

## **Entrepreneurship, National Culture and Turkey**

**Osman EROĞLU**

Lecturer

Dicle University

Faculty of Economics and Administrative Sciences

Department of Management and Organization

Diyarbakır, Turkey

E-mail: osmaneroglu2181@hotmail.com, Phone: +90 412 2488347

**Murat PIÇAK**

Assistant Professor

Dicle University

Faculty of Economics and Administrative Sciences

Department of Economics

Diyarbakır, Turkey

E-mail: mpicak@dicle.edu.tr, Phone: +90 412 2488347

### **Abstract**

*Even though entrepreneurs in different countries share some universal traits, they may also have other traits that are specific to their own national culture. Entrepreneurship behaviour is respectively linked to cultural values, and this association is based on the framework of Hofstede's cultural dimensions. Studies indicate that national culture plays an essential impact on entrepreneurship. This study is based on how national culture is related to levels of entrepreneurship with emphasis on Turkish culture and its relations with entrepreneurship.*

**Key words:** Entrepreneurship, National Culture, Hofstede's Cultural Dimensions, Turkey.

### ***1. Definitions of Entrepreneurship***

Entrepreneurship, according to Onuoha (2007), "is the practice of starting new organizations or revitalizing mature organizations, particularly new businesses generally in response to identified opportunities." Schumpeter (1965) defined "entrepreneurs as individuals who exploit market opportunity through technical and/or organizational innovation". For Frank H. Knight (1921) and Peter Drucker (1970) "entrepreneurship is about taking risk". Bolton and Thompson (2000) have defined an entrepreneur as "a person who habitually creates and innovates to build something of recognized value around perceived opportunities". Hisrich (1990) defined that an entrepreneur is characterized as "someone who demonstrates initiative and creative thinking, is able to organize social and economic mechanisms to turn resources and situations to practical account, and accepts risk and failure". Thomas and Mueller (2000) argue that the study of entrepreneurship should be expanded to international markets to investigate the conditions and characteristics that encourage entrepreneurial activity in various countries and regions. It is reasonable to expect that entrepreneurs reflect the dominant values of his or her national culture and national culture has definite effect on entrepreneurship (Thomas & Mueller, 2000).

### ***2. National Culture***

National culture has earlier been defined by many scholars. Culture is defined as a set of shared beliefs, values and expected behaviours (Herbig, 1994; Hofstede, 1980a). Deeply embedded, unconscious, and even irrational shared values shape political institutions as well as social and technical systems, all of which simultaneously reflect and reinforce values and beliefs. Cultural values indicate the degree to which a society considers entrepreneurial behaviours, such as risk taking and independent thinking, to be desirable. Cultures that value and reward such behaviour promote a propensity to develop and introduce radical innovation, whereas cultures that reinforce conformity, group interests, and control over the future are not likely to show risk-taking and entrepreneurial behaviour (Herbig & Miller, 1992; Herbig, 1994; Hofstede, 1980a). "Culture consists in patterned ways of thinking, feeling and reacting, acquired and transmitted mainly by symbols, constituting the distinctive achievements of human groups, including their embodiments in artifacts; the essential core of culture consists of traditional (i.e. historically derived and selected) ideas and especially their attached values" (Kluckhohn, 1951).

Kroeber and Parsons (1958) arrived at a cross-disciplinary definition of cultures as “transmitted and created content and patterns of values, ideas and other symbolic-meaningful systems as factors in the shaping of human behaviour and the artifacts produced through behaviour”. Researchers have explored the effect of national culture on risk taking, innovation and entrepreneurship. In this study, we will try to explore the effect of national culture on entrepreneurship.

