

ENTREPRENEURSHIP, CULTURAL DIVERSITY AND CONTEXT

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Abstract: *Entrepreneurship plays an increasingly important role in economic growth and development of many countries. However, its rhythm and ways of manifestation differ from one country to another, an important explanatory role being played by national culture. The article analyzes the influence of culture on entrepreneurship, as well as its different manifestations depending on the context.*

Key words: *entrepreneurship, entrepreneur, culture, differences, context*

INTRODUCTION

Entrepreneurship is a complex and multidimensional phenomenon that generates wide debates in the literature. Thus, Shane and Venkataraman [24] consider that the field of entrepreneurship includes „the study of sources of opportunities; the *processes* of discovery, evaluation and exploitation of opportunities and the set of *individuals* who discover, evaluate and exploit them”.

Frederick, O'Connor and Kuratko [12] have developed an integrated definition of entrepreneurship that captures the essential factors for understanding the phenomenon „Entrepreneurship is a dynamic process of vision, change and creation. It requires an application of energy and passion towards the creation and implementation of new value-adding ideas and creative solutions.

Essential ingredients include the willingness to take calculated risks in terms of time, equity or career; the ability to formulate an effective venture team; the creative skill to marshal needed resources; and, finally, the vision to recognise opportunity where others see chaos, contradiction and confusion”. Entrepreneurial behavior related tasks can be performed both individually and by a group, but requiring creativity, motivation, taking risks.

The field of entrepreneurship includes at least seven elements, from the recognition, exploration and exploitation of future opportunities, to the creation of new businesses, new products, new markets (industries) and wealth. [21]. Thus, entrepreneurship is oriented towards the creation or development of new activities, by discovering new products, processes or markets.

The "entrepreneurial economy" has led to important changes in social, economic, technological or cultural environments, but the pace of these changes is not the same in all developed countries. [1]. There are important differences between countries regarding the level of entrepreneurial activities, and culture is one of the factors that determine this variety.

MATERIALS AND METHODS

The research methodology consisted of the critical review of the specialized literature and the analysis, in a comparative manner, of the various contexts in which the culture-entrepreneurship relationship is manifested.

RESEARCH RESULTS

1. Culture and its connection with entrepreneurship

One of the best-known definitions of culture is that formulated by Geert Hofstede: "the collective programming of the mind that distinguishes the members of a group or category from other people." [15]

We have seen conceptual discussions regarding the impact of culture on entrepreneurship for a long time, but the empirical findings on the subject are more recent. [9] Thus, THURIK and DEJARDIN [26] focus on three theories that provide the analytical framework for investigating the relationship between culture and entrepreneurship. First, the aggregate psychological traits approach is a strongly individualistic approach and argues that for a given country, the more individuals with entrepreneurial values in society, the more individuals will develop entrepreneurial behavior. The second, social legitimation approach focuses on the impact of social norms and institutions on general behavior, a more intense entrepreneurial activity being encountered in societies where entrepreneurs are assigned a higher social status. The third approach, dissatisfaction, is different from the first two, the different entrepreneurial activities in several countries being explained by the differences of values and beliefs between potential entrepreneurs and the total population.

The literature review by CACCIOTTI and HAYTON [5] highlights two prominent conceptualizations of the national culture used in research dedicated to entrepreneurship: in the form of values, respectively norms and / or practices. The first approach includes the models proposed by HOFSTEDE (1980, 2006) and SCHWARTZ (1994, 2004, 2006, 2008), and the second, the GLOBE model [16] and the study of GELFAND et. al (2011).

The cultural values provide us with an important analytical framework for understanding how different societies approach entrepreneurship and its consequences. [19] A number of studies have accredited the idea that in countries with a high power distance, those with less power can see entrepreneurship as an area reserved only for the upper classes, and they would not be concerned with capitalizing on business opportunities. In addition, they may be deprived of the skills necessary to set up a new business or access to resources. On the other hand, in many researches dedicated to the influence of culture on entrepreneurship, individualism strongly facilitates the development of entrepreneurship. [22]

Individualism is an intrinsic aspect of US culture, helping us to explain the many independent entrepreneurial activities in this culture. In collectivist societies there may be fewer opportunities for individuals to develop the skills needed to start new businesses. However, in Asian cultures, which are more relationship-oriented than Western ones, entrepreneurship may be more family or group oriented than individual oriented. [10] A study by PINNILLOS AND REYES [23] showed that if the level of development of a country is medium or small, individualism negatively influences entrepreneurship, and in those with a strong level of development, it positively influences it.

In most studies regarding the relationship between culture and entrepreneurship, researchers have hypothesized that the ideal entrepreneur should have a high masculinity. Cultures with high masculinity support entrepreneurial behavior because individuals are educated to be independent and ambitious, achievement is associated with wealth, and successful careers and independence are dominant values. [8] The Western concept of the entrepreneur is marked by the "hero" metaphor, arguing that without visionary leadership and persistence of the individual, little can be achieved [10]. On the other hand, few studies, such as those conducted by WU (2007) and OSOBA (2009) claim that there is no significant link between masculinity and entrepreneurship.

