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## The importance of culture in entrepreneurship

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### Abstract

This paper draws on current entrepreneurial research literature to discuss culture. Specifically how the concept of culture is understood and how it impacts on entrepreneurship. The paper poses the question 'can the characteristics of a rural community have an influence on the development and survival of local entrepreneurs?' The paper proposes some opportunities for further activity that other rural communities who are considering boosting their community's economic development through entrepreneurial development strategies might consider.

### Introduction

The purpose of this paper is to draw on the theoretical, conceptual and experimental work of many authors and to present the results in a way that is accessible and relevant to a broader, community audience. This paper in particular examines culture and its relationship with entrepreneurship.

From 2013 to 2015 The Centre for the Study of Rural Australia (CSRA) (now named the Centre for the Study of Agribusiness) at Marcus Oldham College conducted a three-year entrepreneur development project called Developing

Entrepreneurship in Rural Businesses and Communities in Victoria (EntruBIZ). The project sites were located in two rural communities, Shepparton and Bairnsdale, in Victoria, Australia. EntruBIZ was launched in both of these communities in August 2013. The aim of the EntruBIZ project was to increase the productivity and financial well-being of new and existing rural enterprises through their entrepreneurial development. The project sought to do this by connecting entrepreneurship to rural community development, building organisational and individual entrepreneurial capacity and, mentoring communities and individuals to develop new and sustainable enterprises.

On the face of it EntruBIZ adopted a pragmatic approach aimed at working with individuals to help them develop their entrepreneurial skills and abilities over time. This poses the question as to why then are we interested in something as nebulous as 'culture'?

There is good theoretical and experimental evidence to link features of a country's culture to its ability to support and foster entrepreneurs. EntruBIZ, like other entrepreneur development projects before it, needed to be aware of, and sensitive to, the cultural context of the

communities in which we are based. Entrepreneurs do not operate within a social vacuum; the entrepreneur relies on their community to help them accumulate the resources they need to run their business, to support it locally and to legitimise the businesses' existence, particularly at the start up stage (Aldrich and Martinez, 2001; Arian, 2010; Brunton et al. 2010). Given this crucial contribution, the effects of the regional cultures of Bairnsdale and Shepparton needed to be considered in evaluating the eventual effectiveness of the EntruBIZ project.

For the purpose of this paper we would like to adopt an analogy drawn from Google Earth to organise this concept of culture. With Google Earth we can zoom right in to pick out each house and street in a neighbourhood, the view is full of details but its scope is limited to a few blocks at best, then by zooming out we can view neighbourhoods with less detail, pull back further and coastlines, rivers and regions come into view. The further we pull back the greater the area covered but soon it starts to flatten out, and appear two dimensional, to look more like a map and then eventually a globe of the earth, where we can see the way the various continents are placed and their relative size but not much more about them.

The concept of culture is similar: at the local level we are immersed in an almost subconscious set of values, norms and socially legitimate behaviours and understandings which can be constraining, taken-for-granted, varied, containing mixed messages, sometimes surprising, with its own histories, heroes and villains and way of belonging.

The culture of Victoria, for instance, is more influenced by a flavour of our capital and major cities and less by the experiences of the 'bush'. Examples of what it is to be a Victorian are most often delivered through the media in sporting events, cultural events (which often revolve around food, dancing and parades) and most poignantly in the stories of everyday Victorians' response to other communities, here and

interstate, who are impacted by natural disasters. By the time we get to the national level it seems that representations of an Australian culture are generalised, more two dimensional and the property of the agenda-setters, lobbyists and image makers at the big end of town. For instance, if we disagree with another's point of view we can label it as 'un-Australian' in an attempt to rob it of legitimacy.

The next section will look at some definitions for culture, and then we will move to the evidence gathered on the link between culture and entrepreneurship. When looking at this evidence the bulk of it has been gathered and analysed at the international and the national level. Like the zoomed out view of the earth it is generalised and lacks localised flavour. Next come some case studies and reports on particular entrepreneur development projects that give some attention to culture at the regional level in North America. These have more colour and depth in their descriptions of local communities at that point in time but how relevant are they able to be to Australian contexts? The paper concludes with some suggestions for rural communities and local government to consider.

### **What do we mean when we talk about 'culture'?**

A number of definitions for what is meant by culture have been put forward by researchers. The most often quoted definition was proposed by Hofstede (2001) as:

“the collective programming of the mind which distinguishes the members of one group or category of people from another”.

What this popular definition gains in brevity it perhaps loses in clarity, for instance what is meant by “the collective programming of the mind” in plain English? Perhaps some other definitions will bring us closer to the mark. Verheul et al. (2002) as well as citing Hofstede's definition just given, also put forward two other definitions that predate Hofstede. The first

definition proposed by Kroeber and Parson (1958) defines culture as:

“patterns of values, ideas and other symbolic-meaningful systems as factors in the shaping of human behavior.”

The second definition Verheul et al., (2002) cited was that proposed by Barnou (1979) where culture is:

“stereotyped patterns of learned behavior which are handed down from one generation to the next.”

