INFLUENCE OF LEADERSHIP ON THE GROWTH OF ENTERPRENEURS IN MACHAKOS COUNTY

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ABSTRACT
The recent past has seen the endorsement of emotional Intelligence as a concept that improves an individual’s social effectiveness. This has been considered as one of the important element of the success of an entrepreneurship. For this reason, this study seeks to find out the Influence of leadership on the growth of Entrepreneurs in Machakos County. This was achieved by reviewing: interpersonal skills, the managerial skills, leadership skills, individual traits and innovativeness as the study variables which are backed by various relevant theories. The study had enterprises as the study population and a sample size of 30% of the population (48) who was selected randomly from different locations of Machakos so as to gauge the scores of emotional intelligence and growth percentage of the entrepreneurs. The aim of all this was to evaluate the influence of emotional intelligence and whether it has a greater impact on the growth of enterprises within Machakos county. A descriptive research design was used in this study. The population of this study encompassed employees who are currently working in entrepreneurship ventures in Machakos County. This study pre-tested the questions to reduce ill documentation of facts and findings. A multivariate regression model was applied to determine the relative importance of each of the four variables with respect to Growth of Entrepreneurs. The study found out that majority of the respondents indicated that to a great extent interpersonal skills influence growth of entrepreneurs in Machakos County. Additionally the study concludes that managerial skills influence growth of entrepreneurs in Machakos County. The study recommends improvement of “people skills” which are crucial for leader effective leadership.

Key Words: Entrepreneurial Behavior, Leadership and Growth of Entrepreneur
Introduction

In the 1940’s, leadership studies at Ohio State suggested that “consideration” is an important aspect of effective leadership (Cherniss, 2000). This research suggested that leaders who can establish “mutual trust, respect, and a certain warmth and rapport” with members of their group will be more effective” (Cherniss, 2000). The “exercise of leadership is a universal and exceedingly complex social phenomenon that has long defied exact scientific definition and measurement” (Hays et al., 1967). Leadership, and leader performance is not easily measured, and most would argue that the practice of leadership is more art than science. However, in spite of numerous and varied definitions of the term and concept, most agree that “leadership” is the activity of influencing an individual or group to achieve some goal or objective. The capable leader is one who knows how to capitalize on the potentialities inherent in his or her own personality, his or her subordinates, and the situation.

Leadership studies initiated in 1945 by the Bureau of Business Research at Ohio State University narrowed the description of leader behavior to two dimensions: Initiating Structure and Consideration. While “Initiating structure” refers to the extent to which a leader is task-oriented and directs subordinates’ work activities toward goal achievement, “Consideration” refers to the extent to which a leader is sensitive to subordinates, respects their ideas and feelings, and establishes mutual trust” (Hersey et al., 1996). There is much discussion by leadership scholars for the emergence of alternative models of leadership that beyond the heroic, charismatic individual as leader. For example leadership conceived as a process; leadership as a role; or leadership as a discourse (Grint, 2005; Parry and Hansen, 2007). There is a similar discussion in the literature on entrepreneurial leadership with Ensley et al. (2003) articulating the importance of —shared leadership, in which team members are empowered and leadership responsibilities are shared. There is a clear need to explore the opportunities for the development of distributed leadership in established SMEs. However the context of SME environments is seen in the literature as dominated by the heroic approach to leading (Ensley et al., 2006). This is reflective of a wider tendency within the field of entrepreneurship to take the entrepreneur, endowed with a set of essential individual powers, as the analytical starting point (Goss, 2005).

Foo (2011) reported that new stream of emotion studies have started in entrepreneurship research. Some scholar find out that positive emotion can cope with stress, facilitate creativity and heuristic processing (Baron, 2008), and also, improve decision making (Foo, 2011). Similar studies (Baron, 2008; Biniari, 2011) have shown that emotions have positive effect on entrepreneurship field. Another construct which related to emotion is emotional intelligence. Salovey and Mayer (1990) define emotional intelligence as a set skills which is “accurate appraisal and expression of emotion in oneself and in others, the effective regulation of emotion in self and others, and the use of feelings to motivate, plan, and achieve in one's life” Some scholars assert that emotional intelligence is missing factor in the entrepreneurship research and discussion (Cross & Travaglione, 2003; Piperopoulos, 2010), and also development of entrepreneurship is related to a capability of an individual to analyze his/her emotions and values.
(Zakarevicius & Župerka, 2010). In particular, several studies suggested that emotional intelligence has a positive effect on creativity (Zhou & George, 2003; Zampetakis, Kafetsios, Bouranta, Dewett and Moustakis, 2009) which it is one of the most important core competencies for entrepreneurs.