Table 1.

The cultural dimensions proposed by the models Geert Hofstede and GLOBE

Cultural dimensions in the Hofstede model	Operational definitions	Cultural dimensions in the GLOBE model	Operational definitions
Power Distance	„the extent to which the less powerful members of a country's institutions and organizations expect and accept that power be inequally distributed”	Power Distance	„The degree to which members of a collective expect power to be distributed equally”
Individualism/Collectivism	„individualism is characteristic of societies in which the connections between individuals are weak: everyone is expected to take care of themselves and their close family” "Collectivism characterizes societies in which people are integrated from birth into strong, closely united groups that continue to protect them throughout life, in exchange for unconditional loyalty."	Uncertainty Avoidance	„The extent to which a society, organization, or group relies on social norms, rules and procedures to alleviate unpredictability of future events”
Masculinity/Femininity	"A society is called masculine if gender emotional roles clearly differ.... A society is called feminine if gender emotional roles overlap"	Humane Orientation	„The degree to which a collective encourages and rewards individuals for being fair, altruistic, generous, caring and kind of others”
Uncertainty Avoidance	"The extent to which members of a culture feel threatened by ambiguous or unknown situations"	Collectivism I (Institutional Collectivism)	„The degree to which organizational and institutional practices encourage and reward collective distribution of resources and collective action”
Long Time Orientation vs. Short Time Orientation	"Long-term orientation is the cultivation of future-oriented virtues, especially perseverance and temperance. On the other hand, the short-term orientation is the cultivation of the virtues of the past and the present. "	Collectivism II (In-Group Collectivism)	„The degree to which individuals express pride, loyalty and cohesiveness in their organizations or families”
Indulgence vs. Restraint	“Indulgence stands for a society that allows relatively free gratification of basic and natural human drives related to enjoying life and having fun. Restraint stands for a society that suppresses gratification of needs and regulates it by means of strict social norms”	Assertiveness	The degree to which individuals are assertive, confrontational and aggressive in their relationships with others”
		Gender Egalitarianism	The degree to which a collective minimizes gender inequality”
		Performance Orientation	„The degree to which a collective encourages and rewards group members for performance improvement and excellence”
		Future Orientation	„a degree to which a collectivity encourages and rewards future-oriented behaviors such as planning and delaying gratification”

Source: synthesis of the authors from <https://hi.hofstede-insights.com/national-culture/>; [15;16]

Individuals in societies with low uncertainty avoidance are better prepared to take risks and exploit any opportunity they identify in the environment, even when access to

information is limited. [4] A low level of uncertainty avoidance indicates a greater eagerness to set up businesses that the initiators know little about. [13] In addition, it has been found that avoiding inversion increases entrepreneurial orientation rates because people view entrepreneurial activities as a way to reduce dissatisfaction. [14]

Empirical support is not available on the positive or negative relationship between long-term orientation (as a cultural dimension) and entrepreneurship. However, some authors appreciate that there is a strong influence of this dimension on innovation, which is a critical aspect of entrepreneurship. [20] Also, the Indulgence - Restraint dimension is little studied in relation to entrepreneurship, ÇELLIKOL et.al [8] identifying a positive link between indulgence and attitudes, entrepreneurial skills and overall success as an entrepreneur. A summary of the results on the effect of the cultural dimensions of the Hofstede model on entrepreneurship obtained in this study are presented in Table 2.

Table 2.

Effects of cultural dimensions on entrepreneurship

Cultural Dimensions	Effects on entr. attitudes	Effects on entr. abilities	Effects on entr. aspirations	Effects on overall entr. succes
Power Distance	No significant effect	Negative effect	No significant effect	No significant effect
Individualism	Positive effect	Positive effect	Positive effect	Positive effect
Masculinity	Negative effect	Negative effect	No significant effect	Negative effect
Uncertainty Avoidance	No significant effect	No significant effect	No significant effect	No significant effect
Long Term Orientation	No significant effect	Positive effect	Positive effect	Positive effect
Indulgence vs. Restraint	Positive effect	Positive effect	No significant effect	Positive effect

Source: [8, p.788], results of this study

We have also inventoried studies that analyze the connection between various dimensions of the GLOBE model and entrepreneurship. Thus, LEE and PETERSON (2000) explained that in countries with a high level of in-group collectivism, people are discouraged from individual initiatives. Other authors consider that collectivism has a positive impact on entrepreneurship because building a new business is considered a way to take care of others. [23]

If we refer to the “Institutional Collectivism” dimension, companies that value entrepreneurship and innovation introduce an efficient institutional system to promote innovative companies. Thus, the institutional environment influences the rate of economic activities, entrepreneurship and strategic actions of organizations within the society. [7] Cultural practices of avoiding uncertainty are negatively associated with entrepreneurship, but not with aspirations for entrepreneurial growth. [2]

Future-oriented companies value the efforts of successful entrepreneurs, being characterized by planning, sustained work and delayed bonuses. Also, few studies have investigated the effects of "Human Orientation" on entrepreneurship. STEPHAN and UHLANER [25] associated human orientation with social supportive culture and discovered a positive relationship between human orientation and entrepreneurship. Similarly, ZHAO et.al. [29] associated human orientation with traditionalism in society and assumed a positive effect on entrepreneurship. [6].

