

DO ‘CULTURAL GAPS’ AFFECT ENTREPRENEURIAL ACTIVITIES? AN ANALYSIS BASED ON GLOBE’S DIMENSIONS*

Summary of modifications

According to the comments of the reviewers, we have tried to be more critical and to clarify some points. In particular, we did the following:

- Considered country culture instead of national culture. Although in the literature authors use the terms without underlying differences, we agree that the term national opens the doors to different constructs and interpretations.
- In order to answer to the doubts about the facts that ‘should be’ scores measure values, we have clarified the term, and referred to some contributions on the topics. We have considered and introduced the reference suggested by reviewers, and this reference is an ultimate contribution on values.
- We have added some sentences to consider more the effects of economic factors, and the limitation of considering cultural gaps as explanatory variables. We have also highlighted the direction of our future research on the topic

Abstract

This paper aims at investigating how country culture affects entrepreneurship, measured by the percentage population who are either a nascent entrepreneur or owner-manager of a new business in a specific country. Our analyses rely on GLOBE’s dimensions. Considering the influence of both values (should be scores) and practices (as is scores), we identify the inclination towards cultural change of a specific country as the difference between its ‘should be’ and ‘as is’ scores of each cultural dimension. Our goal is to find out whether the inclination towards cultural change affects entrepreneurship.

The statistical analysis shows that the inclination toward cultural change affects entrepreneurship. Moreover we find different results in term of statistical significance for different cultural dimensions.

Our research sheds new light on the literature on cultural entrepreneurship. Most of the literature analyzes the linkage between cultural values and entrepreneurship, and only a few studies refer to cultural practices and on their influence on entrepreneurial orientation.

Keywords: Entrepreneurship, cultural values, cultural practice, cultural change, GLOBE, GEM.

1. Introduction

Entrepreneurship is a complex phenomenon that regards many aspects of management. Scholars give a wide definition of entrepreneurship and define entrepreneurship as “processes of discovery, evaluation, and exploitation of opportunities” (Shane and Venkataraman, 2000, p. 218). Sharma and Chrisman (1999, p.17) define entrepreneurship as “acts of organizational creation, renewal, or innovation that occur within or outside an existing organization.” Following this perspective, Morris (1998) sees entrepreneurship as a property, which can - or should be – associated with any strategic decisions an organization takes.

Ireland et al. (2003), and Lumpkin and Dess (1996) define entrepreneurship as the processes through which newness is created. Following Schumpeter’s conceptualization (1934), newness can be directed towards new products, new processes, and new markets, as the engine of wealth creation. However some scholars adopt a more specific conceptualization of newness and entrepreneurship, by intending newness as the creation of new organizations, and entrepreneurship as the start-up of new firms (e.g., Dobrev and Barnett, 2005; Schumpeter, 1934; Thornton, 1999). Many authoritative definitions of entrepreneur actually include some reference to venture or enterprise creation. For example, Bygrave and Hofer (1991) define an entrepreneur as “... someone who perceives an opportunity and creates an organization to pursue it” (Bygrave and Hofer (1991), p.14). In formulating national policy recommendations, Vesper defines entrepreneurship as “the creation of new independent businesses” (Vesper (1983), p. 1).

Coherently with the definition of Dobrev and Barnett (2005) and Thornton (1999), we define entrepreneurship as a process through which new firm is created. Although theoretical models of the new venture creation process differ with the extent to the assumptions and variables they encompass, they all include common elements as well. Shapero (1975) for example, sees the prospective entrepreneur's readiness to act as determined jointly by prior experience and the perception of current opportunities. According to Shapero, general readiness becomes a predisposition to initiate a venture when the individual experiences a precipitating event such as a layoff. However, this predisposition turns to action only when the individual perceives a suitable opportunity and can assemble the financial and other required resources from a supportive environment (Krueger, 1993; Martin, 1984; Shapero, 1975). Gartner (1985) defines the creation of a new venture as an interaction among four dimensions: personal characteristics of the entrepreneur (individual), competitive entry strategies (organization), push and pull components (environment), and the actions taken by the entrepreneur to bring the enterprise into existence (process).

Cross-country analyses reveal that countries show different degrees of entrepreneurship: new firms’ creation varies across countries and differences exist even among countries which have similar degrees of socio-economic development (Krueger and Brazeal, 1994; Moore et al., 1986). Relying on this evidence, the cultural approach focuses on the influence of cultural dimensions on firms’ creation and self-employment (Lee and Peterson, 2000). The cultural approach gives an interesting new contribution. The inclination to create new firms depends on some important entrepreneurial capabilities, such as long-term orientation and the inclination to face and manage risks (Lumpkin et al., 2010; Breton-Miller, Miller, 2006; Man et al., 2002; Wiklund, 1999), and these capabilities are strongly influenced by collective and individual culture (Hofstede, 1983; 2001; 2010; House et al., 2004; Schwartz, 1992; Kroeber K., Kluckhohn C., 1952).

