

# Does the Innate Culture make all Failures to Entrepreneurs? An Existing Context Specific Problem

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**Abstract-** Complementing Ireland et al., (2003) inference of 'regardless of the size of the entrepreneurial venture, strategic entrepreneurial aspects (advantage seeking and opportunity seeking behaviors) are important', we set out to assess whether less entrepreneurial behavior in Sri Lanka has an impact from the innate culture? This working study interviewed 127 entrepreneurs in two districts in Sri Lanka and Geert Hofstede's six dimensional cultures were assessed. We came to know that selected entrepreneurs of two districts hold the characteristics of being collective, high power distant, feminine, low uncertainty avoidance, long term oriented and Indulgent. We concluded that, innate culture hinders entrepreneurship in relation to power distance. Though a large number of entrepreneurial ventures started as solo entrepreneurial ventures in Sri Lanka, the distance of power between the owner and the subordinates may act as a restraining factor in the process of expansion. We generalized our findings and different implications were made and finally some research directions were proposed. Importantly, we propose that, despite the relationship of cultural inheritance and entrepreneurship, strategic entrepreneurial aspects are of paramount importance to secure entrepreneurship in a country. Simply put, it provides a clear basis for sustainable entrepreneurship and it clearly differentiates a mere business venture.

**Index Terms-** Entrepreneurship, Geert Hofstede, National Culture, Sri Lanka.

## I. INTRODUCTION

It is not irrational to state that we act based on what we believe. Our behaviors, thinking patterns, decisions we take, all are determined by 'something'. Academically stated, despite the various explanations on the societal factors, a large number of literature posit the fact that cultural attributes of a nation are one of the primary determinants of a nation's economic level and entrepreneurial development (House et al., 2004). However, this entrepreneurial development is acquired in different ways. Despite the various scholarly inquiries, entrepreneurial development can be organic or inorganic. Regardless of the modes of entrepreneurial developments, there are restraining forces and driving forces in stimulating entrepreneurship in a country. Once Shane and Venkataraman (2000) defined opportunity recognition as the heart of entrepreneurship. Furthermore, they stated '[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). Provided this definition, we are keen to mention that, the people's willingness to take an initiative and seek new entrepreneurial opportunities, is at least or partially depends and is implicitly influenced by innate cultural heritages. Thus there is a prerequisite to address this phenomenon in detail provided House et al., inferences cited above. Given the hidden impact of culture on entrepreneurial behaviors this paper seeks to make a small contribution towards a context specific problem of why entrepreneurial ventures fail in Sri Lanka? And does culture act as the underlying reason for failures?

The remainder of this paper is structured as follows. Since this paper targets the context of Sri Lanka, the second section observes entrepreneurship in Sri Lanka. Blending the literature of sustainable entrepreneurship, the paper proceeds in an exploratory angle to answer the question of whether sustainable entrepreneurial aspects are being practiced in Sri Lanka or not? Provided that, targeting on the core of the discussion of this paper, the section three proceeds to write about relevant literature of National Culture. Finally, in particular, Geert Hofstede's cultural dimensions were evaluated and generalizations are put forth in relation to entrepreneurship in Sri Lanka despite the large number of triggers of entrepreneurship.

## II. ENTREPRENEURSHIP IN SRI LANKA

If someone asks, 'is entrepreneurship exists in Sri Lanka' based on Shane and Venkataraman's definition, the clear answer is, yes but very less in number. The reason behind this is that, Sri Lankan entrepreneurs are not necessarily motivated to seek opportunities. In Sri Lankan context a mere Small and Medium Size Enterprise (SME) is equalized to an entrepreneurial venture. We agree to the fact that SME can hold entrepreneurial characteristics, but the absence of entrepreneurial opportunities clearly differentiates a mere SME. We introduced the model of levels of opportunity recognition (see; Dissanayake and Semasinghe, 2014) highlighting the fact that there are two levels of opportunity recognition that exist; high level and low level opportunity recognitions. Furthermore, we highlighted that, high level opportunity recognition corresponds to high level of sustainability and vice versa. In the surface level, in a context like Sri Lanka, high level of opportunity seeking behaviors are seldom and low level of opportunities recognition exist. This scenario posits to equate entrepreneurial ventures to SMEs in Sri Lanka. And also, this leads to high rates of venture formations

and high rates of venture failures despite the other factors of venture failure. However, without assessing it empirically, while observing the environment of Sri Lanka, we mention that, the majority of Sri Lankan business owners do not seek entrepreneurial opportunities, and thus they are illiterate in that angle.

