

ENTREPRENEURIAL PLURALISM AND CULTURAL DIVERSITY

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Introduction

The cultural diversity of Europe was mainly related to management, and the role and function of the multinational firms. This diversity of cultures is also related to the catalytic factor of the economic growth of the current decade, namely the entrepreneurial function.

Following the hegemony of large firms, and the leadership of management in economic research, which lasted until the beginning of 1980's, the investigations of economists and other social scientists have been increasingly engaged with entrepreneurship and entrepreneurship. Thus, the examination of the various social and cultural characteristics of the entrepreneur is a flourishing research area, particularly in the present economic system where, as Baeck says (1994, p.38): «Contrary to the homogenizing trend of the postwar period, today's economic system caters to and produces difference and diversity rather than the sameness characteristic of the former mass production system.» In the following pages the way that cultural and social differences could influence the development of an entrepreneurial pluralism is exposed, that is variation in entrepreneurial activities exercised by entrepreneurs with cultural diversities. In addition, the hypothesis that cultural diversity in Europe is a source of entrepreneurship, is rationalized.

Despite the variability of the definitions of culture in the coming analysis I will use the most appropriate one. In the wide-ranging meaning of the word culture are incorporated not only aesthetic goods and various fine arts, but also the values, beliefs, and norms prevalent in a specific society. This broad notion of culture, to which are connected the relevant Anglo-Saxon and European definitions (see Bekemans, van der Eide, 1994, p.185), will be related to entrepreneurship in order to isolate reciprocal influences between these two issues.

1. Environment for entrepreneurship

In order to emerge and spread their effects, entrepreneurial activities ought to function in a social and cultural environment with the following base characteristics as a minimum : (a) economic and political freedom in which individuality, rather than conformity, is stressed; (b) a reward system, and a system of recruitment and promotion, based upon meritocracy, which encourage self confidence; (c) open opportunities to purposeful aspirant entrepreneurs for drawing on the capital of society; (d) a value system where success in business ranks high in the hierarchy of occupational prestige; (e) failure in business not to being regarded as an unforgivable error.¹

The entrepreneur forms his beliefs through his cultural heritage and direct experience of life. Prior to the establishment of the firm he has already decided to follow a specific path in his lifetime. He decides to choose such a path under some psychological and social incentives which are influenced by cultural factors. The influence of cultural and social elements on entrepreneurship is an issue searched for in the penetrating analysis of Weber (1904-5) of the Protestant influence on the

emergence of capitalism in Europe. Many researches were conducted after the second World War to demonstrate cultural and social origins and influences on entrepreneurship (e.g. Redlich, 1956; Hagen, 1962, etc). It is well recognized that entrepreneurship in a society depends - in addition to pure economic factors such as capital, technology, etc. - on beliefs, norms and values, as components of culture. If these encourage entrepreneurship, that is, produce adequate incentives for such a career, then entrepreneurship among people will increase, and *vice versa*.

However, it seems that in the present days, the effects of strong cultural differences as religious, are not so fundamental in shaping the entrepreneurial spirit in Europe. McAleese and O'Reardon [1992, pp.8-9] examine the cultural and social explanation of the Weber/Sombart tradition, whereby a social, cultural and spiritual transformation is a necessary condition for the development of the capitalistic mode of production in any given society. They comment "there is no evidence of religious denomination having a significant bearing on levels of entrepreneurial activity in Ireland".²

The European climate in preceding decades was not so prone to increase or enhance the entrepreneurial spirit among young people. As Pixie comments a decade ago (1984, p.156), in Europe there were four main sources of impediment to entrepreneurial activity: government, unions, bureaucrats, and the climate of public opinion.³

However, in the coming decade all these impediments to entrepreneurship seem to have lost power. Governments, motivated by the changing of the economic environment (free trade, high technology, etc), which has facilitated the emergence of small and medium scale enterprises (SME), appear to encourage all these entrepreneurial activities by establishing various SME support mechanisms and organizations, and by offering investment grants. Also, public opinion which has shown a rather circumspect attitude toward entrepreneurial activities - giving more prestige to other careers, such as public servant - seems recently to have changed in favour of entrepreneurship.

Some of our cultures, or subcultures, in Europe show a tolerable attitude towards failure in business, while in others such a failure diminishes the social status of individual. Comparative research studies (e.g. Meeks, Sullivan, 1992) showed that the successful entrepreneurs are not afraid of failure. Thus, the entrepreneur better performs his role and activities in a society which forgives failure and does not stigmatize those who have failed in their attempt to start a profitable enterprise.

