ENTREPRENEURSHIP ADDENDUMS ON HOFSTEDE’S DIMENSIONS OF NATIONAL CULTURE

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Abstract:
Hofstede’s definition (2001) of national culture - that it is mental programming: a pattern of thoughts, feelings, and actions that each person acquires in childhood and then applies throughout life – arms us with an ability to explain the differences in attitudes towards work. In his model, which consists of six dimensions, Hofstede describes the society’s culture effect on values. As national culture is deeply rooted in the society’s norms and shapes the individual’s behavior, it very strongly molds the entrepreneurial spirit in one country. Namely, a society that wants to promote entrepreneurship and the emergence of more entrepreneurs definitely needs culture that supports it. The paper introduces fear of failure as a seventh dimension and high status to entrepreneurs as an eighth dimension to Hofstede’s six-dimensional model of national culture, and looks closely into countries’ differences by analyzing the impact that the dimensions have on the determination of that country’s population to start a business.
By studying the secondary data from the Global Entrepreneurship Monitor, eight economies have been desk-researched.

Keywords:
national culture,
Hofstede,
dimensions,
fear of failure,
high status to entrepreneurs.

INTRODUCTION

By definition, since the 1800s anthropologists have been debating culture and it is still debateable regarding its proper meaning (Minkov, 2013). However, Taylor’s definition (Taylor, 1871) that it is seen as “that complex whole which includes knowledge, belief, art, morals, law, custom, and any other capabilities and habits acquired by man as a member of society” was considered as a foundation for all further concept definitions (Spencer-Oatey, 2012). In addition, Bojadjiev (2019, p.190) proposes that organizational culture is “…an unwritten system of values and norms that determines interactions, behaviors, and decision-making processes within the organizations.” If we follow the same analogy, national culture can be defined as “an unwritten system of values and norms that determines interactions, behaviors within a nation.”
Having in mind that a number of societal and individual activities are embedded within a culture context (Hofstede and Minkov, 2010; Kaasa and Baldegger, 2022), it becomes important to understand the role that culture plays in entrepreneurship.

Entrepreneurial activities are critical for job creation and enhanced productivity, which are the primary determinants of a country’s economic progress (Kritikos, 2014). Entrepreneurship has considerable impact on regional and national competitiveness, in addition to economic growth and job creation. Furthermore, entrepreneurship is growing in importance around the world, and it is intimately tied to the social and cultural framework of a society. In fact, differences in entrepreneurial activity and entrepreneurship are substantial, persistent and distinct from their background in different nations and/or regions, especially in Europe (Linan and Fernandez-Serrano, 2014). Culture has an impact on attitudes and views about entrepreneurship, and therefore, is a pivotal power in the formation and development of entrepreneurial identities and behavioral patterns. Cultural norms and practices are known to impact entrepreneurial behaviors such as international orientation, start-up attempts, and inventive activities (Sancez-Garcia et al., 2018). Certain authors propose that family socialization transmits societal culture, and this cultural transmission is also linked to the willingness of the next generations to engage in entrepreneurial activities (Chakarborty, Thompson and Yehoue, 2014). Having in mind that culture is such an important aspect of entrepreneurship, a society that wants to promote entrepreneurship and increase the number of entrepreneurs will need a culture that supports it. Culture has been accentuated as one of the most important determinants of the ecosystems that stimulate entrepreneurship (Mason and Brown, 2014).

Therefore, the aim of this paper is to propose cultural dimensions that will be conducive to understanding of the cultural foundations of entrepreneurship, and enable cultural comparisons closely linked to how cultures conceptualize and view entrepreneurship. In doing so, the paper utilizes a theory that has been mostly used when looking at differences among cultures, especially when it comes to entrepreneurship and that is Hofstede’s six-dimensional model of national culture. The paper proposes two additional dimensions that help explain cultural differences in relation to entrepreneurship, using data from Global Entrepreneurship Monitor.