While interesting and stimulating, the cultural approach does not give a unique interpretation of the linkage between culture and entrepreneurship. On the contrary, scholars reach different and sometimes contrasting results (Engelen et al., 2009). Most of the literature analyzes the linkage between cultural values and entrepreneurship. These studies predominately rely on Hofstede’s

framework of cultural values and get to contrasting results (Baughn and Neupert, 2003; Hayton et al., 2002; Hofstede et al., 2004; Hunt and Levie, 2003; Pinillos and Reyes, 2009; Wennekers et al., 2007). Other authors (Stephen and Uhlner, 2010; Zhao et al., 2010) focus their analysis on the influence of cultural practice and entrepreneurship, and base their analysis on the GLOBE project - the Global Leadership and Organizational Behaviour Effectiveness Research project - that is the first cross-cultural analysis that considers both practices and values as predictors of individual and organizational behaviours (House et al., 2004).

According to GLOBE's authors (House et al., 2004), country culture can be defined as country's shared practices and values. Practices are identified through the "as is scores", and measure the way things are done in a specific culture. Values are identified through the "should be scores", which measure the way things should be done (House et al. 2004). Practices and values are both important to understand how people behave in a certain countries and to which extent they are inclined to change their way of life, to be engaged for a better future, to promote social changes and, consequently, to become entrepreneur. According to this perspective, our analysis considers both values and practices, and considers the inclination towards cultural change of a specific country as the difference between its 'should be' and 'as is' scores of each cultural dimension.

Starting from the relationships that Hanges and Dickson (2004) observe between values and practices¹, our paper investigates into the relationship between the inclination towards cultural change and entrepreneurship. We measure the inclination towards cultural change as the difference between should be (values) and as is (practices) scores of each of GLOBE's dimension, and we formulate the following research questions:

RQ1: Does culture affect a country's rate of entrepreneurship?

RQ2: What is the influence of the different cultural gaps on a country's rate of entrepreneurship?

The paper is structured as follows: the next section presents the theoretical background highlighting the main literature on the topic; section 3 describes the dataset and the variables considered in the analysis; section 4 presents our theoretical hypotheses; section 5 answers the research question by presenting the results derived from the statistical analysis; the final section presents the limitations of our work as well as our main conclusions.

2. Literature review

Cross-cultural studies on entrepreneurship analyse the influence that country culture exerts on new firm creation from different perspectives. Most of literature focuses indeed on the effects of cultural values on new firms creation, entrepreneurship orientation and innovation. According to Hofstede (1980) and Schwartz (1994), culture is meant as a set of values, peculiar to a specific group or society, which shapes the development of certain personality traits, and motives. It impacts on work ethic, on individual need of achievement, on the way people feel legitimated. Culture shapes the orientation of individuals to take initiatives, and it shapes the orientation of social group to positively evaluate personal initiatives (Baughn and Neupert, 2003). Values and beliefs are related to personal characteristics that prompt entrepreneurial orientation of individuals to become an

¹ The authors validate Globe's construct and find out the correlation between should be scores, on one side, and Hofstede's and Schwartz' values on the other. During the years, GLOBE's scales have been largely employed in managerial studies, but some scholars have debated on the appropriateness of should be, which have mostly been accepted as an evidence of shaped pattern, through which people filter their experience, as an evidence of the basic assumption towards they would move, and consequently as a measure of cultural values (Smith, 2006; Brewek and Venaik, 2010, and 2011; Maseland and Van Hoorn, 2009).

entrepreneur (Busenitz and Lau, 1996; Kreiser et al., 2010; Lee and Peterson, 2000; Mc Grath et al., 1992; Mitchell et al., 2000; Mueller and Thomas, 2001).

Starting from Hofstede's cultural dimensions, some authors (Mc Grath et al., 1992; Mc Grath, Mac Millan, and Scheinberg, 1992) show that entrepreneurship orientation is higher in countries with high Power Distance, Individualism and Masculinity and lower degree of Uncertainty Avoidance. Mueller and Thomas (2000) observe that individualistic countries show a greater internal locus of control orientation, which contributes to country's entrepreneurial orientation. While focusing on entrepreneurial orientation, Lee and Peterson (2000) get to similar results. They include in their analysis Trompenaars' (1994) cultural dimensions, and find that entrepreneurial orientation is stronger in individualistic, achievement oriented, and universalistic cultures, characterized by autonomy, competitive aggressiveness, innovativeness, and risk taking.

As far as authors agree on the deep impact of cultural dimensions on entrepreneurship, they do not reach homogeneous results. As an example, in contrast with the former literature, Baum et al. (1993) hypothesise a reverse role of individualism, arguing that in collectivistic society people are not able to satisfy their emotional needs within institutions and organisations, and therefore that they are more inclined to self-employment, which is the basis of new start-ups. This inclination towards self-employment is nevertheless coherent with Hofstede et al. (2004)'s observation that collectivism is higher in less developed countries, where the low income and the low employment rate do not satisfy people, who look for higher revenues through self-employment.

