

# Entrepreneurial Risk-Taking: Emotional Intelligence and Entrepreneurial Performance Perspectives

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## Abstract:

The current business context is defined by uncertainty, rapid technological change, and competition, and to achieve successful entrepreneurial performance, a deeper understanding of the behavioural and psychological processes that facilitate success is required. This paper is a synthesis of the existing literature that aims to evaluate how learning orientation, entrepreneurial risk-taking, emotional intelligence, and psychological capabilities relate to and affect entrepreneurial performance. One ability identified in the review as a foundational capability that enables continuous knowledge acquisition, flexibility, and innovation in business models, especially in volatile conditions, is learning orientation. The success of learning orientation, however, depends on an entrepreneur's risk propensity, which is a forerunner of the translation of learning into innovation and performance outcomes. The literature also points out that entrepreneurial risk-taking is a multidimensional construct that involves the identification and exploitation of opportunities, and its effect in a specific context is influenced by factors such as environmental turbulence, managerial ability, and intellectual capital. Mental imagery, emotional regulation, and psychological capital are cognitive and psychological processes that are critical for determining risk perception, persistence, and decision-making in the face of uncertainty. The concept of emotional intelligence has become a key integrative factor uniting cognition and emotion, enabling an entrepreneur to handle stress, reduce bias, and make well-balanced decisions about risk. Furthermore, emotional motivators, such as fear of failure and a passion for entrepreneurship, play an essential role in driving motivation, intent, and engagement, especially during unfavourable economic times.

**Keywords:** Entrepreneurial Performance; Risk-Taking Propensity; Learning Orientation; Emotional Intelligence; Psychological Capital; Innovation

## 1. Introduction

Learning orientation has been identified as a significant determinant of entrepreneurial performance, enhancing organisational capabilities, fostering sustained learning, and enabling knowledge creation. Existing studies indicate that a learning orientation enhances business model innovation, a key process for aligning learning and improving entrepreneurial performance. In addition, the existence of these relationships depends on risk-taking propensity, which influences the extent to which learning orientation

is translated into innovation and performance (Iyiola et al., 2023). The impact of risk-taking on innovation outcomes depends on firms' knowledge-based resources and Specifically, organisational capital, manifested as an innovative culture, will reinforce the positive relationship between risk-taking and product innovation, while social capital, based on customer relationships, could constrain highly novel innovation. These results suggest the importance of the contextual role of intellectual capital in shaping the outcomes of risk-driven innovation (Delgado-Verde & Franco-Curiel, 2025). Recent work differentiates between risk-taking and risk-taking behaviour, in which risk-taking is involved in determining and developing opportunities to succeed in risk-taking, which is involved in the development and commercialisation of opportunities. These dimensions, though autonomous, are interdependent in their effects on innovation. It has been shown that a combination or selective use of them also affects the success of new products, depending on market conditions, demonstrating the importance of ensuring that risk-taking behaviours are aligned with the growth dynamics of the environment (Guo & Jiang, 2020). In this study, high levels of managerial capabilities can enhance the success of innovation, provided managers take risks to that end. However, when taken to excess, individual risk-taking can be harmful to managerial performance, thereby undermining innovation performance. Besides, firm-level risk-taking and managerial capability appear to be collaborative in driving innovative outcomes. These lessons indicate that managerial risk-taking must be considered in accordance with competent managerial performance to sustain innovation performance (Qian et al., 2023). The literature is consistent and shows that entrepreneurial orientation is critical to financial, non-financial, and sustainability-related firm performance. Earlier research has proposed that entrepreneurial orientation enhances growth, innovation, market positioning, and stakeholder performance. Its success, however, depends on contextual factors, including the nature of the industries, digital preparedness, and sustainability orientation. It has also been shown that there are considerable differences in the measurement of entrepreneurial orientation, and that it would be better to standardise it more to mirror other new priorities in digital and sustainability (Pathinettampadiyan & Thavaraj, n.d.). The current study explores the influence of psychological capital on the career success of the self-employed, with persistence and risk-taking propensity as mediating factors. According to this study, increases in psychological capital are directly and indirectly associated with increases in entrepreneurial success, through perseverance and riskiness. The mediating effects seem more prominent when psychological capital is treated as an integrated construct that includes both self-efficacy and optimism, rather than when the two variables are treated separately. In general, these results highlight the roles of psychological resources and risky behaviours in shaping the outcomes of entrepreneurial careers (Al Issa, 2022).

