-taking have positive effects on small firms. The function of such firms is influenced by the financial investment. The relationship between entrepreneurial orientations and functions varies for different types of firms, for example, Lumpkin and Dess (1996) admitted in their conceptual model that the internal and external factors of a firm balance the relationship between functions and entrepreneurial orientation.

**Goleman's emotional intelligence model:** The Goleman's emotional intelligence model includes several aspects such as self-awareness, self-management, self-motivation, empathy and effective communication (Goleman, 1995). In general, Goleman changed the concept of the emotional intelligence in two aspects which were called personal and social skills. The personal skills consist of self-awareness, self-management, self-motivation while, social skills include the skills for empathy and social communications (Fig. 1).

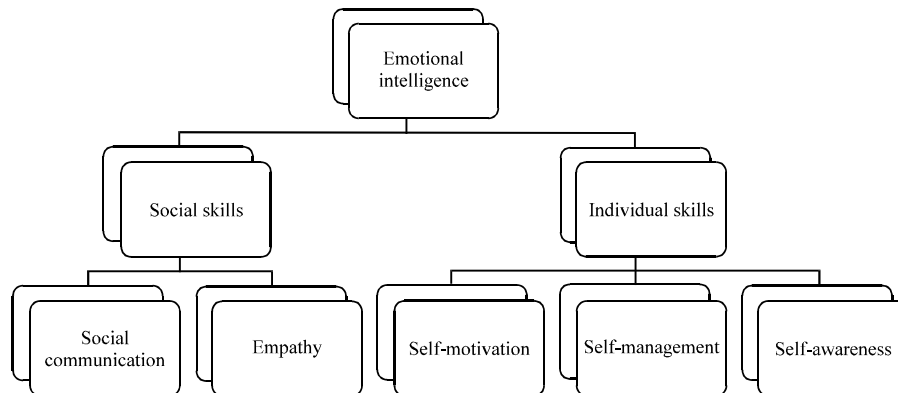


Fig. 1: Goleman emotional intelligence model

In other words, the first three skills are related with recognition, inference, facilitation and understanding the personal feelings of an individual and the person can motivate himself based on it and makes himself ready to go to the second phase i.e., the effective communication. The other two skills relate to understanding, recognizing the feelings, motives and moods of other people with knowing by which a healthy and effective relationship can be established. Goleman in his book "The Emotional Intelligence" admits that the above-mentioned skills are needed in the model but are not enough (Ilarda and Findlay, 2006).

**Self-awareness:** Self-awareness means having a deep understanding of one's emotions, strengths, weaknesses, needs and motives. The people with high self-awareness are neither too critical nor too hopeful. They are honest with themselves and others. The people with high level of self-awareness know how to identify the effects of their personal feelings on themselves, others and their jobs. One of the obvious signs of self-awareness is a sort of self-critical feeling combined with a sense of humor. The self-aware people know their own limitations and weaknesses and talk about them easily and are often willing to hear beneficial comments. The self-aware people can be recognized based on their self-confidence (Goleman, 1998a).

**Self-management:** It means resistance against the emotional crises in life. In order to feel satisfied, we do not need to avoid unpleasant feelings and we must not permit the uncontrollably destructive feelings to replace all pleasant emotional moods. The people, who experience severe anger or despair, can still feel happy if they spend the same amount of time in happiness and enjoyment.

**Self-motivation:** Highly motivated people maintain their optimism even, if the results are against them. In such cases, self-management along with the motive for achieving success defeats the despair and hopelessness which result from misfortunes or failures. The managers, who attempt to identify high levels of motivation and success in their employees, can search for the final link of the sign, which is the commitment towards organization. When the people love their jobs because of the job itself, they feel committed towards the organization which has created that opportunity for them (Goleman, 1998b).

**Empathy:** Empathy is based on self-awareness. The more aware we are about our feelings, the more skillful we will be in finding others' emotions. In all communications, emotional coordination and empathy are the origins of paying attention to others. This capacity i.e., the ability to recognize others' emotions plays an important role in different areas of life. The word "empathy" was used for the first time by E.B. Tichener, an American psychologist, in the 1920s. This word is a little different from its original meaning of the Greek word "empathies" which means "entering into one's feelings". According to Tichener's theory, empathy results from a kind of physical imitation of one's despair which later creates the same feelings in that person. He searched for a word which would be different from sympathy which refers to the general feeling towards another person's misfortune and despair without sharing his emotions.

