

# The Importance of Social Intelligence for Entrepreneurial Leaders

Author: Jennifer Marecki  
University of Twente  
P.O. Box 217, 7500AE Enschede  
The Netherlands  
j.marecki@student.utwente.nl

## ABSTRACT

Nowadays, not only leaders are required to think and act entrepreneurially but also the employees. An entrepreneurial leadership style is supposed to encourage entrepreneurial attitudes and behaviors in employees. However, yet little research has been conducted on how entrepreneurial leaders encourage employees to behave entrepreneurially and what factors influence this relationship. The most important factor might be the leader with his abilities, attitudes and behaviors himself. An important ability to bond with employees, which is crucial to encourage and motivate them, is social intelligence. Yet, research has overlooked the importance of social intelligence for entrepreneurial leaders. Therefore, the purpose of this study is to explore the importance of social intelligence for entrepreneurial leaders with particular regard to the encouragement of entrepreneurial attitudes and behaviors in employees. In order to explore this, a qualitative study in form of standardized, open-ended in-depth interviews was conducted. 25 managers who lead in companies located in Germany were interviewed to find out to how leaders encourage employees to behave entrepreneurially and how important social intelligence is for leading employees in an entrepreneurial way. As a result, a causal-network model was developed presenting the connections that have arisen from the findings. The findings illustrate that an entrepreneurial leadership style might encourage entrepreneurial attitudes and behaviors in employees, however, either through the mediating role of motivation which is influenced by social intelligence or the single moderating role of social intelligence. Ultimately, this relationship influences the organizational performance and, hence, how successful an organization is. Consequently, the study explored the importance of social intelligence for entrepreneurial leaders and the resulting effect on the encouragement of employees to behave entrepreneurially. This implicates that further research on this topic should be conducted. In practice, managers should be aware of the importance of social intelligence for leading employees in an entrepreneurial way.

**Supervisors: Dr. M.L. Ehrenhard & Raja Singaram**

## Keywords

Entrepreneurial Leadership; Entrepreneurial Attitudes & Behaviors; Encouragement of Employees; Entrepreneurial Orientation; Social Intelligence

Permission to make digital or hard copies of all or part of this work for personal or classroom use is granted without fee provided that copies are not made or distributed for profit or commercial advantage and that copies bear this notice and the full citation on the first page. To copy otherwise, or republish, to post on servers or to redistribute to lists, requires prior specific permission and/or a fee.

*1<sup>st</sup> IBA Bachelor Thesis Conference*, July 3<sup>rd</sup>, 2014, Enschede, The Netherlands.

Copyright 2013, University of Twente, Faculty of Management and Governance.

## 1. INTRODUCTION

Nowadays, not only leaders but also employees need to think and act entrepreneurially in order to face an increasingly turbulent, fast changing and competitive environment. This claims a new leadership style from the leaders and new ways of thinking and acting from the employees of an organization (Fernald, Solomon & Tarabishy, 2005). A new paradigm of leadership style, namely entrepreneurial leadership, has received much attention in many organizations. This entrepreneurial leadership style, which contains characteristics of both entrepreneurs and leaders, gains attention from both new ventures and established firms (Wang & Ahmed, 2012). However, since not only the leaders but also the employees are required to think and act entrepreneurially, this implies encouraging an entrepreneurial mindset in the employees (Covin & Slevin, 2002; Fernald, Solomon & Tarabishy, 2005). Since entrepreneurial leaders motivate, direct and lead people they play a central role in inspiring and encouraging employees to think and act entrepreneurially (Bagheri, Pihie & Kraus, 2013; Cunningham & Lischeron, 1991; Wang & Ahmed, 2012). According to Wakkee, Elfring and Monaghan (2010), leaders can encourage entrepreneurial attitudes and behaviors in their employees through coaching. Besides, the leaders' abilities, attitudes and behaviors can have an impact on the employees. Most of the existing research has focused on emotional intelligence as an ability with regard to influencing entrepreneurial attitudes and behaviors, thereby dealing with the emotional part only, while the social part is seldom or not considered at all (e.g. Awwad & Ali, 2012; Brundin, Patzelt & Shepherd, 2008; Zampetakis, Kafetsios, Bouranta, Dewett, Moustakis, 2009). The emotional part, which is the intrapersonal cluster, is composed of self-management skills, while the social part, which is the interpersonal cluster, is composed of the ability to manage relationships. The interpersonal cluster is known as social intelligence (Boyatzis & Goleman, 2006; Goleman, 1998; 2006). However, while existing research has proven that emotional intelligence has a significant influence on employees' entrepreneurial behaviors (Neqabi & Bahadori, 2012), yet nothing is known about the impact of social intelligence.

Since little research has been conducted on an entrepreneurial leadership style in particular relation to how leaders encourage employees to behave entrepreneurially, this study will extend previous research. Besides, no research has been conducted on addressing the influence of social intelligence on entrepreneurial leaders and the resulting effect on the encouragement of employees to behave entrepreneurially. In order to fill this research gap, this study will be one of the first studies to explore this relationship directly.

Therefore, the purpose of this qualitative study is to explore the importance of social intelligence for entrepreneurial leaders with particular regard to the encouragement of entrepreneurial attitudes and behaviors in employees. This leads to the following research question to be answered:

*How important is Social Intelligence for entrepreneurial leaders to encourage entrepreneurial attitudes and behaviors in their employees?*

This paper is structured as follows: In the next section, existing literature on entrepreneurial leadership, entrepreneurial attitudes and behaviors as well as social intelligence will be reviewed. Afterwards, the sample and the qualitative study to collect and examine data will be described in the methodology section. Based on the analysis of these data, results with regard to the research question will be presented and subsequently discussed.

Finally, a conclusion answering the research question and including limitations and recommendations for future research as well as for practice will be drawn.

## 2. LITERATURE REVIEW

### 2.1 Entrepreneurial Leadership

According to Cogliser and Brigham (2004), entrepreneurial leadership is an intersection of entrepreneurship and leadership. Hence, entrepreneurial leadership definitions often derive from the integration of entrepreneurial research and leadership research (e.g. Gupta, MacMillan & Surie, 2004; Perren & Burgyone, 2002; Vecchio, 2003), which implies that entrepreneurial leaders possess characteristics and skills of both entrepreneurs and leaders (Darling, Keeffe & Ross, 2007; Gupta et al., 2004; Fernald et al., 2005; Wang et al., 2012). Moreover, Fernald et al. (2005) add that the term entrepreneurial leadership for many people "is seen as an oxymoron" (p.8), which means that two contradictory terms were merged.

However, entrepreneurs and leaders are not absolutely contradictory as they share several common characteristics: able to motivate, visionary, creative/innovative, risk-taking, goal oriented patient, flexible, and persistent (Chen, Greene & Crick, 1998; Fernald et al., 2005; Perren & Burgyone, 2002; Kilgour, 1992). Considering both entrepreneurs and leaders individually, entrepreneurs are often determined by three competencies, namely innovativeness, pro-activeness and risk-taking (Chen et al., 1998; Darling & Beebe, 2007; Darling et al., 2007; Kuratko, 2007), while leaders are determined by the capabilities of communication, coordination and networking among people (Darling et al., 2007). Following the leadership school of thought of entrepreneurship provided by Cunningham and Lischeron (1991), entrepreneurs are the leaders of people during early growth and maturity of an organization, which implies motivating, directing and leading the people from the early growth on. Ultimately, some authors argue that entrepreneurs must develop a leadership capability (Kempster & Cope, 2010), while vice versa leaders and managers respectively need to develop an entrepreneurial mindset (Covin & Slevin, 2002; Fernald et al., 2005; Yang, 2008). Vecchio (2003), however, reasons that entrepreneurship already is a type of leadership.

Based on the previously mentioned facts, entrepreneurial leadership is seen as a distinctive leadership style and an entrepreneurial leader is defined as a leader who creates an entrepreneurial vision and has the ability to encourage or motivate others to create value through opportunity as well as advantage seeking while functioning within the paradigm of innovativeness, pro-activeness and risk-taking (Covin & Slevin, 2002; Chen, 2007; Currie, Humphreys, Ucbasaran & McManus, 2008; Darling & Beebe, 2007; Darling et al., 2007; Gupta et al., 2004; Wang et al., 2012). Greenberg, McKone-Sweet and Wilson (2013) briefly state that entrepreneurial leadership means taking action.

As mentioned before, this action taking is based on an entrepreneurial vision, which is defined as future-oriented image or visionary scenario of an organization that is intended to motivate both entrepreneurs and the entrepreneur's stakeholders to act towards this desirable future (Gupta et al., 2004; Oswald & Crompton, 2009; Ruvio, Rosenblatt & Hertz-Lazarowitz, 2010). Acting towards this desirable future implies value creation through both opportunity and advantage seeking by the entrepreneurial leader as well as the employees (Currie et al., 2008; Darling & Beebe, 2007; Greenberg et al., 2013;

Ireland, Hitt & Sirmon, 2003; Wang et al., 2012). Therefore, entrepreneurial leaders encourage and motivate their employees through understanding (how they feel), trust and confidence (Darling et al., 2007). Moreover, communication is an important capability for entrepreneurial leaders with regard to motivating employees to identify opportunities (Darling & Beebe, 2007; Darling et al., 2007; Oswald & Crompton, 2009; Ruvio et al., 2010). Entrepreneurial leaders themselves create opportunities by using three distinct principles, namely cognitive ambidexterity, commitment to sustainable value-creation and self-awareness (Greenberg et al., 2013). Cognitive ambidexterity is defined as a different way of thinking and seeks opportunities through creation and prediction logic, which means identifying a next course of action and an optimal outcome. Through commitment to sustainable (social, environmental and economic) value creation, entrepreneurial leaders are looking for opportunities that create shared value. Self-awareness expects entrepreneurial leaders to know themselves and their goals well in order to create opportunities.