LITERATURE REVIEW

Hofstede’s model of national culture

According to Hofstede (2001), national culture implies mental programming: a pattern of thoughts, feelings, and actions that each person acquires in childhood and then applies throughout life. National culture explains the differences in attitudes towards work through differences in age, gender and workplace. In his model of national culture, Hofstede describes the society’s culture effect on values through six dimensions:

- Power Distance – a dimension that focuses on how society deals with social power and status i.e., inequality. This dimension takes into consideration the resource distribution. There are societies that encourage increased power distance, where the resource distribution encourages inequality and social distance, and society that encourages reduced power distance, where the resource distribution reduces the inequality and social distance.
- Uncertainty Avoidance – a dimension that focuses on how cultures adapt to changes and deal with uncertainty. In other words, it shows the extent to which the cultures are threatened and anxious regarding ambiguity. There are societies that accept or even encourage risks, so there are things out of their control, and there are societies that avoid any kind of risk, so the level of control over the environment is maximized.

- Individualism/Collectivism – a dimension that focuses on the relationship between an individual and a group. The individualistic societies are characterized by a great amount of freedom for each individual, individual course of action and individual goal achievement. Members of this society show a low level of commitment and they prefer to focus on their own interests. Collectivist societies are focused on collaboration for achieving common goals. Members of this society show a high level of commitment and loyalty and the common good is highly valued.

- Masculinity/Femininity – a dimension that focuses on the extent to which a society stresses achievement. Ambition, heroism, and wealth are characteristics of a society focused on masculinity, and such a society is described through overall care, environmental awareness, protection, and equality.

- Long-/Short-term Orientation – a dimension that explains the extent to which a society is focused on time horizons. Long-term-oriented societies are focused on goal achievement and social demands, while short-term-oriented societies have respect for public image and social obligations.

- Indulgence/Restraint – a dimension that measures the freedom that societal norms give to the members of society in fulfilling their own desires (Hofstede, 2011). It describes the freedom of the members to pursue their own actualization and fun.

Hofstede’s apparent equivocation of countries and cultures has been criticized by certain authors (Dimitrov, 2014). Political boundaries in post-colonial societies rarely reflect the region’s complex cultural realities, in which cultural forces may bind several countries together by one criterion but divide a single country by another. However, using nationality as a criterion is a matter of convenience because data for nations is far easier to get than data for organic homogeneous societies (Hofstede, Hofstede and Minkov, 2010).

Other researchers point another issue dedicated to Hofstede’s framework. According to Taras and Steel (2009), although Hofstede’s data is decades-old and is not up-to-date, it is still used in secondary empirical analysis even today. This idea raises the question of accuracy of the original data and whether the data represents cultural trend in modern societies (Taras and Steel, 2009). As a response to this criticism, Hofstede, Hofstede and Minkov (2010) believe that from theoretical standpoint cultural values remain stable across generations. They consider that the cultural values are facts as hard as the geographical position or the weather of a country.

However, Hofstede’s dimensions are too simple to distinguish the diversity of cultures in a country, which is crucial. Thus, McSweeney (2002) criticizes Hofstede’s model since there are limitations in covering the entire national culture. According to him, Hofstede’s simplified model has highlighted that national culture strikes the right balance between parsimony for effective communication and explanation power (McSweeney, 2002).

Because culture is so complicated, it is impossible to come up with a comprehensive model to distinguish among countries. But due to its simple and comparative approach, Hofstede’s work helped many businesses expand on international market. His model has a solid foundation that can be used to enhance cultural inquiry and study, though, as time passes, a country’s culture undergoes countless
transformations. Globalization has allowed cultures to blend, and, as a result, no culture retains all of its original traits. Therefore, it is suggested that his model be updated from time to time to ensure its appropriateness with changing time.

National culture and entrepreneurship

According to Stevenson (1983), entrepreneurship is “the process of creating something new that has a value”. MacBride (2022), explained the entrepreneurship as an activity of setting up a business or businesses, taking on financial risks in the hope of profit. Regardless of which definition one might choose, entrepreneurship has a fundamental role in any country’s development. As a concept, it solves country’s problems such as unemployment or low income, and therefore has an impact on social and economic systems of any country. Due to its importance, it is linked to a society’s social and cultural structure. Therefore, entrepreneurship should be encouraged and supported by each country’s culture.