Hofstede et al. (2004) suggest that dissatisfaction is one of the main reasons why people engage entrepreneurial activity, and that it is connected to a high level of power distance and strong uncertainty avoidance, while the influence of individualism (-) and masculinity (+) is not significant. Although these authors' results cannot be generalized because they are tested on a limited number of developed countries they give an important contribution to literature because they consider cultural and economic variables as contextual drivers of entrepreneurship.

Among the studies that empirically analyse the effect of country culture on start-ups, an important stream of research relies on the Global Entrepreneurship Model (GEM) to measure different countries' degree of entrepreneurship (Arenius and Ehrstedt, 2008; Baughn and Neupert, 2003; Baughn et al., 2006; Hunt and Levie, 2003; Levie and Hunt, 2005; Pinillos and Reyes, 2011; Stephan and Uhlaner, 2010; Suddle et al., 2006; Zhao et al. 2010). However, basing their analysis on cultural values they still get to inhomogeneous results, both when analyses involve Hofstede's dimensions (Arenius and Ehrstedt, 2008; Wenneker et al., 1999; Wenneker et al., 2003) and when they involve the World Value Survey (Pinillos and Reynes, 2011; Suddle et al., 2006). As noted by Pinillos and Reyes (2011), culture plays a different role according to the degree of national wealth, and commitment is an important driver of entrepreneurship because it positively influences both individual inclination to entrepreneurship, and societies evaluation of personal initiatives.

At the end of the 90s', cross-cultural researchers start considering cultural practices in addition to cultural values. House et al. (2004) define country culture as country's shared practices and values, and some psychologists consider culture more and more as an informal institution built up of common behaviors, which structure social interactions. This perspective influences the cultural approach too, and scholars begin to consider the impact of cultural practices on entrepreneurship (Stephan and Uhlaner, 2010).

Considering cultural practices has some important advantages. First of all, practices enable more realistic measures of country culture. In the value approach, culture results from a mean of personal preferences and desires, while in the practice approach, people answer about the effective behaviors they observe within their society (Fischer, 2008; Hofstede, 2001; Verplanken and Holland, 2002; Wicker, 1969). Second, the relationship between values and entrepreneurial activity is not appropriate because people do not always behave according to their desires or preferences –

because actions can be conditioned by contextual factors which are different from the ideal situation (Fischer, 2006; Peng, Nisbett and Wong, 1997; van Oudenhoven, 2001)

In their work, Stephan and Uhlaner (2010) distinguish between supply-side factors and demand-side factors of entrepreneurship, and focus on GLOBE's dimensions to find out the effects of culture on entrepreneurial motivation and situational variables. By defining performance-based cultures (PBC), and socially supportive cultures (SSC), the authors hypothesize a positive effect of future orientation, uncertainty avoidance, performance orientation, and humane orientation, and a negative effect of assertiveness.

Also Zhao et al. (2012) utilize GLOBE's dimensions to analyze in depth the linkage between cultural practices and entrepreneurship. They found a strong impact of cultural practices on start-ups, more than on established entrepreneurial firms. They find out that in-group collectivism, humane orientation, low uncertainty avoidance and low gender egalitarianism are all directly related to early-stage entrepreneurial activity.

As highlighted by the literature review, cultural practices are certainly useful to understand the influence of cultural dimensions on entrepreneurship, above all on early-stage (Zhao et al., 2010). However entrepreneurial activities require a long-term orientation and the capability to face and manage risks (Lumpken et al., 2010; Breton-Miller, Miller, 2006; Man et al., 2002; Wiklund, 1999). Those aspects are not independent from cultural values. As noted by House et al. (2004) indeed, both values and practices influence behaviours, and their influence is evident both for groups and individuals. In addition, only a small number of studies consider both the influence of practices and values on new firms' creation.

Starting from the relationships that Hanges and Dickson (2004) observe between values and practices, our paper analyses the effects of cultural values and practices on the shaping the country entrepreneurship rate. For a specific context, the gap between values and practices gives an important indication: managers perceive the need of change, both in the context they belong to and/or in their approach to business. We assume that this gap is an important indication of the inclination towards cultural change, and we hypothesize this cultural change is a predictor of entrepreneurship, which requires the capability to face uncertainty and to promote changes.

3. Database and Variables

Independent variable

Our study is based on a quantitative analysis aimed at statistically measuring how country culture affects entrepreneurship.

We use GLOBE's cultural dimensions, which explain the different perception and acceptance of leadership within each context. The Global Leadership and Organizational Behaviour Effectiveness Research Project (GLOBE project) is a multi-phase, multi-method project, involving 62 countries, grouped into ten cultural clusters, in order to analyse in depth their different cultures. Cultural contexts are examined through nine dimensions - power distance, uncertainty avoidance, institutional collectivism, in-group collectivism, gender egalitarianism, performance orientation, future orientation, humane orientation, and assertiveness. Each dimension is studied at two levels considering both 'as is scores' – that is what middle manager think about their culture in a certain moment – and 'should be scores' – that is what middle managers think about how their culture should change to improve.