In fact, Sri Lanka's SME sector makes up a large part of the country, accounting for 80 percent of the overall business sector. SMEs have proliferated to each sector of Sri Lankan economy. In fact, approximately 20 percent of the industrial activities are contributed by agricultural related business. Furthermore, service SMEs contribute more than 90 percent in business establishments. It is considered that SMEs are the major source of employment generation. It is the generally accepted fact that, around 30 percent of the total employment in Sri Lanka is being contributed by the SME sector. Our recent studies in relation to Sri Lankan entrepreneurs depicted the facts that there is a gender bias in SME ownership. The majority of SME owners are women. Furthermore, our descriptive analysis showed that their financial literacy is significantly low. We believe that, this observation is one of the causes of venture failures. Similarly, Drexler et al., (2014) asserted that micro-entrepreneurs generally lack financial knowledge.

Given facts in relation to the surface level of entrepreneurship in Sri Lanka, this section proceeds to establish what sustainable entrepreneurship requires. First we firmly believe that, sustainable entrepreneurship is predominantly backed by opportunity recognition. It is apparent that almost all the successful entrepreneurs in the world start from a unique entrepreneurial opportunity. It is an entrepreneurial opportunity, which brings a solution to an existing problem in the marketplace. An entrepreneurial opportunity may be captured by an individual (solo/independent entrepreneur) or by a company (corporate entrepreneur). Corporate entrepreneurship can be defined as a phenomenon where entrepreneurship is practiced at firm level. Provided the two extremes, Ireland et al., (2003) postulated that small entrepreneurial firms have a higher tendency to seek for entrepreneurial opportunities, whereas large firms have a higher tendency to seek competitive advantages over its competitive counterparts. Furthermore, they highlighted that, all the entrepreneurial firms, regardless of the size of the venture, should simultaneously practice advantage seeking behaviors and opportunity seeking behaviors. We believe that this premise is applicable regardless of the size, type and the context of entrepreneurship. Despite other factors leading to failure of a venture, we state that if all entrepreneurial firms are geared toward advantage seeking and opportunity seeking behaviors simultaneously, sustainable entrepreneurship can be executed.

We believe that, being entrepreneurial requires initiatives implemented from the foundation of the venture itself. We call it foundation, because the beliefs of the owner manager, vested cultural backgrounds of him/her, passion he/she has towards the entrepreneurial venture are some of the neglected areas of entrepreneurship development. We assert that in order to recognize entrepreneurial opportunities (see, Shane and Venkataraman, 2000) and the people's willingness to execute an entrepreneurial opportunity at least or partially depend and are implicitly influenced by cultural heritages. Therefore, without

any empirical inference we state that, the coherent picture of sustainable entrepreneurship requires developments implemented from the foundation level. Stated concisely, opportunity recognition, strategic entrepreneurial aspects, innate cultural factors are some of the prime important factors of sustainable entrepreneurship.

### III. NATIONAL CULTURE – A THEORETICAL VIEW

#### 3.1. 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 divers aspects of triggers of entrepreneurship, national culture and the relationship it has with the entrepreneurial activities are vital. We put forth this point because, innate 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 is a fact that the development of entrepreneurship can be largely attributed to culture. Also, some countries' cultures 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 the culture acts as a major cause to shape the entrepreneurial strategy. Besides, given 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 entrepreneurial 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 are especially relates the field of entrepreneurship, as key personnel of the organization acts 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 aspects 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.

### 3.2. Hofstede's Culture

Assessment of the relationship between national culture and entrepreneurship persist for decades (Schumpeter, 1934). Also the phenomenon has been 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). However, some scholars have criticized Hofstede's (1980) work on culture basing on the principle for not being adequately describes the differences in entrepreneurial activity in different countries (Busenitz et al., 2000), but still many accept 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 they do not with others. 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 influence how group of people reacts 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 1970's. 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 it represented mental programming of the respondent (Hofstede, 2001, p.48). Furthermore, Hofstede's identifications were each person holds unique parts in relation to mental programming and those parts are shared with each other (Hofstede, 2001). Opposing, 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.

### 3.3. 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 has not been distributed equally (Hofstede, 2013). Elaborating more about the dimension, organizational structures with less power distance acknowledge individuals' personal ability of making decisions, whereas organizations with high power distance do not accept individuals' 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 situation are accepted by the people. Furthermore, in low uncertainty scenarios people are less resistant to change (Hofstede, 2001).

*Third dimension;* individualism versus 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 masculine society the prime motivator is achievement and competition, whereas, in feminine society the quality of life and caring for others are considered as the signals of success. Kreiser, et al., (2010) write masculinity as the level of self-confidence and assertiveness in a culture.