According to Laffranchinia et al. (2018), culture can motivate, initiate, and trigger entrepreneurship. Individuals in democratic cultures are more encouraged to try, innovate and experiment new things which boost the entrepreneurial activities in a natural manner. Therefore, those cultures contribute to entrepreneurial activities within the country. So, understanding the impact of national culture on entrepreneurship created both theoretical and practical values. In essence, culture stands as a base for entrepreneurial motivation and different national cultures will instigate different needs for entrepreneurship. In addition, national culture will impact the pool of potential entrepreneurs through the promoted values and perspectives on different issues (Lortie et al., 2019). Other authors also add that national culture can influence the cognitions related to entrepreneurship as well as the institutional basis and individual behaviors (Arabiyat et al., 2019).

Entrepreneurial behavior is related to Hofstede’s framework on cultural dimensions

Previous research dedicated to the link between culture and entrepreneurship considered that high Individualism, high Masculinity values, low Uncertainty Avoidance, lower Power Distance, high materialist values and high-performance orientation have a positive effect on the entrepreneurship rate of each country (Hofstede, 2001; Farrukh, et al., 2019). Certain researchers provide a link between specific dimensions and entrepreneurship. So far, one of the most used predictors is Individualism – Collectivism where authors (Farrukh et al., 2019) find that cultures characterized by a high individualistic approach, independence and freedom of individuals is appreciated; therefore, entrepreneurs who demonstrate self-confidence are encouraged. Other authors find that the link between Hofstede’s cultural dimensions and entrepreneurship is different in high-income and low-income countries. Some cultural dimensions that enhance entrepreneurship in high-income countries hamper the development of entrepreneurship in low-income countries, and what might be a very functional value and practice in one culture might be dysfunctional in others (Achim, Borlean and Vaidean, 2019). Therefore, a plea has been made to develop a measure for cultural values that will be specifically linked to entrepreneurship (Hayton and Caciotti, 2013).
New dimension – Fear of failure

Understanding what might instigate someone to become entrepreneur and understanding the complex process of entrepreneurship ask for looking at different concepts and understanding their linkages. In addition, individuals’ entrepreneurial behaviors are likewise influenced by cultural norms and practices (Sancez-Garcia et al., 2018; Lortie et al., 2019). Looking at elements important for entrepreneurship, national culture is important not only through the values that it inculcates in society but also through the institutions and activities present in the society. As such, researchers found a link between the characteristics of national cultures and the entrepreneurial orientation of the firms (Kreiser, 2015). In recent years, authors have talked about individual entrepreneurial orientation and organizational entrepreneurial orientation as being important in understanding the entrepreneurial behavior (Koe, 2016). Entrepreneurial orientation is generally characterized by innovativeness, risk-taking and proactiveness (Tipu, 2017). When it comes to studying the cultural connectedness of various elements of the entrepreneurial orientation and the individual behaviour, it has to be noted that, on individual level, the values serve as goals and motivators, and, on societal level, they are abstract ideas about what is desirable in a society (Jaen and Linan, 2015). It is therefore important to look at how the national culture actually translates to individual preparedness for undertaking entrepreneurial activities.

Looking at the risk-taking as an important aspect of entrepreneurial orientation, it has to be noted that a number of authors connect the risk-taking behaviour with the fear of failure conceptualized as “perception of menace in the environment” (Nefzi, 2018, p. 46) and, as such, connected to the environmental influences on the risk-taking behaviour (Patzel and Shepard, 2011). In essence, fear of failure reduces risk-taking through the appraisal of uncertainty in the environment and lack of personal control (Mayiwar and Bjorklund, 2021). Moreover, the impact of failure on entrepreneurial entry could be moderated by the societal norms. Not only can the threat of social esteem, but the institutional conditions also facilitate or hamper the entrepreneurship career option (Ahmetoglu et al., 2017). Because entrepreneurship is inextricably related to uncertainty, people’s fear of failure is a formidable barrier to entrepreneurship (Calza, et al., 2020; Hashemi, et al., 2022). Moreover, Wennberg et al. (2013), in their study, demonstrated smaller detrimental impact of individual’s fear of failure on admission in environments with high degrees of institutional collectivism.

