Review

Is culture a restraining or a driving force for entrepreneurship in Sri Lanka?

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Being entrepreneurial is vital for a country to ensure sustainability. Sustainability is ensured by high levels of opportunity recognition of ventures. Given this, this paper seeks to investigate context specific problems. Does entrepreneurship exist in a country like Sri Lanka? Are entrepreneurial activities limited due to the inherent culture in Sri Lanka? And does culture act as a driving force or a restraining force for entrepreneurship in Sri Lanka? To address these varied questions in existence, we analyze Geert Hofstede’s cultural dimensions in Sri Lankan context. Each dimension was interpreted and generalizations were drawn in relation to the entrepreneurial impact in Sri Lanka and subsequently questions were answered. A model of Levels of Opportunity Recognition was proposed as a depiction of a strategic tool of sustainability. Finally, we state that inferences drawn are adhering to subjectivity and thus those are required to be tested empirically imposing different implications.

Key words: Culture, opportunity recognition, sustainability, Sri Lanka.

INTRODUCTION

Entrepreneurship as a scholarly inquiry has been addressed by different scholars in varied ways imposing diverse conceptualizations. The general understanding about entrepreneurship implicitly acknowledges initiating and conducting business dealings. The author’s view in this regard is, this is merely a misconception. Shane and Venkataraman (2000) asserted identification of entrepreneurial opportunity as the essence of entrepreneurship. Furthermore, they highlighted that if a person can spot a business opportunity which has not been addressed or acquired by another entrepreneur in the past, that business opportunity may inevitably have the capability to be converted to an entrepreneurial venture. Thus mere business creation is differentiated by entrepreneurship. Given this scholarly inference one can question, does entrepreneurship exist in a country like Sri Lanka? We partly agree to this statement. Furthermore, Shane and Venkataraman proposed ‘[e]ntrepreneurship as the scholarly examination of how, by whom, and with what effects opportunities to create future goods and services are discovered, evaluated, and exploited (p.218). Given this fascinating definition of entrepreneurship developed so far, Davidsson (2005) writes, the phenomenon of entrepreneurship really consists of new
entrepreneurial opportunities, at least or partially, depends on people's willingness to take an initiative and seek new opportunities. According to Venkataraman (2000), the inherent cultures in Sri Lanka could influence the limited number of ventures launched annually compared to failure rates in other countries. Here arises the question: why are the venture creation rates lower in Sri Lanka? Is this due to the lack of entrepreneurial activities or the inherent cultural factors?

Our rationalizations are fairly simple. Recalling Shane and Venkataraman’s (2000) definitions of entrepreneurship and innovation, the number of enterprises in Sri Lanka is low. This might be attributed to cultural factors, where culture shapes entrepreneurship. It can either hinder or stimulate it. The development of entrepreneurship can be largely attributed to culture. Also, cultures of some countries have a greater tendency for entrepreneurship than others (Ohe et al., 1991). Since entrepreneurial orientation acts as the sole indicator of entrepreneurial potential, the phenomenon of entrepreneurship in Sri Lanka is equally important.

This paper is structured as follows. Since our attempt is to make a scholarly contribution, we write theoretical perspectives of national culture in the second section. Geert Hofstede’s Cultural dimensions were proposed and relationships they have with entrepreneurship were also identified. Furthermore, this section discusses comparative cultural dimensions of India and Nepal, highlighting the differences in each country. Hofstede in relation to Sri Lankan society. Though it is not in line with the foci of the paper, we propose comparative cultural dimensions of India and Nepal highlighting the differences of each country. Drawing generalizations of each cultural dimension, impact was assessed and scrutinized. Furthermore, Hofstede’s Cultural dimensions were proposed and relations they have with entrepreneurship were also identified. The third section derives the cultural values of Geert Hofstedein relation to Sri Lankan society. Though it is not in line with the foci of the paper, we propose comparative cultural dimensions of India and Nepal highlighting the differences of each country. Furthermore, the section proposes a model of Levels of Opportunity Recognition as a depiction of a strategic tool of sustainability.

NATIONAL CULTURE – A THEORETICAL VIEW

National culture and entrepreneurship

The impetus of entrepreneurship in a country mostly lies within the individuals in that society and on degree of internal and external stimuli with regard to the spirit of enterprises. Given this, the key question arises, what actually triggers entrepreneurship? Regardless of the diverse aspects of triggers of entrepreneurship, national culture and the relationship it has with the entrepreneurial activities are vital. We put forth this point because, vested culture in a nation invariably has a link with how people think and behave. If so, one can simply determine that, culture shapes entrepreneurship. It may either hinder or stimulate it.