The successful small scale enterprises, as Gibb (1988, p.9) has shown, draw the following components from their "enterprise culture" :

- 1) abundant positive role-images of successful independent business;
- 2) ample opportunity for familiarization with small business tasks, especially during youth;
- 3) opportunity to practice entrepreneurial attributes reinforced by societal culture during formative years;
- 4) network of independent business/family contacts and acquaintances reinforcing this familiarity and providing market entry opportunities; and
- 5) provision formally and/or informally of knowledge and insight into the process of independent business management.

The cultural diversity which exists in Europe is able to enhance the above characteristics better than a monolithic culture which may emphasize some, but retard others.

2. Cultural influences on entrepreneurship

The influence of culture, including beliefs, norms, style of life, upon the formation of entrepreneurship can be divided into three broad categories :

First: The influence of culture on the emergence of entrepreneurial spirit among men, mainly traced to child rearing within a specific social and family culture. Two main psychological factors influence entrepreneurship: a) the need for achievement motive analyzed by McClelland (1961), and b) the internal focus of belief control, namely high belief in control of one's own destiny, analyzed by Rotter (1975).

Cultural elements influence the development of entrepreneurship during the life time of an individual. For example, in the childhood parental and wider family values and life goals influence the entrepreneurial spirit of the child. In adolescence also the same parental influence are posed regarding the vocational preference, which is mainly a product of the cultural stratification of employment's prestige. Additionally, in this stage of life, friendship, communities' attachments, and education as system which provides values and goals, are cultural elements which influence entrepreneurship in individuals.

The entrepreneur enjoys a status not fully derived from the power of wealth, but also from traditional prestige values and traditional concepts of the "good life", and the individual's proper relationship

to society. Therefore, a culture in which success is estimated, not by the rate of above normal profit, but by success in business, is one which reinforces the entrepreneurial spirit of its participants. On the other hand, if in a culture only the establishment of a huge economic empire is perceived as success, on an equal footing with, for example, a public servant, in such a society the educated members will prefer not to struggle for the achievement of such a difficult and enormous task. In such a culture the supply of entrepreneurship would be lower compared with another culture where what counts is success. Social approval contributes to the growth of entrepreneurial activity when the values of a given society reward entrepreneurship while disapproval impedes it. In a social environment where the entrepreneur is seen as an exploiter of consumers and labourers, then among young individuals hostility to starting a business will prevail. Therefore, if we proceed in the European Community to a unification of culture, this would be dangerous if such a culture does not encourage the entrepreneurial spirit among man. If in such a monolithic culture it were to rank higher to be a manager or senior employee in a large corporation, instead of being a director and owner of a small firm, then the individualistic free spirit of men would be captured.

Second : Culture in relation to the economic resources and traditional occupations, influence the kind of activities the entrepreneur will follow and their short or long run strategies for the attainment of their goals.

Human motivation, traditional values and norms of culture of course are not sufficient in themselves for the growth of entrepreneurship, but they determine in some way the entrepreneurial activities and targets of the entrepreneur. For example, in Germany where there is a long tradition in skill and inter-firm cooperation, there is a greater inclination towards manufacturing innovations. In Greece the mercantile spirit seems to be the most prevalent of entrepreneurial activities, showing a long tradition beginning from the ancient Greece and concentrated in sea trade and transportation enterprises (Alexander, 1964; Karayiannis, 1992).

Furthermore, there are differences in attitude and characteristics between male and female entrepreneurs which reinforce the pluralism of entrepreneurial activities. In a

research study carried out by Sexton and Bowman-Upton (1990), the female entrepreneurs scored significantly lower on traits related to energy level and risk-taking. They scored significantly higher on the traits related to autonomy and change. The scores indicated that female entrepreneurs are less willing than their male counterparts to become involved in situations with uncertain outcomes and have less of the endurance or energy level needed to maintain a growth-oriented business.

Third : Culture influences the behaviour of the entrepreneur toward his clients, suppliers, etc., and the organization of his firms. In interviewing some Greek small scale enterprises in commerce and industry during an on-going project, I identified the following cultural characteristics which perhaps differentiate the attitudes and activities of Greek entrepreneurs from their colleagues in other parts of Europe.⁴

(1) The Greek entrepreneur seems to prefer rather short run than long run strategies in their enterprises, although the majority of them wishes the firm to be sustained and inherited by their children. The family culture and the high rate of unemployment among the young led the Greek entrepreneurs to establish and develop firms mainly for their children. This style of entrepreneurial incentive and behaviour was mentioned by Schumpeter long ago (1934, p.3) as «the dream and the will to found a private kingdom, usually, though not necessarily, also a dynasty".