The value creation process is functioning within the paradigm of innovativeness, pro-activeness and risk-taking as it is stated in the definition. This combined construct represents the degree of entrepreneurship and conceptualizes entrepreneurial leadership (Bagheri et al., 2013; Chen, 2007; Kuratko, 2007). Innovativeness refers to creative thinking towards novel ideas with regard recognition of opportunities, utilization of resources and problem solving (Chen et al., 1998; Chen, 2007; Currie et al., 2008; Darling & Beebe, 2007). Pro-activeness is concerned with acting preventive through managerial competence regarding problems that may occur (Chen et al., 1998; Currie et al., 2008; Darling & Beebe, 2007). Risk-taking refers to the willingness to take risk and absorbing uncertainty (Chen et al., 1998; Chen, 2007; Currie et al., 2008; Darling & Beebe, 2007). According to Kuratko (2007) these three factors not only possess positive aspects, but also negative ones, such as the confrontation with different types of risk (e.g. financial risk, psychic risk or social risk), entrepreneurial stress or the entrepreneurial ego.

An entrepreneurial leadership style provides attraction to both for-profit, including new ventures as well as established firms, and non-profit organizations (Bagheri et al., 2013; Ruvio et al., 2010; Santora, Seaton & Sarros, 1999; Wang et al., 2012; Swiercz & Lydon, 2002). However, according to Ruvio et al. (2010), non-profit entrepreneurial leaders follow an inspirational and realistic entrepreneurial vision, while for-profit entrepreneurial leaders follow a conservative and flexible entrepreneurial vision. The authors add that this is due to the different goals that non-profit and for-profit organizations pursue as well as due to the different environments in which they operate. Besides, with regard to for-profit organizations, it is a must for entrepreneurial leaders to grow with the organization, which implies changing the leadership style during the transition of a new venture into an ongoing enterprise (Swiercz & Lydon, 2002). However, an entrepreneurial leadership style rather provides attraction to organizations in more egalitarian societies than in societies with high power distance, which implies that entrepreneurial leadership is culture-based (Gupta et al., 2004).

## 2.2 Entrepreneurial Attitudes and Behaviors in Employees

Entrepreneurial attitudes and behaviors are important for both managers and employees in order to lead an organization to success (Brandstätter, 2011; Covin & Slevin, 2002; Fernald et

al., 2005; Neqabi & Bahadori, 2012). Entrepreneurial attitudes and behaviors in employees are important as they are a new source of competitive advantage due to greater effectiveness and efficiency (Krishnakumar, Prasanna Devi, & Surya Prakasa Rao, 2013; Neqabi & Bahadori, 2012). Being more precisely, employees who think and act entrepreneurially are important as they create new knowledge that is transformed into new innovations in form of marketable products or services, as they identify new opportunities that otherwise may have been missed and as they respond better to a highly dynamic environment (Brandstätter, 2011).

Entrepreneurial attitudes and behaviors can be related to Entrepreneurial Orientation (EO) and, therefore, Krishnakumar, et al. (2013) speak of Entrepreneurial Orientation for Employees (EOE) when considering employees to think and act entrepreneurially. Entrepreneurial orientation is composed of innovativeness, risk-taking, pro-activeness, competitive aggressiveness and autonomy (Lumpkin & Dess, 1996), of which innovativeness, pro-activeness and risk-taking are seen as the three major elements of EO (Awwad & Ali, 2012; Wakkee et al., 2010). As has already been mentioned in section 2.1., innovativeness refers to creative thinking, pro-activeness to preventive managing, and risk-taking to the willingness to take risk as well as absorbing uncertainty (Chen et al., 1998; Chen, 2007; Currie et al., 2008; Darling & Beebe, 2007; Lumpkin & Dess, 1996). In addition, competitive aggressiveness refers to outperforming competitors by challenging them directly and intensively, while autonomy is the "ability and will to be self-directed in the pursuit of opportunities" (Lumpkin & Dess, 1996, p. 140).

Since EO is related to entrepreneurial attitudes and behaviors and EOE relates EO to employees, it can be argued that employees who think and act entrepreneurially are innovative, proactive, and take risks as well as are autonomous and competitive aggressive (Krishnakumar et al., 2013; Lumpkin & Dess, 1996; Wakkee et al., 2010). As has already been mentioned in section 2.1. entrepreneurial leaders also have this competencies and, moreover, have the ability to encourage and motivate people (Covin & Slevin, 2002; Currie et al., 2008; Chen et al., 1998; Chen, 2007; Darling & Beebe, 2007; Darling et al., 2007; Kuratko, 2007; Wang et al., 2012). Hence, it can be assumed that entrepreneurial leaders are able to encourage entrepreneurial attitudes and behaviors in their employees.

## 2.3 Social Intelligence

The concept of social intelligence is often related with the concept of emotional intelligence. Most of the researchers have argued that emotional intelligence derives from social intelligence (e.g. Cross & Travaglione, 2003; Salovey & Mayer, 1990), while Goleman (1998) has taken the opposite view. The author defines emotional intelligence as a construct consisting of five skills, namely self-awareness, self-regulation, motivation, empathy and social skills. The first three components are self-management skills, while the latter two are about managing relationships. Over the years, Boyatzis and Goleman (2006) have separated both self-management skills and the managing relationship skills into emotional intelligence and social intelligence.

However, social intelligence makes a long history that has started before the history of emotional intelligence (Walker & Foley, 1973), which implies that emotional intelligence derives from social intelligence as argued by most of the authors. Research on social intelligence can be already traced back to the twenties, when Thorndike (1920) conducted research on

different types of intelligence, thereby defining social intelligence as “the ability to understand and manage men and women, boys and girls, to act wisely in human relations” (p.228), which Hunt (1928) abbreviated to “the ability to deal with people” (p.317). Nowadays, different definitions of social intelligence exist, although Silvera, Martinussen and Dahl (2001) are of the opinion that it is difficult to define social intelligence due to different reasons. However, social intelligence can be defined as the ability to understand as well as manage oneself and other persons in social situations (Albrecht, 2006; Cross & Travaglione, 2003; Delic, Novak, Kovacic & Avsec, 2011; Salovey & Mayer, 1990; Walker & Foley, 1973). Hence, social intelligence refers to being socially competent (Hampel, Weis, Hiller & Witthöft, 2011; Marlowe, 1986).

According to Goleman and Boyatzis (2008), social intelligence is a relation-based construct that can be defined “as a set of interpersonal competencies built on specific neural circuits that inspire others to be effective” (p.3). Moreover, it is a multidimensional construct consisting of several components which essentially are social attributes (Marlowe, 1986; Weis & Süß, 2007). The literature regarding social intelligence provides plenty components, however, the most frequently mentioned are empathy, social and situational (un)awareness respectively, and social skills (Albrecht, 2006; Delic et al., 2011; Goleman, 1998; Hampel et al., 2011; Marlowe, 1986; Seal, Boyatzis & Bailey, 2006; Zaccaro, Gilbert, Thor & Mumford, 1991). Empathy implies the ability to bond with others by understanding their feelings (Albrecht, 2006; Delic et al., 2011), while social skills refers to the ability to enter and adapt to new social situations (Delic et al., 2011). Both empathy and social skills together form the ability of managing relationships with others (Goleman, 1998). Social (un)awareness, also known as either social perception or social perceptiveness, means the unawareness and awareness of social situations and their impact on people (Albrecht, 2006; Delic et al., 2011; Zaccaro et al., 1991).

The possession of these social attributes entails in a high degree of social intelligence which is crucial for success (Albrecht, 2006; Hunt, 1928; Zaccaro et al., 1991). This is due to the fact that people with a high degree of social intelligence appear more attractive than people with a lower or no degree of social intelligence, since people feel more comfortable as they are more motivated, are understood or feel supported (Albrecht, 2006; Goleman & Boyatzis, 2008; Hunt, 1928). Goleman and Boyatzis (2008) complete that assertion by arguing that employees that are led by socially intelligent rather than socially unintelligent leaders perform better. This assertion implies that socially intelligent leaders might have a huge influence on their employees. In addition, a study on emotional intelligence and entrepreneurial behavior found a significant association between managers’ emotional intelligence and the employees’ entrepreneurial behaviors (Neqabi & Bahadori, 2012). Hence, it can be assumed that social intelligence is an important ability for entrepreneurial leaders with regard to encouraging employees to behave entrepreneurially.