### ***3. Entrepreneurship and National Culture***

Although entrepreneurs in different countries usually share some universal traits, they may also have other traits that are specific to their own culture. For example, entrepreneurial activity is encouraged as an avenue to stimulating economic growth and empowering marginalized segments of population in less-developed countries (Yasin, 1996). Therefore, there is no dominant theory that entrepreneurship is universal and a “good” entrepreneurship theory in a country will also be “good” in another country. The purpose of this study is to indicate that there is an absolute effect of culture on entrepreneurship, and entrepreneur reflects dominant values of his or her national culture; therefore, some countries’ entrepreneurship is lower compared to other countries. Weber (1956) pointed that entrepreneurship behaviour might be linked to cultural values and suggested that values and beliefs are factors that encourage entrepreneurship. Based on the framework of Hofstede (1984), it is concluded that individualistic culture emphasizes the values of personnel initiative and achievement, while collectivistic favour group decisions. McGrath (1992) found that entrepreneurs across several cultures share a set of values such as collectivism and some entrepreneurial beliefs that are independent of their culture.

### ***4. Hofstede’s Cultural Dimensions and Entrepreneurship***

Entrepreneurship behaviour is respectively linked to cultural values, and this association is based on the framework of Hofstede’s cultural dimensions. Shane (1993) investigated the association between four of Hofstede (1980 a, b) dimensions described previously and the national rates of innovation in 1975 and 1980. Shane found that uncertainty avoidance was negatively associated with innovation in both time of periods. Similarly, power distance was found to be negatively associated with innovation for the earlier period but not the later one, yet masculinity had no significant association with innovation at the national level. These results indicate that the association between specific cultural dimensions (as captured by Hofstede) is not temporally stable, yet are essential to entrepreneurship. The preceding discussion shows that some evidence exists that broad cultural characteristics are associated with national levels of entrepreneurship. Specifically, high individualism, low uncertainty avoidance and high power-distance have all been found to be associated with national rates of innovation. These relationships are not consistent over time, however (Shane, 1993), and have not been systematically found with aggregate indicators of entrepreneurship (Davidsson & Wiklund, 1997). Based on Shane’s analyses, it is clear that individualism and uncertainty avoidance are significantly related to the entrepreneurship. Moreover, some evidence exists that cultural values such as individualism and uncertainty avoidance are significantly related to traits such as internal locus of control, risk taking, and innovativeness, which are associated with entrepreneurship (Mueller & Thomas, 2000; Thomas & Mueller, 2000). Also, evidence indicates that those cognitive scripts that are related to entrepreneurship are also associated with individualism and power-distance (Mitchell et. al., 2000).

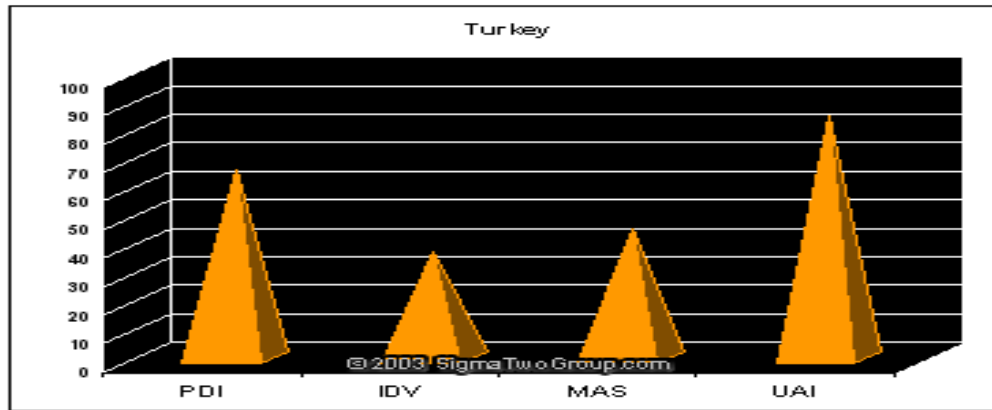
### ***5. The Association Between Entrepreneurship and National Culture***