(2) The Greek entrepreneurs seem to share a high "egocentric" psychology in directing their firms. They pretend to know everything and used insufficiently modern managerial techniques.

(3) They started family oriented business in order to retain absolute control.

(4) Their main incentives (hierarchically scored) for becoming entrepreneurs are : the motives of independence, economic advancement, imitation of their family and narrow social occupations.

(5) They chose their managers and chief officers mainly from their family and social environment.

(6) They shown a paternalistic behaviour toward their labourers though the command of their business is authoritative.

(7) Though they regard government regulations and bureaucracy as hindrances to their activities, at the same time they ask for protection and grants from the government.

(8) They spend much of their free time with their families demonstrating the strong family ties that exist in Greek society.

3. Cultural diversity and the entrepreneurial event

Culture has an impact on the formation of entrepreneurial spirit within people, whilst cultural differences influence the personality of the entrepreneur, and his various activities.⁵

Various definitions have been developed for the entrepreneurial function as a dynamic force of the capitalistic system and relevant definitions of entrepreneurship as the dynamic force inside large corporations. There are a multiplicity of entrepreneurial activities, some of which coincide with the roles of managers and/or capitalists.

For a relevant analysis see Karayiannis (1990).

The most noticeable and prevalent activities which distinguished the entrepreneurial role (more or less) from that of managers and capitalists, are the following :

(1) innovative activity including creative imitation;

- (2) in taking judgmental decisions for the coordination of scarce resources;
- (3) in exploiting unnoticed profit opportunities and filling the gaps caused by various discrepancies in prices and quantities;
- (4) in accepting uncertainty.

Though these activities are intermixed in an entrepreneurial event, that is, in the establishment and function of a specific firm, culture appears to play a role - besides knowledge, resources, workers skill, etc. - in determining which one of these activities will be predominant in a society with different cultural trends, like Europe. The objectives of entrepreneurship in societies, the forms of entrepreneurial organization that prove effective, and the criteria of successful entrepreneurship, are all in some degree culturally influenced. Entrepreneurs do not all have the same source of success. Some of them owe their success to their ability to negotiate, others to their instinct for changes to come, or to their operational strategy of the firms, and so on. Thus, a multicultural environment such as the European broadens the sources of entrepreneurial success.

Because of economic (availability of resources, stage of technology, etc), social and cultural reasons (family's influence, tradition, etc) in the various European economies of the member states, the above functions are found to be abnormally distributed. In regard to the cultural influences Hofstede and Hoppes (see Soeters, 1994, pp. 170-2) measured national cultures according to four dimensions : small-large power distance, individualism or collectivism, masculine or feminine, and strong-weak uncertainty avoidance. Upon these particular characteristics is predicated not only managerial behaviour, but also the activities of entrepreneurs, industrial sectors, and the organization of their firms. For example, if an individual is living in a culture where strong risk avoidance prevails, then he will be engaged in rather safe and short run entrepreneurial activities. Also cultural characteristics, such as differences in risk avoidance, influence the creative imitation of entrepreneurship, that is imitation which changes "something" in the good or service produced to adapt it better to specific local consumer preferences. In each culture with specific characteristics, such as high risk avoidance, the imitation effect in entrepreneurship will have as a consequence the emergence of rather similar firms exploiting short run rather than long run profit.

The willingness of someone to become an entrepreneur, with the concomitant special activities, are strengthened by his social environment as various research has shown (e.g. see Shapero & Sokol, 1982, p.84). Thus, if his friends and mentors have their own specific business the purposeful future entrepreneur will be more apt to follow similar activities.

McGrath R., MacMillan I. & Scheinberg S. (1992) research addressed whether or not individuals who have started their own business differ in their fundamental beliefs and values from a contrast sample of people who have not done so. Findings suggest that entrepreneurs have a persistent and characteristic value orientations based on high power distance; high individualism; low uncertainty avoidance; and high masculinity orientations.

Thus, the culture that places a high value on starting a business and the kinds of behaviour associated with the entrepreneurial activities, is more likely to spawn company formation than a culture that does not value these things (Shapero, 1984, p.25).

A source of entrepreneurship in some parts of Europe is immigration. As is known, any contact between two societies with different cultural patterns creates change in both societies.

Thus, the European immigrants to various other parts of Europe, by retaining their own culture, enrich the cultural interinfluence amongst cultures. The immigrant community has a special set of needs and preferences that are best served by entrepreneurs of the same ethnic origin, as they share those needs and know them intimately (Waldinger, 1986). Thus, European cultural diversities bring together different entrepreneurial activities which may introduce a more favourable climate for small and medium scale enterprises.