*Fifth dimension;* long term versus short term orientation. “[l]ong Term Orientation stands for a society which fosters virtues oriented towards future rewards, in particular adaptation, perseverance and thrift” (Hofstede G. , 2013.P.8) whereas in short term orientation ...”it stands for a society which fosters virtues related to the past and present, in particular respect for tradition, preservation of “face”, and fulfilling social obligations” (Hofstede G. , 2013.P.8).

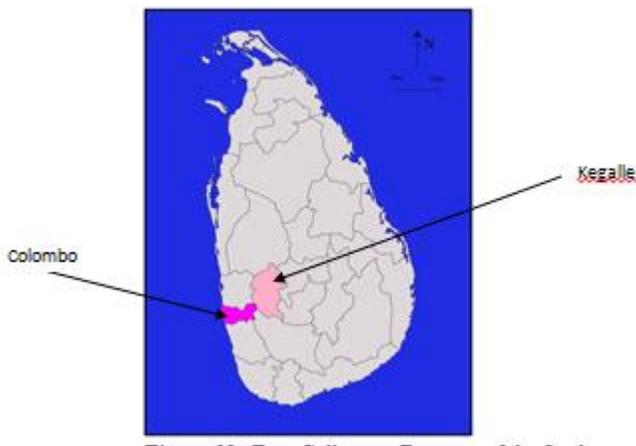
*Sixth dimension;* Indulgence, its opposite pole, restraint. Hofstede (2013) asserted that, indulgence describes the characteristics of members' free gratification in relation to some desires and feelings whereas in restraint cultures, members tend to control gratification and as a result they feel less able to be happy in their lives.

Given all these dimensions of culture, Horst (1996) writes that it is not required and it is not necessarily for all the members in a society to 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).

## IV. METHODOLOGY

### 4.1. Sample and analysis techniques

As we mentioned above, this paper is enriched with an underlying problem. The problem is 'is the vested culture has an impact on entrepreneurial initiatives provided the low strategic entrepreneurial aspects and low opportunity recognition in a context like Sri Lanka'. To achieve this motive, we employed the Geert Hofstede's Values Survey Module (VSM) (2013) questionnaire (Hofstede, 2013). VSM is a 30 item questionnaire developed for comparing culturally influenced values of two similar respondents from two or more countries, or sometimes regions within countries (Hofstede and Minkov, 2013). A sample of 135 entrepreneurs representing 51 entrepreneurs from Colombo district and 84 from Kegalle district (see figure one). Personally administered questionnaires were utilized to maximize response rate. However, 08 questionnaires were elicited unfilled resulting in 127 questionnaires for the study. Hofstede and Minkov (2013) suggested that, 50 respondents is the ideal size for homogeneous sample. Sampling frame of the study is the entrepreneurial database of, Small Business Development Unit, Ministry of Youth Affairs and Skills Development, Sri Lanka. Furthermore, we utilize Independent Samples Test to evaluate whether the cultural dimensions differed based on the district. The Levene's Test for Equality of Variances is performed to measure Equality of Means of two districts.



**Figure 01: Data Collection Districts of the Study**  
**Source: Research data**

## 4.2. Measures

Geert Hofstede's Values Survey Module (VSM) (2013) questionnaire (Hofstede, 2013) provides six dimensional measures of national cultural values on the basis of four questions for each dimension resulting in 24 content questions. The rest asks the questions in relation to the demographics of the respondent such as age, educational level, nationality and etc.

### 4.2.1. Power Distance Index (PDI)

As we elaborated above, "[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). The questionnaire assesses PDI by means of a 5-point likert scale highlighting the questions of, the level of importance of the bosses' involvement in making work related decisions, availability of a direct supervisor who can be respected in the job, How often, in your experience, are subordinates afraid to contradict their boss (or students their teacher?) and, the level of

agreement to the statement of, An organization structure in which certain subordinates having two bosses should be avoided at all cost. The index can be calculated as follows (see, Hofstede and Minkov, 2013).

$$PDI = 35(m07 - m02) + 25(m20 - m23) + C(pd)$$

In which, m07 is the mean score for question number 07 and etc. Illustratively, the PDI varies within the range of 0 and 100 depicting high and low power distance values. According to Hofstede & Minkov (2013) C(pd) is the constant value the varies along with the nature of the sample and it does not affect to the comparison of samples. Furthermore, it is chosen to shift the index score to values between 0 and 100. This constant value principle is equally applicable to all the indexes of Hofstede cultural dimensions.

