

See discussions, stats, and author profiles for this publication at: <https://www.researchgate.net/publication/297049048>

Entrepreneurship and national culture: How cultural differences among countries explain entrepreneurial activity

Chapter · January 2015

DOI: 10.4018/978-1-4666-8216-0.ch001

CITATIONS

14

READS

2,755

3 authors:



José Dantas

Polytechnic Institute of Leiria

6 PUBLICATIONS 27 CITATIONS

[SEE PROFILE](#)



Antonio Carrizo Moreira

University of Aveiro

291 PUBLICATIONS 4,380 CITATIONS

[SEE PROFILE](#)



Fernando Valente

Polytechnic Institute of Setúbal

12 PUBLICATIONS 153 CITATIONS

[SEE PROFILE](#)

Chapter 1

Entrepreneurship and National Culture: How Cultural Differences among Countries Explain Entrepreneurial Activity

José Guilherme Leitão Dantas
Polytechnic Institute of Leiria, Portugal

António Carrizo Moreira
University of Aveiro, Portugal

Fernando Manuel Valente
Polytechnic Institute of Setúbal, Portugal

ABSTRACT

The direct relationship between national cultural practice and entrepreneurship activities is analyzed in this chapter, based on the analysis of 44 countries. Datasets from 2012 and 2013 Global Entrepreneurship Monitor (GEM) report are used to characterize three types of entrepreneurship: early-stage entrepreneurial activity (TEA); necessity-driven entrepreneurship (NDE) and opportunity-driven (ODE) entrepreneurship. Data sets on national cultural values are used to analyze five dimensions of Hofstede's work on cultural values (power distance, individualism/collectivism, masculinity/femininity, long/short term orientation, and uncertainty avoidance). For that, the authors use the Values Survey Module 2013, which has been adapted from Hofstede's previous work from 2010 and 2008. The main conclusion is that the three types of entrepreneurship analyzed in this chapter are differently explained by the cultural and expanded models. If the country of origin and the type of economy are useful to explain TEA, they are of no added value to explain necessity-driven or opportunity-driven entrepreneurship.

INTRODUCTION

Although the importance of entrepreneurship has been clearly recognized since the mid-1980s the economic and financial crisis that has been affecting particularly most of the developed European countries since 2007 has brought this issue to the fore, further encouraging research pertaining the reasons that can foster entrepreneurship.

As a matter of fact, entrepreneurship has a large potential in terms of economic growth, job creation, and regional and national competitiveness, i.e. it contributes to improve human wellbeing (Audretsch, 2007; European Commission, 2013).

The relationships between national culture and entrepreneurial activity are well established, as national culture permeates all human business activity: the individual propensity to get involved in new ventures (McGrath, MacMillan, Yang, & Tsai, 1992; Shane, 1993); the way organizations they work for address entrepreneurship; and even the behavior of organizations whose endeavor is to support entrepreneurial activity (Hofstede, 1984). There is a significant body of research relating national culture and entrepreneurship, as we will see.

However there are too many unanswered questions, i.e. extant literature does not provide an unequivocal answer: does and how the type of (national, regional, industrial or individual) culture play a role in what concerns to entrepreneurship?; does national culture influence entrepreneurial orientation, entrepreneurial activity or the creation of contextual conditions fostering or hindering entrepreneurship?; should culture be considered as a dependent variable, an independent variable or a moderator variable? Although this is only a small sample, it enables us to conclude that there are more questions than answers on this issue. Moreover, research is still unclear on how to *measure* entrepreneurship (Gartner & Shane, 1995).

Building on the traditional four Hofstede's (1980) cultural dimensions as well as on the fifth dimension proposed by Hofstede and Bond (1988),

on one hand, and on the 2012 and 2013 Global Entrepreneurship Monitor Report (GEM), on the other hand, we aim to find out:

1. The relationship between each of the five cultural dimensions and Total Entrepreneurial Activity (TEA);
2. The relationship between each of the five cultural dimension and the two main motivations (necessity and opportunity) to undertake a new venture;
3. If there is any kind of relationship between the region of origin (countries were aggregated in four clusters) and TEA and necessity-driven and opportunity-driven entrepreneurial activity;
4. Finally, if there is any kind of relationship between the country level of development and entrepreneurial activity measured by TEA and necessity-driven and opportunity-driven new ventures.

The chapter is organized as follows. In the first section we present the literature regarding the concept of entrepreneurship, the role of GEM project, and national culture, highlighting Hofstede's approach. These crucial concepts are the bedrocks from which our hypotheses arise and our empirical study is build.

After presenting the literature review, we address methodological issues. Data is based on secondary data from 2012 and 2013 GEM reports as well as from the Hofstede's dimensions. Data is based on 44 countries, from 4 geographical regions and 2 levels of economic development. From the literature review it was possible to deploy a set of 15 hypotheses (3 for each cultural dimension) which will be analyzed under two distinct scenarios: a basic model, in which only cultural values are used to analyze entrepreneurship rates and an expanded model that incorporates the region of origin as the type of economy, beyond the five cultural dimensions. We finish this section with the presentation of the results we have got. After this

Xavier, S., Kelley, D., Kew, J., Herrington, M., & Vorderwülbecke, A. (2013). *Global entrepreneurship monitor. 2012 global report*. Kuala Lumpur: GERA.

Zahra, S., Hayton, J., & Salvato, C. (2004). Entrepreneurship in family vs. non-family firms: A resource based analysis of the effect of organizational culture. *Entrepreneurship Theory and Practice*, 28(4), 363–381. doi:10.1111/j.1540-6520.2004.00051.x

Zhao, X., Rauch, A., & Frese, M. (2010). Cross-country differences in entrepreneurial activity: The role of national cultural practice and economic wealth. *4th Global Entrepreneurship Research Conference*, London.

KEY TERMS AND DEFINITIONS

Contextual Conditions: A set of political, social, economic and cultural dimensions that characterize a country or a region.

Culture: The collective programming of the mind that distinguishes the members of one group or category of people from others and causes them to display more or less the same behavior in similar situations.

Entrepreneur: Someone who identifies an opportunity and gather the necessary resources, which through action, creates and implements new projects.

Entrepreneurial Orientation: A multidimensional construct, applied at the organizational level, which characterizes firm's entrepreneurial behavior and includes one or several of these five dimensions: risk-taking, innovativeness, pro-activeness, competitive aggressiveness, autonomy.

Entrepreneurship: The process of evaluating, committing to and achieving, under contextual constraints, the creation of new value from new knowledge or different combinations of existent knowledge for the benefit of all stakeholders.

Necessity-Driven Entrepreneur: Someone who started a business because there were no better options for work, rather than because he/she saw the startup as an opportunity.

Opportunity-Driven Entrepreneurs: Also known as improvement-driven opportunity entrepreneurs in the GEM 2013 report, are defined as those opportunity-driven entrepreneurs who sought to either earn more money or be more independent, as opposed to maintain income.

Total Early-Stage Entrepreneurial Activity (TEA) Rate: The prevalence rate of individuals in the working age population who are actively involved in business start-ups, either in the phase of starting a new firm (nascent entrepreneurs), or in the phase spanning 42 months after the birth of the firm (owner- manager of new firms).