The definitions put forward by these researchers start to answer what might be meant by Hofstede’s “collective programming of the mind” but they fail to pick up on his view that culture “distinguishes the members of one group or category from another.” Perhaps a later definition will be more inclusive. From our perspective Hayton and Cacciotti (2013) achieved this inclusive definition when they defined culture as:

*the values, beliefs and expected behaviours that are sufficiently common across people within (or from) a given geographic region as to be considered as shared (p. 709)*

This definition links culture to the concept of place; as such, the shared values, beliefs and expected behaviours draw a part of their meaning and worth from their region. For example stories of the shared history of a region, its heroes, its villains, shared challenges and victories all contribute to that sense of place and what it means to be ‘of that place’.

One limitation of Hayton and Cacciotti’s definition of culture is that while linking culture to a regional locality it says nothing about Hofstede’s “members of one group or category of people”. If we were to look around us at Australia in 2016 many of these culturally separate groups and categories can be identified. For instance; the armed forces, organised crime organisations, religious orders, the police forces, the medical fraternity, ‘die-hard’ sporting club supporters,

masons, lawyers and judges. These cultures span regions, yet still share common values, beliefs, rituals and symbolism, such as; codes of conduct, certificates of membership and achievement, rules and punishments for rule breaking, tattoos, badges, stripes, and for some – costumes or uniforms that help to distinguish members from the broader community.

In their book “Riding the waves of culture: Understanding diversity in global business” the authors Fons Trompenaars and Charles Hampden-Turner (2012), take a different perspective to culture. They liken culture to an onion; the outer layer contains the cultural products that a person from another culture might experience, for instance, art, architecture, language and food. The mid layer represents a deeper cultural sphere of shared values and cultural norms. The innermost sphere is reserved for those basic assumptions that organise and underpin the culture. These basic assumptions are deeply rooted responses to dealing most effectively with the problems posed by people’ relationship to time, nature and to other human beings. (Trompenaars & Hampden-Turner, 2012, pp. 27-38).

From this fundamental relationship with the (natural) environment people, and after people the community, take the core meaning of life. This deepest meaning has escaped from conscious questioning and has become self-evident, because it is a result of routine responses to the environment. In this sense culture is anything but nature. (Trompenaars & Hampden-Turner, 2012, p. 32).

### **What else is important to consider when we think about ‘culture’?**

- Culture is relevant to all levels of society. Audretsch et al., (2002) points out that:

“This definition may be applied to different levels of analysis, including the level of the family, ethnic group, firm or other organization and society or nation.” (p. 60).

- Culture is about people, about their shared understandings across the cultural group. As such it is not about the individual and their personal values, beliefs, understandings and personality (Trompenaars & Hampden-Turner 2012).
- Culture is learned (Trompenaars & Hampden-Turner, 2012).
- Culture is not fixed; it can change and evolve as internal and external forces act on the community. (Trompenaars & Hampden-Turner, 2012). Hofstede (1980) cited in Audretsch et al. (2002), suggests three processes of cultural change; values shift due to external shocks, (e.g. rapid technological change, conflict or economic shocks); values are modified or replaced with new values as younger generations become culturally influential; and the values held by members of the community change as they grow older.
- Culture is constraining on its members. Where cultural norms are what the cultural group understands as right and wrong and cultural values determine what those members define as good and bad (Trompenaars and Hampden-Turner, 2012, p.30). "A community's culture defines what is acceptable and what is not". (Walzer & Athiyaman, 2007, p. 40.)
- A nation's culture acts as a lens through which its citizens make sense of the world. "...national culture acts as the frame of reference, which societal members utilize to comprehend and understand organizations, the environment, and their relationships with one another" (Geletkanycz, 1997, cited by Kreiser et al., 2010, p. 961).
- Culture pervades all aspects of life as it is lived out within a community and a place. (Trompenaars & Hampden-Turner, 2012).
- Culture is complex; the majority of its meanings are implicit and can only be

observed by inferring meaning from the explicit products of the culture. (Hofstede 1980, cited by Audretsch et al. 2002; Trompenaars & Hampden-Turner, 2012).

- Culture is made by humans, confirmed by others, conventionalized, and passed on for younger people or newcomers to learn. It provides people with a meaningful context in which to meet, to think about themselves, and to face the outer world. (Trompenaars & Hampden-Turner, 2012, p.32).
- Cultural values are deeply held and change slowly ( Hofstede, 1980, cited in Audretsch et al., 2002)

To paraphrase these authors, culture is a valid, deeply held set of intrinsic and extrinsic shared understandings and responses to the environmental contexts of particular societal groups. Comparison between national cultures needs to be aware of, and sensitive to, differences in environmental demands, basic perceptions, values and norms, as well as the impact of cultural change agents over time. Even then, it is likely that much of the intrinsic cultural difference between countries will remain hidden.

### **Why does culture matter to entrepreneurship?**

So far we have looked at the concept of culture from some different perspectives in an attempt to get closer to an understanding of what it might mean. Now let us take a look at how we have approached the concept of entrepreneurship.

