

THE IMPORTANCE OF INDIVIDUALISM VS COLLECTIVISM IN ORGANIZATIONAL ENTREPRENEURSHIP

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Abstract

Culture exists at multiple levels, ranging from broad societal or national cultures to individualized corporate or organizational cultures. Within an organization, culture serves the same function as personality does to the individual—a hidden yet unifying theme that provides meaning, direction, and mobilization. Research on corporate entrepreneurship has identified cultural obstacles to successful entrepreneurship, and suggested that entrepreneurship requires a culture built around risk, innovation, emotional commitment, autonomy, and empowerment, among others. Individualism-collectivism is a dimension of culture at both the societal and organizational levels. Most of the studies focus on individualism as it has been linked to the willingness of people to violate norms and their level of achievement motivation, both of which are associated with entrepreneurship, and showed that entrepreneurship declines the more collectivism is emphasized. Based on these theoretical considerations, in our paper we try to determine the Individualism index at the organizational level (university) and link the results with the students' entrepreneurial orientation.

Keywords: *entrepreneurship, individualism vs. collectivism*

1 INTRODUCTION

The role of individuals versus groups or collectives in facilitating entrepreneurship in organizations may also be culture-bound. Individualism is an intrinsic aspect of American culture, which helps to explain the relatively intensive amount of independent entrepreneurial activity in the U.S. (Birch 1981; Birch and McCracken 1982; Reynolds and Freeman 1987; Peterson 1988). However, when examining corporate entrepreneurship, the influence of national culture may be moderated by the influence of organizational culture (Morris et al., 1994, p. 66)

Individualism-collectivism is a dimension of culture at both the societal and organizational levels, although most of the research has focused on societal or national culture. Individualism refers to a self-orientation, an emphasis on self-sufficiency and control, the pursuit of individual goals that may or may not be consistent with in-group goals, a willingness to confront members of the in-group to which a person belongs, and a culture where people derive pride from their own accomplishments. In an individualistic environment, people are motivated by self-interest and achievement of personal goals. They are hesitant to contribute to collective action unless their own efforts are recognized, preferring instead to benefit from the efforts of others.

Collectivism involves the subordination of personal interests to the goals of the larger work group, an emphasis on sharing, cooperation, and group harmony, a concern with group welfare, and hostility toward out-group members. Collectivists believe that they are an indispensable part of the group, and will readily contribute without concern for advantage being taken of them or for whether others are doing their part. They feel personally responsible for the group product and are oriented towards sharing group rewards. (Morris et al., 1994, p. 67)

2 ENTREPRENEURSHIP AND CULTURE

The entrepreneurship construct has three underlying dimensions: innovativeness, or the development of novel or unique products, services or processes; risk-taking, or a willingness to pursue opportunities having a reasonable chance of costly failure; and proactiveness, or an emphasis on persistence and creativity in overcoming obstacles until the innovative concept is fully implemented (Covin and Slevin 1989; Ginsberg 1985; Jennings and Young 1990; Khandwalla 1977; Miles and Arnold 1991; Miller and Friesen 1983; Morris et al., 1994, p. 69).

Because different levels of innovativeness, risk-taking, and proactiveness are possible in a particular entrepreneurial event, and any number of such events are possible in a given social context, entrepreneurship can be said to occur in varying degrees and amounts (Morris and Lewis 1991; Stevenson and Jarillo 1990; Wortman 1987).

Culture exists at multiple levels, ranging from broad societal or national cultures to individualized corporate or organizational cultures (Davies and Weiner 1985). At the broadest level, culture provides a basic framework for social interaction, and represents a cohesive element among the individual members of a society (Douglas and Dubois 1977). Within an organization, culture serves the same function as personality does to the individual—a hidden yet unifying theme that provides meaning, direction, and mobilization (Kilmann 1989, Morris et al., 1994, p. 70).

It appears that entrepreneurship is affected by culture at both the societal and organizational levels. Numerous authors have traced the high levels of entrepreneurship within the United States to such cultural values as freedom, independence, self-sufficiency, individualism, achievement, and materialism (e.g., Gilder (1988); Peterson (1988); Spence (1985); Sundbo (1991)). Similarly, research on corporate entrepreneurship has identified cultural obstacles to successful entrepreneurship, and suggested that entrepreneurship requires a culture built around risk, innovation, emotional commitment, autonomy, and empowerment, among others (Cornwall and Perlman 1990; Peters 1987; Pinchot 1985; Waterman 1987).