## **2. Conceptualising Entrepreneurial Risk-Taking**

The value of the multidimensional perspective has been growing in its importance for explaining the core components of entrepreneurial orientation, as evidenced by previous studies on this topic. The study proposes that a distinction between process-related and outcome-related qualities of entrepreneurial orientation is more conceptually clear. Specifically, the aspect of innovativeness, risk-taking, and proactiveness can be fruitfully construed as relating to both behavioural processes and outcomes, which are not necessarily congruent. This approach offers a more sophisticated conceptualisation of entrepreneurial orientation and provides a closer theoretical understanding of its internal organisation (Linton, 2019). Past research examines the impact of investment motivations on business angels' readiness to assume investment risk. According to the literature, both financially motivated and

passion-driven motivations are significant in determining investors' risk attitudes. However, the intensity of such relationships is contingent on prior financial and entrepreneurial experience and further diminishes the relationship between motivations and risk-taking behaviour. The results support the empirical evidence that risk appetite among business angels is not a consistent concept but instead is based on the interaction of underlying motives to invest and experience (Croce et al., 2020). Previous studies using the entrepreneurial orientation framework examine the relationship between innovativeness and entrepreneurial risk-taking by distinguishing between risk-taking as a propensity and as a behavioural practice. The literature reports that entrepreneurial risk-taking is positively related to innovativeness and is high in strategic growth decisions such as diversification and integration. This set of relationships seems to be influenced by problematic and volatile environmental factors, suggesting that the role of risk-taking can differ in turbulent economies than in more stable ones (McCarthy et al., 2018). Entrepreneurial intention is increasingly acknowledged in the literature as a multidimensional concept influenced by the interplay of personal, educational, and social factors. The results imply that entrepreneurial intention is shaped by interrelated factors, making it crucial to adopt integrated strategies that include personal growth, practice-focused training, and favourable social conditions (Ramesh, n.d.). Earlier studies have highlighted the importance of risk-taking behaviour for the survival and continuity of family firms after a significant environmental. The evidence shows that the response of family firms to extreme uncertainty does not depend solely on their strategic orientation but also on non-economic concerns related to family control and legacy. On the whole, this view emphasises the role of socio-emotional and strategic considerations in post-crisis risk management (Llanos-Contreras et al., 2020). The entrepreneurship in new economies has emphasised the role of knowledge-based capabilities in shaping entrepreneurial behaviour. There is evidence that information sharing and knowledge management are highly associated with the levels of innovativeness, optimism, and risk-taking attitude among women-owned businesses. Innovativeness and entrepreneurial optimism are demonstrated to reinforce risk tolerance and improve efficient information and knowledge management, thereby contributing to informed, calculated risk-taking. All of these relationships can be interpreted as indicating that the development of small firms headed by women results from the interaction between cognitive characteristics and knowledge-based assets in dynamic business conditions (Fanaja et al., 2023). The results show that higher improvisation levels lead to greater involvement in risk-taking and the discovery of new opportunities, which, in turn, are interconnected channels linking entrepreneurial behaviour to performance outcomes. The discussion also indicates that these relationships are conditional, with organisational and individual factors determining them, whereby firm size limits the impact of improvisation on both opportunity recognition and risk-taking, and entrepreneurial experience selectively enhances its role in risk-taking (Ratanavanich & Charoensukmongkol, 2024).

### **3. Emotional Intelligence and Individual Risk-Taking**

The paper discusses the applicability of emotional intelligence to risk-based decision-making by managers, with reference to its interrelation with leadership styles and perceptions of risk. The results show that emotional intelligence enables leaders to identify and prevent internal biases and assumptions that can distort risk assessments. The analysis also indicates that this process is influenced by leadership style, with transformational leaders having higher levels of emotional intelligence and a more balanced risk attitude than transactional leaders. These properties lead to more comfortable and responsive risk-related decisions (Moon, 2021). It emphasises that emotionally intelligent entrepreneurs can better

recognise stressful situations and remain optimistic about their resolution. The suggested framework places emotional intelligence at the core of coping processes, reflected in the skills to perceive, use, interpret, and manage emotions. These emotional abilities enable the acceptance of stress and the belief in the ability to solve a problem, thus directing entrepreneurs toward problem-centred, emotion-centred, or hybrid coping styles. The paper emphasises emotional intelligence as a facilitator that enables adaptation to stressors in the business environment (Pathak & Goltz, 2021). The results direct that obsessive passion has a greater impact on the motivational elements of entrepreneurship than harmonious passion, suggesting that motivation can be undermined under poor economic expectations. The paper also reveals the applicability of exogenous shocks, including those associated with pandemics, which emphasizes the importance of facilitating financial conditions in ensuring entrepreneurial motivation and pursuit of opportunities (Galindo-Martín et al., 2023). Previous studies on entrepreneurship have primarily defined emotions as static states, offering little insight into entrepreneurs' active efforts to manage emotions to promote well-being and performance. Furthermore, numerous constructs and terminologies are used across studies on emotional processes, leading to a disjointed body of knowledge. It is suggested that the literature be systematised around personal capabilities, enduring characteristics, and person-specific strategies, and that macro-, meso-, and individual-level situational factors be introduced as well. The review reveals gaps in conceptualisation and provides direction for future scholarship on emotion management in entrepreneurship (Schmodde & Wehner, 2024).