Companies who once focused only on where their new hires went to college have learned that IQ alone isn’t going to make them successful. The way they conduct themselves, the way they express themselves, and the way they interact with others are all as important if not more important than the person’s score on an intelligence test. When an individual has not developed their EI, they tend to get stopped by setbacks. They either can’t get past these kinds of situations, or they struggle past it after a long period of time. They may react negatively to the other people involved, which results in increased animosity and difficulty in being productive. They may take things personally that are not meant to be. They may feel like a victim rather than feeling empowered. All in all, these types of situations prevent them from being as successful as possible in the workplace. Someone who has a highly developed EI still face these types of situations, just like everyone else. Yet the way they react is different. They are able to stop and analyze what they are feeling, and to understand how those feelings are impacting their behavior and their choices. They are able to recognize how other people are feeling and to empathize with them. The lack of endorsing emotional intelligence in the management of SMEs is therefore a retrogressive step which entrepreneurs unknowingly subscribe to. It is for this reason why this study sought to evaluate the Influence of leadership on the growth of Entrepreneurs in Machakos County in Kenya.

**Literature Review**

Decades of leadership research suggest that “people skills” are crucial for leader effectiveness. Over the last years there has been an explosion of interest in emotional intelligence and emotions in the workplace. There are a number of leader and manager development programs that focus on improving the interpersonal skills but there seem to be no agreed-upon models that focus on emotional skills and general communication abilities of managers and leaders. According to Riggio and Lee (2007) there are many leadership development programs, offered by independent consulting groups, which involve developing emotional and interpersonal competences of leaders. They point out that theoretical models and research basis for developing these kinds of leader competences are very recent as the there have been several empirical and quasi-empirical research studies that have been carried out in European and American institutions of learning that relate to this study.

Dr. Nuzhath Khatoom, who is the assistant professor of commerce and management at Padala Rama Reddi College in Andhra Pradesh, India, conducted an advanced study to show how emotional intelligence improves an individual’s social effectiveness. He predominantly focused on the impact of emotional intelligence on the growth of enterprises and sampled 50 entrepreneurs from Hyderabad. His assessments, analysis and evaluations found out that higher
emotional intelligence creates better social networks which could lead to better business relations and subsequently better returns.

In 2004, Dwight Frink from the University of Mississippi teamed up with Gerald Ferris and Ceasar Douglas from the Florida State University Tallahassee, to investigate the relationship between conscientiousness and performance, is stronger for individuals who are high on emotional intelligent. Their study collected from data from 205 students who averaged of 21.2 years. In the end they found out that the emotional intelligence and regulation can vary from one person to another and different people. The study also established that only certain particular personality traits can embrace emotional intelligence because these personalities can easily interact with other people and are more agreeableness to openness and new experiences. In as much as the study shed light on emotional intelligence it had gaps on the precise articulation of the conditions under which specific dimensions of emotional intelligence would be expected to affect the relationships.

Another study on the influence of emotional intelligence was conducted by Druskat & Wolff (2001). The study which was published in the Harvard Business review was titled Building the Emotional Intelligence of Groups. The study evaluated the model of emotional intelligence since the year 1990 to the year 2000. The results of the study established that managers and executives who have emotional intelligence are more creative and productive. The study also found out that managers who have emotional intelligence can yield high levels of participation, cooperation, and collaboration among people. In addition, the study also showed that emotional intelligence created mutual trust among members, a sense of group identity (a feeling among members that they belong to a unique and worthwhile group), and a sense of group efficacy (the belief that the team can perform well and that group members are more effective working together than apart).

All of the aforementioned researches touched on several aspects of emotional intelligence but none of theme evaluated its contribution in SMEs. For this reason this study seeks to evaluate the influence it has among entrepreneurs particularly those in Machakos county by measuring the individual traits as mentioned by (Gardner, 2002), interpersonal skills by (Druskat & Wolff, 2001) leadership skills by (Chertok, et.al, 2012) and decision making skills by (Khatoon, 2013). This study will sample 50 entrepreneurs who will be selected randomly from different locations of Machakos. This sample will be sorted out based on the monthly turnover Kshs. 10,000 so as to gauge the scores of emotional intelligence and growth percentage of the entrepreneurs. The overall aim of this study is to evaluate the influence of emotional intelligence and whether it has a greater impact on the growth of enterprises within Machakos county.