There are national differences in terms of risk perception and tolerating risk as a barrier to entrepreneurship that stems from culture (Iakovleva, et al., 2014). The differences between countries is demonstrated by Peters and Stefanek (2012), whose study provides evidence that Asians show higher levels of fear of failure in comparison with Europeans and Americans on five dimensions: fear of uncertain future, fear of devaluing one’s self-estimate, fear of losing interest, fear of experiencing embarrassment and fear of upsetting important others. The results are supported by the idea that Asian cultures do not forgive failures since they associate them with weakness. In East Asian collectivistic cultures, individuals show higher level of self-criticism than in the rest of the collectivistic societies. In countries that are still developing, as well as in the USA, the entrepreneurial activity is stronger and therefore the fear of failure is at a lower rate, while there is a low tendency to entrepreneurship among Northern European countries, which is associated with a higher rate of fear of failure (Dawson, 2012).

Therefore, fear of failure is a necessary component of the entrepreneurial process and the entrepreneurial orientation. Entrepreneurs are frequently described as zealous, enthusiastic, ambitious, and tenacious (Hermans et al., 2013; Lanivich et al., 2021). However, we argue that beneath this formidable surface lies an unpalatable truth: entrepreneurs may be afraid. During the entrepreneurial adventure, they might be afraid from losing clients, losing lack of capital, seeing cash outflow and disagreements.
Here lies the reason why many individuals make decision not to take this adventure – this is due to fear of failure. Therefore, fear of failure is an important aspect of entrepreneurial orientation.

A recent longitudinal study found connection between fear of failure and entrepreneurial activity in the countries which are members of the EU (Rusu and Roman, 2017). Therefore, it can be deemed quite important in understanding the individual aspects of the cultural determinants of entrepreneurship.

**New dimension – High status to entrepreneurs**

Looking at the cultural determinant of entrepreneurship, it has to be noted that a supportive culture will make the entrepreneurial career more recognized and will motivate more people to start new business ventures regardless of their personal attitudes and beliefs (Jaen and Linan, 2015). The cultural basis can even modify the intergenerational transmission of entrepreneurial intentions (Laspeita, *et al.*, 2012) and a conducive national culture is needed for entrepreneurship to thrive (Ratan, 2017). It therefore becomes important to explore another cultural dimension that is significant for explaining the differences in entrepreneurial rates among different countries, which will be more focused on how the society and that culture value entrepreneurship.

The valuation of a certain career choice is very important when people make decisions about their own career. Namely, people compare between self-employment and organizational employment and choose the one that fits them best having in mind various factors, with the attractiveness being tied to the status of that profession within a culture (Davies, 2013). Additionally, authors accentuate perceptions of desirability as factors that influence the intentions to start a business (Păunescu *et al*., 2018). Therefore, when looking at entrepreneurship, it is quite important to see whether someone views this as a viable career option or not. Whether it is deemed viable or not is closely linked to whether the environment including the norms, values, justifications as well as the institutional order is deemed supportive of entrepreneurial ventures or not (Van Ness *et al*., 2020). On the other hand, whether an environment will be deemed supportive of entrepreneurial ventures is closely tied to the support that individuals feel by the people in their environment, the socio-cultural milieu of support for entrepreneurs and the institutional framework (Guerrerro, 2021), thus making the ecological system of entrepreneurship in a country important for evaluation of the entrepreneurship as a preferable career choice (Calza, *et al.*, 2020). How the entrepreneurs perceive their own ability as well as the support within the environment for starting a career as an entrepreneur, which, is connected with their propensity to become entrepreneurs (Iakovleva *et al*., 2014). Therefore, an important subdimension of the dimension of “valuing entrepreneurship” becomes the evaluation of entrepreneurship as a good career choice.

