



EFEB
Network

Entrepreneurial Culture

Author: Ioannidou Athanasia

*«European Region Entrepreneurship Connection»
EFEB Network*



Erasmus+

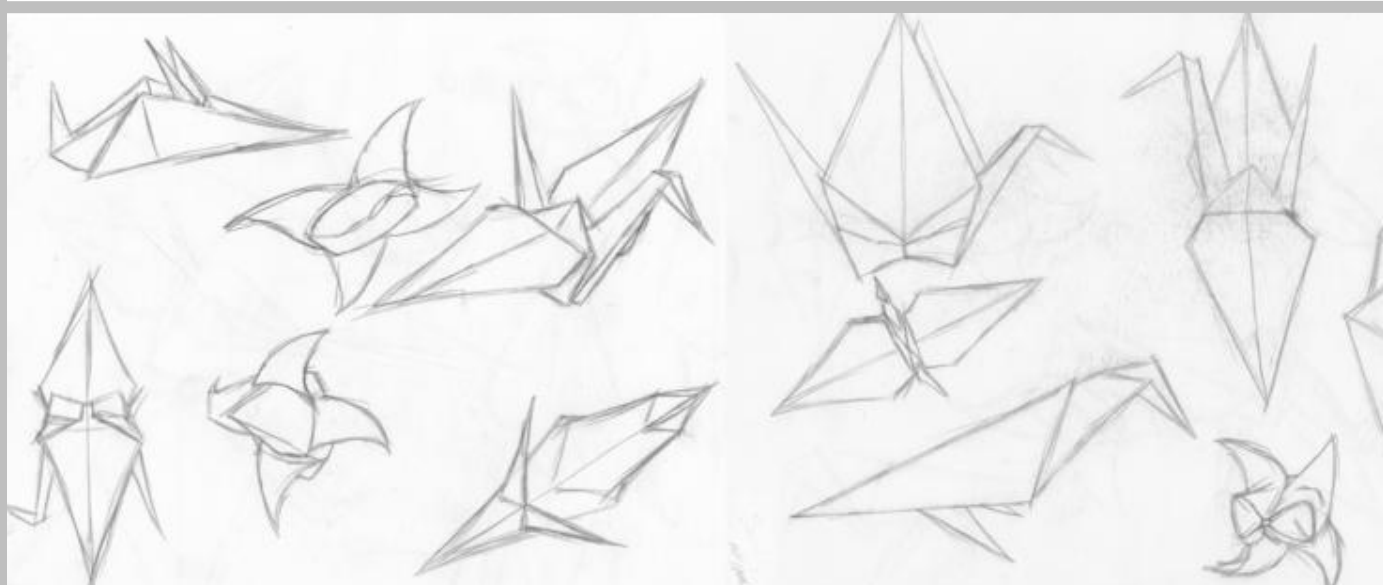


Table of Contents

What is an Entrepreneurial Culture	2
Entrepreneurial Culture characteristics	4
Process that structure the entrepreneurial culture	5
The Dimensions of Entrepreneurial Culture	6
Summarizing the Model of Entrepreneurial Culture	8
Promoting an Entrepreneurial Culture within the Community	11
Difficulties Faced in Establishing an Entrepreneurial Culture.....	12

EFEB
Network

What is an Entrepreneurial Culture

Discussion about cultural features, attitudes and entrepreneurship is nothing new. More than 100 years ago Max Weber studied the relationship between religious-ethical motivations and entrepreneurship. He put forward the argument that Protestant labor ethics had made a substantial contribution to the development of modern capitalism because it had changed the attitude towards labor (Weber 1905). Even if religious motivations in working life nowadays may be less relevant, the debate on cultural features, enterprise-related attitudes and entrepreneurship has remained quite a topical issue. First, however, the concept of «culture» should be clarified and defined. Secondly, the influence of cultural features on business foundation activities will be addressed and the results of empirical studies presented.