It is a fact that the development of entrepreneurship can be largely attributed to culture. Also, cultures of some countries have a greater tendency for entrepreneurship whereas others do not (Ohe et al., 1991). Since entrepreneurial orientation acts as the sole indicator of entrepreneur’s strategy and the vested culture shapes the strategy of entrepreneurs, it is rational to argue that culture acts as a major cause to shape the entrepreneurial strategy. Besides, the importance of entrepreneurial orientation, Wiklund and Shepherd (2005) write that entrepreneurial orientation is critical for the development of a firm and it offers a beneficial framework for research entrepreneurship activity. Furthermore, entrepreneurship widely accepts the need of individual fulfillment, achievement and career, etc. Also entrepreneurial orientation acts as the strategy of a sole entrepreneur. Thus we state that individual fulfillment and achievement can be largely attributed to effective execution of entrepreneurial strategy; in other words, entrepreneurial orientation. On the other hand culture of a particular country needs to be a supportive and a vital aspect to address.

Many scholarly investigations have addressed the link between entrepreneurship and national culture, and they state that, views and attitudes of key decision makers in firms reflect the assumptions and values in a culture (Mueller and Thomas, 2001). In fact the argument of the reflection of national cultural aspects from the organizational members is especially related to the field of entrepreneurship, as key personnel of the organization act as the “brain” of the venture and they determine the overall strategic orientation of the venture (Colvin and Selvin, 1991). Also many studies have found that the impact of national culture on strategic behaviors of ventures is significant (Marino et al., 2002).

It is important to recognize the importance of assessing cultural aspect in the phenomenon of entrepreneurship. Besides, Lee and Peterson (2000) suggested that the phenomenon of entrepreneurship develops in a manner, where culture gives rise to entrepreneurial potential. Furthermore, they suggested that the unique composite factors of attitudes, values, and behaviors foster or hinder entrepreneurship in a country.

Hofstede’s Culture

Assessment of the relationship between national culture and entrepreneurship persist for decades (Schumpeter, 1934). Also the phenomenon has assessed empirically...
(Morris et al., 1994). However, it is important to state that the relationship between entrepreneurship and culture is not well established (Hayton et al., 2002). Some scholars have criticized Hofstede’s (1980) work on culture based on the principle not adequately describing the differences in entrepreneurial activity in different countries (Busenitz et al., 2000), but many accept the Hofstede’s work in the study of cultural values and entrepreneurship (Hayton et al., 2002).

The phenomenon of entrepreneurship appears to be more compatible with some cultures whereas with others do not. To identify these differences Hofstede’s (1980) cultural dimensions would be a good starting point. Hofstede (1980), in his seminal work on culture, described a set of features that influences how group of people react to its environment and thus differentiates group membership. In his definition of national culture, five independent dimensions were proposed in relation to national culture, namely; power distance, uncertainty avoidance, individualism–collectivism and masculinity–femininity (Long term orientation, check). His discovery of national culture and the relational dimensions was a result of an employee attitude survey in the 1970s. The survey was focused through a large scale research and data were collected at IBM. Basically the study’s questions were related to values and represented mental programming of the respondents (Hofstede, 2001, p.48). Furthermore, Hofstede’s identifications were each person hold unique parts in relation to mental programming and those parts are shared with each other (Hofstede, 2001). However, Mueller and Thomas (2001) suggested that Hofstede does not specifically state the relationship between culture and entrepreneurial activity, but his cultural dimensions provide a useful means to assess the relationship between cultural aspects and entrepreneurial behavior.

Hofstede’s cultural dimensions

First dimension; power distance, “[i]t indicates the extent to which a society accepts the fact that power in institutions and organizations is distributed unequally, (Hofstede 1980. P. 45). Also he further postulated that the notion of power distance is the perception of organizational and institutional members who have less power within a country expect and accept the fact that, power is not distributed equally (Hofstede, 2013). Elaborating more about the dimension, organizational structures with less power distance acknowledge individual’s personal ability of making decisions, whereas organizations with high power distance do not accept individual’s ability in making decisions (Hofstede, 2001). Second dimension; uncertainty avoidance, “indicates the extent to which a society feels threatened by uncertain and ambiguous situations and tries to avoid these situations by providing greater career stability, establishing more suitable rules, not tolerating deviant ideas and behaviors, and believing in absolute truths and the attainment of expertise” (Hofstede, 1980. P. 45). Furthermore, uncertainty avoidance depicts the degree or the extent to which a society deals with inherent ambiguities and complexities of life (Kreiser et al., 2010). It is said that, in countries which have high uncertainty avoidance, standardized procedures, clear structures and rules are accepted since they bring stability. In contrast, in countries which have low uncertainty avoidance, unfamiliar situations are accepted by the people. Furthermore, in low uncertainty scenarios people are less resistant to change (Hofstede, 2001).