According to House et al. (2004), cultural practices (as is) measure individuals' perception of the present culture while cultural values (should be) measure how the culture should be according to

their wishes. In order to get the change orientation of each country, we measure the difference between ‘should be’ (values) scores and ‘as is’ scores (practices) for the nine GLOBE’s dimensions.

The gaps are important to measure if people (managers) perceive the necessity and/or the willingness of change and to understand the direction of such change. Positive gaps mean that values are higher than practices - that is according to middle managers, the dimension is growing (or should) increase - while negative gaps mean that practices are higher than values - that is managers perceive that the importance of a specific dimension should decrease over time.

The derived gaps can be described as follows:

- Power Distance Gap (PDGAP) measures individuals’ willingness of change for power distance. It means that individuals perceive power distance as something worthy. Higher values of power distance gap mean that individuals in a certain country want to move versus higher degree of power distance, a lower degree of independency, with a higher inclination to control. PDGAP is negative for all the analyzed countries.
- Uncertainty avoidance gap (UAGAP) measures individuals’ willingness of change for uncertainty avoidance. It means that people do not feel comfortable with changes and unpredictability. Higher values of uncertainty avoidance gap mean that individuals in a certain country are not inclined to face higher level of risk in the future. Russia shows the largest positive gap (2.19) while Switzerland shows the most negative gap (-1.68).
- Performance Orientation Gap (POGAP) measures individuals’ willingness of change for performance orientation dimension. It means that people look for higher performance, they want much more meritocracy and they have the need to feel gratified for their results. Higher values of performance orientation gap mean that individuals in a certain country want that performance improvement and excellence will be more rewarded in the future. POGAP is positive for all the analyzed countries.
- Future Orientation Gap (FOGAP) measures the individuals’ willingness of change for future orientation dimension. People want to look at the long-term, they build up their future aiming at better results than those they could obtain today. Higher values of future orientation gap mean that individuals in a certain country are inclined for the future to encourage specific behaviors such as planning, investing in the future, and delaying gratification. FOGAP is positive for all the analyzed countries except for Denmark (-0.11).
- In-group collectivism Gap (INGGAP) measures the individuals’ willingness of change for in-group collectivism dimension. People perceive that group and relationships are going to play (or should play) an important role in the future. Higher values of in-group collectivism gap mean that individuals in a certain country wish more pride, loyalty and cohesiveness in their organizations or families. This dimension shows a high variability: New Zealand shows the largest positive gap (2.54) while Canada shows the most negative gap (-0.710).
- Institutional collectivism Gap (INSGAP) measures individuals’ willingness of change for institutional collectivism dimension. People look for an institutional system – a system of rules – able to reduce opportunism. Higher values of in-group collectivism gap mean that individuals in a certain country encourage the adoption of organizational and societal institutional practices aimed at collective distribution of resources and at supporting collective actions. Countries like Greece shows a large positive gap (2.15), while countries like Taiwan shows a large negative gap (-4.44).
- Assertiveness Gap (ASSGAP) measures individuals’ willingness of change for assertiveness dimension. People think that direct style of communication is preferable. Higher values of assertiveness gap mean that individuals in a certain country wish more level of aggressiveness in social relationships. China shows the largest positive gap (1.68), while countries Germany shows the most negative gap (-1.48).
- Gender Egalitarianism Gap (GEGAP) measures the individuals’ willingness of change for gender Egalitarianism. It emphasizes people’s need of parity opportunities and respect.

Higher values of Gender Egalitarianism gap mean that individuals in a certain country wish more egalitarianism between genders in social relationships. GEGAP is positive for all the analyzed countries.

- Humane Orientation Gap (HOGAP) measures the individuals' willingness of change for humane orientation dimension. Higher values of humane orientation gap mean that individuals in a certain country encourage people for being in the future more fair, altruistic, friendly, generous, caring, and kind to others. HOGAP is positive for all the analyzed countries.

Looking at the single dimensions, some anomalies emerge: power distance gap is quite always negative, while humane orientation, gender egalitarianism, future orientation, and performance orientation gaps are quite always positive, and this could be explained by the shape practices (as is scores) play on values (should be scores) (Brewer and Venaik, 2010; Smith, 2006).

Dependent variable

Similarly to many studies that analyze entrepreneurship at a country level we utilize data of the Global Entrepreneurship Monitor (GEM). The Global Entrepreneurship Monitor Project is the result of a joint research initiative of Babson College in Wellesley (USA) and the London Business School. It is devoted to filling some of the most important gaps in the international data on entrepreneurship. Data on entrepreneurship, both as the number and typologies of new firms, and as institutional and environmental factors affecting entrepreneurship are collected year by year for most of the involved countries. Today it is considered as one of the best source of comparative entrepreneurship data in the world (Sternberg and Wennekers, 2005; Shorrock, 2008).