The concept of “culture” is very complex and is used with various meanings. Under a pragmatic definition one can say that any group of human beings whose thinking and acting differs from that of other groups has a “culture” (see Frick et al. 1998, p. 43). Hofstede, likewise, emphasizes the relationship between culture and group affiliation. He clearly defines culture as “collective programming of the mind which distinguishes the members of one group or category of people from another” (Hofstede 1994, p. 5). According to Fukuyama (2001, p. 31-30), culture encompasses the values, norms, interpretations and modes of behavior that characterize societies or other social groups. The different definitions clearly show **culture to be always a collective phenomenon** (at least in part, with humans living in the same social environment or belonging to the same group). Accordingly, any human being belongs to different social groups and, thus, carries different layers of “mental programming”. In addition to a national level, which is commonly understood under the term “culture”, there is also a regional level, an ethnical, religious and gender level (Shapero 1984, p. 26; Hofstede 1994, p. 10ff). Culture is **learnt consciously and unconsciously**. It should therefore be distinguished from human nature, on the one hand, and from the individual personality, on the other. Cultural features are passed on in socialization processes. That is why culture cannot be changed in the short term: it **has a long-term character** (see Hofstede 1994, p. 5). Against this background, it becomes evident at this point that political programmes can only have a conditioned and long-term impact on cultural features.

In recent years, research has been increasingly devoted to the subject of attitudes and their role in the process of business foundation. Unlike cultural features and personality traits, **attitudes towards business foundation** have been proved **less stable**. They are influenced by environmental factors and may alter as time passes.

The decision to become self-employed or to start one's own business is influenced by a number of factors. Professional background, the level of education, current employment, personality traits and the social and regional environments have an impact on the start-up decision. Individual factors alone cannot explain why certain individuals become self-employed and others prefer paid employment.

Albert Shapero already referred to this phenomenon 20 years ago when he characterized the business foundation process, as «over determined» (see Shapero 1984, p. 23).

Culture can influence economic activity in variable ways. Firstly, culture is known for influencing attitudes towards work and consumption. Secondly, culture has an influence on the organization of economic activity and the shaping process of institutions' effectiveness. Besides, culture has an impact on social networks and confidence building within social groups (see Fukuyama 2001, p. 3132ff). The primary interest of the present study is what kind of influence culture may have on business start-up activities. Such a relationship may be given in different ways. Mostly, analyses on the relationship between culture and start-up activities or entrepreneurship are conducted by considering attitudes towards entrepreneurship or business foundation. One proceeds from the fact that **cultural features influence attitudes towards start-ups and vice versa**. Such a relationship between culture, attitudes and start-up activities may exist on individual, as well as on regional and group levels (see Davidsson / Wiklund 1997, p. 182). There is a direct relationship on the individual level when, on account of cultural features, many persons exhibit a positive attitude towards business foundation and, due to such an attitude, decide to become self-employed or to start a business. In such a case, there is a direct relationship between culture and start-up activities because of the potential, self-employed person's positive mindset. This argumentation concurs with those of Schumpeter (1934), McClelland (1961) and Kirzner (1985) who, likewise, describe a **direct linkage between attitudes and business foundation activity**. Further, a relationship between culture and foundation activity on the societal level may exist. Etzioni (1987) argues that the values and norms predominant in the **social environment** of an individual may have an influence on his or her propensity to start a business. In line with this argumentation, a culture averse to business foundation may suppress start-up activities. This would, for instance, be the case when entrepreneurs and entrepreneurship have a bad image within a society or a region, and the individual, therefore, does not consider this option of livelihood (even though he or she does not harbor any reservations towards entrepreneurs). Nevertheless, the influence can be opposite: positive. Some communities foster an entrepreneurial culture as well. Silicon Valley, part of the San Francisco Bay area, is famous as a launching pad for startup technology companies. Families may promote entrepreneurship as well. Parents who encourage their children to take risks and teach them the value of self-employment may raise kids who become future entrepreneurs. In all cases, there is a relationship between culture and business foundation activity not only on the individual level but also on the level of social groups, region or society.