### 4.2.2. Uncertainty Avoidance Index (UAI)

This "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). The questionnaire assesses the UAI by means of a 5-point likert scale highlighting the questions of, all in all, how would you describe your state of health these days?, How often do you feel nervous or tense? The level of agreement to the statement of, one can be a good manager without having a precise answer to every question that a subordinate may raise about his or her work, and, the level of agreement to, A company's or organization's rules should not be broken - not even when the employee thinks breaking the rule would be in the organization's best interest. The index is calculated as follows (see, Hofstede and Minkov, 2013);

$$UAI = 40(m18 - m15) + 25(m21 - m24) + C(ua)$$

In which, m15 is the mean score for question number 15 and etc. the UAI values range between 0 and 100 implying strong uncertainty avoidances and low uncertainty avoidances. According to Hofstede and Minkov (2013) C(ua) is the constant value that varies along with the nature of the sample and it does not affect the comparison of samples. Furthermore, it is chosen to shift the index score to values between 0 and 100.

### 4.2.3. Individualism Index (IDV)

This dimensions provides useful means to assess independence of members in a given society. The VSM employs 04 questions to assess this aspect. The VSM employs questions such as, the level of importance of an ideal job's security of employment, the time available for the respondent to manage work and his/her personal life, the acceptance of current job by the respondents' family members and friends, and the interestingness of a job. The index can be calculated as follows (see, Hofstede and Minkov, 2013);

$$IDV = 35(m04 - m01) + 35(m09 - m06) + C(ic)$$

In which, m01 is the mean score of question number 01 and etc. The index normally ranges to 100 points implying high collective and individual cultures. According to Hofstede and Minkov (2013) C(ic) is the constant value that varies along with the nature of the sample and it does not affect the comparison of samples. Furthermore, it is chosen to shift the index score to values between 0 and 100.

### 4.2.4. Masculinity Index (MAS)

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 VSM employs 4 questions gathered via a five-point likert scale highlighting the questions of; the level of agreement to the statement of the availability of pleasant employees in a work setting in a given job, presence of recognition for good performance, living in a desirable area, and the chances of the job to get promoted. Thus the index can be computed as follows (see, Hofstede and Minkov, 2013);

$$MAS = 35(m05 - m03) + 35(m08 - m10) + C(mf)$$

According to Hofstede & Minkov (2013) the index values have a range about 100 depicting strongly feminine and strongly masculine cultures. According to Hofstede & Minkov, C(mf) is the constant value that varies along with the nature of the sample and it does not affect to the comparison of samples. Furthermore, it is chosen to shift the index score to values between 0 and 100.

#### 4.2.5. Long Term Orientation Index (LTO)

Hofstede G., (2011) write LTO refers to the dimension where, the choice of focus for people’s efforts. The VSM utilizes four questions to assess the dimension. The questions raise the aspects of the importance of life in helping friends, thrift. Also it assesses the respondent’s pride of being a citizen of his/her country and the level of agreement to the statement of ‘persistent efforts are the surest way to results’. The index is computed as, (see, Hofstede and Minkov, 2013);

$$LTO = 40(m13 - m14) + 25(m19 - m22) + C(ls)$$

Hofstede & Minkov (2013) write that LTO ranges between 0 and 100 showing the characteristics of long term and short term orientation. Hofstede and Minkov further assert that, C(mf) is the constant value that varies along with the nature of the sample and it does not affect the comparison of samples. Furthermore, it is chosen to shift the index score to values between 0 and 100.

#### 4.2.6. Indulgence versus Restraint (IVR)

Indulgences refer to free gratification in relation to some feelings and desires whereas restraint refers to controlled gratification of some desires and feelings of individuals (Hofstede, 2011). The VSM uses four questions highlighting, the level of importance to the statement of mediation (having few desires) and time available for fun in relation to the individual’s personal life. Also, it assesses the magnitude to the questions of ‘do other people or circumstances ever prevent you from doing what you really want to?’ And ‘are you a happy person?’

$$IVR = 35(m12 - m11) + 40(m17 - m16) + C(ir)$$

The value of IVR usually ranges between 0 and 100 implying the natures of high indulgence and high restraint (Hofstede and Minkov, 2013). Also, C(ir) is the constant value that varies along with the nature of the sample and it does not affect to the comparison of samples. Furthermore, it is chosen to shift the index score to values between 0 and 100.

## V. DATA ANALYSIS AND DISCUSSION

We agree with the fact that Sri Lankan published data on Hofstede’s cultural dimensions are available. However, Hofstede & Minkov (2013) assert that, VSM data are not comparable to published scores and VSM comparisons should be made based on matched sample respondents. Thus our analysis is based on those inferences.