Among different GEM dimensions we have considered the TEA variable - Total early-stage Entrepreneurial Activity – to measure countries' entrepreneurship rate. TEA captures the percentage of the adult (aged 18-64) population that is actively involved in entrepreneurial start-up activity. As such, TEA includes nascent entrepreneurs and young business owners. Nascent entrepreneurs are individuals who have, during the last past 12 months, taken tangible action to start a new business, would personally own all or part of the new firm, would actively participate in the day-to-day management of the new firm, and have not yet paid salaries for anyone for more than three months. Young business owners are defined as individuals who are currently actively managing a new firm, personally own all or part of the new firm, and the firm in question is not more than 42 months old. In some cases, an individual may report both nascent and young business ownership activity. However this individual will only be counted once towards the TEA percentage in the adult population. TEA indices have high validity and reliability (Reynolds et al., 2005).

Since the number of participating countries of the GEM project varied from year to year, and not all the countries of our sample participated in considered years, we measured the TEA average rate, obtained as the arithmetical mean of the TEA registered from 2004 to 2014 (Zhao et al, 2012). We chose this period because it follows GLOBE investigations and consequently allows us to measure the effects of cultural gaps on start-ups. Moreover, Zhao et al. (2012) suggest that it is possible to measure country cultures and entrepreneurial activities on the same level of relative stability across time because country cultures have been stable for centuries. TEA average rate varies widely among countries: countries like Bolivia and Zambia show a higher TEA average (respectively 34 and 38) rate, while countries like Japan show a low TEA average rate (3.58).

4. Hypotheses

On the basis of previous studies and with the aim at understanding to which extent the inclination towards cultural change is a predictor of entrepreneurship, we formulate our hypotheses.

Looking at the different cultural dimensions, literature emphasizes that power distance is often associated with high level of entrepreneurship (Mc Grath et al., 1992; Mc Grath, Mac Millan, and Scheinberg, 1992). Hofstede et al. (2004) indeed, show that high level of power distance contributes to increase the dissatisfaction of individuals about their present situations pushing them to self-employment and creation of own companies. Accordingly we expect that countries that wish higher level of power distance show higher level of entrepreneurship rate and formulate the following hypothesis:

H1: A positive Power Distance Gap (PDGAP) is positively related to TEA average rate.

Regarding uncertainty avoidance scholars reach different results. Some authors (McGraph et al. 1992) find an inverse relation between entrepreneurship and uncertainty avoidance because entrepreneurs are often more inclined to risk comparing to non-entrepreneurs. At the same time other studies find that higher level of uncertainty avoidance is positively related to entrepreneurship because it increases individuals' dissatisfaction (Hofstede et al., 2004) and supports the adoption at country level of norms and infrastructures aimed at reducing risk perception and at protecting entrepreneurs (Baughn and Neupert, 2003). Moreover in countries where the willingness of uncertainty avoidance is high, individuals tend to create their own business to better control risk levels. Consequently we formulate the following hypothesis:

H2: A positive Uncertainty Avoidance gap (UAGAP) is positively related to TEA average rate.

Authors who referred to the GLOBE project – even if to as is scores - find a positive relation between future orientation and performance orientation, on one hand, and start-ups on the other (Stephan and Uhlander, 2010). Consequently we expect that countries wishing higher level of performance orientation and future orientation support entrepreneurial initiatives, so we formulate the following hypotheses:

H3: A positive Performance Orientation Gap (POGAP) is positively related to TEA average rate.

H4: A positive Future Orientation Gap (FOGAP) is positively related to TEA average rate.

While literature on performance orientation and future orientation is quite homogenous, the influence of collectivism on entrepreneurship is controversial. Some scholars affirm that individualism affects positively entrepreneurship because founding a new company is an individual initiative (Lee and Peterson, 2000; McGraph et al. 1992). Other authors affirm that entrepreneurship is favored in collectivistic countries because creating a new firm is intended as a way to take care of others, more than as an expression of individual realization (Baum et al., 1993; Pinillos and Reyes, 2011). In addition, other scholars do not find a significant relation between individualism and entrepreneurship or in-group collectivism and entrepreneurship (Stephan and Uhlander, 2010). However, following the prevailing approach (Lee and Peterson, 2000; McGraph et al. 1992) we expect that countries that desire a higher level of in-group collectivism discourage individual initiative, and consequently that a positive gap of in-group collectivism has a negative impact on entrepreneurship. In contrast, we expect that a positive gap of institutional collectivism has a positive impact on new firm creation, because the presence of mechanisms and institutions able to encourage an equal distribution of resources and opportunities can encourage entrepreneurship. Consequently our hypotheses on collectivism are:

H5: A positive In group Collectivism Gap (INGCOLGAP) is negatively related to TEA average rate.

H6: A positive Institutional Collectivism Gap (INSCOLGAP) is positively related to TEA average rate.

