



Effects of national culture on development of entrepreneurial intentions

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ABSTRACT

National culture plays a pivotal role in shaping the behavior of individuals in all spheres of life. This behavior also guides individuals towards opting between doing job or starting a personal business. Little work has been done so far to examine the effects of national culture on entrepreneurial intentions of citizens in the same country. This study fills this gap by examining the effects of Hofstede (1984) national culture's dimensions on entrepreneurial intentions of individual's for the case of Pakistan. The culture dimensions included; power distance, uncertainty avoidance, masculinity, collectivism, long/short term orientation. The data has been collected from employees working in various organizations of Pakistan. Structural equation modeling technique has been adopted to analyze the data and to interpret the results. The study found that cultural dimensions including; higher power distance, collectivism, masculinity and short term orientation are having negative effects on organizational performance for the case of Pakistan. The study has discussed the important implications of national culture's dimensions to improve the organizational performance.

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Introduction

The power of change has distress all business entities from small to large. The environment around the globe is ever changing. Every entity has to tackle with massive technological, geographical political, economical, legal and social change. Although the dynamic environment has resulted as biggest challenge for the countries, they have somehow manage to nurture the opportunities with clear visions, resourceful synergies, loyal employees, sturdy organizational culture, team orientation and consistent policies. Thus it has been verified through researches that nations achieve competitive advantage by continuously struggling with the change which affects different aspects of life. Nations can develop competitive advantage through inculcating culture of innovation, dynamism, gender friendly environment, team and long term orientations and liberty of individual regarding political, economic and social life. Pettigrew (1979) have viewed the culture a myth, rituals and symbolism, which can be used in organizational analysis. Deal and Kennedy (1982) has defined it as our way of behaving around.

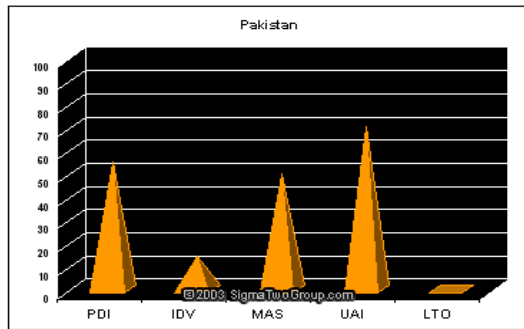
Schumpeter mentioned in his entrepreneurial studies, the driver of economic growth is entrepreneurship [(Schumpeter (1934); Hagen (1962); Kilby (1971) and Baumol (1986)]. It has been believed by the researchers that entrepreneurship can augment innovation which would boost economic growth. (Reynolds 1987). In less developed countries, encouragements of entrepreneurial activities are being recommended (Harper 1991). Despite the apparent appeal of entrepreneurial activities, the question as to whether many of the human motivation and performance theories are to abridge under the national cultural and social effects [Adler (1991); Boyacigiller (1991); Thomas et al. (1994) and Carland et al. (1984, 1988)]

In this paper, we link hypotheses between Hofstede's (1984) national culture dimensions and entrepreneurial potential. Despite the fact that entrepreneurship is a key to economic growth and development, still many questions are unanswered about new ventures of entrepreneurial intentions being promoted by national culture. However, cross-cultural studies have linked entrepreneurial intentions with national culture (Mueller & Thomas, 2001). But still the gap has to be identified about the individual culture of organization that encourages entrepreneurial intentions among students.

National Culture of Pakistan

Figure 1 shows that in Pakistan's national culture is having high level of power distance, this can be also witnessed through existence of different social classes in Pakistan's society. There is very much unequal distribution of wealth in Pakistan. Different types of life styles, education, medical, residential etc facilities are enjoyed by different classes in the society. There is low level of individualism and high level of collectivism, because people are generally recognized on the basis of their social class, religion and especially cast in Pakistan. High level of masculinity prevails in the society, and also higher levels of uncertainty avoidance. This can also be verified from the INSEAD, Europe's newly published the recent edition of its Global Innovation Index 2008-2009, which benchmarks the world's most innovative economies states that Pakistan has been ranked at 93 out of 130 countries of the world. Finally, the culture of Pakistan contains short term orientation, which can also be seen in the adhoc type of policies implemented by the government of Pakistan. There is lack of long term orientation and planning in Pakistan, which has resulted in sugar crises, flour crises, water crises, gas crises and so on. The government's arrangement of rental power projects is one of the examples of short term orientations in Pakistan.