**Social skills:** These skills are social competencies which will be effective in putting up with others. Weakness in this field ends in inappropriateness in the social arena or repeated misfortunes in inter-personal communications. In fact, lacking these skills can make the most intelligent people

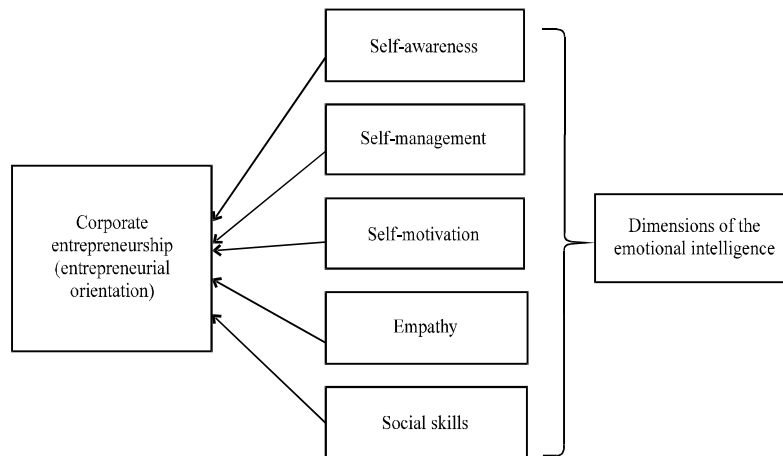


Fig. 2: Conceptual framework variables

feel weak in their relationships and seem selfish, hypocrite or emotionless. These social skills enable a person to communicate with others, to motivate and inspire them, to progress in friendly relationship, to persuade and influence people and make them feel certain and confident. Generally, these skills improve the interpersonal relationships and are necessary for attracting others and social success (Goleman, 2001).

**Corporate entrepreneurship (entrepreneurial orientation):** In fact, this issue has been approved for managers that the conditions of the current organizations are in a way that, solving the problems needs new methods and various sources and there is no doubt that one of the most important sources is initiatives, creativity, innovation and in one word, entrepreneurship, which is one of the most crucial elements in development. Different scholars have expressed various ideas related to the importance of entrepreneurship in organizations Pinchot points to interesting things.

Handfield *et al.* (2009) calls the corporate entrepreneurship the renaissance of organizations and believes that entrepreneurial organizations are better controlled than hierarchical organizations because there will be a better proportion between the system and responsibilities. On the other hand, these organizations are suitable for innovation and can maintain their thought of investments. Therefore, people in entrepreneurial organizations are of higher quality. Another study described that entrepreneurship and innovation are the heart of national profitability (Pardakhchi, 2006).

**Theoretical framework:** The theoretical framework is a sort of conceptual model based on the theoretical relationship among a number of elements which have been considered as important in relation to the research subject. The theoretical framework determines the relationship between different elements which are thought to have an effect on the changes of the considered conditions.

Considering the Fig. 1, the conceptual framework variables are described in Fig. 2.

## METHODOLOGY

This study is practical, measuring and correlative. The statistics population includes 442 Iranian employees in the private and public sectors which have been selected randomly. The

data gathering process was based on library research along with field studies. The tools include two standard questionnaires; one was used to evaluate the entrepreneurial orientations and the other was used for emotional intelligence taken form Goleman’s model which has been arranged according to Lickert spectrum. The emotional intelligence questionnaire and entrepreneurship questionnaires were confirmed with a coefficient of 87 and 83%, respectively. Spearman testing method and SPSS have been used for analyzing the data.

**RESULTS**

In order to test the principal hypothesis, at first the relationship between emotional intelligence and corporate entrepreneurship (entrepreneurial orientation) in public and private sectors was analyzed. To do this, the Spearman correlation test was used, the results of which are presented:

**H1:** There is a significant difference between emotional intelligence and corporate entrepreneurship (entrepreneurial orientation) of the public and private bank personnel (Table 1).

Based on the Table 1, the correlation in the public and private sectors is 0.784 and 0.894, respectively which is quite significant. Since both are less than 0.05 at the significance level, it becomes clear that there is a relationship between emotional intelligence and entrepreneurial orientation.

**H1a:** There is a significant difference between self-awareness and corporate entrepreneurship (entrepreneurial orientation) of the public and private bank personnel (Table 2).

According to the Table 2, there is not any significant difference between self-awareness and corporate entrepreneurship (entrepreneurial orientation) of both public and private employees. It means that in both sectors at the level of 0.05 significance, the zero hypothesis is affirmed.

**H1b:** There is a significant difference between self-management and corporate entrepreneurship (entrepreneurial orientation) of the public and private bank personnel (Table 3).

Table 1: Correlation test between emotional intelligence and entrepreneurial orientation

Emotional intelligence	Entrepreneurial orientation	
	Public sector	Private sector
Spearman correlation coefficient	0.784	0.894
Significance level	0.001	0.001
Samples	114	116

Table 2: Correlation test between self-awareness and entrepreneurial orientation

Self-awareness	Entrepreneurial orientation	
	Public sector	Private sector
Spearman correlation coefficient	0.027	0.024
Significance level	0.651	0.701
Samples	114	116

Table 3: Correlation test between self-management and entrepreneurial orientation

Self-management	Entrepreneurial orientation	
	Public sector	Private sector
Spearman correlation coefficient	0.954	0.974
Significance level	0.001	0.001
Samples	114	116

Table 4: Correlation test between self-motivation and entrepreneurial orientation