Third dimension; individualism – Collectivism, “The third dimension encompasses individualism and its opposite, Collectivism. Individualism implies a loosely knit social framework in which people are supposed to take care of themselves and of their immediate families only, while collectivism is characterized by a tight social framework in which people distinguish between in-groups and out-groups; they expect their in-group (relatives, clan, organizations) to look after them, and in exchange for that they feel they owe absolute loyalty to it” (Hofstede, 1980. P. 45). Simply put, this dimension defines the independence of members of the society. Kreiser et al. (2010) define individualism as the relationship between collectivity and individual in a society.

Fourth dimension; Masculinity, its opposite pole, femininity. “Measurements in terms of this dimension express the extent to which the dominant values in society are “masculine” –that is, assertiveness, the acquisition of money and things, and not caring for others, the quality of life, or people” (Hofstede, 1980. P. 45). The underlying principle of this dimension is, women generally put emphasis on social factors; on the other hand, men pay attention on ego goals, like money and career (Hofstede, 2001). This categorization leads to the typical question: ‘How are people motivated?’ Hofstede (2001) suggests that in a masculine society the prime motivator is achievement and competition, whereas, in a feminine society the quality of life and caring for others are considered as the signals of success. Kreiser et al. (2010) consider masculinity as the level of self-confidence and assertiveness in a culture.

Given all these dimensions of culture, Horst (1996) write that it is not required and it is not necessary that all the members in a society would follow all the dimensions proposed above in each aspect of their lives. Also it is important to recognize that none of the individuals will be a slave of the vested culture in a nation. This implies that there will be some individuals who often deviate from the vested cultural norms (Morrison, 2000).
National Culture in Sri Lanka

Sri Lanka has been recognized to have high levels of power distance and uncertainty avoidance. The theory behind power distance is the distribution of power in an organization. Simply put, high power distance implies the fact that, organizations in general do not acknowledge participative decision making and they do not accept individuals in making decisions. This scenario links with the empowerment dimension of an individual. Simply, empowerment refers to the result individuals may feel when they become part of the decision making process. The participative decision making culture in an organization takes collective decisions. All the managerial and non-managerial positions contribute to the decision making considering the levels and the authority they hold and thus leads to positive outcomes. In contrast, according to the chart number one, 72 level of power distance implies that there are high levels of power distance that exist in organizations in Sri Lanka as a whole.

As we mentioned above, uncertainty avoidance depicts the degree or the extent to which a society deals with inherent ambiguities and complexities of life (Kreiser et al., 2010). Furthermore, if a country is as a resulted of high uncertainty avoidance culture, standardized procedures and structures are anticipated as those that bring stability. However, the author’s view in these regard is, there are many disadvantages of being standardized. In contrast, individualism and masculinity values held a somewhat lower level than power distance and uncertainty avoidance in Sri Lanka. According to Figure 1, individualism and masculinity values were 28 and 35, respectively. The notion of individualism defines the independence of the members of the society. The low degree of individualism implies that Sri Lanka as a country has a tendency toward collectivism. Being collective as a country Sri Lanka, we draw an inference highlighting the fact that Sri Lankan society as a whole is characterized by a tight social framework in which people distinguish between in-groups and out-groups. In the surface level, the authors believe that this is a positive sign in fostering positive outcomes. Finally, the masculinity value corresponds to a level of 35 implying a below moderate level. The notion of masculinity refers to the allocation and distribution of roles between the genders of the country. The traits include self-centeredness, strength, power, individual achievements and assertiveness. Literary masculinity refers to the dominance of male in the society whereas femininity refers to the femaleness of the society. The relatively moderate level of masculinity value of 35 depicts that the society seeks for relationships, work in order to live etc. In comparison, power distance does not hold a considerable variation in relation to the three countries considered. The approximate value of 70 implies high power distance for countries of India, Sri Lanka and Nepal (Figure 2). Most notably, this observation is critical. The reason is that, as a country, India has acquired relatively high level of industrial growth in Asia. This
observation presents the question, ‘does a dimension like power distance actually have an impact on the country’s outcome?’ Simply said, do participative cultures actually contribute to stimulate organizational productivity?