To conclude, an **entrepreneurial culture** can be described as an environment where someone is **motivated to innovate, create and take risks**. In a business, an entrepreneurial culture means that employees are encouraged to brainstorm new ideas or products. When work time is dedicated to these activities, it is called entrepreneurship.

Entrepreneurial Culture characteristics

Culture is only a construct, yet its impact is undeniable. To leverage it, we must first understand it. Some characteristics of entrepreneurial culture are:

Shared Values

- Growth through excellence and innovation
- Collective responsibility for experimentation
- Job execution is incomplete without improvement

Skills

- Competence upgraded and nurtured continuously
- Learning to unlearn and learn
- Job rotation for wider perspective and cross-pollination
- Skills for:
 - Environmental scanning
 - In-depth analysis
 - Risk evaluation
 - Communication and collaboration

Staff

- Optimal and Multi-skilled
- Ownership and Belonging
- Inclusion of Innovation for performance evaluation, growth and rewards

Style

- Participative and inclusive
- Tolerance towards ambiguity
- Openness to new ideas
- Support of risk-taking

Strategy

- Long-term focus
- Innovative problem solving and performance improvement
- Risk taking is essence of business

Structure

- Limited horizontal layers and vertical differentiation
- Cross-functional task teams
- Dedicated team for nurturing creativity

Systems

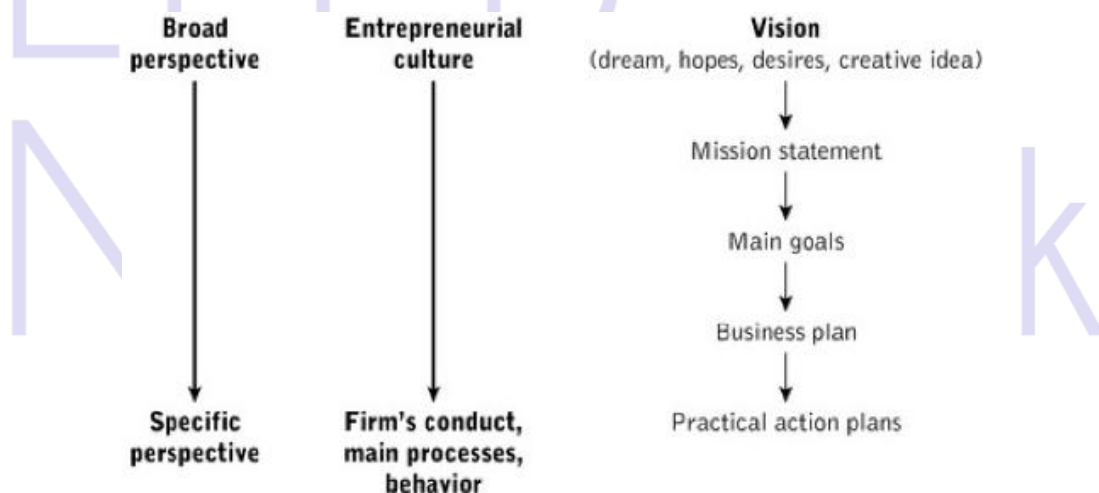
- Simple, flexible and evolving systems
- Result-oriented, rather than process-oriented approach
- Quick approval mechanism for innovative ideas

Process that structure the entrepreneurial culture

In a survey of seventy leading entrepreneurs from 48 countries around the world the respondents were asked to rank the most important factors in the process that structures their entrepreneurial culture. As a result **identification of opportunities, differentiation, creative teams, stimulating partners and role models** were considered as the most important factors for a vivid, entrepreneurial culture.