### 3. METHODOLOGY

#### 3.1 Sample

The population selected for this study is leaders and managers respectively who are represented by a sample unit consisting of different types of managers of both profit and non-profit organizations. Defining an appropriate sample size for qualitative studies is rather difficult since no rule of thumb

exists. However, following Ritchie, Lewis and Elam (2003), sample sizes in qualitative studies mostly lie under 50 (Mason, 2010). Mason (2010), who conducted research on sample sizes in qualitative studies, has found out that most of the researchers, namely 80%, follow Bertaux’s (1981) guideline of a sample size of at least 15. He adds that a sample size of 20 to 30 is the most common sample size in qualitative interviews. Hence, this study determines a sample size of 25 managers, namely the median of 20 to 30 as the most common sample size. The selection of the 25 managers was based on purposeful criterion sampling, meaning managers were chosen based on whether they meet specific criteria and requirements respectively (Patton, 1990). Managers had to meet two requirements, namely having at least one year of experience in a leadership position and at least three direct reports.

The sample of 25 managers is composed of 21 male and 4 female managers, all of them aged between 25 and 62. All 25 managers are leading in companies located in Germany. Moreover, they hail from different industries, organizations of different levels of maturity, and they differ in their degree of experience in managerial positions. A more precise overview of the respondents can be found in Appendix A.

#### 3.2 Data Collection

This study makes use of both primary and secondary data. Primary data were collected for this study with particular regard to the research goal, while secondary data were used and reviewed in order to provide a theoretical framework in the beginning of the study. A qualitative data collection method in form of in-depth interviews was chosen in order to receive in-depth insights and information serving as primary data. The interviews were based on an interview protocol, which was developed by a joint effort of 15 students, who all made use of it. Besides, every student was supposed to conduct at least five interviews. The interview protocol was comprised of three parts, namely the main interview question (focus), contingency factors (more depth) and outcomes (clarifications) (Appendix B). The main interview question used a critical incident technique, which “is essentially a procedure for gathering certain important facts concerning behavior in defined situations” (Flanagan, 1954, p.335). It was used to find out facts concerning the behavior of both the managers and the employees in a situation in which they led their employees in an entrepreneurial way. The contingency factors part was supposed to find out how particular factors, such as circumstances, experience or social intelligence, influence entrepreneurial leadership. The outcomes part dealt with finding out how an entrepreneurial leadership style affects employee commitment and economic as well as social performance.

The interviews were standardized open-ended in-depth interviews, lasting between 45 minutes and one hour. The interviews included face-to-face interviews that were conducted in the firms of the managers as well as videoconferencing interviews (Skype). Moreover, the interviews were conducted with managers of companies located in the Netherlands and Germany. All interviews were recorded and transcribed. The 25 used interviews for this particular study were conducted by different students of the joint effort. In order to collect data for this particular study, use was not made of the whole interview protocol but of specifically chosen questions with regard to the purpose of the study. The main interview question and a question from the outcomes part (effect on employee commitment) were used to gather data for finding out how entrepreneurial leaders encourage entrepreneurial attitudes and

behaviors in their employees. In order to gather data regarding the importance of social intelligence for entrepreneurial leaders, one question from the contingency factors part referring to social intelligence, was used. The extracted questions from the interview protocol that were used for this particular study are finable in Appendix C.

### 3.3 Data Analysis

An analysis of data is necessary in order to determine the meaning of the gathered information in relation to the purpose of this study. The data were analyzed by following a simple approach of qualitative data analysis taken from Schutt (2012). The transcripts containing the gathered data from the data collection period provided the basis for the analysis. These data were organized by making an overview in form of a chart including the answers of all 25 interviews. Data were coded and then categorized by bringing several codes together. Creating categories enabled to build overarching themes, but also to conceptualize data. Besides, coding and categorizing enabled a description of relevant data. In order to move from a simple description of data to possible and plausible explanations, connections of the data were examined. Based on these connections, a causal model was created, which will be presented in the results section. Ultimately, the study tried to fulfil the criteria of trustworthiness in preference to validity and reliability since this study is of qualitative nature (Shenton, 2004). According to Guba (1981), this includes the credibility (internal validity), transferability (external validity), dependability (reliability) and confirmability (objectivity) of the study (Shenton, 2004). Credibility was assessed by the adoption of an appropriate and also well recognized research method, by referential adequacy and by triangulation in form of different researchers making use of and analyzing the same data. Transferability is rather limited in qualitative studies; however, it was addressed by the use of purposive sampling. Dependability and confirmability were addressed by an in-depth methodological description that allows the study to be repeated as well as to scrutinize the integrity of research results.

## 4. FINDINGS

### 4.1 Entrepreneurial Leadership and Entrepreneurial Attitudes and Behaviors

#### 4.1.1 *Entrepreneurial leadership in new ventures and established firms*

Entrepreneurial leadership appears to be a leadership style striven for by many managers. Both new ventures and established firms try to apply this leadership style. For new ventures an entrepreneurial leadership style is the most common form of leading and probably the only possible leadership style if a start-up wants to survive. One participant argued that

In start-ups, there is still a lot in progress and everything is very agile. A start-up would not survive without an entrepreneurial mindset or an entrepreneurial leadership style respectively. Old Stone Age methods with strong authority and control would be incompatible.

As emphasized by the respondents, start-ups are very agile, which implies fast and rapid changes over the time. This let assume that due to this development an entrepreneurial leadership is the only leadership style that works towards success. Other leadership styles such as an authoritarian leadership style would not work at all.

However, beside start-ups established franchising companies also seem to function best by applying an entrepreneurial leadership style. One respondent explained this further:

Entrepreneurship is very powerful here among our over 200 franchise partners. A franchisee is completely entrepreneurially characterized. Many entrepreneurs come together and there are permanently new and innovative ideas. Many of our innovations were initiated within the franchise partner circle. I want to serve an example par excellence here: franchising means being surrounded by an entrepreneurial environment, which in turn means that an entrepreneurial leadership behavior is required.

This assertion makes obvious that not only start-ups but also franchising companies probably can only survive with managers who follow an entrepreneurial leadership style due to the entrepreneurial environment in which a franchising company is working. The two types of entrepreneurs, namely the franchisors on the one hand and the franchisees on the other hand provide two sides covering all aspects of entrepreneurship. For example, new opportunities arise from both sides as both sides provide innovative ideas.

However, not all established organizations are franchising companies. Corporations also seem to follow an entrepreneurial leadership style, but only if possible. One respondent replied that

This is what one for the most part misses in corporations; this familiarity and also this entrepreneurial spirit. For example, a willingness to take risk is limited in a corporation due to certain regulations and boundaries. Nevertheless, I try to lead entrepreneurially since this is the way I have learned to lead.

This clearly shows that, admittedly, it is possible to lead in an entrepreneurial way in corporations, however, only to a certain extent. This might be due to the rather hierarchal structure as well as regulations and restrictions. Corporations often follow certain procedures due to their level of establishment and fewer changes as compared to new ventures. Nevertheless, a manager can try to apply an entrepreneurial leadership style if he strives for it.

Among the participants, with the exception of one manager, all seem to strive for and even regularly follow an entrepreneurial leadership style. The most common situations in which managers lead employees in an entrepreneurial way are different types of projects, such as changing portfolios, sales increase, outsourcing or reorganization projects.

We have a current project on which the whole company is working; this is called 20:20 strategies. The top management developed an overall objective, which was broken down into sub goals for the sub companies and the individual departments of the company. The individual departments are supposed to autonomously make sure that the single goals will be achieved.

It becomes apparent that projects are a good opportunity for managers to pass on responsibility and thereby encouraging employees to share a common vision with regard to achieving certain goals. Moreover, projects enable employees to be autonomous and act to a certain extent like owners, which implies that employees start thinking and acting entrepreneurially.

Furthermore, situations regarding customer search and customer service as well as drawing up contracts for new locations or customer and partner collaborations are common situations in which managers lead their employees in an entrepreneurial way.

An example is drawing up a rental contract for a new location, for example Dresden which is a long way from our headquarter. I could travel there myself, have a look at it and help or I could ask ‘what would you do?’ I mean deciding oneself, so I pass on the responsibility and let the person be autonomous.

I let employees completely drawing up a new partner. The starting point is drawing up the contract and from this point of time the employee has the responsibility to arrange the customer insofar as he can provide our service.

Both assertions emphasize that managers lead entrepreneurially by passing on some responsibility to their employees. From the beginning, employees bear responsibility for new locations, customers or partners. Since the right locations as well as customers are the necessary keys to success for a company, it can be assumed that employees have to think and act like entrepreneurs to enable the company to survive with great success.

#### *4.1.2 Encouragement of entrepreneurial attitudes and behaviors in employees to achieve greater success*

The majority of reasons provided by the participants with regard to leading entrepreneurially can be split into two overarching reasons, namely success of the company on the one hand and encouraging an entrepreneurial mindset in employees on the other hand. With regard to the first category, participants mentioned that they lead in an entrepreneurial way to get the best in form of new and innovative ideas, to become faster and more efficient and to get a better overall performance and be successful. Arguments mentioned with regard to the second category included the motivation and encouragement of employees to take a position and to think and act entrepreneurially. One participant underlines the previously mentioned facts by arguing:

I show this behavior to get a better overall performance. Besides, it is the people’s job to do certain tasks, so they should do these tasks without instructions and help. That is what I expect from them. And by showing them that the leader can make false things as well, I hope to take their fear of making false things and encourage them to take a position and also to take risk.