Most times we do not typically hear about the important role that emotional intelligence (EQ) plays in the process of innovation. Transformational leadership focuses on the innovation of the organization and is not primarily concerned with direct control and supervision. It is often viewed as a type of distributive leadership since it encompasses a shared vision and commitment to change (Hallinger, 2003). A study by Lac, Su and Tasler (2013) observed that leaders with
higher EQs are much more apt to retain their employees, and that sales and service people with high emotional intelligence log far better numbers than their low EQ counterparts. That is probably why most of us tend to see emotional intelligence as the yang to the yin of technical skills that we credit with product and process innovation. The study also found that there will be a demand for profiles who can innovate and convert a difficulty into a challenge or an opportunity,” adding that specialization is another value for professionals of the future, great store will be increasingly given to profiles that have deep knowledge of something specific and can rapidly add value (Lac et al. 2013).

Based on data collected from 99 entrepreneurial firms, the findings show that entrepreneurs’ Emotional Intelligence (EI) has an indirect impact on growth. Entrepreneurs’ EI is positively related to entrepreneurs’ intellectual stimulation and individualized consideration and entrepreneurs’ charismatic-inspirational behaviors. However, only entrepreneurs’ charismatic-inspirational behaviors impacts growth. The findings extend the literature by suggesting that entrepreneurs’ EI is a “latent” emotional capability that impacts their transformational leadership orientation. It is also suggested that by employing charismatic inspirational behaviors, entrepreneurs’ demonstrate their ability to enlist and manage followers’ emotions and hence influence growth.

Successful entrepreneurial activity is important for a healthy economy and can be a major source of job creation. While the concept of entrepreneurship has been around for quite some time, researchers continue to explore the factors that underlie entrepreneurial performance. Specifically, researchers have sought to further examine why some entrepreneurial ventures are more successful than others. Research findings indicate that emotional intelligence is a key component of strategic leadership capability and affects competitive advantage through leadership and strategic change (Voola et al., 2004). Moreover, there is evidence that managers who possess emotional intelligence are capable of controlling their emotional displays can motivate entrepreneurial action among employees (Brundin et al., 2008) and also impact on innovation, creativity, and ultimately the performance and competitiveness of the SME (Piperopoulos, 2010).

Jensen and Luthans (2006) claim that scholars in entrepreneurship, organizational behaviour and leadership fields have given relatively little attention to SME owners as leaders, as they are often not thought of as leaders but rather entrepreneurs. Typical characteristics of an entrepreneur are “the ability to take risks, innovativeness, knowledge of how the market functions, manufacturing know-how, marketing skills, business management skills and the ability to cooperate” (Littunen, 2000). Jensen and Luthans argue that the entrepreneur creates the business on the backbone of these characteristics. If an entrepreneur can spearhead the development of ideas and resources into reality, then he/she should be considered a leader.
Research Methodology

The study was a survey research about the influence of emotional intelligence on the growth of entrepreneurs in Kenya. A descriptive research design was used in this study. The design was chosen since it is more precise and accurate as it involves description of events in a carefully planned way (Babbie, 2002). The population of this study encompassed employees who are currently working in entrepreneurship ventures in. Since this group is expected to encompass learned personnel, testing emotional intelligence as a concept was feasible. The target population of this study comprised of enterprises in Machakos County since the area has a wide variety of businesses. This research study used a stratified random sampling method to select 30% of the respondents, 48 enterprise owners from Machakos County in Kenya were selected. The data for this study was collected through individually administered questionnaires. Care and control was exercised to ensure that all questionnaires issued to the respondents were received. A multivariate regression model was applied to determine the relative importance of each of the independent variables with respect to Growth of Entrepreneurs. Multiple regression is a flexible method of data analysis that may be appropriate whenever quantitative variables (the dependent) is to be examined in relations to any other factors (expressed as independent or predictor variable). Relationships may be non-linear, independent variables may be quantitative or qualitative and one can examine the effects of a single variable or multiple variables with or without the effects of other variables taken into account, (Cohen, Cohen, West and Aiken, 2003). The regression model was as follows:

\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon \]

Where:

- \( Y \) = Growth of Entrepreneurs
- \( \beta_0 \) = Constant Term
- \( \beta_1, \beta_2 \) and \( \beta_3 \) = Beta coefficients
- \( X_1 \) = Interpersonal skills
- \( X_2 \) = Managerial skills
- \( X_3 \) = Leadership skills
- \( X_4 \) = Individual traits
- \( X_5 \) = Innovativeness
- \( \varepsilon \) = Error term