#### **4. Emotional Intelligence and Entrepreneurial Performance**

Entrepreneurial performance is a complex construct influenced by personal, situational, and psychological factors. Emotional intelligence has become a background determinant of entrepreneurial success. The review combines theoretical insights and research to describe the core extents of emotional intelligence on the quality of decisions, leadership performance, innovation, resilience, and the firm's growth emotional intelligence-performance relationship strength and direction (Pathinettampadiyan & Thavaraj, 2025). Despite significant scholarly attention to emotional intelligence and its relevance to entrepreneurial performance, agreement on its underlying mechanisms is scarce. Innovativeness and proactivity are also key mediating variables, playing independent and sequential roles in translating emotional capabilities into performance outcomes (Peng et al., 2024). Previous studies examine entrepreneurial judgment and decision-making under conditions of cognitive anomalies, especially mental accounting and framing effects. According to the literature, most mental accounting biases have less impact on entrepreneurs, suggesting that judgmental consistency increases when faced with anomalous situations in decision-making. Nevertheless, some cost-related biases can influence entrepreneurial decisions (Emami et al., 2020). The relationship between the two variables, using environmental uncertainty as a mediating variable. It also examines how contextual intelligence is interactive in shaping the relationship between emotional intelligence and creativity. The results show that emotionally intelligent employees exhibit superior creative performance, especially in the workplace where doubt and uncertainty prevail. The experiment has identified emotional and contextual capabilities as complementary resources that enhance creative outcomes in dynamic service settings (Darvishmotevali et al., 2018).

#### **5. Discussion**

The further conceptual development in the literature also explains entrepreneurs' risk-taking behaviour by distinguishing between opportunity-sensing and opportunity-seizing. These dimensions are conceptually

independent but interdependent, and environmental factors, including market growth and turbulence, determine their performance (Guo & Jiang, 2020). This point of view can be corroborated by the results that managerial risk-taking in excess or improperly matched may exert a negative impact on innovation performance, especially in a situation where managerial ability is inadequate to cope with uncertainty (Qian et al., 2023). Individual, educational and social factors also influence entrepreneurial intention and risk-related behaviour. As stressed out by (Ramesh, n.d.). The effects of family influence, peer networks, and social capital also support awareness and motivation for entrepreneurship, and the necessity of holistic approaches that can shape individual competencies and social support simultaneously. Further explanatory insights into the understanding of entrepreneurial risk-taking are offered by psychological and cognitive processes. Mental imagery studies indicate that entrepreneurs and non-entrepreneurs do not differ in overall attitudes towards risk but have a more positive perception of risks in business due to vivid and positively framed mental images, which make them feel less fear and more willing to take risks (Zaleskiewicz et al., 2020). Psychological capital, in a comparable manner, has a direct and indirect beneficial effect on entrepreneurial success by increasing persistence and propensity to risk-taking, specifically when it is perceived as a composite construct that includes optimism and self-efficacy (Al Issa, 2022). Experience and cognitive processing are also crucial in entrepreneurial decision-making under uncertainty. Although businesspeople are more resistant to various cognitive biases, biases associated with costs still play a role, and experience makes people less prone to framing biases (Emami et al., 2020). The results indicate that emotional regulation and experience learning influence entrepreneurial risk-taking. Emotional intelligence stands out as an essential process that connects cognition, emotion, and risk-related decision-making. In the context of transformational leadership, emotionally intelligent leaders are better positioned to identify internal biases, manage emotional reactions, and maintain balanced perceptions of risk (Moon, 2021). Entrepreneurs who are highly emotionally intelligent also find it easier to manage stress using both adaptive and emotion-oriented coping strategies and thus are more resilient in unstable settings (Pathak & Goltz, 2021).

## 6. Conclusion

This review aimed to synthesise and integrate the available literature on entrepreneurial risk-taking by analysing the overall interactions among learning orientation, emotional intelligence, psychological resources, and contextual conditions to influence entrepreneurial performance in uncertain situations. The results of the research as a whole show that a single strategic decision does not predetermine entrepreneurial success but rather arises from a dynamic interaction of cognitive, emotional, and behavioural processes. Learning orientation is one of the primordial skills that facilitate sustained adaptation and the creation of knowledge, but its role in performance can be achieved only through the facilitation of balanced risk-taking behaviour and innovation-oriented processes. The review also indicates that entrepreneurial risk-taking is a multidimensional construct that includes opportunity recognition and opportunity exploitation, both of which are influenced by environmental turbulence and managerial capability. Overwhelming risk-taking or misaligned risk-taking may sabotage innovation outcomes, underscoring the need to balance risk propensity and competence. This is further elaborated by psychological capital and mental imagery processes, which explain how optimism, self-efficacy, and positive cognitive framing lead to perceived risk reduction and increased persistence in entrepreneurial action. Emotional intelligence plays a significant integrative role, connecting cognition, emotion regulation, and decision-making. Emotionally intelligent entrepreneurs and leaders would be better

equipped to handle stress, reduce cognitive biases, and make risk-related decisions in a balanced manner; therefore, they should invest in innovation, creativity, and resilience. In general, this review benefits entrepreneurship theory by promoting an integrative approach in which learning orientation, emotional intelligence, psychological capital, and contextual intelligence together influence entrepreneurial risk-taking and performance. Longitudinal and multi-level studies could be used in the future to better understand the causal processes and contextual constraints that drive entrepreneurial success.

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