Researchers have begun to stress out the idea that the **identification of opportunities** can lead to a competitive advantage, the individual entrepreneurs ability to recognize opportunities, and, thus, a highly beneficial aptitude. Most opportunities do not appear “out of the blue”, but result from the entrepreneur’s alertness to possibilities and knowledge of how to exploit them, and from fine-tuning the mechanisms needed to identify potential opportunities at an early stage. The types of exploitable opportunities and the mechanisms delineate the character of the entrepreneurial culture. For example, exploiting financial opportunities will generally develop into a finance-oriented entrepreneurial culture. The exploitation of opportunities to introduce new products or develop new and different products and services will be discussed in the section dealing with the marketing-related aspects of the entrepreneurial culture, etc.

Visions also play a major role in shaping the structure and characters of the entrepreneurial culture; however, since a vision usually reflect dreams, hopes or desires, they are often quite undefined and do not necessarily match the presently accessible or potentially available resources. The vision of a venture should be clearly defined by developing a **mission statement**; the purpose of such a document is to put the spotlight on how the business should be established and run in order to realize a profit or a goal. Mission statements set practical goals and these underlie the **business plan** and the **practical action plans**. The business culture of the firm is derived from the vision while the behavior comes from the entrepreneurial culture (daily conduct and norms derive from the action plans).



The Dimensions of Entrepreneurial Culture

Any organization's entrepreneurial orientation (culture) can be understood by examining how it is correlated to five dimensions:



Autonomy

Autonomy refers to whether an individual or team of individuals within an organization has enough of freedom to develop an entrepreneurial idea and then organize its implementation. In an organization that offers high autonomy, people are offered the independence required to bring a new idea to fruition, free of corporate bureaucracy's restraints. When individuals and teams are unhampered by corporate traditions and norms, they are able to more effectively investigate and successfully implement new ideas that have beneficial impact on the whole organization.

In some cases, an autonomous unit eventually becomes completely distinct from the parent company (for instance, when Motorola spun off its successful semiconductor business to create Freescale).

Innovativeness

Innovativeness refers to persuasion of creativity and experimentation. Some innovations are based on existing skills to create the improvements, while more radical innovations require brand-new skills, creative thinking and readiness to go outside of the box. In any case, the main goal of innovativeness is to develop new products, services, and processes. Those organizations that are innovative and open up to new ideas tend to reap off more benefits of their stronger performance than those that are not.

However, the question of how firms generate the types of new ideas that meet customers' complex needs is still open. Such worldwide famous innovator as Google has found a few possible answers. For example, Google's two most popular features of its Gmail, thread sorting and unlimited e-mail archiving, were first suggested by an engineer who was fed up with his own e-mail woes. Google allows its employees to spend a portion of their work time on projects of their own for the purpose of creating new innovations for the company. This illustrates how different entrepreneurial orientation's dimensions (such as autonomy and innovativeness) can reinforce one another.

Competitive Aggressiveness

Competitive aggressiveness is the tendency to intensely and directly challenge competitors rather than trying to avoid them. Aggressive moves can include price-cutting and increasing spending on marketing, quality, and production capacity. For example, Ben & Jerry's marketing campaigns in the mid-1980s attempted to limit distribution of Ben & Jerry's products. In response, Ben & Jerry's launched their "What's the Doughboy Afraid Of?" advertising campaign to challenge competitor's actions.

Although aggressive moves helped Ben & Jerry's, too much aggressiveness can undermine an organization's success. A small firm that attacks larger rivals, for instance, may find itself on the losing end of a price war. Besides, a reputation for competitive aggressiveness can damage a firm's chances of being invited to join alliances that might help to develop new organization's strengths and decrease the weaknesses. Executives must be aware of risks referred to competitive actions that destroy opportunities for future collaborating.

Proactiveness

Proactiveness is the tendency to anticipate and act on future needs rather than reacting to the events after they already took place. A proactive organization is one that follows an opportunity-seeking approach. Such organizations act before the market demand has been already shifted. They are frequently either the first to enter new markets or "fast followers" that improve on the initial efforts of first movers.

Proactive's executives have built a profitable niche in a world that is technologically, environmentally, and politically turbulent (Choi, 2008, *PCI builds telecommunications in Iraq*, Bloomberg Businessweek).