Only scholars who base their analysis on the GLOBE project consider the effects of assertiveness and humane orientation on entrepreneurship (Stephan and Uhlander, 2010; Zhao et al (2012). Nevertheless they get to contrasting results. In addition, within this new stream of literature, only one paper explores the effects of gender egalitarianism and finds an inverse relationship between this dimension and entrepreneurship (Zhao et al., 2012).

However, assertiveness, humane orientation and gender egalitarianism have some important traits in common with Hofstede's dimension masculinity/femininity. High level of assertiveness, low level of humane orientation and low level of gender egalitarianism are typical of masculine societies. Studies based on Hofstede's dimensions find a positive relation between masculinity and entrepreneurship (Mc Graph et al. 1992). Consequently we formulate the following hypotheses:

H7: A positive Gender Egalitarianism Gap (GEGAP) is negatively related to TEA average rate.

H8: A positive Assertiveness Gap (ASSGAP) is positively related to TEA average rate.

H9: A positive Humane Orientation Gap (HOGAP) is negatively related to TEA average rate.

Control variables

In order to confirm the direct relationship between the inclination towards cultural change and TEA average rate, we introduced in our analysis some control variables, which in the existing literature is found as largely influencing entrepreneurship.

Looking at the Global Competitiveness Report of the World Economic Forum and World Bank Reports (2008-2009; 2009-2010) we derived a set of 12 factors computing the average score of each variable in the two years (Table 1). The set of control variables include economic factors (e.g. GDP, Ease of access to loans, Venture capital availability) and social factors (e.g. Local availability of specialized research and training services). In order to simplify the analysis, we applied a Principal Component Analysis (PCA) and reduced the 12 factors to 2 main facilitators that account for 75.468% of the cumulative variance. We tested the possibility that some differences in Total Entrepreneurship Activity may result from these 2 variables. We therefore control for each driver to isolate the unique contribution of country cultural gaps.

Table 1- Principal Component Analysis of the *control variables*

Principal Component	Eigenvalue	Variance (%)	Cum. Variance (%)
1	7.346	61.216	61.216
2	1.710	14.253	75.468

	Component	
	1	2
GDP per capita	.821	-.361
Burden of government regulation	.608	.553
General infrastructure	.892	-.079
Quantity of education: Higher education & training	.896	-.193
Availability of specialized research & training services	.942	-.143
Prevalence of trade barriers	.776	-.037

Flexibility of wage determination	.058	.886
Rigidity of employment	-.567	-.586
Ease of access to loans	.875	.122
Venture Capital availability	.884	.136
Local supplier quantity	.729	-.087
Local supplier quality	.900	-.199

In order to verify our hypotheses about a direct impact of change orientation on entrepreneurship, we limited our analyses to the countries studied both in the GLOBE project and in the GEM. We consequently have a sample of 49 countries: Argentina, Australia, Austria, Bolivia, Brazil, Canada, China, Colombia, Costa Rica, Denmark, Ecuador, Egypt, Finland, France, Germany, Greece, Guatemala, Hong Kong, Hungary, India, Indonesia, Ireland, Israel, Italy, Japan, Kazakhstan, Korea, Malaysia, Mexico, Morocco, Netherland, New Zealand, Philippines, Poland, Portugal, Russia, Singapore, Slovenia, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, United Kingdom, USA, Venezuela, Zambia.

5. Results

To test our hypotheses we explain variations in TEA rate using two regression models, conducted with SPSS 21, where country cultural gaps constitutes the primary explanatory variable. In order allow the comparison of data, we standardized all the variables. At first, we calculated the Pearson correlations between cultural gaps components, Total early-stage Entrepreneurial Activity (TEA) average and control variables.

Pearson correlation results are shown in table 2.

Table 2 - Pearson correlation matrix of variables

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
(1) TEA	-											
(2) PD GAP	-.090	-										
(3) UA GAP	.395**	-.449**	-									
(4) FO GAP	.461**	-.517**	.851**	-								
(5) IN-GR COLL GAP	-.217	.347*	-.633**	-.400**	-							
(6) INSIT COLL GAP	.268	-.473**	.318*	.445**	-.124	-						
(7)PO GAP	.231	-.528**	.420**	.531**	-.008	.543**	-					
(8) ASS GAP	.154	.243	-.038	-.104	-.103	-.269	-.221	-				
(9) HO GAP	-.494**	-.298*	-.139	-.097	.037	.163	.115	-.523**	-			
(10) GE GAP	-.018	-.244	-.313*	-.220	.254	.220	-.011	-.258	.254	-		
(11) FACTOR 1	-.631**	.390**	-.828**	-.763**	.511**	-.462**	-.552**	.110	.255	.202	-	
(12) FACTOR 2	.251	.270	.176	.070	-.279	-.252	-.409**	.449**	-.380**	-.341*	.000	-

** . Significant at 0,01 (2-tails); * . Significant at 0,05 (2-tails) (Pearson's index)

The bivariate correlations (Table 2) reveal a significant positive correlation between TEA and the Uncertainty Avoidance gap (UA GAP) and Future Orientation gap (FO GAP) and a significant negative correlation between TEA and Human Orientation gap (HO GAP) and the first control variable (FACTOR 1).