The association between entrepreneurship and culture can be categorized on the framework of Hofstede’s three cultural dimensions: individualism, uncertainty avoidance and power distance. There are studies that have compared entry modes with the influence of culture. For instance, firms in uncertainty avoidance countries will prefer joint ventures acquisitions because of their lower uncertainty concerning management of this organizational type (Konut & Singh, 1998). Firms in low power distance (high trust) cultures have less need for monitoring, and therefore prefer licensing to direct investment (Shane, 1994). Japanese firms (moderate power-distance and high uncertainty avoidance) usually prefer wholly owned subsidiaries to joint ventures, whereas American firms (low power distance, low uncertainty avoidance) prefer joint ventures to wholly owned subsidiaries (Makino & Neupert, 2000). “How does national culture relate to levels of entrepreneurial activity?” This question is motivated by the observations of economist (Schumpeter, 1934), sociologist (Weber, 1930), and psychologist (McClelland, 1961) that countries differ in levels of entrepreneurial activity. Studies have proven that it is clear that national culture plays an essential impact on entrepreneurship. This part of the study tries to respond to the question of “Why Turkish culture does not fabricate entrepreneurs like Michael Dell, Henry Ford, Bill Gates, Steve Jobs and Donald Trump by comparing American culture to Turkish culture based on entrepreneurship.

### 6. National Culture in Turkey

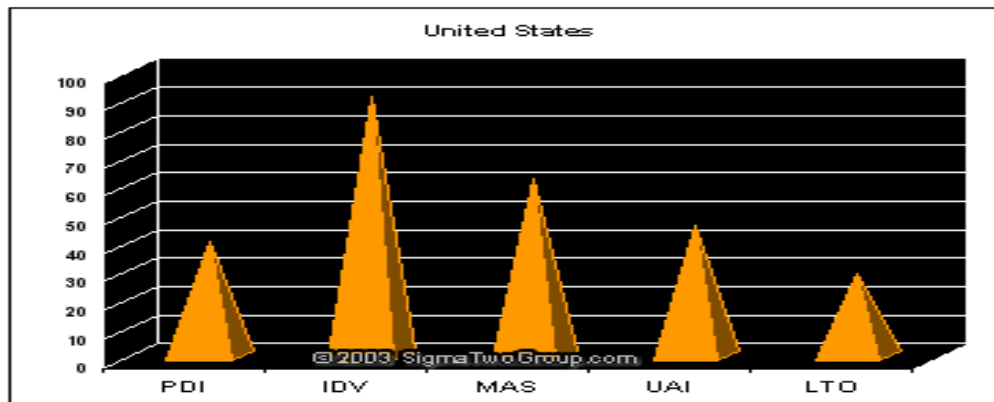
Turkey has been recognized to have high levels of collectivism, high power distance, high uncertainty avoidance, and relatively moderate femininity (Hofstede, 2001). Moreover, paternalistic values appear to be dominant among Turkish managers (Aycan et al., 2001; Pasa et al., 2001). For Turkish managers, it is important that subordinates should be loyal and comply with their directions (Sargut, 2001). “Recently, professionalism and rationalism tend to arise as other cultural tendencies among Turkish people in the business world. Professionalism and rationalism orientations together with a cultural emphasis on power, hierarchy, and relationships, for instance, can be seen in most Turkish firms” (Danışman & Özgen, 2008).

**Chart 1: Geert Hofstede Cultural Dimensions, Turkey**



Source: [http://www.geert-hofstede.com/hofstede\\_turkey.shtml](http://www.geert-hofstede.com/hofstede_turkey.shtml)

**Chart 2: Geert Hofstede Cultural Dimensions, United States**



Source: [http://www.geerthofstede.com/hofstede\\_united\\_states.shtml](http://www.geerthofstede.com/hofstede_united_states.shtml)

- PDI:** Power Distance Index
- IDV:** Individualism
- MAS:** Masculinity
- UAI:** Uncertainty Avoidance Index
- LTO:** Long Term Orientation

### 7. Comparing Turkish Culture to American Culture

“Why Turkish culture does not fabricate entrepreneurs like Michael Dell, Henry Ford, Bill Gates, Steve Jobs and Donald Trump? Because Turkish culture has been described as being high levels of collectivism, high levels of uncertainty avoidance and high levels of power distance; however, American culture has been described as being high on individualism, low levels of uncertainty avoidance, and low levels of power distance (Hofstede, 1980). Power distance is “the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally” (Hofstede, 1994); Individualism and Collectivism “everyone is expected to look after himself or herself and his or her immediate family [with] collectivism opposite... [from] birth onwards [societies] are integrated into strong, cohesive in-groups, which thought that people’s lifetime continues to protect them in exchange for unquestioning loyalty (Hofstede, 1994);