Individualism-collectivism would seem to be one of the more salient dimensions of culture insofar as entrepreneurship is concerned. In Hofstede's (1980) global study of national cultures, he demonstrated a relationship between an emphasis on individualism and a country's level of economic development and wealth. Economic development has also been positively linked to levels of entrepreneurship in a society (Birch 1981; Gilder 1988; Schumpeter 1950). Others have identified relationships between individualism and the willingness of people to violate norms (Verma 1985) as well as their level of achievement motivation (Hofstede 1980; Spence 1985), both of which are commonly associated with entrepreneurship (Brockhaus 1982; Collins and Moore 1964; McClelland 1987).

More fundamentally, perhaps the richest research tradition in the entrepreneurship literature focuses on the psychological traits and sociological characteristics of the individual entrepreneur (e.g., Brockhaus [1982]; Kets de Vries [1977]; Sexton [1980]). Implicit in this research is the assumption that the entrepreneurial process is a highly individualistic pursuit. Moore (1986) and Gartner (1985) have suggested that, of all the elements necessary for successful entrepreneurship, the independent entrepreneur is the most critical. (Morris et al., 1994, p. 71)

A number of studies have posited relationships between individualist cultures and entrepreneurial orientation (Peterson, 1980; Lee & Peterson, 2000; Mueller & Thomas, 2001). On the other hand, it has been argued that individualism may be a liability given the importance of group cohesion in generating collective economic effectiveness (Franke et al., 1991).

Based on these theoretical considerations, in our paper we try to determine the Individualism index at the organizational level (university) and link the results with the students' entrepreneurial orientation.

3 METHODOLOGY

3.3 Sample

In our study, we used two types of statistical surveys. One is based on *random sampling*, respectively *stratified random survey*, the second type of statistical survey is based on *nonrandom sampling*, respectively the *quota survey*. According to C.A. Moser, regarding the selection of the layering factors (the closest linked to the research subject), we chose as the *two layers* of the survey the *specializations* attended by full-time students, respectively ***Business Administration*** and ***Commerce, tourism and services economy***. We pursued to select the subjects using a quota of 30% of the total number of the general population, on each year of study and respectively, on each specialization. The general population and the sample on allocated layers and quotas are illustrated in Table 1

Table 1

Layers	General population			Sample –30 % quota		
	1 st Year	2 nd Year	3 rd Year	1 st Year	2 nd Year	3 rd Year
Business administration	117	7 8	4 3	3 5	2 3	13
Commerce, tourism, services economy	111	8 2	4 3	3 3	2 5	13
Total	228	160	8 6	6 8	4 8	26
	474			142		

Questionnaire. In our study we used a quantitative method – a questionnaire with 14 questions, excepting the identification questions (5). It contains only closed questions. We use in the questionnaire a measurement method: the respondents have either to rank a set of values or to choose one value/item at the expense of another in a forced choice format

Procedure. The questionnaire was developed in Romanian and self-administered and it took approximately 10 minutes on average to complete.

3.4 Study results

In order to determine Hofstede’s cultural dimension of Individualism, we used a set of 4 questions (only 8 questions out of 14 were used in our study).

The first question is the most important one in determining the Individualism index: ***You are a student and during an exam you notice one of your classmates cheating. How would you react to that?*** In an individualistic society students know that competition is important and they would not help their classmates cheating.

85.6% of the questioned subjects *would never betray one of their classmates, so they pretend not to see him/her*, 7.2% of the students *are very keen on their classmates, so they would help them cheating or not to be caught by the teacher* and 7.2% of them *would be happy if the „thief” were caught, but they would be embarrassed to tell on him/her*. These answers are characteristic to a collective society, and we have to notice that none of them chose the first version: *I consider that my classmate is a thief and would tell the teacher what is going on*.

A basic characteristic of collective societies is the strong interdependence between the family members and this makes the children live together with their parents a long period.

The answers to the next question: ***Up to what age have you lived or are you still living with your parents (eventually, parents-in-law, grandparents or other relatives)?*** are not very relevant as the subjects are students. Many of them have understood living in a hostel as being on their own.

Based on a crosstabulation, we noticed many discrepancies between their answers at this question and their age, some of them being younger than the age category they have chosen here.

The next question is very useful thanks to its lack of any emotional or morale implications. According to Hofstede, in the individualistic societies there is a tendency to form multicultural teams compared against the collectivist cultures where the tendency is to form culturally homogenous teams.

To the question: *If you had 30 subordinates which are different regarding age, sex, nationality, how would you allocate them to smaller teams?*, 36.6% of the subjects chose “*I would include in each team persons which are very different*” showing a high level of individualism; 10.6% of the students chose “*I would allocate them according to the initials of their names*” illustrating a medium individualism; 25.4% of the subjects picked “*I would include in each team persons which are very much alike*”, this answer being the standard version for a collective society; 27.5% of the students selected “*I would let them make the teams, according to their preferences*” this answer showing an “indirect” collectivism, as the self-formed teams are based on common features.