Fig 1: Geert Hofstede's cultural dimensions score of Pakistan



Source: <http://www.geert-hofstede.com>

Geert Hofstede analysis for Pakistan shows large uncertainty avoidance in the society and all other measures are relatively dynamic. This would be indicative of the fact that Pakistani people avoid uncertainty. The ability to take risk is very less as the economy is not stable. As the UAI and PDI in the Pakistani culture are getting larger scores which shows that the society is being occupied by rules, regulation while there is variation of power and wealth in the society. The culture is following caste system which does not allow momentous mobility of the citizen. The score of PDI shows that Pakistani organization culture accepts and except inequality of power. This Power Distance score for Pakistan indicates a higher level of inequality of power and wealth in the society. This situation is not necessarily undermined upon the population, rather accepted by people as a cultural norm.

The objective of this study is twofold, firstly to determine the nature of culture exists in Pakistan and secondly to examine the effects of national culture dimensions developed by Hofstede (1984) on individual's entrepreneurial intentions for the case of Pakistan. The next section contains the theoretical review, development of hypothesis, research methodology, results and discussions and finally conclusion of the study.

Theoretical Review and Development of Hypotheses

National Culture

Culture, as the essential system of values relating to a specific group or society, shapes the improvement of certain personality traits and inspires individuals in a society to engage in behaviors that may not be obvious in other societies. Hofstede (1984) have predominated in the literature from last two decades (Geletkanycz, 1997; Hickson, 1996; Vitell et al., 1993). Hofstede (2001) has developed and empirically studies and proved the phenomenon of culture with different values that are dominant among people from different culture. Standards and custom are influential forces for scheming and directing human behavior. Erez and Earley (1993) attributed that organization culture shapes meaningful.

Power Distance

It is the degree to which less powerful people accept and expect that power is distributed unevenly. Power distance is the first dimension in Hofstede (1984) model where respecting the importance of equal power in the organizations is the focus. In a high power distance level, inequality is acceptable Hofstede, (2001). Shane (1993) identified that lack of powered distance would be result in high rate of innovation and resultantly higher level of entrepreneurial intentions in the citizens of the country. This can also be witnesses that countries having lower power distance score higher on innovation index and are having higher entrepreneurial intentions e.g. U.S.A.

Uncertainty Avoidance

Uncertainty-Avoidance is the fourth dimension of the model. This dimension spotlight on uncertainty situations at the organizational level investigative laws, rules, safety, and security measures that diminish contact in an uncertain future. This means that people may desire a planned situation rather than amorphous situations in a society.

As Shane (1993) explored that high the individualism, the high would be the rate of innovation. Shane (1993) has acknowledged the relationship of innovation with uncertainty.

According to Hofstede (1984), approaches for coping with uncertainty are entrenched in culture and reinforced through basic institutions such as family, school, and state. Culture with low intensity of uncertainty avoidance are expected to cope with the uncertainty as best as can. In high uncertainty avoidance cultures, structures are established which minimize the level of uncertainty faced by individual members.

Creativity and innovativeness have been found to be linked with high tolerance for ambiguity for entrepreneurs [Schere (1982) and Begley (1987)].

Whiting (1988) found that the propensity to markdown external limitation is also considered to be a key attribute of creative individuals. The study supposes that cultures with higher uncertainties will be having lower entrepreneurial intentions.

Masculinity versus Femininity

The third dimension is masculinity, which portrays the role of gender and the disparity between men's values and women's values in a country.

The women in feminine societies have the same self-effacing, class morals as the men; in the masculine societies as they are to some extent forceful and aggressive, but not as the men, so that these societies show a gap between men's values and women's values.

Collectivism versus Individualism

The second dimension is *Individualism*. Individualism that highlights individual activities, actions, and achievements was incorporated into the conventional groups of the society. *Individualism* pertains to societies in which social bonds and dedications are loose.

Everyone is anticipated to look after him or her and the immediate family. *Collectivism*, at the opposite pole from individualism, pertains to societies in which people from birth onwards are incorporated into strong, unified in-groups which throughout a lifetime continue to defend them in exchange for obedient loyalty

In individualistic culture society identification is based on individuality of work.