In addition to underlying what has already been mentioned, the participant illustrates that leaders are not perfect either and that they make mistakes and undergo failures as well. Moreover, it can be assumed that he emphasizes on the importance of sharing this fact with the employees. A manager showing that he is not perfect either might appear more likeable to employees than a manager who does not show this. Thus, he might rather take the employees’ fear to make mistakes and encourage them take a position and probably to start acting entrepreneurially. Two other participants have a similar opinion, stating that

By showing this behavior I want to motivate the employees to think entrepreneurially, clear myself and obtain better decisions.

Generally I show this behavior to figure out a ‘decision-maker mentality’ in the people as well as to encourage their self-initiative, but also in order to discover ideas that one would have never hit on oneself.

Both assertions clearly underline that leaders are not perfect and also not able to lead a company towards success without their employees. By encouraging their employees to think and act entrepreneurially, managers can profit from new ideas on the one hand and be put in the clear on the other hand. This might then lead to better decision and a better overall performance for the company, finally leading to greater success.

#### *4.1.3 Encouraging entrepreneurial attitudes and behaviors in employees through motivation*

As has previously been mentioned, managers lead their employees in an entrepreneurial way mainly to encourage more commitment and an entrepreneurial mindset. In order to motivate their employees to think and act entrepreneurially, managers demonstrate different behaviors. The majority of participants attempts to motivate employees by organizing meetings in which the employees get a chance to speak and are included in decisions. Moreover, they receive feedback but also can give feedback. This is underlined by responses from two participants:

I have always tried to motivate my employees, had many talks with them, and always included them in plans and decisions. Besides, I involved them in 25% of profit, whereby they are of course at risk.

I pass on responsibility for the project to the employees. Appreciation is the essential thing. Even if the results are not as expected, one has to appreciate what the employee has done. Let report regularly. Give and also claim feedback.

It becomes apparent that managers try to encourage their employees to think and act entrepreneurially by including them as much as possible in different important situations. In addition, it seems that they try to show a high fault tolerance in order to take the employees’ fears. One respondent explains this fact further, namely

By accepting the risk of wrong and looking foolish for a moment, so by demonstrating that the leader himself is not afraid of making false assumptions and things, people do the same and that is the only way to do such a certain task.

This assertion emphasizes the importance of a fault tolerance towards the employees. Both leaders and employees make mistakes, which implies that employees should probably trust themselves to be able to think and act like their leaders do.

However, in comparison to the previously mentioned behaviors, some managers prefer to pass on responsibility directly by

Not telling them everything in detail, because they should find out on their own.

Employees should think and act in a way as if the company in which they are working in was their own business. They are supposed to autonomously figure out how to solve certain tasks or situations. This implies that managers following this way try to encourage their employees to think and act entrepreneurially by throwing them in at the deep end.

However, many participants argued that it depends on the personality and abilities of the people if they are able to think

and act entrepreneurially or not. One participant argued that some people can think entrepreneurially, while others cannot. Another respondent explains this further by saying that

This leadership style comes naturally to many people. Of course, it is not the right for everyone, but usually the people looking for a job at a start-up, or the ones that we hire are looking for their own responsibilities and the others aspect of entrepreneurial work. So they reacted in an open way, but not usually surprised, because as I said that is not like we make them act entrepreneurially but we give them the space to act this way.

This let assume that either people are born with an entrepreneurial mindset or not and, hence, either are able to be employees that think and act entrepreneurially or not. Moreover, it becomes apparent that it is rather impossible to encourage such attitudes and behaviors in employees. Managers can only provide the space to act entrepreneurially and look for appropriate employees. In addition, it is made obvious that start-ups probably can only work with entrepreneurially minded employees.

However, employees that think and act entrepreneurially exist. Entrepreneurial attitudes and behaviors that employees seem to demonstrate in daily business are autonomy, ownership, innovation as well as risk-taking, however, autonomy and ownership seem to be the most common behaviors. These behaviors were the most mentioned ones by the participants. Pro-activeness was mentioned only once, while competitive aggressiveness did not appear at all during the interviews, which might imply that employees might avoid behaving proactive or competitively aggressive. However, participants seldom mentioned these behaviors directly. Autonomy and ownership are often demonstrated by taking responsibility, making own decisions and working autonomously as well as by giving freedom and authority, while innovation is often related to creativity and new ideas. Taking-risk is always mentioned directly. One respondent said the following about the behavior of one of his employees based on leading them in an entrepreneurial way:

I think it was interesting for us to see how we will handle the situation if we give them so much freedom and authority. We were not disappointed. He showed more commitment and creativity by taking this risk. And the client took his idea and was even recommended by them to others.

It becomes apparent that employees are able to think and act entrepreneurially when being led in an entrepreneurial way. This example shows even two components of entrepreneurs, namely innovation in form of creativity and the willingness to take risk. Moreover, it becomes obvious that leading in an entrepreneurial way can lead to greater success.

## 4.2 Social Intelligence and Entrepreneurial Leadership

### 4.2.1 The importance of social intelligence

The concept of social intelligence appears as highly important for entrepreneurial leaders. All participants – without any exception – evaluated social intelligence as “very important” and one of them even replied that it is “one of the most important things”. However, in comparison to analytical skills (or “professional competence”), the opinions to what extent

social intelligence is important differ. Some participants argued that social intelligence is more important than analytical skills, while others equate the importance of social intelligence and analytical skills. This implies that social intelligence is as important as analytical skills, however, as one participant replied:

There is no use in having professional competence (*analytical skills*) when not having Emotional Intelligence. Then the department blows up in your face. One can be read upon analytical skills. But empathy for example can only be learned to a moderate extent.

This answer was affirmed by a shorter answer from another participant who replied that

Analytical decisions are not always a decisive factor.

It is apparent from both answers that analytical skills and, hence, professional competence are not of very high value if people are lacking in emotional and social intelligence, both which appear related with each other, respectively. Moreover, this implies that nothing works without the ability of social intelligence. One respondent underlined this by saying that

‘Socially autistic people’ lead to failure. One cannot be successful without having social intelligence.

This statement additionally initiates why entrepreneurial leaders consider social intelligence as important, namely to be successful in the end. According to some participants, social intelligence is important due to its effect on the motivation of employees:

Social Intelligence is important in order to motivate employees and to predict output.

Hence, social intelligence seems a necessary ability for entrepreneurial leaders to motivate their employees. In addition, it can be assumed that motivated employees are more committed and, thus, perform better which in the end leads to greater success. This becomes further visible as all respondents who argued that social intelligence is related to motivation also argued that motivation is associated with increased commitment.

Ultimately, although it is evident that social intelligence is highly important for all types of organizations, three participants argued that social intelligence is especially important in start-ups and companies with flat hierarchies. This is due to the fact that the number of employees in start-ups is often smaller and, thus, people work in smaller teams with little space to flee. Start-ups need everyone involved in order to survive. Therefore, empathy and good relationship management are especially important.

### 4.2.2 Empathy, social skills and social awareness

With regard to the three components – empathy, social awareness and social skills –, all of them seem equally important to entrepreneurial leaders. Admittedly, each of the participants focused on rather one of these components during their interviews; however, all of the components were covered in the total amount of interviews used.

Empathy and Social skills appear to be very important as these two components were covered the most. Participants mentioned either empathy itself or very often in form of understanding the people. Understanding your employees is of high importance for entrepreneurial leaders. Social skills, however, were not mentioned directly. Empathy and social skills together are seen

as relationship management, which many participants covered in their interviews. A good “climate” within the team as well as a good relationship between managers and employees is of high importance. These relationships are based on trust, taking people seriously and good communication. One participant replied that

Trust, a close relationship between employees and the management as well as talking about private matters of both the employees and the management are very important. Altogether, it is the interest for each other, trying to understand each other and then to manage accordingly to the situation that matters.

In addition to that, it can be added what another participant said, namely that

One must be good on the relationship level, which means that one must be able to communicate well.

The importance of good relationship management becomes apparent here. Entrepreneurial leaders most of all need to understand and trust their employees, but also need good communication skills in order to be good on the relationship level.

Beside empathy and social skills, the factor social awareness is important. Social awareness was not mentioned very often and was not mentioned directly. However, one participant gave two good examples on situations leaders should be aware of, one in form of private problems and one in form of conflict management.

Let’s take for example problems in the private environment. If an employee has private problems it might affect his work. He might for example not be able to concentrate and perform as usual. One has to raise the topic then and together try to find solutions for that. The same applies to conflicts: address the conflict directly and try to solve it for the benefit of all.

This assertion clearly shows how important it is for entrepreneurial leaders to be aware of social situations and the resulting impacts in their employees. As the examples show, leaders must not overlook conflicting situations or private matters of their employees as this might lead to less performance due to people being distracted by their problems instead of focusing on their work. Besides, overlooking such situations can cause a negative climate within the firm, which in long-term might lead to failure rather than success.