To test the mediating effect of emotional intelligence, moderated multiple regression (MMR) analysis which is an inferential procedure consisting of comparing two different least-squares regression equations (Aguinis, 2004; Aiken and West, 1991) was utilized. Using the MMR analysis, the moderating effect of the variable (product term) was analyzed by interpreting the \( R^2 \) change in the models obtained from the model summaries, and the regressions coefficients for the product term obtained from the coefficients tables.
Research Results
The researcher conducted a multiple regression analysis so as to evaluate the Influence of leadership on the growth of entrepreneurs in Machakos County. The results were as presented below:

Table 1: Model summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.231(^a)</td>
<td>.539</td>
<td>0.679</td>
<td>1.02706</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Interpersonal skills, Managerial Skills, Leadership skills, Individual traits and Innovativeness.

b. Growth of Entrepreneurs

Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (Growth of Entrepreneurs) that is explained by all the 5 independent variables (Interpersonal skills, Decisional making skills, Leadership skills, Individual traits and Innovativeness.). The five independent variables that were studied, explain 67.9% of variance to investigate the Influence of leadership on the growth of entrepreneurs in Machakos County as represented by the R\(^2\). This therefore means that other factors not studied in this research contribute 32.1% of variance in the dependent variable. Therefore, further research should be carried out to investigate influence of leadership on the growth of entrepreneurs in Machakos County.

Table 2: ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>2.558</td>
<td>4</td>
<td>.639</td>
<td>60.6</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>45.359</td>
<td>43</td>
<td>1.055</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>47.917</td>
<td>47</td>
<td>1.055</td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Interpersonal skills, Managerial Skills, Leadership skills, Individual traits and Innovativeness.

b. Growth of Entrepreneurs

The F critical at 5% level of significance was 2.57. Since F calculated is greater than the F critical (value = 60.6), this shows that the overall model was significant. The significance is less than 0.05, thus indicating that the predictor variables, explain the variation in the dependent variable which is Growth of Entrepreneurs.
A multivariate regression model was applied to determine the relative importance of each of the independent variables with respect to Growth of Entrepreneurs. Multiple regression is a flexible method of data analysis that may be appropriate whenever quantitative variables (the dependent) is to be examined in relationship to any other factors (expressed as independent or predictor variable). Relationships may be non-linear, independent variables may be quantitative or qualitative and one can examine the effects of a single variable or multiple variables with or without the effects of other variables taken into account.

**Table 3: Multiple Regression Analysis**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>6.689</td>
<td>4.419</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>.244</td>
<td>1.554</td>
<td>.128</td>
</tr>
<tr>
<td></td>
<td>Interpersonal skills</td>
<td>.244</td>
<td>.157</td>
<td>.228</td>
</tr>
<tr>
<td></td>
<td>Managerial Skills</td>
<td>.115</td>
<td>.132</td>
<td>.129</td>
</tr>
<tr>
<td></td>
<td>Leadership skills</td>
<td>.010</td>
<td>.187</td>
<td>.008</td>
</tr>
<tr>
<td></td>
<td>Individual traits</td>
<td>.027</td>
<td>.176</td>
<td>.023</td>
</tr>
<tr>
<td></td>
<td>Innovativeness</td>
<td>.300</td>
<td>.190</td>
<td>.239</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Interpersonal skills, Managerial Skills, Leadership skills, Individual traits and Innovativeness.

b. Growth of Entrepreneurs

The regression model was as follows:

\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon \]

Where:

\( Y \) = Growth of Entrepreneurs

\( \beta_0 \) = Constant Term

\( \beta_1, \beta_2 \ldots \ldots \beta_5 \) = Beta coefficients

\( X_1 \) = Interpersonal skills

\( X_2 \) = Managerial skills

\( X_3 \) = Leadership skills
X_4= Individual traits  
X_5= Innovativeness  
\( \varepsilon = \) Error term  
\[ Y = 6.689 + 0.244X_1 + 0.115X_2 + 0.010X_3 + 0.027X_4 + 0.300X_5 + \varepsilon \]  
According to the equation, taking all factors (Interpersonal skills, Managerial Skills, Leadership skills, Individual traits and Innovativeness.) constant at zero, Growth of Entrepreneurs will be 6.689. The data findings also show that a unit increase in Interpersonal skills, variable will lead to a 0.244 increase in growth of entrepreneurs; a unit increase in Managerial skills will lead to a 0.115 increase in growth of entrepreneurs; a unit increase in Leadership skills will lead to a 0.010 increase in growth of entrepreneurs; a unit increase in Individual traits will lead to a 0.027 increase in growth of entrepreneurs and a unit increase in Innovativeness will lead to 0.300 increase in growth of entrepreneurs. This means that the most significant factor Interpersonal skills followed by Managerial skills.