### 5.1. Descriptive statistics

Following descriptive statistics provide useful means of interpretations in relation to entrepreneurs in Colombo and Kegalle districts. Importantly, woman participation in entrepreneurial aspects is comparatively higher in both districts. Illustratively, 27 and 79 female entrepreneurs have participated from Colombo and Kegalla districts respectively. While 19 and 02 male entrepreneurs have participated from Colombo and Kegalle districts respectively.

**Table 1: Gender Contribution (Colombo District)**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	19	41.3	41.3	41.3
	Female	27	58.7	58.7	100.0
	Total	46	100.0	100.0	

Source: Research data

**Table 2: Gender Contribution (Kegalle District)**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	2	2.5	2.5	2.5
	Female	79	97.5	97.5	100.0
	Total	81	100.0	100.0	

Source: Research data

This gender contribution in entrepreneurial aspects from the two districts selected poses some important observations. Considering facts in relation to Asia and Pacific regions, since 2002 there is an increase of women participation in the labor force. In

our study also it has been depicted that the women’s contribution is dramatically high. We believe that this high women’s contribution in entrepreneurship has different implications. Sri Lankan households are mainly male dominated and women are meant for light work. But in contrast, this high female contribution in entrepreneurship in these two districts, in particular, with an emphasis of SME setting, has been a reason for this high female contribution despite being truly entrepreneurial. This observation is derived because, according to our statistics, age ranges of entrepreneurs lie mostly in the range of 35-59.

**Table 3: Age ranges (Colombo District)**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	(Under 20)	1	2.2	2.2	2.2
	(20-24)	1	2.2	2.2	4.3
	(25-29)	1	2.2	2.2	6.5
	(30-34)	6	13.0	13.0	19.6
	(35-39)	11	23.9	23.9	43.5
	(40-49)	16	34.8	34.8	78.3
	(50-59)	8	17.4	17.4	95.7
	(60 or over)	2	4.3	4.3	100.0
	Total	46	100.0	100.0	

Source: Research data

**Table 4: Age ranges (Kegalle District)**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	(20-24)	1	1.2	1.2	1.2
	(25-29)	5	6.2	6.2	7.4
	(30-34)	8	9.9	9.9	17.3
	(35-39)	10	12.3	12.3	29.6
	(40-49)	27	33.3	33.3	63.0
	(50-59)	23	28.4	28.4	91.4
	(60 or over)	7	8.6	8.6	100.0
	Total	81	100.0	100.0	

Source: Research data

Provided that the most entrepreneurs are female, and they range within the age range of 35-59, one can state that, these women are mothers and they have more tendencies to engage in self-income generating activities or self-employments. This poses the question that needs empirical investigation, are these female aged entrepreneurs actually and necessarily motivated to be entrepreneurial or to be a mere business owner which satisfies daily income of Sri Lankan households?

Considering respondents’ years of formal education, one can note that 13 years is the most rated category. This implies that entrepreneurs in two districts have almost completed their advanced level examinations and less number of individuals have proceeded thereafter.

**Table 5: Years of formal education (Colombo district)**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	10 years or less	2	4.3	4.3	4.3
	11 years	9	19.6	19.6	23.9
	12 years	2	4.3	4.3	28.3
	13 years	14	30.4	30.4	58.7
	14 years	4	8.7	8.7	67.4
	15 years	2	4.3	4.3	71.7
	16 years	2	4.3	4.3	76.1
	17 years	3	6.5	6.5	82.6
	18 years or over	8	17.4	17.4	100.0
	Total	46	100.0	100.0	

Source: Research data

**Table 6: Years of formal education (Kegalle district)**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	10 years or less	7	8.6	8.6	8.6
	11 years	8	9.9	9.9	18.5
	12 years	9	11.1	11.1	29.6
	13 years	25	30.9	30.9	60.5
	14 years	6	7.4	7.4	67.9
	15 years	3	3.7	3.7	71.6
	16 years	3	3.7	3.7	75.3
	17 years	6	7.4	7.4	82.7
	18 years or over	14	17.3	17.3	100.0
Total		81	100.0	100.0	

*Source:* Research data

We agree with the fact that education level and success of entrepreneurs have no direct stated relationship, rather we observe that, entrepreneurs who represented the two districts are considerably illiterate in managing finance of their business. We state without empirical investigations, financial illiteracy of entrepreneurs may be a factor in failure rates of entrepreneurs.

Finally, considering the industry composition, notably the Colombo district held less in number for Processing of Rubber, tea, coconuts, tobacco, and other agricultural commodities, whereas in Kegalle it is substantially high. This is due to the urban and non-urban difference in two districts selected.