Furthermore, uncertainty avoidance stands relatively high in India and in Sri Lanka which implies that organizations have a high tendency to establish rules, regulations and clear procedures expecting stability. Finally, individualism and masculinity hold relatively low in Sri Lanka in relation to India and Nepal. These observations imply the fact that independence of the individuals stands low which on the other hand implies collectivism. Further, low masculinity of Sri Lanka and Nepal compared to India implies the observations of more women in organizations, relationship orientation, solving problems through negotiations etc.

Drawing of generalizations and linking culture and entrepreneurship in Sri Lanka

In this section we intend to address the foci of this explanatory note. That is, does culture act as a driving force or a restraining force for entrepreneurship in Sri Lanka? To draw inferences in relation to this question, we propose a new dimension acknowledging Shane and Venkataraman’s opportunity recognition. Recalling their idea, opportunity recognition is identified as the heart of entrepreneurship. We firmly believe that, still this definition can be acknowledged in defining entrepreneurship and to differentiate entrepreneurial ventures from typical business ventures. We do not agree with the fact that entrepreneurial ventures are equalized to business ventures based on the opportunity recognition notion. An entrepreneurial venture always tries to spot an opportunity which no one has acquired in the past. In contrast, a typical business venture can be a replication of another business with a profit motive. But entrepreneurial ventures go beyond profit maximization. A fascinating social entrepreneur in the world, Professor Muhammad Yunus spotted an entrepreneurial opportunity that had not been filled in Bangladesh. He created a business model named Microfinance as a facilitative model to the rural in the country. Eventually, he ended up with the Nobel Peace Prize for founding the Grameen Bank and pioneering the concepts of microcredit and microfinance. However, business ventures can be entrepreneurial with opportunity recognition dimension but the absence of opportunity recognition differentiates entrepreneurial ventures from mere business. Thus we affirm the fact that, entrepreneurial ventures and business ventures are not synonymous terms. Furthermore, opening an approach to address the focus of this paper, does culture act as a driving force or a restraining force for entrepreneurship in Sri Lanka?, we propose a model. That is the levels of opportunity recognition (Figure 3).

It is important to recognize that entrepreneurship occurs in two levels. One is an individual starts a new venture
with an identified entrepreneurial opportunity. Jeff Bezos, the founder of Amazon.com, identified a true entrepreneurial opportunity to sell books online. That is one aspect of opportunity recognition highlighted under venture creation above. The other is corporate entrepreneurship. The notion of corporate entrepreneurship can be defined as the conceptualization of entrepreneurship at the firm level. A corporate giant, BMW, is one of the sustaining corporate entrepreneurial firms in the world. Opportunities are identified at the firm level in the large scale. Identifying these two aspects of opportunity recognition, it is very much important to identify the levels of opportunity recognition. Simply, a venture can be created with an identified entrepreneurial opportunity. For an example, a small food cafeteria established in an urban town can also be perceived as opportunity recognition based on the assumption that the particular entrepreneur sees an opportunity depending on his level of opportunity recognition. But the author’s view in this regard is, putting up a small food cafeteria corresponds with low level of opportunity recognition which also has less tendency to sustain. However, the entrepreneur sees some kind of an entrepreneurial opportunity or otherwise he/she may not launch his/her venture in the urban town. Similarly, putting a food cafeteria with a unique value proposition as a product or service, which no one has produced in the past can be categorized as high level of opportunity recognition, which also has much tendency to sustain. This high level of opportunity recognition is somewhat seldom in a country like Sri Lanka, and thus we affirm the low levels of opportunity recognition as a definite reason for high venture failure rates despite the other reasons of lack of technology, finance etc. Similarly, the high level of opportunity recognition is required to be practiced in large firms as well. And thus, Sri Lanka’s economic sustainability would have been different from the present. With these inferences, we answer the question raised in the introduction section, does entrepreneurship exist in a country like Sri Lanka? Yes, but in a relatively below moderate level due to low level of opportunity recognition in relation to venture creation and corporate entrepreneurship in Sri Lanka.