**Discussions**

**Interpersonal skills**

The study found out that majority of the respondents indicated that to a great extent interpersonal skills influence growth of entrepreneurs in Machakos County. On the study on the level of agreement the statements relating to interpersonal skills affecting growth of entrepreneurs in Machakos County, respondents agreed that higher emotional intelligence creates better social networks; that emotional intelligence in leaders includes charisma, inspirational motivation (effective communication), intellectual stimulation and individualized consideration. That emotional intelligence improves an individual’s social effectiveness and that emotional intelligence leads to better business relations and subsequently better returns.

**Managerial Skills**

The study found out that 33.3\% of the respondents agreed to a moderate and great extent that managerial skills influence growth of entrepreneurs in Machakos County while 22.9\% and 10.4\% indicated that to a very great extent and little extent respectively managerial skills influence growth of entrepreneurs in Machakos County. Further on the level of agreement with the statements relating to managerial skills influence on growth of entrepreneurs in Machakos County, the study found out that respondents agreed that all decision making activities include at various stages some form of comparison; that comparisons are made between attributes of different alternatives; that decision making involves comparisons between alternatives and that decision making is a rational process.

**Leadership skills**

On leadership skills, the study found out that leadership skills influence growth of entrepreneurs in Machakos County. The study also found out that respondents agreed that leadership skills include promoting the needs and inspirations of followers and endorses dramatic change in
individuals, groups and organisations; that leadership styles are directly linked to the achievement of anticipated goals and objectives in an organization or a business venture; that personality, perception, assimilation, cognitive skills, and ability to manage emotions expound on the influence of emotional intelligence and that leaders address the current needs of subordinates by concentrating on exchanges.

**Innovativeness**

Finally the study found out that Innovativeness influence growth of entrepreneurs in Machakos County. From the findings respondents agreed that there is a demand for profiles who can innovate and convert difficult employees; that emotional intelligence (EQ) plays an important role in the process of innovation and that emotional intelligence is the credited with product and process innovation

**Conclusions**

The study concludes that to a great extent interpersonal skills influence growth of entrepreneurs in Machakos County and that higher emotional intelligence creates better social networks; that emotional intelligence in leaders includes charisma, inspirational motivation (effective communication), intellectual stimulation and individualized consideration; That emotional intelligence improves an individual’s social effectiveness and that emotional intelligence leads to better business relations and subsequently better returns.

Additionally the study concludes that managerial skills influence growth of entrepreneurs in Machakos County. Further on the level of agreement with the statements relating to managerial skills influence on growth of entrepreneurs in Machakos County, the study concludes that all decision making activities include at various stages some form of comparison; that comparisons are made between attributes of different alternatives; that decision making involves comparisons between alternatives and that decision making is a rational process.

Finally the study concludes that leadership skills influence growth of entrepreneurs in Machakos County. The study also concludes that leadership skills include promoting the needs and inspirations of followers and endorses dramatic change in individuals, groups and organisations; that leadership styles are directly linked to the achievement of anticipated goals and objectives in an organization or a business venture; that personality, perception, assimilation, cognitive skills, and ability to manage emotions expound on the influence of emotional intelligence and that leaders address the current needs of subordinates by concentrating on exchanges.

**Recommendations**

The study recommends improvement of “people skills” which are crucial for leader effective leadership. There should be agreed-upon models that focus on emotional skills and general communication abilities of managers and leaders leader and manager development programs that focus on improving the interpersonal skills but there seem to be no. These programmes include leadership development programs, offered by independent consulting groups, which involve
developing emotional and interpersonal competences of leaders. They point out that theoretical models and research basis for developing these kinds of leader competences. Further the study recommends that the impact of emotional intelligence on the growth of enterprises should be emphasized since higher emotional intelligence creates better social networks which could lead to better business relations and subsequently better returns. Finally, the study recommends that the concept of intelligence should be embraced because of its relationship with efficiency, productivity, sales, revenues, quality of service, customer loyalty, employee recruitment and retention, commitment, health and satisfaction, and morale. Emotional intelligence has implications for entrepreneurial situations and social interactions such as negotiation, obtaining and organizing resources, identifying and exploiting opportunities, managing stress, obtaining and maintaining customers, and providing leadership.

References