**Table 7: Industry composition (Colombo district)**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Processing of Rubber, tea, coconuts, tobacco, and other agricultural commodities	2	4.3	4.3	4.3
	Tourism	7	15.2	15.2	19.6
	Clothing	10	21.7	21.7	41.3
	Textiles	3	6.5	6.5	47.8
	Information technology services	1	2.2	2.2	50.0
	Construction	3	6.5	6.5	56.5
	other	20	43.5	43.5	100.0
	Total		46	100.0	100.0

*Source:* Research data

**Table 8: Industry composition (Kegalle District)**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Processing of Rubber, tea, coconuts, tobacco, and other agricultural commodities	30	37.0	37.0	37.0
	Banking	2	2.5	2.5	39.5
	Clothing	35	43.2	43.2	82.7
	Textiles	8	9.9	9.9	92.6
	Information technology services	1	1.2	1.2	93.8
	other	5	6.2	6.2	100.0
	Total		81	100.0	100.0

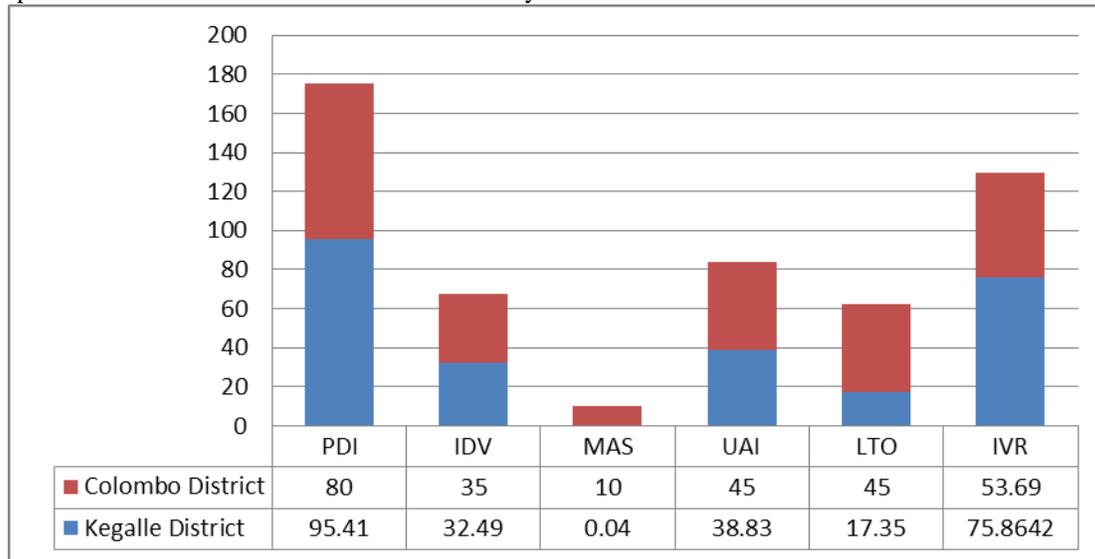
*Source:* Research data

**5.2. Geert Hofstede’s Cultural Dimensions for Colombo and Kegalle Districts in Sri Lanka.**

According to the figure two of the analysis, one can note that Sri Lanka has been recognized as a country with high levels of power distances. Focally, entrepreneurs who participated in the

current study hold the similar characteristic of high power distance. Power Distance Index (PDI) of Colombo and Kegalle hold 80 and 95 PDI. These values imply that entrepreneurial firms in general of two districts considered are not acknowledging participative decision making culture. Simply put this is the dispersion of power in an organization. If an organization tends to be high power distant, it implies that there is an apparent distance among the individuals in decision making. This scenario links to empowerment of an individual as well. Simply empowerment refers to the result an individual 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. High power distance further depicts that firms operate in a centralized environment, with strong hierarchies. Also bosses expect their respect in their authority.



**Figure 02: National Cultural Dimensions**  
 Source: Research data

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). Putting it simple, the dimension refers to the strength of ties people have with others in organizations. The high side of this dimension is referred to as individualism and the other refers to collectivism. The values of the Colombo and Kegalle districts were somewhat moderate in ratings. 35 and 32 values of Individualism (IDV) imply that, the entrepreneurs are cultivating on their skills and they are trying to become masters in their business dealings. According to Geert Hofstede’s calculations he has rated IDV dimension as 35. These values depict Sri Lanka as a country that holds characteristics of a collective culture. In a society like Sri Lanka, it is evident that, people always acknowledge commitment to the family, to the work group and etc. overriding rules and regulations, people in a collective society accept loyalty.