Social values are emphasized as personal achievements and initiatives. Independence, diversity, contentment, and personal financial security take precedent over group loyalty. So, therefore in individualistic culture there is greater employment mobility.

As Shane (1993) explored that in high individualistic culture, high rate of innovation would be. While in collectivistic cultures, group member are bond in social ties and their identity depends on the social groups.

They do greater emphasis on belongingness than to personal initiatives. Deviance to such initiative results in punishment. In collectivistic cultures, group decisions are considered to be superior to individual decisions.

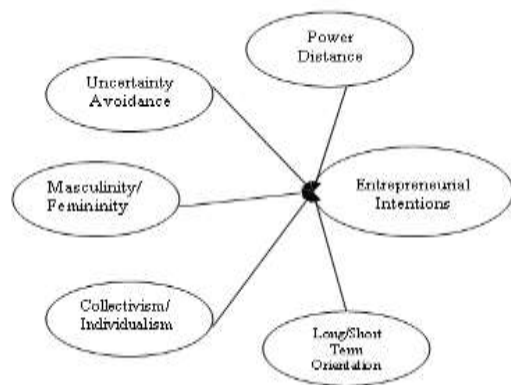


Fig 2: Conceptual Model

Long/Short Term Orientation

Long/short term orientation against short-term orientation: fifth dimension was created in a study amongst students in 23 countries throughout the world, using a survey designed by Chinese scholars. Values connected with long term orientation are prudence and firmness; values associated with short term orientation are esteem for custom, satisfying social obligations, and caring one's face.

Entrepreneurial Intentions

The wealth and growth of nations depend upon the innovations. Birley (1986) and Birch (1979) identified that increase entrepreneurial intentions in a society positively seem to revitalize the industry. Vesper (1983) identifies the definition of entrepreneur as opportunity seeker that creates a new business. Gartner (1985) mentioned in his research that creation of entrepreneurial intentions is the result of interaction with the organizational competitive culture. Generally in Pakistan entrepreneurial intentions are low due to high risk aversion in people. Ali et al. (2010) have found low entrepreneurial intentions for the case of Pakistan.

National Culture and Entrepreneurial Intentions

This study examines the effects of national culture on individual's entrepreneurial intentions. Many researchers have identified that national culture plays important role in shaping the personality of its citizens. Researchers have also found that personality traits plays active role in individual's career choice decisions. For instance Mueller & Thomas (2001) have found the positive relationship of entrepreneurial potential at national level. Gudergan and Soo (2001) have identified the positive relationship of individualism/collectivism, power distance and uncertainty avoidance with innovation. Reynolds (1987) stated that entrepreneurial ventures have been seen as one of contributor to the innovation. Shapero (1975) sees that entrepreneurial readiness depends upon the prospective opportunities and experiences and argued that person would be able to manage the resources that are being supported by the culture; creation of new venture could be possible. This states that nature of national culture is pivotal in developing the risk and innovation orientation in citizens. Higher risk assumption orientation and innovation in return will encourage the citizens of any country to capitalize their potential of entrepreneurship. The following hypothesis can be developed on the basis of above discussion.

Research Methodology

Sample and Data Collection

This was an exploratory study based on primary data; the unit of analysis for this study was individuals. Primary data was collected from 500 employees working in different organizations of Pakistan. The respondents were selected on the basis of

simple random sampling. The objective behind selecting respondents from different organizations belonging from various sectors and different industries was to generalize the findings of this research. The survey questionnaires were posted to various organizations and subsequently reminders were sent to increase the response rate. Total 223 questionnaires were received back from the respondents with a response rate of 44.5% which is quite acceptable in social sciences.

Data Analysis

The data was analyzed and tested through structural equation modeling (SEM) technique using AMOS 7.0 version. The reason behind using SEM is to find the degree to which the model is 'fit' or effectively symbolizes the sample data (Byrne, 2001). SEM is a statistical tool for testing and validating causal relationships using a combination of statistical data and qualitative causal assumptions. This view of SEM was tailored by the Wright (1921) using a calculus of counterfactuals. SEM normally starts with a hypothesis, develops it as a model, operationalises the constructs of interest with a measurement instrument, and tests the fit of the model to the obtained measurement data.