Companies with a high level of "Performance Orientation" dimension are based on results, accepting strategy changes and planning new actions. Individuals are more inclined to take the initiative than to focus on relationships or status in such societies [16]. Assertiveness is a trait specific to male societies, which normally support entrepreneurship. In assertive societies, individuals focus on results to the detriment of relationships, expect provocative and demanding results, and the desire for self-affirmation makes them more decisive. [6]

2. Context and entrepreneurial activities

The development of entrepreneurship, both as an academic discipline, respectively as a field of research, as well as as a practice, has known different forms and stages depending on the context in which it took place.

Thus, the United States of America is considered a leader in terms of the transition to an entrepreneurial economy, but also a model in terms of entrepreneurship research. Systematic research on entrepreneurship began in the late 1970s, when the US economic structure was reorganized, focusing on small business, innovation, and competitiveness to the detriment of large corporations that relied on economies of scale. Europe is a heterogeneous continent with an entrepreneurial environment and a tradition of diversified research in the field. Entrepreneurship is now becoming an essential component of regular education in European countries. [18]

Entrepreneurship is an important source of technological innovation and economic growth. Culture influences economic creativity, which influences the implementation of innovations, which, in turn, positively influences national prosperity. [27]

Table 3.

The world's top three innovative economies by region of origin

Region	North America	Europe	East and Southeast Asia, Oceania	North Africa and West Asia	Sub-Saharan Africa	Central and South Asia	Latin America and the Caribbean
1	USA	Switzerland	Singapore	Israel	South Africa	India	Chile
2	Canada	Sweden	South Korea	Cyprus	Kenya	Iran	Mexico
3	-	UK	Hong Kong	United Arab Emirates	Tanzania	Kazakhstan	Costa-Rica

Source: Dutta, S., Lanvin, B., Wunsch-Vincent, S.(eds.) - *Global Innovation Index 2020. Who will finance innovation?*, Cornell University, INSEAD, WIPO

According to the information provided by the World Bank, Japan ranks 24th out of 185 countries analyzed in terms of ease of doing business. There is a low level of entrepreneurship and attitudes towards it in Japan, only individuals with well-established entrepreneurial networks being inclined to invest in a new business. To stimulate entrepreneurship, the Japanese government has proposed a start-up business support scheme called the Industrial Competitiveness Enhancement Act (2014). The percentage of entrepreneurs over the age of 60 is growing, small start-ups are using a wide variety of human resources and there is a need for investment, advisors and mentors. [28, p.25-27]

China's institutional context is characterized by weak institutional infrastructure, such as reduced protection of property rights. Entrepreneurs tend to rely on "guanxi" or build relationships, which serve as informal institutions. However, Chinese society has strongly valued entrepreneurship in recent years, with 69% of the adult population considering starting a business a good career choice. [17, p.354]

Personal affiliation with someone who has started a business is high in Israel, the Arab countries of the Middle East and Latin America. Less than one in four adults find it difficult to start a business in Israel, Japan and Slovakia, while much of Europe seems to facilitate this (Poland, Norway, the Netherlands, the United Kingdom, Sweden). Less than three out of 10 adults in Italy and the Netherlands agree that they rarely see business opportunities, compared to seven out of ten in Jordan, Egypt, Madagascar, Morocco and India.

The level of TEA ("Total Early Stage Entrepreneurial Activity") is very low in Italy, Pakistan, Poland, Belarus, Japan, while in Latin America there are very high values. There are differences between economies on the motivations to start a business. Thus, in South Korea and Italy only one in 10 entrepreneurs agree that they started a business to make a difference, as opposed to two-thirds in the US. In contrast, 3 out of 10 entrepreneurs in the US and Italy agree that they continue a family tradition, compared to only one in 20 in South Korea. [3]

CONCLUSIONS

Lately, national culture has been an important concept in the literature on entrepreneurship in terms of explaining the differences in the results of entrepreneurship at the national or individual level of analysis. Although there is a series of extensive research dedicated to the subject, questions remain open regarding the existence of an entrepreneurial culture, as well as regarding the consistent theories that explain how the national culture influences the entrepreneurial process. [5]

There are important differences between countries in terms of the level of entrepreneurial activities. Countries with similar levels of economic development differ in terms of entrepreneurship. High levels of entrepreneurial activity can be noticed in developing countries, such as Thailand, India or Latin American countries. Different levels of entrepreneurial activity in countries with similar income levels have their origins in the cultural differences between them. [9]

Studies on the influence of culture on entrepreneurial activities sometimes offer contradictory results, making it difficult to generalize and formulate clear conclusions. The relationships between the various variables that operationalize culture and entrepreneurship are not stable over time, so it is recommended to conduct longitudinal research on entrepreneurship to avoid temporal or conjectural fluctuations. [8]

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