” Uncertainty Avoidance is “the extent to which the members of a culture feel threatened by certain or unknown situations” (Hofstede, 1994). Using Individualism cultural dimension, “there is a popular view that entrepreneurs are highly independent (McGrath et al., 1992), autonomous and have a need to dominate and achieve (Sexton & Bowman, 1985), and low levels of individualism have strong emphasis on security, and individual risk-taking is discouraged.” Therefore, we can conclude that national cultures with high individualism (United States) motivate entrepreneurship. “Low on power distance cultural dimension tolerates entrepreneurs for equal power distribution and the entrepreneurs dominate their social structure” (McGrath et. al., 1992). Consequently, cultures with equal power distribution (United States) foster entrepreneurship. However, the national cultures with high levels of uncertainty avoidance (Turkey) pressures a complex cultural, legal and political business environment; therefore, it is hard for entrepreneurs to operate in these types of cultural dimension, and it is accepted that these societies do not take moderate risks. These analyses indicate that national cultural dimensions influence entrepreneurship; nevertheless, countries with high levels of individualism, low levels of uncertainty avoidance and low levels of power distance fabricate entrepreneurs as in the United States; on the other hand, Turkish culture mostly does not fit with entrepreneurship.

### **8. Entrepreneurship in Turkey**

The importance of entrepreneurship and small businesses to the economy is widely recognized, and national incentives are provided in Turkey. During the last decade, Turkey has witnessed a period of rapid economic growth and a more positive environment for new enterprise development and growth. In other words, “since the time of that publication, significant changes have occurred in Turkey in terms of political, economical, and social factors, which have contributed to shaping the dominant economic and social values of new entrepreneurs in this emerging market. However, the entrepreneurship culture has not reached a desired level due to several factors, such as education and venture support programs (TUSİAD Report, 2002).” In Turkey, “changing economic conditions, especially in the area of declining interest rates, have discouraged investors from relying on fixed and secure income sources, such as interest income.

At the same time, the entrance requirements for public sector employment have become more rigorous, and detailed screening, combined with rigid employment policies, have resulted in nearly impossible conditions for public sector employment, which may ultimately motivate people to explore entrepreneurial opportunities more aggressively (GEM, 2001).” On the other hand, demographic characteristics and contextual conditions may limit the entrepreneurship; hence, Çetindamar (2005) “has concluded that the level of Turkish entrepreneurship is low compared to many countries, and future business plans of entrepreneurs in our sample showed that Turkish entrepreneurs could be characterized as short-time oriented entrepreneurs. They simply lack the strategic orientation and long-term vision, possibly because of having relatively less entrepreneurship education compared to Western entrepreneurs and because of Turkey’s long history of economic instability. Regarding the personality characteristics and attributes of the respondents, our findings showed that Turkish entrepreneurs are achievement oriented, highly responsible, optimistic, and self-confident. Also, they like challenges, have high self-esteem, possess an internal locus of control (they do not give up easily), and like to work on their own. These findings indicate that Turkish entrepreneurs are intrinsically and extrinsically (desiring higher income) motivated and highly involved with the control of the operations of their businesses.

### **9. Turkish Government and Entrepreneurship**

“In Turkish business world, the concept of entrepreneurship is misunderstood, and the entrepreneur is mostly viewed as speculator even thief; moreover, the Turkish entrepreneurship reflected a business area that no respectable men should have involved in for a long time (Alpender, 1966).” Since Turkey is one of the late industrial countries and there was no entrepreneur class during the earlier years of the republic of Turkey, it took a long time to gather the concept of entrepreneurship for Turkish business world. The entrepreneurship in Turkey is affected by the government, and the government involvement on business seems to be the most essential uncertainty in Turkish business (Buğra, 2007). In countries with high involvement of government on business and financial sector as Turkey, it is absolutely hard to accept growth of entrepreneurship. Turkish business life is dominated by private holding companies and state economic enterprises. The state seems the most important institution which usually shapes the business structure. Turkish private companies remain highly dependent on the state for financial incentives, and the state often intervenes by frequent and unpredictable policy changes, which introduce uncertainties in business life (Buğra, 1990). Bodur and Madsen (1993), in relations with government and Turkish private companies, conclude that rules and regulations, as well as personal contacts with influential government officials become important tools in finalizing decisions.