Generally, Masculinity (MAS) refers to degree of competition, success and achievement, in a society. Whereas, the low score (usually referred as feminine) depicts the dominant values of quality of life and caring for others. Being feminist, people are restricted to stand in front of a crowd. According to our analysis, entrepreneurs of Colombo and Kegalle districts have characteristics of a feminine society. Being feminine, it holds the characteristic of female dominance. This is observable from our analysis as well. Respective values of 27 and 79 female of Colombo and Kegalle show these societies to be feminine. In a feminine society these women are more admirable and respected.

According to Hofstede’s calculations, MAS index for Sri Lanka holds 10. Thus we state that, the sub societies of Colombo and Kegalle hold the same characteristics of the whole island.

The dimension of Uncertainty Avoidance (UAI) index stresses that people in a desired society act with uncertainty about the future prospects of the society. They exist in a dilemma as to whether we are going to control the future or are we going to let what is meant to be happening. This ambiguous situation brings anxiety to a society and different cultures cope with anxiety in different ways. Relatively moderate levels of UAI in Colombo (UAI=45) and Kegalle (UAI=39) depict that, these two societies do not show strong preference in relation to UAI. Simply said, members of the societies are not threatened by anxiety. The possible consequences of such moderate levels of UAIs are entrepreneurs in Colombo and Kegalle tend to run their business informally. Due to the low uncertainty about the future, they tend to establish long term plans in their business with acceptance of risk and change.

Long Term Orientation (LTO) index of a given society expresses the degree to which the relationship one can have with his past, present and his/her future. A society which holds a low value in this dimension prefer to be satisfied with timely honored traditions whereas high scored societies initiate more pragmatic approaches. High LTO culture always encourages thrift and efforts in relation to modern education. The values of 45 for Colombo and 17 for Kegalle, does not show a strong preference to LTO. This intermediate level of LTO depicts that, equality is

promoted among the society with a greater emphasis on individualism and creativity.

Indulgence versus Restraint (IVR) index refers to degree of free gratification. If a society is allowing free gratification in relation to some feelings and desires that society is referred to as indulgent, whereas controlled gratification of some desires and feelings are referred to as restraint. According to our analyses IVR values of 54 (Colombo) and 76 (Kegalle) depict high indexes. These values exhibit people of two districts who have a high tendency to fulfill their impulses and desires. Simply put, they are happy. With a greater emphasis on leisure activities, they are more towards optimism. The inferences of IVR in two districts have important implications. Their happy life would possibly increase their entrepreneurial motive.

Referring to the table 12, we state that Levene's Test for Equality of Variances is not violated in all the indexes culture. Or the t test for Equal Variances Assumed is statistically not significant at  $\alpha=0.05$  (Because;  $PDI=p.175>0.05$ ,  $IDV=p.834>0.05$ ,  $MAS=p.351>0.05$ ,  $UAI=p.584>0.05$ ,  $LTO=p.013>0.05$ , and  $IVR=p.104>0.05$ ) and thus we affirm equal variances of all the dimensions. Finally, we claim that, since all the p values are greater than 0.05 and thus there is no any significant differences of cultural dimensions between the two districts of Colombo and Kegalle. Said statistically, though apparent differences exist, those are not statistically proven.

**Table 9: Independent Samples Test**

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
PDI	Equal variances assumed	.222	.639	-1.364	125	.175	-15.83065	11.60976	-38.80780	7.14650
	Equal variances not assumed			-1.389	98.842	.168	-15.83065	11.40013	-38.45143	6.79013
IDV	Equal variances assumed	1.254	.265	.210	125	.834	2.27322	10.83687	-19.17429	23.72072
	Equal variances not assumed			.205	86.830	.838	2.27322	11.11048	-19.81068	24.35711
MAS	Equal variances assumed	.427	.515	.936	125	.351	9.95706	10.63329	-11.08753	31.00165
	Equal variances not assumed			.899	82.784	.371	9.95706	11.07475	-12.07103	31.98514
UAI	Equal variances assumed	.213	.646	.549	125	.584	5.96216	10.85480	-15.52083	27.44515
	Equal variances not assumed			.542	90.143	.589	5.96216	10.99240	-15.87569	27.80000
LTO	Equal variances assumed	.030	.862	2.513	125	.013	27.62748	10.99341	5.87016	49.38480
	Equal variances not assumed			2.586	101.888	.011	27.62748	10.68206	6.43939	48.81558
IVR	Equal variances assumed	.062	.803	-1.639	125	.104	-22.16855	13.52917	-48.94446	4.60736
	Equal variances not assumed			-1.688	102.163	.094	-22.16855	13.13357	-48.21843	3.88134

Source:

Research

data

## VI. CONCLUSION

In this working paper, we set out to identify some important observation in Sri Lanka. That is whether the vested culture in Sri Lanka has an implication to be entrepreneurial. It is important that, being entrepreneurial typically requires opportunity seeking and advantage seeking behaviors (Ireland et al., 2003). They further argued that, regardless of the size of the venture these two dimensions should be practiced simultaneously. Provided this fact, this paper is expected to add a small contribution to a context specific problem. That is whether the considerable rate of entrepreneurial venture failure has an impact from the vested cultural backgrounds. One can argue that, there is no direct impact, but we state that, national cultural background has important implications on entrepreneurial development (see; House et al., 2004).