The diversity of cultures in Europe guarantee the variability of employments and the division of labour not only according to the calling of new technology, but furthermore with regard to the natural inclination and talents of people. In some subcultures, there appears to have been developed a hostility towards business, or a system of values which has ranked engagement in business as being of a lower order than, let us say, teaching in schools. In such a cultural environment the majority of qualified people will turn to teaching activities, and not to business. The redundant people, not able to achieve employment in more prestigious occupations, will be found employment in business. This may not be a wholly negative situation. On the other hand, there are cultures which value highly entrepreneurial talent, and thus rank business success at a high level in their value systems. In such a culture the majority of qualified people will use their knowledge and talents in establishing and promoting a business. Thus, the cultural diversity can be proved fruitful in increasing entrepreneurship in Europe.

4. Entrepreneurial influences on culture

As well as the influence of culture on entrepreneurship, there is also influence the other way round, that is, from entrepreneurial activities and behaviour toward the formation of a specific culture, termed as "enterprise culture". Gibb (1988, p.6) defines the enterprise culture as «a set of values, attitudes and beliefs supporting the exercise in the community of independent entrepreneurial behaviour in a business context».

Entrepreneurship can influence the cultural environment of its surroundings by shaping a business culture which will influence its working population and stimulate purposeful aspirant entrepreneurs.

One aspect of entrepreneurial influence on the formation of a specific culture's enterprise and social systems, is related to the spirit of innovation. Russell (1989) specifies that culture can support innovation by creating an organizational climate which institutionalizes innovation as an important activity and which rewards innovation-supporting behaviours.

Furthermore, the entrepreneur can influence or maintain a cultural diversity in Europe through two main tasks :

- a) production of goods and services in harmony with the kind of culture in which the entrepreneur flourished and was fostered (e.g. specific architecture); and
- b) production of cultural goods which, through the tourist industry, entertain those with different cultural orientation.

Changes in culture centre not only on the things we believe, the values we hold and the attitudes we profess, but also in changes in aesthetic preferences and artistic goods and services. Thus, cultural changes also represent the market niches open for new product and services. Entrepreneurs recognize these niches, and respond to them by the creation of new products and services, thus exploiting their profit opportunities.

Conclusions

Culture is a derivative of the motivation element of social values and norms, which affect entrepreneurial behaviour and the way in which people perceive economic activity and performance. Thus, investigation and comparisons of life-styles across cultures in Europe will indicate similarities and/or differences in entrepreneurial activities.

Economic analysis would be enriched by anthropological observations and conclusions for searching more deeply cultural and social impacts on entrepreneurship. Interdisciplinary and inter-cultural cross country research on the issue of entrepreneurship in Europe could focus on the following subjects :

- (1) psychological traits and motives of entrepreneurs;
- (2) social and cultural influences on the diversity of activities accomplished by the entrepreneurs;
- (3) entrepreneurial behaviour with regard to social and ecological environment; and
- (4) the way that entrepreneurs grasp the initial idea for the establishment of a specific enterprise.

Thus, in order to shed light on the issue of entrepreneurship in an environment with cultural diversity, a holistic methodological approach is required of the neo-institutionalists and social economists lines, as suggested by Bekemans (1993, pp. 118-9) in the previous meeting of the project.

The advancement of the entrepreneurial spirit, particularly among young people, will lessen the possibility European culture being formatted with values, beliefs, style of life and aesthetic goods which are determined by big corporations and groups of similar economic interests (e.g. McDonald, Hollywood, etc.).

Pluralism in cultures open profit opportunities to entrepreneurs coming from different cultural environments. Instead of a unifying and monolithic culture in Europe, of which it is hoped (vainly) it will reinforce individuality and freedom, it is much better to entrust our future to a diversity of interdependent cultures, where each one complements the others.

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Notes

¹ In KARAYIANNIS (1993) these characteristics of the fruitful entrepreneurial environment are examined of the infusion of entrepreneurship in previously socialist countries.

² See also DRAKOPOULOU-DODD (1994) for a review of the relationship between religion and enterprise in the development of British culture.

³ SHAPERO & SOKOL (1982, p.73) comment that «company information rates are far higher in the United States than in France and Italy; this is partially attributed to social and cultural variations. The historical record demonstrates that refugees are more likely to start business than they would have been if they remained in their home countries.»

⁴ Similar cultural and personality traits were evinced also by BOURANTAS (1992).

⁵ BAECK, by examining the development path of various countries after the Second World War produces the thesis «that in the world at large, cultures more than geopolitical actors and the globalization of economic rationality, inspire and move the drift of events today» (1993, p. 138).