## **10. Conclusion**

In conclusion, entrepreneurship is mostly about risks, innovation, creative thinking and entrepreneur is the one who creates and innovates something recognized around perceived opportunities by accepting risks and failures. Moreover, entrepreneurship concept varies from a country to another country, and an entrepreneur reflects the dominant values of his/her national culture. Based on the framework of Hofstede's cultural dimensions, individualistic culture emphasizes the values of personnel initiative and achievement while collectivistic favor group decisions. Also, countries with high uncertainty avoidance distance found to be negatively associated with entrepreneurship. Therefore, with these findings we can conclude that Turkish culture, which has been described as being high on collectivism, high on uncertainty avoidance and high on power distance, found to be negatively associated with entrepreneurship. In examining how culture influences entrepreneurship, the findings show that national culture has a clear impact on entrepreneurship. Based on Hofstede's cultural dimensions, countries with high individualism, low power distance and low uncertainty avoidance as United States have more entrepreneurs than other countries.

## **References**

- Abbey, A. (2002). Cross Cultural Comparison of Motivation for Entrepreneurship, *Journal of International Business Studies*, Vol. 14, No. 1.
- Alpender, G. (1966). Big Business and Big Business Leaders in Turkey, Department of Management, Michigan State University.
- Aycan, Z & Kanungo, R. N., Mendonca, M., Yu, K., Deller, J., Stahl, G., & Kurshid, A. (2001). Impact of Culture on Human Resource Management Practices: A 10-country Comparison. *Applied Psychology: An International Review*, 49, 192-221.
- Bodur, M. and Madsen, T. K. (1993). Danish Foreign Direct Investments in Turkey, *European Business Review*, 93 (5), 28-44.
- Bolton W.K. and Thompson J.L. (2000) *Entrepreneurs: Talent, Temperament, Technique*. Butterworth Heinemann, Oxford
- Buğra, A. (1990). The Turkish Holding Company as a Social Institution, *Journal of Economics and Administrative Studies*, 4 (1), 35-51.
- Buğra, A, *State and Business in Modern Turkey a Comparative Study*, State University of New York, İletişim Yayınları, 2007.
- Çetindamar, D., (2005) Policy Issues for Turkish Entrepreneurs. *Int J Entrep Innov Manag* 5(3/4), 187-205
- Danışman, A. & Özgen, H. (2003). Örgüt Kültürü Çalışmalarında Yöntem Tartışması: Niteliksel-Niceliksel Yöntem İkileminde Niceliksel Ölçümler ve Bir Ölçek Önerisi (Methodological Debates in Organizational Culture Studies: The Role of Quantitative Measures. *Journal of Management Research*, 3 (2), 91-
- Davidsson, P. & Wiklund, J. (1997), Values, Beliefs and Regional Variations in New Firm Formation Rates. *Journal of Economic Psychology*, 18, 179-199.
- Drucker, P. (1970), *Entrepreneurship in Business Enterprise*, *Journal of Business Policy*, Vol: 1.
- GEM, 2001, *Global Entrepreneurship Monitor Executive Report*, GEM, London
- Herbig, P. (1994). *The Innovation Matrix: Culture and Structure Prerequisites to Innovation*. Westport, CT: Quorum.
- Herbig, P. A., & Miller, J. C. (1992). Culture and Technology: Does the Traffic Move in Both Directions? *Journal of Global Marketing*, 6, 75-104.
- Hisrich, R.D. (1990) *Entrepreneurship/Intrapreneurship*. *Am Psychol* 45(2), 209-222
- Hofstede, G. (1980a). *Culture's Consequences: International Differences in Work Related Values*. Beverly Hills, CA: Sage.
- Hofstede, G. (1980b). *Motivation Leadership and Organization: Do American Theories Apply Abroad?* *Organizational Dynamics* (Summer), 42-63.
- Hofstede G. (1984) *Culture's Consequences: International Differences in Work-Related Values*. Sage, Thousand Oaks, CA