A number of authors have also found that the evaluation of entrepreneurship by the immediate environment is important for deciding whether to choose entrepreneurship as a career path (Tomovska Misoska *et al.*, 2016; Tlais *et al*., 2014). Indeed, certain authors have pointed out that cultural barriers are quite important in stopping young people in Europe from engaging in entrepreneurial activities, thus accentuating the status that the entrepreneurship has within a society as quite important (Jakubzak and Rakowska, 2013). The prestige of the occupation is quite an important factor of a career choice in a number of societies, alongside the influence of other important factors that are still linked to cultural values (Akosah-Twumasi *et al*., 2018). A theoretical model (Parker and van Praag, 2010) proposes that the group status of entrepreneurship is linked to individual’s choice of entrepreneurship versus paid employment, although the exact link is still not clear. In addition, a study found a strong link between the perceived status of entrepreneurs in society and the willingness of young people to become entrepreneurs (Praag, 2011). Therefore, the status of entrepreneurship within society is another sub dimension of the dimension ‘valuation of entrepreneurship’.
RESEARCH METHODOLOGY

Since internet offers data on all dimensions of national culture that are our study’s starting point, the method that we apply is desk research, which means finding, collecting, and reviewing the publicly available data about the research topic. Hence, this study uses secondary data, as it implies gathering and analyzing information available on public platforms and, in most cases, refers to published reports and statistics, that is exactly what we have mainly consulted here as sources for our research.

Namely, the data on six dimensions of national culture have been taken from the Hofstede Insights website (https://www.hofstede-insights.com/product/compare-countries/), while the data on the new, seventh and eighth, dimensions are taken from the Global Entrepreneurship Monitor (GEM)’s reports that can be found on (https://www.gemconsortium.org/report). As the world’s foremost study of entrepreneurship since 1999, GEM has been repeatedly contributing to boosting the entrepreneurship and promoting healthy entrepreneurial ecosystems throughout the world. Moreover, policymakers benefited from GEM’s research on how to best support entrepreneurship to re-ignite growth and prosperity (GEM, 2021).

Surely, GEM has a remarkable and credible track record of more than 20 years of data from different geographical points, considering the data from 115 economies on all countries across the world. On an annual basis, more than 200,000 interviews are conducted with experts and adults; 500 specialists collaborate with GEM regarding the entrepreneurial research, resulting in the involvement and support of more than 300 academic and research institutions (GEM, 2021).

Regarding this research data, the same was collected from GEM report for 2019-2020 in which 50 economies or more than 150,000 individuals took part in extended interviews as part of the research. GEM specifically requests a nationally representative sample of at least 2,000 working-age people (more typically: in 2019, the average sample size was slightly over 3,000), as well as information on their entrepreneurial activities, views, motivations, and objectives (GEM, 2019).

Table 1 displays how the eight (8) dimensions (Hofstede’s six dimensions defined in the beginning of the paper and the newly added two, “fear of failure” and “high status to entrepreneurs”) are present and ranked in eight (8) countries subject to analysis in our paper: Germany, Italy, Japan, North Macedonia, Russian Federation, the United Kingdom, the United States, and China. The reasons why the authors have chosen exactly these countries from those 50 analyzed in GEM is that all of them are positioned in different parts of the world, with different country’s level of development and different culture nurtured. However, excluding North Macedonia, all of them are part of the top fifteen (15) strong economies across the world.

In addition, the interpretation shows how each country ranks in terms of the “fear of failure” and “high status to entrepreneurs” dimensions, that is, how high (or low) its rate is. Each country’s results are analyzed, and, in addition, the national entrepreneurship index is given, showing how the rate of the new dimensions translates into that country’s entrepreneurship culture – whether a country’s low value on this dimension, as theoretically expected, positively correlates with its high entrepreneurship index or not.
ANALYSIS AND DISCUSSION

The main aim of this paper is to propose additional dimensions to Hofstede’s model of national culture. In order to collect some data, the values of six Hofstede’s dimensions and the additionally two: “fear of failure” and “high status to entrepreneurs” among different countries were studied (please refer to Table 1).

Table 1. Hofstede’s six dimensions and the two newly added: “fear of failure” and “high status to entrepreneurs”