In order to test our hypotheses, two regression models were constructed (Table 3). The first model considers the impact of cultural gaps on TEA; in the second model the two control variables are inserted. We also controlled for multicollinearity bias analyzing the variance inflation factors (VIFs) after each regression. Since the values are within acceptable limits, we ascertain that the results are free from multicollinearity bias. In addition, we also controlled for the standard and studentized residuals of regression: they fall inside the acceptable values, making us ascertain that outliers do not invalidate our statistical results.

Table 3 – Regression results

<i>Variable</i>	Model	
	<i>1</i>	<i>2</i>
PD GAP	0.222	0.057
<i>(expected +)</i>	(0.178)	(0.154)
UA GAP	-0.170	-0.665**
<i>(expected +)</i>	(0.283)	(0.265)
PO GAP	0.142	-0.006
<i>(expected +)</i>	(0.168)	(0.165)
FO GAP	0.506*	0.373*
<i>(expected +)</i>	(0.254)	(0.216)
IN-GR COLL GAP	-0.230	0.004
<i>(expected -)</i>	(0.179)	(0.160)
INST COLL GAP	0.119	-0.009
<i>(expected +)</i>	(0.150)	(0.130)
GE GAP	0.252*	0.229*
<i>(expected -)</i>	(0.144)	(0.122)
ASS GAP	-0.009	0.076
<i>(expected +)</i>	(0.141)	(0.129)
HO GAP	-0.499***	-0.201
<i>(expected -)</i>	(0.146)	(0.141)
FACTOR 1		-0.932***
		(0.234)
FACTOR 2		0.290**
		(0.132)
Constant	-7.72E-16	-5.5517E-16
	(0.112)	(0.094)
Observations	49	49
Adjusted R-Squared	0.387	0.569
Δ R-Squared		0.166
F-Statistics	4.366**	6.755**

Robust standard errors in brackets

***. Significant at 0.01 (2-tails); **. Significant at 0.05 (2-tails); * Significant at 0.1 (2-tails)

Regression results for Model 1 show that three cultural gaps affect TEA average rate, in particular, Future Orientation Gap (FO GAP=0.506) and Gender Egalitarianism Gap (GE GAP=0.252)

positively affect TEA average rate, while Human Orientation gap (HO GAP=-0.499) appears negatively related to entrepreneurship variable. So just H4, and H9 are confirmed, and H7 is rejected. For all the other gaps, the relationship is not significant.

However, while significant, the relation shows a quite low level of Rsquare, which poses some doubts about the kind of causal relationships existing between cultural gaps and the TEA average rate. We then introduced in our analysis two contextual factors, in order to understand if they affect the relationship culture and TEA average rate.

In Model 2, where these control variables are inserted, the significance of the analysis increases (Adjusted R-square = 0.569; Δ R-Squared = 0.166).

The coefficients of both control variable are significant, but while the first factor negatively affect TEA average rate (FACTOR 1 =-0.932), the second factor does not (FACTOR 2 =0.290).

In the second model the effect exerted by cultural gaps on entrepreneurial activities decreased: Future Orientation Gap (FO GAP=0.373) and Gender Egalitarianism Gap (GE GAP=0.229) still positively affect TEA average rate, while the Uncertainty Avoidance Gap (UA GAP= -0.665) become negatively related with entrepreneurship rate with statistical significance. With regard to our hypotheses, the situation is the following: H2, and H7 are rejected, H4 is still confirmed, and H9 is no more confirmed.

Discussion and conclusion

Many contributions exist on the influence of country culture on new firm creation (Pinillos and Reyes, 2011; Lee and Lim, 2009; Reynolds, Storey and Westhead, 2007; Wennekers, Van Stel, Thurick and Reynolds, 2005; Hunt and Levie, 2003; Lee and Peterson, 2000; Davidsson and Wiklund, 1997), but they are still fragmented and not much consistent (Engelen, Heinemann and Brettel, 2009).

Moreover most of literature analyses the linkage between cultural values and entrepreneurship relying on Hofstede's framework (Pinillos and Reyes, 2009; Wennekers, Van Stel, Thurick and Reynolds, 2005; Hofstede et al., 2004; Baughn and Neupert, 2003; Hunt and Levie, 2003; Hayton, George and Zahara, 2002; Duysters, De Man and Wildeman, 1999). Only few studies refer to cultural practices as measured by GLOBE project and on their influence on entrepreneurial orientation (Zhao, Rauch and Frese, 2010; Stephen and Uhlner, 2010).

From a cross-cultural perspective, limitation and contrasting results were derived by authors' tendency to focus only on some peculiar dimensions, or from their tendency to analyze only a component of culture: values or practices. According to House et al. (2004), country culture can be defined as country's shared practices and values. Practices and values are both important to understand how people behave in a certain countries and to which extent they are inclined to change their way of life, to be engaged for a better future, to promote social changes and consequently to become entrepreneur.