With regard to success in relation to social awareness, several participants also mentioned that it is of high importance to know the people’s strengths and weaknesses.

One needs to readjust to the needs of each employee and have an unerring eye for the strengths and weaknesses of the employees as well as the available resources. Every time it is different. That also requires a high ability of self-reflection.

But you must know very well what you are doing and not overstress or over challenge people. Act correspondingly!

Both assertions emphasize the importance for entrepreneurial leaders to be aware of the strengths and weaknesses of their employees, thereby also being aware of themselves, which implies self-awareness. By perceiving this, entrepreneurial leaders can put their employees at the right spot with for them appropriate tasks, which then results in a better overall performance.

### 4.3 Connection of Entrepreneurial Leadership, Entrepreneurial Attitudes and Behaviors in Employees and Social Intelligence

The previously mentioned results provided several connections between variables. The results show how entrepreneurial leadership, entrepreneurial attitudes and behaviors of employees and social intelligence are connected. Figure 1 provides an overview of the mentioned connections in form of a causal network model. This implies that the particular connections are further connected into one single network and demonstrate possible relationships. According to the previous results, managers who lead their employees in an entrepreneurial way can encourage commitment as well as entrepreneurial attitudes and behaviors in their employees. The participants see the motivation of employees as the mediating factor here. Moreover, social intelligence is a very important factor influencing the relationship between entrepreneurial leadership and entrepreneurial attitudes and behaviors in employees. In addition, social intelligence can influence the motivation of employees. Finally, employees who are committed and who think and act entrepreneurially lead to a better overall performance.

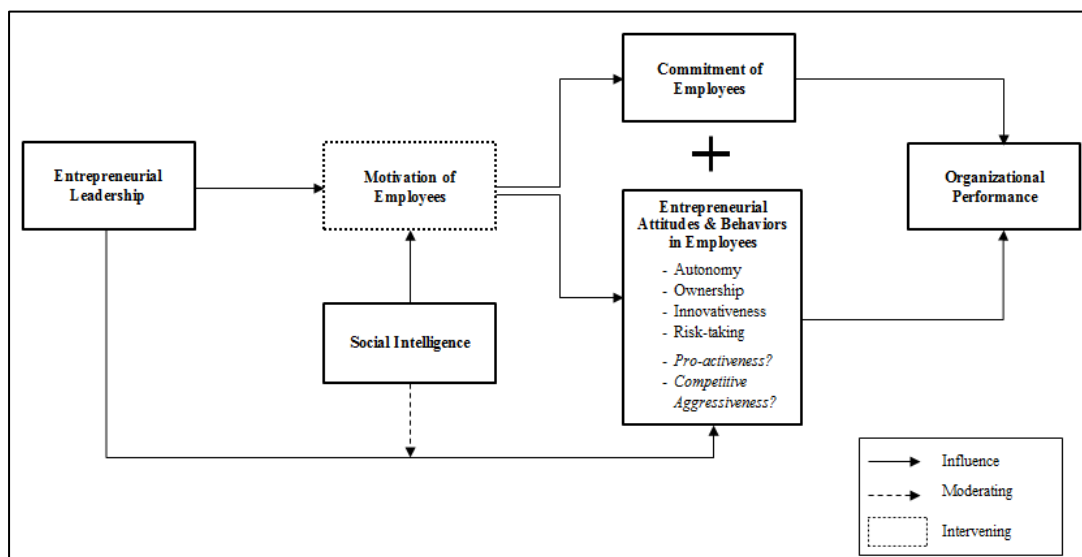


Figure 1. Causal Network Model



## 5. DISCUSSION

Much attention of managers is dedicated to entrepreneurial leadership as it is supposed to encourage entrepreneurial attitudes and behaviors in employees and consequently lead to greater success. However, it does not suffice to merely have analytical skills in order to achieve this, but managers also need to be socially intelligent to have the necessary connection with employees to achieve this encouragement.

### 5.1.1 *Entrepreneurial leadership in new ventures and established firms*

In practice, managers of all types of companies try to apply an entrepreneurial leadership style. This corresponds with Bagheri et al. (2013), Ruvio et al. (2010), Santora, Seaton and Sarros, (1999), Wang et al. (2012), and Swiercz and Lydon (2002) who argue that leading in an entrepreneurial way gains attraction to both for-profit, including new ventures as well as established firms, and non-profit organizations. However, start-ups or franchising companies seem to survive only if led in an entrepreneurial way. This might be due to the fact that start-ups are acting in an agile environment and are still in the developing phase, while franchising companies are surrounded by an entrepreneurial environment. Start-ups are often based on a vision and new innovation and first need to get their place in the market as they are not established yet. They bear high risk and need to adapt to changes fast. This requires proactive acting, constant new innovations, learning from competitors and the willingness to take risk. Moreover, start-ups are comprised of small teams in which everyone needs to share a common vision and think and act entrepreneurially to bring the company forward. Franchising companies in turn are surrounded by an entrepreneurial environment consisting of two types of entrepreneurs. On the one hand, the franchisors and on the other hand the franchisees. This implies that two sides need to take risks, be innovative as well as be proactive and everyone needs to focus on his own business. Franchisors cannot be responsible for the businesses of their franchisees. Moreover, employees of the franchisors need to think and act entrepreneurially as they are part of this entrepreneurial environment and lie between the franchisors and franchisee. They are often the connection and the first contact persons for franchisees.

Situations in which managers lead their employees in an entrepreneurial way are often different kinds of projects and drawing up contracts for new location or customers and partners. Both demand a high degree of responsibility, but are still just a part of the whole business. By passing on responsibility to projects, managers enable employees to imagine the projects to be small businesses. Hence, employees receive the opportunity to think and act like owners and try to perform as good as possible to gain success. By letting the employees be responsible for new locations, customers or partners, employees are responsible for the key to success. Organizations are dependent on good locations, partners and above all customers, which are needed to perform and be successful.

### 5.1.2 *Encouragement of entrepreneurial attitudes and behaviors in employees to achieve greater success*

Achieving success and encouraging entrepreneurial attitudes and behaviors in employees are the main reasons for managers to lead in an entrepreneurial way. This is congruent with the assertion that entrepreneurial attitudes and behaviors are important for both managers and employees in order to lead an

organization to success (Brandstätter, 2011; Covin & Slevin, 2002; Fernald et al., 2005; and Neqabi & Bahadori, 2012). Managers are aware of the fact that they are not perfect and are not able to bring the business forwards without their employees. Employees might bring in new ideas that are different from those of the managers or find other ways to solve problems than managers.

### 5.1.3 *Encouraging entrepreneurial attitudes and behaviors in employees through motivation*

As encouraging entrepreneurial attitudes and behaviors in employees is a main reason for leading in an entrepreneurial way, managers in effect play a central role in inspiring and encouraging employees to think and act entrepreneurially (Bagheri, Pihie & Kraus, 2013; Cunningham & Lischeron, 1991; Wang & Ahmed, 2012). In order to encourage their employees managers follow different ways, such as just directly passing on responsibility, organizing meetings to include employees in important matters or by showing a high fault tolerance. Managers who pass on responsibility directly might have the thought in mind to throw their employees in at the deep end and by this indirectly force them to think and act entrepreneurially. Employees have no other chance then and either they master this situation or they fail. Contrary to those managers, other leaders include their employees into plans and decisions and organize feedback meetings. They try to encourage and inspire through effective communication (Darling & Beebe, 2007; Darling et al., 2007; Oswald & Crompton, 2009; Ruvio et al., 2010). However, it can be assumed that on the one hand, these managers indirectly teach the employees to think and act entrepreneurially, and on the other hand, they indirectly still control their employees by giving and receiving feedback. Giving feedback enables the managers to steer the employees in a direction, while receiving feedback enables them to get certain information out of the employees and intervene if needed. In between those two types of managers are leaders who indirectly try to lead by example in form of having a high fault tolerance. On the one hand, these managers show their employees that they are making mistakes as well, while on the other hand they accept mistakes made by employees. This implies that they try to show their employees that they are not perfect either and mistakes are human. By showing this behavior they show understanding, respect and trust (Darling et al., 2007).

It is still assumed that managers applying an entrepreneurial leadership style encourage entrepreneurial attitudes and behaviors in employees due to the fact that they mainly lead this way to precisely achieve this encouragement. However, an unexpected finding emerged, namely it still seems to be a debatable point whether entrepreneurial leaders in effect encourage employees to think and act entrepreneurially as some argue that people might either be born with an entrepreneurial mindset or not. This would imply that managers who lead their employees in an entrepreneurial way can only provide the space to act entrepreneurially, but are not able to encourage them to act this way. Moreover, this would imply that managers who apply an entrepreneurial leadership style should look for appropriate employees already in the selection process and hire them based on an entrepreneurial mindset. However, yet there is no evidence from previous research that underlines this assertions. Nevertheless, this finding should not be excluded or ignored. It appeared due to the fact that managers have experienced or observed this in practice, but it has merely not been researched yet.

