



Beyond cultural values? Cultural leadership ideals and entrepreneurship



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ABSTRACT

This paper offers a fresh perspective on national culture and entrepreneurship research. It explores the role of Culturally-endorsed implicit Leadership Theories (CLTs) – i.e., the cultural expectations about outstanding, ideal leadership – on individual entrepreneurship. Developing arguments based on culture-entrepreneurship fit, we predict that charismatic and self-protective CLTs positively affect entrepreneurship. They provide a context that enables entrepreneurs to be co-operative in order to initiate change but also to be self-protective and competitive so as to safeguard their venture and avoid being exploited. We further theorize that CLTs are more proximal drivers of cross-country differences in entrepreneurship as compared with distal cultural values. We find support for our propositions in a multi-level study of 42 countries. Cultural values (of uncertainty avoidance and collectivism) influence entrepreneurship mainly indirectly, via charismatic and self-protective CLTs. We do not find a similar indirect effect for cultural practices.

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1. Executive summary

Cross-country differences in the levels of entrepreneurship are persistent and cannot be explained by economic factors alone. Researchers and politicians alike have turned to national culture as a possible explanation. Past research has focused on cultural values, the shared ideals and long-term goals of societies, which are also the cornerstone of cross-cultural and international business research. Cultures valuing key aspects of entrepreneurship – such as the willingness to bear uncertainty, and individual competitive actions – were thought to drive entrepreneurship. But despite the intuitive appeal of this assumption, the rapidly growing literature on culture and entrepreneurship is characterized by mixed findings. Some studies find the expected relationships of entrepreneurship with cultural uncertainty avoidance and individualism values, but others find the opposite, and still others that there are no significant relationships.

We suggest that one reason for these mixed findings is the fact that cultural values are very broad and general concepts. Entrepreneurship, however, is a rather specific behavior. We therefore advocate greater focus on those aspects of culture that are more proximal, i.e., conceptually ‘closer’ to entrepreneurship.

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Building on the insight that entrepreneurs are one important type of leader, we introduce cultural leadership ideals as a relevant, proximal aspect of culture that explains cross-national differences in entrepreneurship. We see culturally shared leadership ideals as an important channel through which more general, distal, cultural values may influence entrepreneurship. Cultural leadership ideals describe culturally shared expectations about the attributes, motives and behaviors of outstanding leaders (House et al., 2004). These ideals influence individuals' evaluations of and support for leaders, mostly automatically. We propose that entrepreneurship will flourish in cultures where cultural leadership ideals align, or 'fit', with entrepreneurial behaviors. Considering the multiple demands that entrepreneurs face when they create and sustain a business, we specifically focus on charismatic and self-protective leadership ideals.

We test our propositions in a multi-level study on over 500,000 individuals across 42 countries. Data come from the Global Entrepreneurship Monitor (GEM) and from the Global Leadership and Organizational Behavior Effectiveness Study (GLOBE). Controlling for confounding factors, we find consistent positive effects of charismatic and self-protective cultural leadership ideals on individual entrepreneurship. Further results support our hypothesis that cultural leadership ideals are a channel through which cultural values, but not cultural practices, influence entrepreneurship.

Our study advances comparative entrepreneurship research where progress has been hampered by a lack of understanding of the mechanisms connecting culture and entrepreneurship, and by a lack of clarity about the types of constructs used to measure culture (Hayton and Cacciotti, 2013). We offer novel insights into how culture influences entrepreneurship, and clarify which aspects of culture are most relevant for entrepreneurship. We introduce cultural leadership ideals as an important cultural driver of entrepreneurship. Entrepreneurs succeed in societies that endorse both charismatic and self-protective leadership ideals. These cultures uniquely enable entrepreneurs to initiate change and mobilize the cooperation of others, as well as to be competitive so as to safeguard their venture and avoid being exploited.

Our study helps to understand the past mixed findings on cultural values and entrepreneurship. It also transcends the discussion on whether cultural collectivism or individualism supports entrepreneurship. We demonstrate that cultural leadership ideals act as a channel through which cultural uncertainty avoidance and collectivism values - but not cultural practices - shape entrepreneurship. This complicates entrepreneurship research by highlighting that different aspects of culture have differential effects on entrepreneurship and that these effects flow through different mechanisms. We also discuss implications of our findings for the cross-cultural leadership literature.

2. Introduction

What makes an entrepreneurial culture? This question has captured the attention of researchers as well as policy makers who view entrepreneurship as a means of stimulating economic growth and job creation. The research is fueled by the observation of persistent cross-country differences in entrepreneurship levels, which cannot be explained by economic factors alone (Freitag and Thurik, 2010). Researchers have turned to cultural values - the shared ideals and long-term goals of societies - to characterize entrepreneurial cultures (Hayton et al., 2002; Krueger et al., 2013). Drawing upon the notion of 'culture-entrepreneurship-fit' (Tung et al., 2007), they expected those cultures that value key aspects of entrepreneurship, such as the willingness to bear uncertainty and individual competitive actions, to enable entrepreneurship. Cultural uncertainty avoidance and individualism values were seen to facilitate entrepreneurship, just as individual entrepreneurs endorse these values (e.g., Noseleit, 2010). An early review of culture and entrepreneurship research found support for these assumptions (Hayton et al., 2002). Yet a more recent review of this growing literature identified mixed findings and concluded "that we can be less confident, rather than more, in the existence of a single entrepreneurial culture" (Hayton and Cacciotti, 2013: 708).

We suggest that such mixed findings are not surprising considering that cultural values are rather distal drivers of specific behaviors such as entrepreneurship. Cultural values are shared ideals that are abstracted from specific behaviors, and may influence them only indirectly (Frese, 2015; Stephan and Uhlaner, 2010). This notion finds support in cross-cultural research, especially the Global Leadership and Organizational Behavior Effectiveness (GLOBE) research program. For instance, the GLOBE CEO study found that cultural values influence CEO leader behaviors indirectly. Cultural values shape cultural expectations and views of ideal leadership, and leaders behave in line with these expectations. In turn, firms perform well when their CEOs' behaviors align with the leadership ideals in their cultures (House et al., 2014).

Entrepreneurs too have been characterized as an important type of leader, i.e. leaders of emerging organizations (Cogliser and Brigham, 2004; Vecchio, 2003). Leadership is a process of social influence to achieve goals (Yukl, 2010). Entrepreneurs need to influence others around them including investors, customers, suppliers and employees to launch and sustain their businesses successfully. Entrepreneurs as owner-managers are also the main decision makers (strategic leaders) shaping the trajectory of their organizations in line with their goals.

In this paper we build on the insight that entrepreneurs are a type of leader, and suggest that cultural leadership expectations may be an important driver of cross-national differences in entrepreneurship. Importantly, leadership expectations are a more 'proximal' -that is, a more immediately relevant - cultural influence on entrepreneurship than are general cultural values. Thus, we propose a fresh perspective for culture and entrepreneurship research by leveraging insights from cross-cultural leadership theory. Cultures differ in their views of ideal leadership, i.e. in the attributes, motives and behaviors that they believe characterize outstanding leadership. These cultural leadership ideals are also referred to as culturally endorsed implicit leadership theories or CLTs hereafter (e.g., Dorfman et al., 2004). Individuals in a culture, mostly subconsciously, expect their leaders to behave in line with these leadership ideals, and evaluate their leaders accordingly. We propose that entrepreneurship will flourish in cultures where cultural leadership ideals align with entrepreneurial behaviors, or where there is a 'CLT-entrepreneurship fit'.

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