Risk Taking

Risk taking refers to the tendency to engage in bold rather than cautious actions. According to Simon, Houghton and Aquino (2002), despite the belief about entrepreneurs is that they are chronic risk takers, entrepreneurs do not perceive their actions as risky, and most take action only after using planning and forecasting to reduce uncertainty.

Summarizing the Model of Entrepreneurial Culture

The preceding section identified five distinct dimensions that were generated *a priori* based on an interpretation of the academic literature on entrepreneurial culture (i.e., existing definitions and descriptions), cultural subtypes related to entrepreneurial culture, and insights from the practitioner literature on entrepreneurial culture. These five dimensions are thought to capture the necessary and sufficient characteristics and attributes that constitute an entrepreneurial culture. An entrepreneurial culture was defined as a pattern of values, assumptions, and practices shared within an organization that is centrally concerned with opportunities, where opportunity is the creation of new value to society in part or in whole. Table 10 lists each dimension and its definition. This proposed framework represents a comprehensive view of entrepreneurial culture that theoretically describes the various facets which describe an organizational culture.

Upon reviewing previous definitions and descriptions of entrepreneurial culture, characteristics and attributes such as innovation, risk-taking, learning, creativity, and collaboration (e.g., Ireland et al., 2003; Shepherd et al., 2010) were prominent. However, when reconciled with other literature in the entrepreneurship field, it appeared that other concepts important to entrepreneurial firms and their organizational cultures were left out. In particular, conceptual dimensions that would help explain not just how opportunities might be recognized and discovered and/or created, but also acted on, did not seem to be accounted for. This proposed five dimension framework aims to comprehensively describe entrepreneurial culture as a cultural subtype. It aims to accurately describe entrepreneurial culture as an organizational culture centrally concerned with opportunities.

Revisiting the question raised by MacKenzie et al. (2011) and noted in Section 3.3, the manner in which the facets of entrepreneurial culture combine to give the construct meaning should be addressed. To reiterate, an additive relationship is appropriate when the effect of each facet on the focal construct is independent of the effects of the other facets. For example, MacKenzie et al. (2011) use the example of the construct “job performance” where facets such as task performance, organizational citizenship behavior, and workplace deviance behavior are hypothesized to independently contribute to each job performance. That is, an employee can increase job performance by increasing task performance or decreasing workplace deviance. Alternatively, a multiplicative relationship may be appropriate where the effect of each facet on the focal construct is thought to interact to produce the focal construct. MacKenzie et al. (2011) provide the example of “source credibility”, which is the intersection of expertise and trustworthiness. If a source is trustworthy but has no expertise s/he is not credible, and if a source has expertise but is not trustworthy then s/he is not credible either. As a result, credibility is conceptually defined as the product of trustworthiness and expertise.

The extant literature on entrepreneurial culture appears ambiguous on this specific issue. For example, the Ireland et al. (2003) description of an effective entrepreneurial culture lists a number of characteristics that are linked with the conjunction *and* implies the *union* or addition of these characteristics. Minguzzi and Passaro's (2000) definition speaks of a composite of values, skills, experiences, and behaviors, where a composite implies the additive combination of two or more things. Examining the various descriptions of entrepreneurial culture (i.e. Tables 6 and 7), suggests similar lists of combined characteristics with *and*, for example "a firm is more entrepreneurial when its organizational culture encourages a broad array of new ideas, experimentation, and creativity" (Bradley et al., 2011: 543). As another example, "organizations that desire to be highly entrepreneurial must develop an entrepreneurial culture that includes such factors as the ability to learn *and* to focus on markets" (Hult et al., 2003: 402, italics added). In contrast, there are no examples of the characteristics and attributes of entrepreneurial culture being described as an intersection or product of these various aspects.