Measurement and Instrumentation

The national culture is independent variable in this study, to measure national culture; the Hofstede (1984) culture dimensions model has been adopted. The instrument to measure national culture has also been adopted from Hofstede (1984). The instrument contained 23 items and was measured on 5 point Likert scale. The dependent variable in this study is entrepreneurial intentions. The entrepreneurial intentions have been measure on five point Likert scale (1 = strongly disagree to 5 = strongly agree) within six items. The similar items scale has been used by Chen et al. (1998) and Zhao et al. (2005) and Linan (2008), Zaidatol (2009). The scale contained 6 items which measures the entrepreneurial intentions of individuals. The scale measured the response on five point Likert scale.

Results and Discussions

The index fit of the model is shown in the table II. The general accepted standards for model fit are; Chi-square value (significant level > 0.05), goodness of fit index (GFI > 0.80), adjusted GFI (AGFI > 0.80), normed fit index (NFI > 0.90), comparative fit index (CFI > 0.90), and root means square residual (RMR < 0.05). Although this model fit does not meet all standards, it may be overall an accepted model.

The results of hypotheses tests of the relationship between constructs of service quality, customer satisfaction and consumer retention are given in table III. To accept any hypothesis the p value of the variable must be < 0.05. Table III shows that, higher power distance is having significantly positive effects on entrepreneurial intentions. Meaning that if more gaps exist in different segments of society, it will increase individual's willingness to start their own business and be their own boss, moreover, having more money will earn them high respect in the society. We therefore accept our H1. Gudergan and Soo (2001) also found positive relationship of power distance with innovation, which later leads to entrepreneurial intentions. Uncertainty avoidance is having positive effects on entrepreneurial intentions; we reject our H2.

Conclusion

The study was conducted to examine the effects of national culture on entrepreneurial intentions of individual's. This is an important study because very less work has been done on this topic especially in the country like Pakistan. The study found

higher power distance in Pakistan which is having significant effects on the entrepreneurial intentions of people in Pakistan. Collectivism and short term orientation is also having negative effects on entrepreneurial intentions.

The study proposes that power distance should be reduced in Pakistan that prevails in different segments of the society. Higher power distance is discouraging the innovation and entrepreneurial intentions in the society, which resultantly hampering the economic development of the country. Masculinity should also be discouraged and females should be encouraged to take active part in the economic development of the country.

Moreover, culture of uncertainty avoidance should be discouraged, because innovation takes place through hit and trial methods. If there are no mistakes there will be no innovative gains. Individualism and long-term orientations should be promoted in order to inculcate the culture of innovation and higher entrepreneurial intentions.

This study contains important implications for policy makers interested in economic development through promotion of innovation and entrepreneurial culture in Pakistan. This study also provides motivating findings that can be used by future researchers on this topic.

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Table 1: Development of Hypotheses

<i>Hypotheses statements</i>	
<i>H1</i>	There is positive relationship between power distance and entrepreneurial intentions
<i>H2</i>	Higher uncertainty avoidance leads to lower entrepreneurial intentions
<i>H3</i>	There is negative relationship between masculinity and entrepreneurial intentions
<i>H4</i>	There is negative relationship between collectivism and entrepreneurial intentions
<i>H5</i>	There is negative relationship between short term orientation and entrepreneurial intentions

Table 2: Index of the fit of the Model

Index of fit	Chi-Square (df)	P	GFI	AGFI	NFI	CFI	RMR
Value	18.36	.42	.85	.69	.88	.73	.57

Table 3: Regression Weights (results of hypotheses tests)

Path	Estimates	S.E.	C.R.	P	Hypotheses	Results
Power Distance – Entrepreneurial Intentions	.428	.179	2.395	.017	H 1	Accept
Uncertainty Avoidance – Entrepreneurial Intentions	.356	.259	1.375	.039	H 2	Accept
Masculinity – Entrepreneurial Intentions	.129	.103	1.254	.210	H 3	Reject
Collectivism – Entrepreneurial Intentions	-.021	.159	-.133	.894	H 4	Reject
Short Term Orientation – Entrepreneurial Intentions	-.270	.194	-1.388	.165	H 5	Reject