Self-motivation	Entrepreneurial orientation	
	Public sector	Private sector
Spearman correlation coefficient	0.754	0.854
Significance level	0.040	0.040
Samples	114	116

Table 5: Correlation test between empathy and entrepreneurial orientation

Empathy	Entrepreneurial orientation	
	Public sector	Private sector
Spearman correlation coefficient	0.243	0.324
Significance level	0.419	0.320
Samples	114	116

Table 6: Correlation test between social skills and entrepreneurial orientation

Self-management	Entrepreneurial orientation	
	Public sector	Private sector
Spearman correlation coefficient	0.854	0.454
Significance level	0.019	0.069
Samples	114	116

According to the Table 3, at the level of significance of 0.05, the zero hypothesis is rejected and the opposite hypothesis is accepted. In the experimental table, there is a linear significant of two Spearman = 0.01 and linear relationship between self-management and corporate entrepreneurship (entrepreneurial orientation) exists in both public and private sectors.

**H1c:** There is a significant relationship between self-motivation and corporate entrepreneurship (entrepreneurial orientation) of the public and private bank personnel (Table 4).

Based on the Table 4, the zero hypotheses are rejected for both public and private sectors at the 0.05 significance level and the opposite hypothesis is accepted.

**H1d:** There is a significant difference between empathy and corporate entrepreneurship (entrepreneurial orientation) of the public and private bank personnel (Table 5).

According to the Table 5, at the 0.5 significance level, there is no significant correlation in both private and public sectors.

**H1e:** There is a significant difference between the social skills and the corporate entrepreneurship (entrepreneurial orientation) of the public and private banks (Table 6).

Based on the Table 6 and the analyzed data, at the 0.05 significance level, there is a significant relationship between social skills and corporate entrepreneurship (entrepreneurial orientation) of the public employees while there is no relationship in the private sector.

## **DISCUSSION AND CONCLUSION**

The present study aims at the analysis of the emotional intelligence that has effects on the organizational people in a way that makes them behave entrepreneurially which will finally result in the corporate entrepreneurship.

Based on the observed data about the private and public sectors, the following results can be deduced. At first, the reliability of the study was high in both of them which can be understood from the Cronbach's Alpha table. The correlation between emotional intelligence and corporate entrepreneurship (entrepreneurial orientation) in the public sector was 0.784 while it was 0.894 for the private sector. In both of them, there is a significant correlation between emotional intelligence and corporate entrepreneurship (entrepreneurial orientation). By comparing these two quantities, we can conclude that there is more correlation between the emotional intelligence and corporate entrepreneurship (entrepreneurial orientation) in the private sector.

As results of these statistical experiments, the following points can be mentioned:

- There is no significant difference between self-awareness and corporate entrepreneurship (entrepreneurial orientation) in both public and private sectors
- There is a significant relationship between self-management and corporate entrepreneurship (entrepreneurial orientation) in both sectors, although the correlation is more among the private sector's employees than the public servicemen
- There is a significant relationship between self-motivation and corporate entrepreneurship (entrepreneurial orientation) with more correlation in the private sector
- There is no significant difference between empathy and corporate entrepreneurship (entrepreneurial orientation) in private and public sectors
- There is a significant relationship between social skills and corporate entrepreneurship (entrepreneurial orientation) in the public sector but such a relationship does not exist in the private sector. Finally as a significant statistical relationship between emotional intelligence and corporate entrepreneurship (entrepreneurial orientation) that can be seen in the clerks in Bank-e Melli (National Bank) and Bank-e Mellat (Nation's Bank), it can be concluded that, based on comparing these two quantities, the correlation of the emotional intelligence and entrepreneurial orientation is higher in the private sector than the public one

## **SUGGESTIONS**

Considering the results of this study in both public and private sectors and the acquired experiences in the field of the relationship between emotional intelligence and corporate entrepreneurship, the following points are recommended to both public and private sectors:

- In employing the people in organizations, their emotional intelligence must be tested in addition to their intelligent quotient tests, it must be influential in their employment. Paying close attention to the emotional intelligence in the human resources processes (career analysis, employment, education and maintenance, etc.) can result in useful conclusions in relation to entrepreneurial orientation of the employees. For example, in career analysis, for the posts in



need of entrepreneurial orientation (according to the needs of each job), the emotional intelligence can be used to appoint people to suitable positions. Employees of both public and private sectors must take an exam in the field of emotional intelligence and then they will be educated how to improve it

- In the organizations, the people with higher self-management must be appointed for the jobs with high percentage of risks
- Meetings and conferences can be held for the public and private sector employees in order to exchange their information and viewpoints with the aim of increasing the efficiency concerning the emotional intelligence which will result in corporate entrepreneurship in them
- Since, current organizations search for opportunities ahead of their competitors and because of the effects of some aspects of emotional intelligence, the public and private organizations can attempt to improve these aspects in their employees
- In order to improve the shortage in the employees in relation to different aspects of the emotional intelligence, the department heads, whether public or private, can hire psychologists in their organizations to hold general or personal counseling sessions and create an atmosphere of trust and confidence

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