

Chapter 4

National Culture, Societal Values, and Type of Economy: Are They Relevant to 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

We analyze the relationship between cultural values, societal values and the type of the economy with necessity-driven, opportunity-driven and improvement-driven entrepreneurship. We take into account GEM's data from 56 countries. These reports are also used to characterize the three types of entrepreneurship, the societal values and the type of economy. We approach national culture through the five dimensions of Hofstede's work on cultural values using the Values Survey Module 2013 (based on Hofstede's work). Cultural values marginally explain necessity-driven and opportunity-driven entrepreneurship. In turn, societal values only explain improvement-driven entrepreneurship. Finally, the type of economy is important in explaining necessity-driven and opportunity-driven entrepreneurship, however it is of no added value in explaining improvement-driven opportunity. One needs to be cautious when drawing general conclusions as we believe that societal values are failing to capture differences among the types of entrepreneurship analyzed.

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INTRODUCTION

The economic importance of entrepreneurship has long been recognized. However, the economic and financial crisis that has been affecting the European economy since 2007 and the economic evolution of certain developing countries have sparked the analysis of entrepreneurship taking into account cultural and societal values.

Entrepreneurship has a large potential in terms of economic growth, job creation, and regional and national competitiveness, as it contributes to improve human wellbeing (Audretsch, 2007; European Commission, 2013), particularly whenever entrepreneurial ecosystems are consolidated and the interactions between actors are explored in depth (Simatupang, Schwab & Lantu, 2015).

The relationships between national culture and entrepreneurial activity are relatively well understood as national culture permeates all human business activity. Moreover, there is a significant body of research relating national culture and entrepreneurship (Dantas, Moreira & Valente, 2015).

However, existing literature does not provide an unequivocal answer: does 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? There are certainly more questions than answers on this issue. Moreover, research is still unclear on how to *measure* entrepreneurship (Gartner & Shane, 1995).

Building on the five cultural dimensions proposed by Hofstede (1980) and Hofstede and Bond (1988), on the societal values analyzed by the Global Entrepreneurship Monitor (GEM, 2016; 2017), and on the three main motivations – necessity-driven entrepreneurship (NDE), opportunity-driven entrepreneurship (ODE), and improvement-driven entrepreneurship (IDE) – normally used to undertake new ventures based on the 2016 and 2017 Global Entrepreneurship Monitor Report (GEM, 2017), this chapter seeks to find out: (1) the relationship between each of the five cultural dimensions and necessity-driven, opportunity-driven, and improvement-driven entrepreneurship; (2) how each of the three societal values complement the five cultural dimensions in explaining NDE, ODE, and IDE; (4) finally, how the country level of development complement cultural dimensions and the societal values in explaining NDE, ODE, and IDE.

We departed from the work of Dantas et al. (2015) who analyzed how cultural variables influence entrepreneurship. As we included societal values and perception, used in the GEM reports (2016; 2017) but with no previous empirical work, we decided not to draw any research hypothesis from either cultural values or societal values.

The chapter is organized as follows. In the first section, we present the literature regarding the concept of entrepreneurship and entrepreneurial ecosystems. The second section addresses national culture and societal values, highlighting Hofstede's approach. The third section presents the data and the methodology used. The fourth section presents the results. Sections fifth and sixth present the main conclusions and future research.

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