

6-8-2013

CULTURE AS A DRIVER OF ENTREPRENEURSHIP: CONTRASTING INDEPENDENT ENTREPRENEURSHIP VERSUS EMPLOYEE ENTREPRENEURSHIP (SUMMARY)

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Recommended Citation

Steffens, Paul and Stützer, Michael (2013) "CULTURE AS A DRIVER OF ENTREPRENEURSHIP: CONTRASTING INDEPENDENT ENTREPRENEURSHIP VERSUS EMPLOYEE ENTREPRENEURSHIP (SUMMARY)," *Frontiers of Entrepreneurship Research*: Vol. 33: Iss. 14, Article 10.

Available at: <http://digitalknowledge.babson.edu/fer/vol33/iss14/10>

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≈ SUMMARY ≈

**CULTURE AS A DRIVER OF ENTREPRENEURSHIP:
CONTRASTING INDEPENDENT ENTREPRENEURSHIP
VERSUS EMPLOYEE ENTREPRENEURSHIP**

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Principal Topic

Prior research has revealed some counter-intuitive findings regarding the impact of national culture on entrepreneurial activity. For example, Wildeman et al. (1999) report an unexpected higher share of individual business ownership in countries that have higher uncertainty avoidance, higher power distance and lower individualism (according to Hofstede's dimensions of culture). They propose a *dissatisfaction hypothesis* - that non-entrepreneurial cultures drive enterprising individuals out of existing organizations to start their own businesses. However, existing studies have confined their attention to the impact of culture on independent entrepreneurship – that is new business start-ups (TEA). We ask instead whether the effect of culture on employee entrepreneurial activity (EEA), entrepreneurial activities within existing organisations, is as predicted by the *dissatisfaction hypothesis*.

Methods

We conduct a cross sectional study of the influence of national culture according to the five dimensions of Hofstede (1980) on both TEA and EEA for the 54 countries that participated in GEM 2011. Since it is well established that the opportunities for entrepreneurship vary substantially with a country's level of economic development, we conduct separate analyses for the three categories of development – innovation driven economies, efficient driven economies and factor driven economies. We control for factors such as GDP growth and unemployment.

Results and Implications

Our key finding is that the *dissatisfaction hypothesis* receives little support. We confirm that culture has several counter-intuitive impacts on independent entrepreneurship (TEA). But for the majority of instances, we do not find that that this is due to a lower corporate entrepreneurship levels (EEA). The study has important implications for interpreting earlier studies of the impact of culture on rates of entrepreneurship. By considering only independent entrepreneurship, these studies were neglecting the “other side” of entrepreneurship. By also including employee entrepreneurial activity, a fuller picture of the role culture plays in national level entrepreneurship is revealed. For policy makers, the study emphasises that a one-size-fits-all approach to fostering entrepreneurship is unwise. Institutional policies should fit with and leverage the national cultural identity. It appears that some cultures can more easily foster independent entrepreneurship, whereas others employee entrepreneurship.

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