National culture and entrepreneurial behavior

An Epidemiological Approach to Comparative Entrepreneurship

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Main results culture determinants of entrepreneurial behavior

- **In-group collectivism** negative effect
- **Assertiveness** positive effect
- Uncertainty avoidance, Future orientation, Power distance, etc. no robust effect
Motivation

• Entrepreneurship clear sign of **economic dynamism** (e.g., Van Praag/Versloot SBE07).

• **Cross-country differences** in entrepreneurship are large but lack consistent explanation (e.g., Van Stel IEMJ05; Engelen/et al. JIE09; Bjørnskov/Foss AMP16; Nikolaev/Boudreaux 16; Su/et al ET&P16; Terjesen/et al. JoM16)
Culture and entrepreneurship

- Culture
  - "Collective programming of the mind"

- Values
  - Motivations to become entrepreneurship

- Beliefs
  - Expectations about entrepreneurial success

- Entrepreneurship
Motivation

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• Contradictory findings on role of culture
  - Importance of cultural dimensions (e.g., power distance vs. individualism)
  - Effect of cultural dimensions: Collectivism vs. individualism

• Epidemiological approach (Fernandez, 2010)
Challenge: disentangling influences

Culture
- *In-group collectivism*

Economic development
- *GDP*

Property rights
- *Legal protection*

Entrepreneurship
- *Self-employment*
What is the epidemiological approach?

High GDP/capita
Developed property rights

Moderate GDP/capita
Less developed property rights
What is the epidemiological approach?

**Moderate High GDP**
- Less Developed property rights

**High GDP**
- Developed property rights

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Hypothesis 1 (+)

H1: A more individualistic / less collectivistic home-country culture increases the likelihood of engagement in entrepreneurship

• Personal needs and attitudes are important determinants of social behavior
• People emphasize rationality in behavior
• Individual performance trumps group performance
Hypothesis 2 (+)

H2: A home-country culture that emphasizes **assertiveness more** increases the likelihood of engagement in entrepreneurship

- Value competition, success, and progress
- Try to have control over the environment
- Expect subordinates to take initiative
Hypothesis 3 (-)

H3: A **uncertainty avoidance** home-country culture increases the likelihood of engagement in entrepreneurship

- Uncomfortable with uncertainty and ambiguity
- Avoiding unconventional behavior
- Intolerant for change
Data and method

- Data from European Social Survey (ESS), ‘02–’14
- Migrant: Individual born in country other than country of residence
- +/- 11,000 individuals from 53 origin countries in 32 destination countries
- Regression analysis with cluster-corrected SEs
  - Engagement in entrepreneurship (0/1) is dependent
Main independent variables

- **GLOBE practices** (House et al. 2004)

  - **In-group collectivism**: “the degree to which individuals express pride, loyalty, and cohesiveness in their organizations or families”

  - **Assertiveness**: “the degree to which individuals are assertive, confrontational, and aggressive in their relationships with others”

  - **Uncertainty avoidance**: “the extent to which a society, organization, or group relies on social norms, rules, and procedures to alleviate the unpredictability of future events”
# Selected results

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>In-group collectivism (Home)</td>
<td>-0.23</td>
<td>&lt;0.01***</td>
</tr>
<tr>
<td>Assertiveness (Home)</td>
<td>0.25</td>
<td>&lt;0.01***</td>
</tr>
<tr>
<td>Uncertainty avoidance (Home)</td>
<td>-0.01</td>
<td>0.9</td>
</tr>
</tbody>
</table>

N = 4062  
Host countries = 19  
Home countries = 53

## Control

- Host country fixed effects
- Dyadic (e.g., cultural Distance, colony, language)
- Time (ESS Round)
- Individual (e.g., education, age)
- Integration (e.g., nationality, years since arrival)
- Parents (education)
Discussion and conclusion

• Individualism and assertiveness main cultural factor for entrepreneurship
  - Other culture dimensions less important /insignificant

• Limitations and future research
  - Nontraditional measure of entrepreneurial behavior
  - Other means (e.g., values and beliefs) that culture affects entrepreneurship.
  - Other, non-transferable features of national cultures, e.g., social capital
Thank you for your attention