Therefore, we employed Geert Hofstede's national cultural dimensions in two districts in Sri Lanka. Based on 127 entrepreneurs we derived respective indexes for each dimension of the model. Perhaps most notably, the high value of power distance in both districts implies some of the factors which hinder entrepreneurial aspects. We accept that the majority of Sri Lankan entrepreneurial ventures are driven by few members. But provided the fact that entrepreneurial ventures typically comprehend the value of expansion, the high power distance may act as a restraining factor to stimulate entrepreneurship.

In contrast to that, we identified that Sri Lankan entrepreneurs associate with a collective culture. This may either act as restraining force or a driving force of entrepreneurship. Lumpkin and Dess (1996) in their work highlighted autonomy as a dimension which depicts entrepreneurial orientation. This defines the independence of the entrepreneur in relation to decision making. Thus we affirm that, in a collective culture autonomy is hindered. However, autonomy as a dimension has different implications to venture performance.

In our analysis, we observed that the majority of entrepreneurs who participated to the study are female. Also, we noted that entrepreneurs in these two districts held the characteristics of being feminine. In relation to uncertainty avoidance we noted that Sri Lankan entrepreneurs are not threatened by anxiety allowing them to develop long term objectives of the venture. This inference is very important in relation to sustainable business practices. Long term orientation with a clear strategy provides a clear basis for a venture to compete effectively. Thus we identify long term orientation of Sri Lankan entrepreneurs acting as a driving force to be entrepreneurial. Furthermore, we observed that the high index of Indulgence provide inferences of a happy society. Thus we state that this actually motivates entrepreneurial aspects.

In conclusion, we set out a direction for further research. We observed that Sri Lanka as a nation holds characteristics of collectivism. Provided what Lumpkin and Dess (1996) proposed, autonomy can be identified as a dimension which defines independence of an entrepreneur. Thus we integrate collectivism culture and autonomy as a dimension of entrepreneurial orientation and state that the link between being collective and the relation it has with autonomy would provide a good avenue for future research. Also, we observed that, in a country like Sri Lanka, opportunity seeking behavior and advantage seeking

behavior are less in practice among entrepreneurs, and thus less entrepreneurial. Also we noted that Sri Lankan entrepreneurs are mostly female. The relationship between female entrepreneurship and the less entrepreneurial behavior (less opportunity seeking and less advantage seeking) would be an interesting context specific problem to address.

## Nomenclature

SME Small and Medium Size Enterprise

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## Annex

### Means for Cultural Dimensions

(Source: Research data)

Items	Colombo	Kegalle
<b>Power Distance</b>		
be consulted by your boss in decisions involving your work	1.65	1.75
have a boss (direct superior) you can respect	1.80	1.76
How often, in your experience, are subordinates afraid to contradict their boss (or students their teacher?)	2.30	2.39
An organization structure in which certain subordinates have two bosses should be avoided at all cost	3.17	2.82
<b>Individualism</b>		
have security of employment	1.78	1.74
have sufficient time for your personal or home life	1.91	1.37
have a job respected by your family and friends	2.13	1.75
do work that is interesting	1.47	1.66
<b>Masculinity</b>		
have pleasant people to work with	1.76	2.04
get recognition for good performance	1.82	1.92
live in a desirable area	2.15	1.71
have chances for promotion	2	2.03
<b>Uncertainty Avoidance</b>		
All in all, how would you describe your state of health these days?	2	2.13
How often do you feel nervous or tense?	3.30	3.19
One can be a good manager without having a precise answer to every question that a subordinate may raise about his or her work	2.93	2.34
A company's or organization's rules should not be broken - not even when the employee thinks breaking the rule would be in the organization's best interest	2.91	2.95
<b>Long Term Orientation</b>		
doing a service to a friend	2.19	1.85
thrift (not spending more than needed)	1.56	2
How proud are you to be a citizen of your country?	1.84	1.98
Persistent efforts are the surest way to results	1.63	1.62
<b>Indulgence</b>		
moderation: having few desires	2.23	2.45
keeping time free for fun	2.36	2.32
Do other people or circumstances ever prevent you from doing what you really want to?	3.26	3.41

Are you a happy person?	1.80	1.64
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