There have been many different definitions of entrepreneurship and the entrepreneur over the past fifty years or more. Different researchers have brought their differing professional disciplines, such as psychology, sociology, economics, business, complexity theory and institutional theory, to bear on the study of all things entrepreneurial. Research questions have

attempted to cover topics such as: are entrepreneurs born or bred; are there special personal characteristics and traits that entrepreneurs have; what is it that entrepreneurs actually do and what are the best environmental circumstances to encourage entrepreneurs.

Large scale data gathering projects on entrepreneurship such as the OECD and the Global Entrepreneurship Monitor (GEM) demonstrate the international interest in entrepreneurship as a viable contributor to national innovation, social improvement and wealth creation.

From the many definitions of “entrepreneurship” we have selected the following definition, proposed by Raymond Kao, to guide the EntruBIZ project:

*Entrepreneurship is the process of doing something new and something different for the purpose of creating wealth for the individual and adding value to society. (Kao, 1993 cited in Marcus Oldham College, 2012, p.7)*

As this definition makes clear, the individual entrepreneur lives, works and is subject to the broader context of their community, their society, and to global forces including the economy (Hindle, 2010).

When an entrepreneur does something new, something innovative, he or she challenges the accepted idea of how things work around here. We will explore this notion further in later papers but for this paper we would like to touch briefly on the concept of legitimacy. Even though an entrepreneur may have lived within their community for years when they set up a new business, to develop an innovative product or service they need to demonstrate the value and appropriateness of their entrepreneurial activities to their community (Aldrich & Martinez, 2001). To be seen as legitimate the new product or service needs to establish its

value and eventually become taken for granted by the community in which it resides, it needs to conform to cultural norms and values and conform to government regulation (Aldrich & Martinez, 2001). Therefore an innovative product or service may succeed in one community but fail in another if it cannot prove its legitimacy and gain support. Cultural norms and government policies will affect the willingness of entrepreneurs to carry out their intention to start a new business or develop a new product. A culture that has a history of encouraging entrepreneurship and legitimizing entrepreneurial activity will attract further entrepreneurs (Aldrich & Maritnez 2001).

As well as establishing legitimacy, the entrepreneur gains access to the resources he or she needs (knowledge, information, finance, workers, and markets) through their immediate environment. This environment is made up of institutions (like government, education, finance, markets) and networks (like professional and trade networks, friends, acquaintances, and peers). Cultural norms and values permeate all these relationships. However shared understandings will vary across the institutions and networks (Aldrich & Martinez, 2001; Audretsch et al., 2002; Hindle, 2010).

In addition to establishing legitimacy, the extent to which the entrepreneur's community provides resources to the novice, resource-scarce entrepreneur can not only increase their chance of survival but signal to the entrepreneur how much support they have in the local community for their business.

*Even though most begin with almost nothing, nascent entrepreneurs do not depend on charity for their survival. Entrepreneurs, as sense-making agents, pursue goals that shift as some resources prove unattainable and others fall into their laps. Their ability to obtain resources reveals to them how other people evaluate them, and negative assessments cause many entrepreneurs to drop out of*

*the process. Nonetheless, a few succeed in assembling what they need, gaining enough control over resources to protect them from other users.” (Aldrich and Martinez 2001, P.12)*

At the national level, the authors of the Global Entrepreneurship Monitor Report 2013 highlight the importance of cultures which are supportive of entrepreneurship for economic development.

*Society can contribute to increasing the rate of entrepreneurship and innovation by valuing entrepreneurship and people who act entrepreneurially. By conferring social status, esteem and appreciation for entrepreneurs and entrepreneurial behavior of individuals, society can create sustainable entrepreneurship. (Amway GEM, 2013, p. 4)*

At the regional level, every community who is considering the contribution that entrepreneurship could make to their social and economic development would be wise to consider two questions posed by Markley et al. (2015)

*Are we ready for economic development? Are we ready for entrepreneurship development?... Once their readiness for economic development was demonstrated, it was time to turn to the next issue—are we ready for entrepreneurship? Entrepreneurship development is more than just building businesses in your community. It is also about establishing an entrepreneurial culture. It requires revisiting the “can-do” pioneer spirit of many rural towns and overcoming challenges and obstacles that may be encountered along the way. (Markley et al.,2015).*

### **How does culture affect the development of a rural entrepreneurial community?**

Some of the knowledge that the nascent entrepreneur requires to develop their business, and acquire the resources they need is made available to them within their culture and its institutions. (Aldrich and Martinez 2001). Many would-be entrepreneurs fail to become nascent entrepreneurs (definition) and many nascent entrepreneurs fail to achieve their dream of establishing a successful business. The entrepreneurial process is fraught with obstacles, is complex and demanding. (Aldrich and Martinez 2001). A community that can tolerate the uncertain outcomes of entrepreneurial endeavours and views these failures not as the end of the story or as a waste of time, effort and resources but as an opportunity to learn and do better next time is more likely to attract nascent entrepreneurs and develop a successful entrepreneurial culture over time.

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