The focus of this paper is to investigate whether entrepreneurial activities are limited due to the inherent cultures in Sri Lanka? To answer this general question in an explicit manner, we utilized the Geert Hofstede’s cultural dimensions. Recalling the results, the dimensions of power distance, uncertainty avoidance, individualism and masculinity corresponded to the values of 72, 53, 28, and 35 respectively. What do these values imply actually? Putting it very simply, as we elaborated above, 72 value of power distance implies the fact that Sri Lanka as a country holds high levels of power distance; which means power in organizations in Sri Lanka are not equally distributed. Furthermore, Sri Lankan organizations do not acknowledge participative decision making process. The general understanding is that, if an organization implements decisions only from the higher levels of the organization regardless of the contributions possibly made by the lower levels, it leads to less empowerment. Low level employees do not feel as a part of the organization. If an organization disregards the value of lower levels, it implies that, it hinders innovation and creative thinking of individuals. Moreover, low level workers might feel that they are similar to cogs in the organization. Linking entrepreneurship literature, Miller (1983) highlighted the value of innovation as an inevitable capability of an entrepreneur to prosper. He titled innovation under the construct of strategic posture as a strategic tool for every entrepreneur. Thus, we draw our first inference based on the power distance dimension, are entrepreneurial activities limited due to the inherent cultures in Sri Lanka? Yes, it is limited by the high levels of power distance in organizations in Sri Lanka.

The second cultural dimension is uncertainty avoidance. As Kreiser et al. (2010) suggested uncertainty avoidance
depicts the degree or the extent to which a society deals with inherent ambiguities and complexities of life. As mentioned above, if a country is affected by high levels of uncertainty avoidance, there is a high tendency to implement standardized procedures and structures anticipating stability. The uncertainty avoidance value was 52 as a level and thus country’s members seek to avoid uncertainty as much as they can. Uncertainty avoidance further seeks to plan every occurrence. Entrepreneurial thinking is always dynamic in nature. Miller (1983) cited that, entrepreneurs assume a calculated risk. If all the procedures are being standardized in the environment, how does an entrepreneur stimulate entrepreneurial thinking? Thus we draw our second inference, are entrepreneurial activities limited due to the inherent cultures in Sri Lanka? Yes, entrepreneurial activities are limited due to the moderate level of uncertainty avoidance in Sri Lanka.

The third cultural dimension, individualism holds the value of 28, implying a low level of individualism. This low level of individualism implies that Sri Lanka as a country is more towards collectivism. In collective societies, we observe people are integrated since birth into strong, cohesive social groups, and extended families. Sri Lanka as a country always values social esteems. This nature is apparent due to the inherent traditional culture in Sri Lanka. The authors do not perceive this fact as a negative sign in stimulating entrepreneurship, but rather, this nature may influence team working being collective as a society with a positive sign in stimulating entrepreneurship in Sri Lanka society. Thus we draw our third inference, are entrepreneurial activities limited due to the inherent cultures in Sri Lanka? No, entrepreneurial activities are fostered by collective culture in Sri Lanka.

The final dimension, the masculinity value corresponds to a level of 35 implying a below moderate level. The notion of masculinity refers to the allocation and distribution of roles between the genders of the country. The traits include self-centeredness, strength, power, individual achievements and assertiveness. Literary masculinity refers to the dominance of male in the society whereas femininity refers to the femaleness of the society. The relative below moderate level of masculinity value of 35 depicts that the society seeks relationships, work in order to live etc. In the surface level, 35 value of masculinity does not depict an explicit impact on entrepreneurial thinking. Thus we draw our final inference as unrevealed link to entrepreneurial thinking being below moderate level of masculinity in Sri Lanka.

Conclusion

Being entrepreneurial is of paramount importance for a venture to attain sustainability and thereby to contribute to the national economy. We affirm being entrepreneurial refers to comprehending the value of expansion and growth. This expansion certainly requires an identification of an entrepreneurial opportunity. Opportunity recognition is viewed as an unchallengeable construct of entrepreneurship which both the dimensions of venture creation and corporate entrepreneurship should acknowledge. Furthermore, we affirmed that, for a country to sustain, high levels of opportunity recognition are required. Low levels of opportunity recognition correspond to low levels of sustainability. Thus we postulated the value of high levels of opportunity recognition introducing the model of Levels of Opportunity Recognition. Drawing inferences from the model formed, we generalized the reasons for high levels of venture failures in Sri Lanka. Despite the number of common reasons we postulated the value of high level of opportunity recognition as a solution of sustainability.

Further, our explanatory note investigated the reason for low levels of opportunity recognition. Based on the assumption of people’s willingness to take an initiative and seek new entrepreneurial opportunities, it at least or partially depends and is implicitly influenced by cultural heritages. We link Geert Hofstede’s cultural dimensions to draw a near perfect inference. Out of the four dimensions, two cultural dimensions (power distance and uncertainty avoidance) were identified as hinderance to entrepreneurial activities and one (collectivism) as a stimulator of entrepreneurship and one (masculinity) as an unrevealed impact on entrepreneurial thinking. Finally, we state that, these inferences are drawn with subjectivity and thus they are required to be tested empirically imposing different implications.

Conflict of Interests

The authors have not declared any conflict of interests.

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