Starting from the relationships that Hanges and Dickson (2004) observe between values and practices, our paper analyses the covariate effect between cultural practices and values into shaping country entrepreneurship rate. In particular we assume that what affects new firm creation are the gaps existing between values (should be) and practices (as is) considering as a measure of countries' inclination towards cultural change. The inclination towards cultural change is, indeed, a predictor of entrepreneurship, which requires the capability to face uncertainty and to promote changes.

According to our research, the inclination towards cultural change is useful to explain the degree of entrepreneurship of a specific context. The bivariate correlations among the mentioned components and the TEA reveal significant positive correlation between TEA, Uncertainty Avoidance Gap (UAgap) and Future Orientation Gap (FOgap); and a significant negative correlation between TEA and Humane Orientation Gap (HOGap). In addition, the first regression model confirms that three cultural gaps are significantly related to the TEA average rate: we found that the high levels of TEA are typical of more future oriented countries (+FOgap). In these countries people desire less humane orientation (-HOGap) and more gender egalitarianism (+GEGap).

While the first regression shows the significance of some cultural gaps, considering the control variables we get different results. Economic factors such as GDP, infrastructures, education level, flexibility of wages have a deep impact on entrepreneurship. In model 2, Factor 1 is positively related to the level of GDP per capita, the level of General infrastructure, education level, the local availability of specialized research and training services, and it has got a negative effect on the TEA average rate. Factor 2 is mainly related with the flexibility of wage determination, and it has got a positive effect on the TEA average rate. Factor 1 and factor 2 impact on entrepreneurship more than cultural gaps. In particular, while future orientation (+FOgap) and gender egalitarianism (+GEGap) still affect positively TEA average rate, the Uncertainty Avoidance Gap (UAgap) is negatively related with new venture creation. Therefore, just H4 is confirmed by statistical results, while other hypotheses are not supported by our analysis. In conclusion, just H4 is confirmed (FOgap). In addition, H1 and H3 are confirmed in the effect, but the relationship is not significant (PDgap, and POgap), while H2 and H7 are rejected (UAgap, and GEGap). For the other Hypotheses, the two regression models give contrasting results (INGap, INSTgap, ASSgap, and HOGap).

Conceptually our findings are confirmed by the circumstance that countries that have the best possibilities to increase the rate of new firm creation are emerging nations, characterized by a country culture oriented to reach better development level of the context and that encourage the individuals to self-achievement. At the same time, as expected, the lack of infrastructure, a low level of education, and the necessity to face high costs for the start-up of new activities are all factors which limit the relationship between countries' inclination towards cultural change and TEA. This seems to suggest that cultural gaps could act as a moderator instead of an explanatory variable, and represents a good starting point for further research. Last but not least, the effect of GDP level poses some doubt on the effectiveness of TEA as a measure of countries' degree of entrepreneurship. The TEA measures the percentage of adult population actively involved in entrepreneurial start-up activity and/or engaged in an enterprise start-up, and it would be probably better to have ex post data, e.g. the number of effective start-ups. Probably the analysis should consider more countries and should be tested in a longer time, and we will do this in the future. Nevertheless we were forced to limit our analysis because GEM data are not homogeneous for all the countries, and the countries studied by the GLOBE and GEM projects are not exactly the same.

Despite of the limitations, the results of our analysis support our idea that entrepreneurship is influenced by a country's inclination towards cultural change. At the same time, they give force to the idea that culture is a very complex phenomenon, which needs to be analyzed taking into account the interdependence existing between its different aspects. Moreover it supports the idea of many entrepreneurship studies affirming that the entrepreneurship rate is influenced by the attitude of individuals to self-achievement and by the presence of a set of norms and institutions that support individuals. That's why a different analysis should be done in the future considering individual values instead of cultural dimensions.

Our paper gives an interesting contribution to entrepreneurship and cross-cultural literature. First of all our paper is the only study that considers at the same time the influence of both cultural practices and cultural values to entrepreneurship. This aspect helps us to overcome the contrasting results existing in the studies on culture entrepreneurship. Starting from the gap between should be and as is scores of GLOBE's cultural dimensions, we evaluated countries' inclination towards cultural

change. This new measure affects new firms creation and could be useful to interpret the effects of country culture on other managerial phenomenon or other aspects of entrepreneurship like innovation or corporate entrepreneurship.

The study presents also some important practical implications. It highlights to which extent culture is a driver or a limitation to entrepreneurship and this is useful for investors who want to create new firms in distant cultural contexts. In particular, it highlights that countries more favorable for entrepreneurship are emerging nations, consequently to promote new firms creation is more useful to invest in these latter countries than in developed nations. Understanding which cultural dimensions can affect entrepreneurship can help policymakers to plan the best policies to promote new firms creation. Specific indications derive from the consideration that a willingness of gender egalitarianism (GE GAP) positively influences entrepreneurship. This consideration suggests policy makers to create a set of norms and institutions aimed at a more equal gender distribution of power and responsibilities.

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