- Kluckhohn, C. (1951). *The Study of Culture*. In D. Lerner & H. D. Lasswell (Eds.) *The policy sciences* (pp. 86-101). Stanford, CA: Stanford University Press.
- Knight, Frank H. (1921). *Risk, Uncertainty, and Profit*. Boston, MA: Hart, Schaffner & Marx; Houghton Mifflin Company
- Kogut, B., & Singh, H. (1988). *The Effect of National Culture on the Choice of Entry Mode*. *Journal of International Business Studies* (Eall), 411-432.
- Kroeber, A. L., & Parsons, T. (1958) *The Concept of Culture and Social System*. *American Sociological Review*, 23, 582-583.
- Makino, S., & Neupert, K. E. (2000), *National Culture, Transaction Costs, and the Choice Between Joint Venture and Wholly Owned Subsidiary*. *Journal of International Business Studies*, 31, 705-713.
- McClelland, D. C. (1961). *The Achieving Society*. Princeton, NJ: Van Nostrand.
- McGrath R.G., MacMillan I.C., Yang E.A., Tsai W. (1992), *Does Culture Endure, or is it Malleable? Issues for Entrepreneurial Economic Development*. *J Bus Venturing* 7, 115–135
- Mitchell, R. K., Smith, B., Seawright, K. W., & Morse, E. A. (2000), *Cross-Cultural Cognitions and the Venture Creation Decision*. *Academy of Management Journal*, 43, 974-993.
- Mueller, S. L., & Thomas, A. S. (2000). *Culture and Entrepreneurial Potential: A Nine Country Study of Locus of Control and Innovativeness*. *Journal of Business Venturing*, 16, 51-75.
- Onuoha G., (2007) *Entrepreneurship*, *AIST International Journal* 10, 20-32.
- Sargut, A. S. (2001). *Kültürlerarası Farklılaşma ve Yönetim (Cross-cultural Differentiation and Management)*. Ankara: İmge Kitabevi.
- Schumpeter, J. (1934), *The Theory of Economic Development*. Cambridge, MA: Harvard University Press.
- Schumpeter J. A. (1965). *Economic Theory and Entrepreneurial History*. In: Aitken HG (ed) *Explorations in enterprise*. Harvard University Press, Cambridge, MA
- Sexton D. & Bowman N. (1985), *The Entrepreneur: A Capable Executive and More*, *Journal of Business Venturing* Vol: 1 , 129–140
- Shane, S. (1993), *Cultural Influences on National Rates of Innovation*, *Journal of Business Venturing*, 8, 59-73.
- Shane, S. (1994a), *Cultural Values and the Championing Process*. *Entrepreneurship Theory & Practice*, 18, 25-41.
- Shane, S. (1994b), *The Effect of National Culture on the Choice Between Licensing and Direct Foreign Investment*, *Strategic Management Journal*, 15, 627-642
- Thomas A.S. & Mueller S.L. (2000), *A Case for Comparative Entrepreneurship: Assessing the Relevance of Culture*. *J Int Bus Stud Second Quarter* 31(2), 287–299
- TUSİAD Report (2002), *Türkiye’de Girişimcilik (Entrepreneurship in Turkey)*, Available at: <http://www.tusiad.org/turkish/girisimcilik/girisimcilik.pdf>
- Weber M. (1956), *The Protestant Ethic and the Sprit of Capitalism*. Allen & Unwin, London.
- Weber M. (1930), *The Protestant Ethic and the Spirit of Capitalism*. New York: Scribners.
- Yasin, M. & Stahl M. (1990) *Models for Effective Motivation in the Arab and American Business Cultures: Review and Directions for Future Research*, *Int J Manag* 7, 43–55.