The following question has a high potential of individualism determination at a theoretical level if the answers are honest. For the question *If you were the owner of a small enterprise and you had a vacant position and your son were unemployed, what would you do?*, the first two answers: “*I would hire my son, without any examination*” and “*I would issue the position but take care to hire my son*” were selected by 42.3%, respectively 5.6% of the questioned subjects, being characteristic to a collective society. The last two answers “*I would issue the position and hire the best candidate*” and “*On no account I would hire my son in my company*” were chosen by 47.2 %, respectively 4.9% of the students, indicating a rather high individualism.

As the average of the answers characterizing a collective society is rather higher than that of the answers characterizing an individualistic organization we can conclude that the individualism index has a rather low level, the students being pro-collectivism.

Asked *What do you need in order to start up a business?*, the students (70.4%) ranked *financial resources* as the most important element, followed by *a new and daring idea* (43.7%), only a few considered *relationships* and *solid technical knowledge* as being important.

Concerning ranking the characteristics of a successful entrepreneur according to their importance (1- the most important, 8 – the least important), the results, taking into considerations only the first scale (1- the most important), are illustrated in the table below (Table 2)

Table 2

Creativity	22.6 %	Risks taking capability	11.6 %
Courage	19%	Adaptability	6.5%
Theoretical knowledge	19%	Continuing education	5.1%
Practical experience	17.5 %	Traditionalism	2.9%

To the following question: *If you started up a business, would you do a business plan?*, 97.2% of the students answered “Yes”, so they understand the meaning and importance of a business plan in starting up a business.

And the fact that 74.6% of the subjects *intend to start up a personal business after graduation from university* means that at least they have the thought of doing something new and daring.

4 CONCLUSION

At the organizational level (university), we found that the questioned subjects are collectivism oriented. Collectivism relates to societies in which people from birth onwards are integrated into

strong, cohesive in-groups, which throughout people's lifetime protect them in exchange for unquestioning loyalty.

Regarding the cultural dimensions at societal level, based on Hofstede's estimations for Romania and two studies carried out in Romania (Interact – Gallup Romania [<http://www.i-interact.ro>] and Professor Dr. Ioan Mihaș and Assistant Professor Dr. Dan Lungescu' study, from "Babeș-Bolyai" University, Cluj-Napoca) we can assert that Romanians are characterized by a large power distance, are collectivism and femininity oriented, and try to avoid uncertainty.

Analyzing the students' entrepreneurial spirit, we noticed that students have some knowledge about entrepreneurship, but they still regard it in the traditional way, thinking that they need mostly "financial resources" in starting up a business. They consider also that "risks taking capability" and "adaptability" are not so important for a successful entrepreneur, giving a strong importance to "theoretical knowledge".

We can conclude that national culture and the organizational culture (of the analyzed organization) are identical, that is why students regard entrepreneurship in a traditional way, as a collectivism oriented society is focused on the group and less on the individual. Entrepreneurship seems to be influenced positively by innovativeness, risk-taking, and creativity. Students consider 'creativity' as being the most important characteristic of a successful entrepreneur, but the 'risk-taking capability' is ranked among the less important characteristics. 'Innovativeness' is ranked the second (less than 50%) among the things needed in order to start a new business, so students' entrepreneurial spirit is influenced by the cultural dimension of collectivism, being less oriented towards risks taking and innovativeness.

According to the National Companies Register Office (ONRC), foreign investment in Romania in the first five months of 2008 were double the volume recorded in the first five months of 2007, although the number of start-ups was down at 5,600, from 6,515.

As a comparison, the number of start-ups founded by immigrants to the United States has shot up sharply over the past 10 years, according to a study released by Duke University, 3 January 2007, so foreign-born skilled workers are behind more than 25 percent of U.S. start-ups (<http://www.redherring.com>). Even though people are coming from different national cultures, the American society, characterized as being individualistic, is favorable for the entrepreneurial orientation. But this can not be taken for granted, as there can be differences regarding the national culture and the organizational culture.

The best way to deal with culture and entrepreneurship is to balance the individualism and collectivism orientation. In any organization, individuals are needed to provide the vision, commitment and skills without which nothing would be accomplished. But as the process continues, the entrepreneur requires teams of people with unique skills and resources. The key is to balance the need for individual initiative with the spirit of cooperation and group ownership of innovation.

Our study should be continued and extended, as deeper insights regarding the importance of individualism and collectivism in the organizational entrepreneurship are needed, because there are other factors that can influence the start-ups development: the stability of the economic and political system, level of economic development and other related factors.

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