Despite this dubiousness, employees with entrepreneurial attitudes and behaviors exist and they cover innovativeness, ownership, autonomy and risk-taking, while pro-activeness and competitive aggressiveness are rather avoided. Autonomy and ownership might be the most common components as by bearing responsibility people need to some extent be autonomous and empathize with the role of owners. Additionally, people are to some extent creative and come up with new ideas, which might explain why innovation appears often among employees (Chen et al., 1998; Chen, 2007; Currie et al., 2008; Darling & Beebe, 2007). The willingness to take risk can probably be traced back to the fact of having a high fault tolerance, which takes the employees' fears. However, it is questionable why pro-activeness and competitive aggressiveness are rather uncommon among employees. It could be assumed that employees are not in the position to outperform competitors. However, if people are innovative and have the willingness to take risk, they are able to solve problems, which should claim a degree of pro-activeness (Chen et al., 1998; Chen, 2007; Currie et al., 2008; Darling & Beebe, 2007).

#### *5.1.4 The importance of social intelligence for entrepreneurial leaders*

Assuming that entrepreneurial leaders encourage their employees, they need to be socially intelligent. Social intelligence is not less important than analytical skills, especially not if trying to motivate and encourage employees. This complies with Albrecht (2006); Goleman and Boyatzis (2008), and Hunt (1928), according to whom, socially intelligent managers appear more attractive to employees than not socially intelligent managers as they let employees feel more comfortable, understood and supported. Hence, through social intelligence managers have the ability to bond with their employees and consequently influence them towards a better performance (Goleman & Boyatzis, 2008). However, a manager is not socially intelligent if covering only one or two of the three characteristics of social intelligence as all of them are equally important and are to some extent correlated. A socially intelligent person is empathic, has social skills and is socially aware. This implies that managers try to constantly keep a good relationship to their employees by regularly communicating with them, build trust and taking them seriously. Moreover, they do not ignore problems or conflicts whether they are privately or within the organization since these can affect the employees' performance. This implies that the ignorance of such social situations would lead to failure rather than success. Moreover, a socially intelligent manager knows the strength and weaknesses of his employees in order to put them in the right spot with for them appropriate tasks, which correlates with social awareness as argued by Albrecht (2006), Delic et al. (2011) and Zaccaro et al. (1991). A manager not knowing his employees' strengths and weaknesses or ignoring them is not socially intelligent since he might cause unhappiness due to oversteering and over challenging them. In long-term this would again rather lead to failure than success as overstressed and over challenged employees cannot perform well.

#### *5.1.5 A causal network model*

A causal network model has arisen from the results displaying all mentioned connections in form of a network (Figure 1). It underlines that entrepreneurial leadership has an influence on commitment as well as entrepreneurial attitudes and behaviors in employees, however, through the mediating role of

motivation. This implies that entrepreneurial leaders can encourage commitment as well as entrepreneurial attitudes and behaviors in employee by motivating them. The motivation of employees is also influenced by social intelligence, more explicit, it is influenced by the degree of social intelligence of the entrepreneurial leaders. This means that entrepreneurial leaders need to be socially intelligent to motivate their employees. Besides, social intelligence might moderate the relationship between entrepreneurial leadership and entrepreneurial attitudes and behaviors in employees. However, innovativeness, ownership, autonomy and risk taking seem to be the only ones to be encouraged. Pro-activeness and competitive aggressiveness remain open. Finally, commitment and entrepreneurial attitudes and behaviors in employees influence the organizational performance since more committed as well as entrepreneurially thinking and acting employees implicate greater performance. Organizational performance then decides whether a company achieves success or failure. However, if the displayed connections or relationships respectively exist and how they are associated needs to be proven in future research as it only provides predictions. Furthermore, it provides some hypotheses to be tested. A hypothesis with regard to the purpose of this study might be that social intelligence moderates the relationship between entrepreneurial leadership and entrepreneurial attitudes and behaviors in employees.

## **6. CONCLUSION**

The paper investigated the important role of social intelligence for the relationship between entrepreneurial leadership and entrepreneurial attitudes and behaviors in employees. The precise purpose of this study was to explore the importance of social intelligence for entrepreneurial leaders with particular regard to the encouragement of entrepreneurial attitudes and behaviors in employees, thereby extending one research gap and filling a second research gap. The first research gap could be extended. Entrepreneurial leadership and entrepreneurial attitudes and behaviors in employees seem to be associated. Managers lead entrepreneurially in order to encourage their employees to think and act entrepreneurially and, hence, to achieve success. However, it is still doubtful whether entrepreneurial leaders effectively encourage entrepreneurial attitudes and behaviors in their employees or whether these come naturally since opinions diverged. If employees think and act entrepreneurially, they do so by being innovative, autonomous, willing to take risk or taking ownership. Pro-activeness and competitive aggressiveness did not appear in connection with employees' behaviors in this study. Employees with entrepreneurial attitudes and behaviors perform better and lead to organizational success. However, start-ups and franchising companies can only be successful or survive if being lead entrepreneurially, while corporations do not necessary have to apply this leadership in order to survive. Applying an entrepreneurial leadership style in corporations is often limited due to regulations and restriction.

The second research gap could be filled by exploring that social intelligence is a very important ability for entrepreneurial leaders. Social intelligence is as important as analytical skills. Entrepreneurial leaders have to be socially intelligent - which includes empathy, social skills and social awareness - in order to motivate their employees towards more commitment and encourage them towards entrepreneurial attitudes and behaviors.

Ultimately, a causal network model was developed based on the connections drawn in the results section, which clearly shows how concepts are associated (Figure 1). However, with regard to the purpose of this study, it demonstrates that social intelligence moderates the relationship between entrepreneurial leadership and entrepreneurial attitudes and behaviors in employees, which is also mediated by the motivation of employees. The social intelligence of entrepreneurial leaders also has an influence on the motivation of employees. Finally, the study provided significant contributions to research as it is the first study that has reported on the importance of social intelligence for entrepreneurial leaders and the resulting effect on the encouragement of entrepreneurial attitudes and behaviors in employees. This implicates significant contributions to both theory and practice.

## 7. LIMITATIONS AND FUTURE RESEARCH

Several limitations to this study need to be acknowledged. The current study was conducted by a student with support from a professor and not by highly qualified and experienced researchers. Besides, time and scope of the study were limited. Lack of prior research studies on the importance of social intelligence for entrepreneurial leaders made it difficult to compare the results with previous findings or to support the results, which makes the study explorative. Since this explorative study is qualitative, a smaller sample size, which covers managers from one country only, was used and generalizing results is rather limited. This implies that this data cannot necessarily make assumptions beyond this specific group of participants. Besides, qualitative studies can easily be influenced by the researcher's personal biases, which might imply a lack of objectivity. The results are dependent on the researcher's descriptions and interpretations.

This explorative study serves as a base for future studies. Future research should focus on extending the research gap on the importance of social intelligence for entrepreneurial leaders and the resulting effect on the encouragement of employees to behave entrepreneurially. This future research could be based on the causal network model that was developed in this study, thereby testing its significance. On the one hand, research on the direct relationship between entrepreneurial leadership and entrepreneurial attitudes and behaviors in employees should be extended, thereby figuring out whether entrepreneurial leaders effectively encourage entrepreneurial attitudes and behaviors in their employees or whether these come naturally since this still remained doubtful. A mixed research method should be considered here. A qualitative research in form of observations and focus groups to explore this relationship further, and quantitative research to test this relationship. Observations could enable getting a better picture of the relationship in reality, while conducting focus groups with both managers and employees would lead to better and deeper insights from both sides. It is important to find out the viewpoints of the employees in order to find out if they feel encouraged to think and act entrepreneurially or if they feel born with an entrepreneurial mindset. On the other hand, research should extend the in this study filled research gap on the importance of social intelligence on entrepreneurial leaders and the resulting effect on the encouragement of employees to behave entrepreneurially. A mixed research method should be considered here as well. Qualitative research explores this topic further, while quantitative research test the moderating role of social intelligence on the relationship between entrepreneurial leadership and entrepreneurial attitudes and behaviors in

employees. Finally, future research could also investigate if organizations led by socially intelligent entrepreneurial leaders perform better and are more successful than organizations led by socially unintelligent leaders. Additional factors that future research should also consider with regard to the relationship are culture or the forms of organizations. This implies conducting research on this topic with participants from other countries as this study focused on Germany mainly, or focusing on specific forms of organizations to make more profound comparisons. Furthermore, it could be find out if start-ups and franchising companies really work best or even only by applying an entrepreneurial leadership style, and how corporations apply this leadership style in spite of regulations and restrictions.

## 8. PRACTICAL IMPLICATIONS

Based on the findings of this study, some useful practical recommendations for managers can be drawn. Managers who lead in an entrepreneurial way in order to encourage their employees to think and act entrepreneurially should consider whether they really achieve this encouragement or whether their employees were born to think and act this way. If they figure out that it appears naturally rather than is encouraged, they should consider starting selecting people with an entrepreneurial mindset already in the selection process. This implies hiring people based on this requirement. Besides, managers should be aware of the fact that analytical skills are not the only essential things, but especially the ability to be socially intelligent is important. If they aim at motivating their employees towards more commitment or even towards thinking and acting entrepreneurially – assuming that it is possible to encourage the latter – they have to be socially intelligent. Social intelligence is the key to bond with the employees. This requires the managers to have a certain degree of empathy, social skills and social awareness. They need to be concerned with private matters of their employees as much as with matters regarding work. This implies effective communication and a certain degree of trust as well as understanding. Moreover, being aware of the employees' strengths and weaknesses is of high importance in order to not only bond with them, but above all to get the best possible performance out of them and achieve success on a long-term basis.