Summary of Entrepreneurial Culture in the Five Sub-dimension Model

Dimension	Definition	Key Characteristics/Attributes	Opposite Characteristics/Attributes
Organizational Enthusiasm	A pattern of values, assumptions, and practices demonstrating an excitement and passion for the organization, its goals, and purposes.	<ul style="list-style-type: none"> * enthusiasm for accomplishing organizational goals and the organization's mission * understanding the organizational vision * passion for the work * sense of unity of purpose 	<ul style="list-style-type: none"> * failing to know or understand what success for the organization is or how it can/will be achieved * failing to believe or support the organization's direction or purpose
Stakeholder Alignment	A pattern of values, assumptions, and practices demonstrating the importance of building and maintaining mutually beneficial relationships with key stakeholders, such as customers, suppliers, partners, and investors.	<ul style="list-style-type: none"> * a focus on building and maintaining relationships with key stakeholders * appreciating how stakeholders impact the business * emphasizing strong relationships based on loyalty and fairness 	<ul style="list-style-type: none"> * viewing stakeholders as a means to an end * viewing stakeholder relationships as necessarily zero-sum * viewing relationships as only valuable if benefits outweigh costs in the short term
Learning & Development Support	A pattern of values, assumptions, and practices demonstrating individual and group self-improvement, learning, and professional development.	<ul style="list-style-type: none"> * optimism toward improvement * valuing efforts to change, learn, and improve one's self and others * encouraging employee professional development 	<ul style="list-style-type: none"> * organizational members lack ambition, initiative, or an interest in improvement * resistance to acquiring new knowledge or skills
Opportunity Driven Change	A pattern of values, assumptions, and practices demonstrating a willingness to change in order to identify/develop opportunities and execute on them.	<ul style="list-style-type: none"> * pursuing innovation and change to better execute on existing opportunities * pursuing innovation and change as a means for creating new opportunities 	<ul style="list-style-type: none"> * reluctance to try new things or experiment * hesitancy in the face of uncertainty * disinterest in hearing new ideas or approaches to existing problems
Cohesiveness	A pattern of values, assumptions, and practices demonstrating organizational members' bond and commitment to each other and the organization, irrespective of circumstance.	<ul style="list-style-type: none"> * organizational members take responsibility for their actions * members feel like the organization can do things on its own (internally) * trust that everyone gives best effort * members feel like they can rely on others to participate 	<ul style="list-style-type: none"> * organizational members shirk responsibility or hide in the group * members lack confidence in the abilities of one another * members are secretive and uncooperative

On the other hand, insights gained from decades of developing EO research are instructive here. In the composite view of EO, the construct is viewed as the intersection of the innovativeness, risk-taking, and proactive dimensions; they are expected to positively covary in order for an EO to be manifested (Covin & Wales, 2012). This is based on the foundational thinking of Miller (1983) who argued that in the absence of covariation among the three dimensions, that is, if any of the elements were missing entirely, then the result would be considered "less than entrepreneurial" (Miller, 2011: 874). In other words, if an organization was actually not innovative or risk-averse, could it really be considered to have an entrepreneurial orientation?

With this in mind, entrepreneurial culture is envisioned as a multiplicative interaction among the facets. That is, the focal construct of entrepreneurial culture represents the intersection of organizational enthusiasm, stakeholder alignment, and so on. It should be noticed that these facets are necessary and jointly sufficient for the meaning of the construct. This implies that each facet must have some non-zero level of all attributes to possess an entrepreneurial culture. For instance, an organization which refused to change to go after opportunities would not be centrally focused on opportunities so it would be difficult to argue that this organization had an entrepreneurial culture. Similarly, an organization that disregarded the interests of its stakeholders would likely struggle to generate new opportunities, which would also not be indicative of an entrepreneurial culture, and so on. This interpretation of the focal construct implies that an entrepreneurial culture is identifiable from the intersection of these five facets. Thus, these facets and described by them values, assumptions, and practices are what constitute an entrepreneurial culture.

EFEB Network

“The European Commission support for the production of this publication does not constitute an endorsement of the contents which reflects the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein.”