<table>
<thead>
<tr>
<th>Country</th>
<th>Power Distance</th>
<th>Individualism</th>
<th>Masculinity</th>
<th>Uncertainty Avoidance</th>
<th>Long Term Orientation</th>
<th>Indulgence</th>
<th>Fear of Failure</th>
<th>High status to entrepreneurs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>35,00</td>
<td>67,00</td>
<td>66,00</td>
<td>65,00</td>
<td>83,00</td>
<td>40,00</td>
<td>64,90</td>
<td>74,80</td>
</tr>
<tr>
<td>Italy</td>
<td>50,00</td>
<td>76,00</td>
<td>70,00</td>
<td>75,00</td>
<td>61,00</td>
<td>30,00</td>
<td>48,30</td>
<td>74,60</td>
</tr>
<tr>
<td>Japan</td>
<td>54,00</td>
<td>46,00</td>
<td>95,00</td>
<td>92,00</td>
<td>88,00</td>
<td>42,00</td>
<td>53,60</td>
<td>51,50</td>
</tr>
<tr>
<td>North Macedonia</td>
<td>90,00</td>
<td>22,00</td>
<td>45,00</td>
<td>87,00</td>
<td>62,00</td>
<td>35,00</td>
<td>52,80</td>
<td>64,10</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>93,00</td>
<td>39,00</td>
<td>36,00</td>
<td>95,00</td>
<td>81,00</td>
<td>20,00</td>
<td>53,60</td>
<td>68,00</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>35,00</td>
<td>89,00</td>
<td>66,00</td>
<td>35,00</td>
<td>51,00</td>
<td>69,00</td>
<td>62,30</td>
<td>76,40</td>
</tr>
<tr>
<td>United States</td>
<td>40,00</td>
<td>91,00</td>
<td>62,00</td>
<td>46,00</td>
<td>26,00</td>
<td>68,00</td>
<td>64,80</td>
<td>78,70</td>
</tr>
<tr>
<td>China</td>
<td>80,00</td>
<td>20,00</td>
<td>66,00</td>
<td>30,00</td>
<td>87,00</td>
<td>24,00</td>
<td>58,80</td>
<td>68,70</td>
</tr>
</tbody>
</table>

Table 1 shows that among the investigated countries, Germany (64,9%) and the United States (64,8%) are the most encouraging cultures in terms of entrepreneurial activities, where people do not have high rate of fear to start new business or venture. Despite that, the entrepreneurs are not afraid of losing clients, of experiencing a need of capital and cash outflow as well as other challenges during the entrepreneurial adventure. All these result in inspiring and encouraging people to follow their entrepreneurial dreams. Additionally, the findings are in line with those of Dawson (2012), who states that due to stronger entrepreneurial activity in United States, fear of failure is at a lower rate.

Figure 1. Individual Variance in “Fear of Failure” dimension
Furthermore, according to Praag (2011), there is a substantial correlation between young people’s willingness to become entrepreneurs and their perception of entrepreneurs’ social position. This dimension is evidenced to be the highest in the United States (78.7%) and is also supported by another study which pointed out that cultural obstacles play a significant role in preventing young people in Europe from engaging in entrepreneurial activities, emphasizing the importance of entrepreneurship in society (Jakubczak and Rakowska, 2013).

As it is presented, the findings from the research suggest that the national culture is deep-rooted in how we perceive and practice entrepreneurship. Without doubt, entrepreneurial behaviors are influenced by cultural norms and practices (Sanchez-Garcia et al., 2018) and, for this reason, the authors suggest that Hofstede’s model should be enhanced with two additional dimensions: “fear of failure” and “high status to entrepreneurs”.

CONCLUSION

Entrepreneurship is encouraged by today’s global economic framework. The emerging dynamics of entrepreneurship gaining traction with the shifting economic structure encourage this change. It is impossible for entrepreneurship to be “free” of the cultural values of the society into which it was born during this process, and this effect is widely acknowledged.

Individuals with entrepreneurial values can be found in any country. However, the cultures of the countries can be categorized based on whether they encourage or discourage people from becoming entrepreneurs (Van der Zwan, 2016). In this way, cultures do influence the number of entrepreneurs in each country.

The paper is of essential importance because it proposes two additional dimensions, which are too frequent and too strong among cultures. Not only are these two concepts not new phenomena, but they are also hardened deep in the roots of every culture, too. Thus, the paper suggests that the countries should both comprehend their national cultures and use them as a “tool” for boosting entrepreneurial activities.
REFERENCES


DODACI PREDUZETNIŠTVA O HOFSTEDEOVIM DIMENZIJAMA NACIONALNE KULTURE

Rezime:

Ključne reči:
nacionalna kultura, Hofstede, dimenzije, strah od neuspeha, visok status preduzetnika.