## 9. ACKNOWLEDGMENTS

This thesis is part of a larger project dealing with entrepreneurial leadership. A joint effort of 15 students, who cover different topics with regard to entrepreneurial leadership, conducted interviews for this qualitative study. My gratitude goes to the students of this joint effort for conducting the interviews as well as to our supervisor Dr. M.L. Ehrenhard for his guidance and support. Furthermore, my gratitude goes to the second supervisor Raja Singaram for examining the thesis.

## 10. REFERENCES

- Albrecht, K. (2006). *Social Intelligence: The New Science of Success*, San Francisco: Jossey-Bass
- Awwad, M.S., & Ali, H.K. (2012). Emotional intelligence and entrepreneurial orientation: The moderating role of organizational climate and employees' creativity. *Journal of Research in Marketing and Entrepreneurship*, 14(1), 115-136

- Bagheri, A., Pihie, Z.A.L., & Kraus, S.E. (2013). Entrepreneurial leadership competencies among Malaysian university student entrepreneurial leaders. *Asia Pacific Journal of Education*, 33(4), 493-508
- Boyatzis, R.E., & Goleman, D. (2006). *Emotional and Social Competency Inventory*. Boston: The Hay Group.
- Brandstätter, H. (2011). Personality aspects of entrepreneurship: A look at five-meta analyses. *Personality and Individual Differences*, 51(1), 222-230
- Brundin, E., Patzelt, H., & Shepherd, D.A. (2008). Managers' emotional displays and employees' willingness to act entrepreneurially. *Journal of Business Venturing*, 23(2), 221-243
- Chen, C.C., Greene, P.G., & Crick, A. (1998). Does entrepreneurial self-efficacy distinguish entrepreneurs from managers? *Journal of Business Venturing*, 13(1), 295-316
- Chen, H-G. (2007). Entrepreneurial Leadership and New Ventures: Creativity in Entrepreneurial Teams. *Creativity and Innovation Management*, 16(3), 239-249
- Cogliser, C.C., & Brigham, K.H. (2004). The intersection of leadership and entrepreneurship: Mutual lessons to be learned. *The Leadership Quarterly*, 15(1), 771-799
- Covin, J.G., & Slevin, D.P. (2002). *The entrepreneurial imperatives of strategic leadership*, in Hitt, M.A., Ireland, R.D., Camp, S.M. and Sexton, D.L. (Eds), *Strategic Entrepreneurship: Creating a New Mindset*, Oxford: Blackwell, 309-327
- Cross, B., & Travaglione, A. (2003). The untold story: is the entrepreneur of the 21st century defined by emotional intelligence? *International Journal of Organizational Analysis*, 11(3), 221-228
- Cunningham, J.B., & Lischeron, J. (1991). Defining entrepreneurship. *Journal of Small Business Management*, 29(1), 45-61
- Currie, G., Humphreys, M., Ucbasaran, D., & McManus, S. (2008). ENTREPRENEURIAL LEADERSHIP IN THE ENGLISH PUBLIC SECTOR: PARADOX OR POSSIBILITY? *Public Administration*, 86(4), 987-1008
- Darling, J.R., & Beebe, S.A. (2007). Enhancing Entrepreneurial Leadership: A Focus in Key Communication Priorities. *Journal of Small Business & Entrepreneurship*, 20(2), 151-167
- Darling, J.R., Keeffe, M.J., & Ross, J.K. (2007). Entrepreneurial Leadership Strategies and Values: Keys to Operational Excellence. *Journal of Small Business & Entrepreneurship*, 20(1), 41-54
- Delic, L., Novak, P., Kovacic, J., & Avsec, A. (2011). Self-reported Emotional and Social Intelligence and Empathy as Distinctive Predictors of Narcissism. *Psychological Topic* 20, 3(1), 477-488
- Fernald, L.W., Solomon, G.T., & Tarabishy, A. (2005). A New Paradigm: Entrepreneurial Leadership. *Southern Business Review*, 30(2), 1-10
- Flanagan, J.C. (1954). The critical incident technique. *Psychological Bulletin*, 51(4), 327-358
- Goleman, D. (1998). What Makes A Leader? *Harvard Business Review*, 76(6), 93-102
- Goleman, D. (2006). *Social Intelligence*. New York: Bantam Books.
- Goleman, D., & Boyatzis, R.E. (2008). Social Intelligence and the Biology of Leadership. *Harvard Business Review*, 86(9), 74-81
- Greenberg, D., McKone-Sweet, K. & Wilson, J.H. (2013). Entrepreneurial leaders: Creating opportunity in an unknowable world. *Leader to Leader*, 2013(67), 56-62
- Gupta, V., MacMillan, I.C., & Surie, G. (2004). Entrepreneurial leadership: developing and measuring a cross-cultural construct. *Journal of Business Venturing*, 19(1), 241-260
- Hampel, S., Weis, S., Hiller, W., & Witthöft, M. (2011). The relationship between social anxiety and social intelligence: A latent variable analysis. *Journal of Anxiety Disorders*, 25(4), 545-553
- Hunt, T. (1928). The Measurement of Social Intelligence. *Journal of Applied Psychology*, 12(3), 317-334
- Ireland, R.D., Hitt, M.A., & Sirmon, D.G. (2003). A Model of Strategic Entrepreneurship: The Construct and its Dimensions. *Journal of Management*, 29(6), 963-989
- Kempster, S., & Cope, J. (2010). Learning to lead in the entrepreneurial context. *International Journal of Entrepreneurial Behaviour & Research*, 16(1), 5-34
- Kilgour, F.G. (1992). Entrepreneurial Leadership. *Library Trends*, 40(3), 457-474
- Krishnakumar, S., Prasanna Devi, s., & Surya Prakasa Rao, K. (2013). A business dynamics model in entrepreneurial orientation of employees. *Industrial and Commercial Training*, 45(1), 36-50
- Kuratko, D.F. (2007). Entrepreneurial Leadership in the 21<sup>st</sup> Century. *Journal of Leadership and Organizational Studies*, 13(4), 1-11
- Lumpkin, G.T., & Dess, G.G. (1996). Clarifying the Entrepreneurial Orientation Construct and Linking It to Performance. *Academy of Management Review*, 21(1), 135-172
- Marlowe, H.A. (1986). Social Intelligence: Evidence for Multidimensionality and Construct Independence. *Journal of Educational Psychology*, 78(1), 52-58
- Mason, M. (2010). Sample Size and Saturation in PhD Studies Using Qualitative Interviews. *Forum Qualitative Sozialforschung/Forum: Qualitative Social Research*, 11(3), Art. 8
- Neqabi, S., & Bahadori, M. (2012). Relationship between emotional intelligence and entrepreneurial behavior. *Iranian Journal of Military Medicine*, 14(1), 123-128
- Oswald, J., & Crompton, H. (2009). Enterprise logic and small firms: a model of authentic entrepreneurial leadership. *Journal of Strategy and Management*, 2(4), 329-351
- Patton, M. (1990). *Qualitative evaluation and research methods*. Beverly Hills, CA: Sage., 169-186