Promoting an Entrepreneurial Culture within the Community

The conditions required for establishing an Entrepreneurial Culture are:

- **Identification and promotion of Role Models:** Women entrepreneurs, for example the ladies who lost their jobs in the textile sector and created ‘Charmin Sud’, a rural women entrepreneur partnership. They came on television to explain how being laid off from an ailing textile industry was for them a blessing in disguise. It allowed them to unveil their entrepreneurial potential and leadership abilities.
- **Role of media:** For instance, in the promotion of Entrepreneurship as a business model. Until recently, the local TV ran a weekly documentary: ‘Portrait d’Elle’, in which a local women entrepreneur was portrayed as to her new place in society as an economic (and social) agent. Similarly, a few newspapers reserve a page regularly to promote entrepreneurial initiatives.
- **The Education system:** Entrepreneurship modules in the curriculum at different levels. Entrepreneurship education is now beginning to be anchored in tertiary education curricula. We have now moved from the old paradigm whereby entrepreneurship was to be taught only in Business faculties. The present Super GEM is a living example of the new paradigm when the subject is available to all undergraduates from all fields. An IT student, a Fashion & Design student and all the others in fact, need to know the basic business and entrepreneurship skills that are required to start a business or to act entrepreneurially, to lead and innovate in their employer organizations.
- **Period of Incubation:** Entrepreneurship development programmes spread over a period of time (and not one off initiatives). Initiatives like “La semaine de l’Entrepreneuriat” are beneficial for general awareness, but the enthusiasm soon dies away after the caravan has left. What is truly beneficial for culture change is a planned process that uses all the avenues mentioned in this section over a longer period with set objectives and performance targets. In Finland, entrepreneurship and entrepreneurial culture was developed as a result of a planned ‘Entrepreneurship decade’, that is, ten years of cultural change. This can take the form of entrepreneurship education starting at primary or secondary education level, targeting rural women with a Microcredit scheme and so on.
- **Participation of leaders (political, business, opinion):** Political and religious leaders to promote entrepreneurship as a solution to current economic problems. As mentioned earlier under ‘leadership’, a strong, charismatic leadership is required to transform a community. To change the mentality from ‘qualifying to get a government job’ to ‘taking charge of oneself by being self employed’ requires psychological ‘push’ that can be facilitated by people who can influence the community. The first people to come to our mind are the political, social and religious leaders.

Difficulties Faced in Establishing an Entrepreneurial Culture

Creating an entrepreneurial culture within an organization drives many benefits. However, every coin has two sides and this case is not an exception. Establishment of a powerful entrepreneurial culture is not an easy task; hence, the process must include some risky challenges.

First of all, the people might fail to capture the important role of entrepreneurship (in poverty alleviation as an example). Such an attitude is called ignorance and it could be overcome through awareness raising activities, for instance. Secondly, in the communities who got used to being assisted and led by the company's management, the lack of entrepreneurship can exist simply due to the employees' laziness. Why would they start thinking and acting outside of the box if the box is so comfortable and predictable? Also, the possibility of fear in case of entrepreneurship is a common reason why companies procrastinate with introduction of entrepreneurial orientation. Not many people are so open to trying new approaches out, especially in the world of business where any wrong step can have a dramatic effect on the whole enterprise. Moreover, religious and cultural constraints should be taken into consideration. Some communities or societies might perceive business and profit making as being against their beliefs and values.

In addition, the already established entrepreneurial culture requires a common effort to maintain it in a way that avoids such risks as employee conflict and perceived inequity and jealousy, according to Southon and West (as cited in Kenney et al., 2010). In these cases, the employees should have a friendly environment to open up about their concerns and express their feelings. Kuratko and Montagno (as cited in Kenney et al., 2010) claim that another issue might be insufficient reward systems and problem associated with balancing new initiatives with already existing responsibilities. That is why the management should develop effective, inside the company monitoring systems, stay up-to-date and disseminate among each other new practices regarding the topic and innovative problem-solving solutions.

All the mentioned difficulties are not easy to overcome; however, a right mindset and the willingness to make changes will definitely help to start the shift towards progress in creating a successful entrepreneurial culture.

Network