- Perren, L. & Burgoyne, J.G. (2002) *Management and Leadership Abilities: An analysis of texts, testimony and practice*. London: CEML
- Ruvio, A., Rosenblatt, Z., & Hertz-Lazarowitz, R. (2010). Entrepreneurial leadership vision in nonprofit vs. for-profit organizations. *The Leadership Quarterly*, 21(1), 144-158
- Salovey, P., & Mayer, J.D. (1990). Emotional Intelligence. *Imagination, Cognition, and Personality*. 9(3), 185-211
- Santora, J.C., Seaton, W., & Sarros, J.C. (1999). Changing Times: Entrepreneurial Leadership In A Community-Based Nonprofit Organizations. *The Journal of Leadership Studies*, 6(3-4), 101-109
- Schutt, R.K. (2012). *Investigating the Social World. The Process and Practice of Research* (7th ed.). Thousand Oaks, CA: SAGE, Ch. 10
- Seal, C.R., Boyatzis, R.E., & Bailey, J.R. (2006). Fostering Emotional and Social Intelligence in Organizations. *Organization Management Journal*, 3(3), 190-209
- Shenton, A.K. (2004). Strategies for ensuring trustworthiness in qualitative research projects. *Education for Information*, 22(1), 63-75
- Silvera, D.H., Martinussen, M., & Dahl, T.I. (2001). The Tromsø Social Intelligence Scale, a self-report measure of social intelligence. *Scandinavian Journal of Psychology*, 42(1), 313-319
- Swiercz, P.M., & Lydon, S.R. (2002). Entrepreneurial leadership in high-tech firms: a field study. *Leadership & Organizational Development Journal*, 23(7), 380-389
- Thorndike, E.L. (1920). Intelligence and its uses. *Harper's Magazine*, 140(1), 227-235
- Vecchio, R.P. (2003). Entrepreneurship and leadership: common trends and common threads. *Human Resource Management Review*, 13(1), 303-327
- Wakkee, I., Elfring, T., & Monaghan, S. (2010). Creating entrepreneurial employees in traditional service sectors. *International Entrepreneurship and Management Journal*, 6(1), 1-21
- Walker, R.E., & Foley, J.M. (1973). Social Intelligence: Its History and Measurement. *Psychological Reports*, 33(1), 839-864
- Wang, C.L., Tee, D.D., & Ahmed, P.K. (2012). Entrepreneurial leadership and context in Chinese firms: a tale of two Chinese private enterprises. *Asia Pacific Business Review*, 18(4), 505-530
- Weis, S., & Süß, H-M. (2007). Reviving the search for social intelligence - A multitrait-multimethod study of its structure and construct validity. *Personality and Individual Differences*, 42(1), 3-14
- Yang, C-H. (2008). THE RELATIONSHIP AMONG LEADERSHIP STYLES, ENTREPRENEURIAL ORIENTATION, AND BUSINESS PERFORMANCE. *Managing Global Transitions*, 6(3), 257-275
- Zaccaro, S.J., Gilbert, J.A., Thor, K.K., & Mumford, M.D. (1991). Leadership and social intelligence: linking social perspectiveness and behavioral flexibility to leader effectiveness. *The Leadership Quarterly*, 2(4), 317-342
- Zampetakis, L.A., Kafetsios, K., Bouranta, N., Dewett, T., & Moustakis, V.S. (2009). On the relationship between emotional intelligence and entrepreneurial attitudes and intentions. *International Journal of Entrepreneurial Behaviour & Research*, 15(6), 595-618

## APPENDIX A

### OVERVIEW OF THE PARTICIPANTS

<b>Participant*</b>	<b>Industry</b>	<b>Position</b>	<b>Gender</b>	<b>Age</b>	<b>Experience in position</b>	<b>Total experience in managerial position</b>	<b># Direct reports</b>
<b>A</b>	Food Industry/ Baking Industry/ Franchising	Co-CEO	Male	49	11 years	17 years	4
<b>B</b>	Metal Industry/ Basic Resources	CEO	Male	62	9 years	22 years	20
<b>C</b>	Financial Services (App)	CMO	Male	39	2 years	10 years	3
<b>D</b>	Venture Capital	Co-Founder & CEO	Male	54	4 years	19 years	30
<b>E</b>	Public Relations Agency	Founder and CEO	Male	26	1 year	1 year	3
<b>F</b>	Charitable Organization (independent body for political education)	Manager	Female	39	7 years	8.5 years	11
<b>G</b>	Local Government	Head of Department	Male	58	7 years	19 years	44
<b>H</b>	(Child care) Education	Manager	Female	50	23 years	29 years	30
<b>J</b>	Finance	CRO (Risk)	Male	55	20 years	18 years	450
<b>K</b>	Energy ( electricity, gas)	CEO	Male	54	5 years	12 years	120
<b>L</b>	Insurances	HR Manger	Female	33	3 years	5 years	9
<b>M</b>	App provider for events	Community Manager	Male	29	0,5 years	10 years	3 - 12
<b>N</b>	Self-publishing Platform for Authors	CMO	Female	25	3 years	2 years	5 - 10
<b>O</b>	App Service Provider for Pet Care	Founder, COO, CFO	Male	30	1,5 Years	3 Years	8

<b>P</b>	Social lending/ Shareconomy	Founder/ CEO	Male	37	6 Years	15 Years	15
<b>Q</b>	Lifestyle Product Manufacturer	Founder/ CMO	Male	27	3 Years	5 Years	5-6
<b>R</b>	Fashion Company	CEO	Male	40	10 Years	14Years	10
<b>S</b>	Lightning/ Healthcare/ Consumer Products	Head of Internal Communications	Male	50	10 years	25 years	13
<b>T</b>	Webdesign, Promotion	CMO/Team manager	Male	50	5 years	23 years	9
<b>U</b>	Service Provider	CEO	Male	57	10 Years	23 Years	300
<b>V</b>	Mobile Telephone Industry	Head of Department Customer Operations	Male	49	1 Year	14 Years	800
<b>W</b>	Paper Processing	Sales Manager	Male	58	1 Year	20 Years	40
<b>X</b>	Psychological Consultancy	Managing Partner (Founder)	Male	43	14 Years	14 Years	12
<b>Y</b>	Graphic Industry	CEO	Male	53	20 Years	30 Years	8
<b>Z</b>	Sports Club	Manager Media and Communications	Male	29	1 Year	1 Year	3

\*Names of the participants and organizations are excluded to ensure anonymity

## APPENDIX B

### INTERVIEW PROTOCOL ENTREPRENEURIAL LEADERSHIP

- English Version –

#### Introductory information on the respondent's background

- Name of organization
- Type of industry / generally what type of product(s) or service(s)
- Name of respondent
- Gender
- Age
- Name of function / position in the organization / main task-responsibility
- Experience in this specific position,
- Total experience in any managerial position
- Approximately, how many direct reports (=people that directly report to the manager in the formal hierarchy of the organization)
- What type of work do people under the manager do (direct reports and others in the hierarchy below manager)

#### Main interview question (critical incident technique)

1. Could you mention an example in your career of when you led your employees in an entrepreneurial way? If you have multiple examples please take the most recent one. Please take your time to choose and describe one example.
  - i. What happened in this situation or project? What was it about?
  - ii. Which specific behaviors did you demonstrate in this example? How did you show them?
  - iii. Could you describe in greater detail what you did or said exactly?
  - iv. Why did you show these behaviors?
  - v. What kind of behaviors did your employees show in this example? Could you describe them exactly?
  
2. BACKUP IN CASE RESPONDENT FINDS IT HARD TO ANSWER **OR** TALKS ABOUT OTHER ISSUES THAN ENTREPRENEURIAL LEADERSHIP (=OTHER TOPICS THAN THOSE RELATED TO RISK-TAKING, PRO-ACTIVENESS, INNOVATIVENESS, AUTONOMY, OWNERSHIP, OR COMPETITIVE AGGRESSIVENESS OR ENCOURAGING THESE)
  - i. Can you mention an example in your career of when you encouraged your employees to take risks or take ownership; be autonomous, pro-active or innovative; or learn from competitors?



### **Contingency factors**

3. How often do you lead your employees in an entrepreneurial way (regularly or occasionally)? Could you give a rough percentage?
4. In which circumstances do lead your employees in an entrepreneurial way, when do you think it is most useful? Too what extent is such behavior useful?
5. In which circumstances do you think it is not useful?
6. How important is social intelligence – empathy, social awareness and skills – for leading employees in an entrepreneurial way?
7. How has your past experience influenced you in leading your employees in an entrepreneurial way? Has your opinion changed over time on this matter and if so why/ when?
8. Could you also give a recent example of when you did not behave in an entrepreneurial manner towards your employees and why?
9. How would you describe your leadership in general?

### **Outcomes**

10. What is in your opinion the effect of leading your employees in an entrepreneurial way on employee commitment? Please explain
11. What is in your opinion the effect of leading your employees in an entrepreneurial way on economic performance of the firm?
12. What is in your opinion the effect of leading your employees in an entrepreneurial way on the social performance of the firm? E.g. employee wellbeing (people) or environmental sustainability (profit)?

### **Closure of the interview**

13. Do you have any final comments or thoughts on this matter you would like to share?

## APPENDIX C

### QUESTIONS USED IN THIS PARTICULAR STUDY

*(Extracted from the interview protocol)*

#### Main interview question (critical incident technique)

1. Could you mention an example in your career of when you led your employees in an entrepreneurial way? If you have multiple examples please take the most recent one. Please take your time to choose and describe one example.
  - i. What happened in this situation or project? What was it about?
  - ii. Which specific behaviors did you demonstrate in this example? How did you show them?
  - iii. Could you describe in greater detail what you did or said exactly?
  - iv. Why did you show these behaviors?
  - v. What kind of behaviors did your employees show in this example? Could you describe them exactly?
  
2. BACKUP IN CASE RESPONDENT FINDS IT HARD TO ANSWER **OR** TALKS ABOUT OTHER ISSUES THAN ENTREPRENEURIAL LEADERSHIP (=OTHER TOPICS THAN THOSE RELATED TO RISK-TAKING, PRO-ACTIVENESS, INNOVATIVENESS, AUTONOMY, OWNERSHIP, OR COMPETITIVE AGGRESSIVENESS OR ENCOURAGING THESE)
  - i. Can you mention an example in your career of when you encouraged your employees to take risks or take ownership; be autonomous, pro-active or innovative; or learn from competitors?

#### Contingency factors

6. How important is social intelligence – empathy, social awareness and skills – for leading employees in an entrepreneurial way?

#### Outcomes

10. What is in your opinion the effect of leading your employees in an entrepreneurial way on employee commitment?  
Please explain