ENTREPRENEURSHIP IN THE "NATION OF SHOPKEEPERS": EFFECT OF CULTURAL VALUES ON OPPORTUNITY EVALUATION IN INDIA

Entrepreneurship is responsible for much of the growth and innovation in the global economy (Gupta and Fernandez 2009). The entrepreneurial process involves the complex and intertwined functions, activities, and actions associated with recognizing and pursuing new business opportunities (Keh et al. 2002). Entrepreneurs often see opportunities where others do not, and envision future possibilities that others fail to recognize. Not surprisingly, evaluation of new business opportunities is considered the cornerstone of entrepreneurship (Shane and Venkataraman 2000). Yet, the factors and processes associated with assessments of opportunities to introduce new products and services in the market remain largely ignored in the literature (Haynie et al. 2009).

Deciding whether a situation is a business opportunity involves judgments made under conditions of uncertainty and complexity (Shane and Eckhardt 2005). One possible factor that may shape assessment of new opportunities is the values and beliefs of the enterprising individual. Indeed, values and beliefs have been shown to impact several work-related attitudes and behaviors, such as motivation to lead (Chan and Drasgow 2001), attitudes towards cooperative strategies (Steensma et al. 2000), organizational citizenship behaviors (Moorman and Blakely 1995), and many other individual-level business and organizational outcomes (Kirkman et al. 2006). Cultural values often shape the way people see the world and behave in their professional and personal lives.

In this study, we theoretically elaborate and empirically examine the relationship between individual cultural values and evaluation of new business opportunities. Our research seeks to contribute to the small, but engaging, literature on antecedents of opportunity evaluation (Foo 2011). We also extend research on values and beliefs to opportunity evaluation, a behavioral task involving analysis and intuition to identify meaningful patterns in ambiguous information about emergent events and trends (Baron and Ensley 2006). We empirically test our predictions in India, which extends opportunity evaluation research to non-western societies. India has sustained one of the highest rates of entrepreneurial activity in the world (Khanna 2008), earning the label "a nation of shopkeepers", which makes it a suitable country to examine our predictions.

THEORY AND HYPOTHESES

Whether it is to found a company or introduce novel goods and services to the market, opportunity evaluation is at the heart of the entrepreneurial process (Shepherd and DeTienne 2005). An enterprising individual can be immensely creative and hardworking, but unless a business opportunity is perceived to be desirable or feasible, it will not be acted upon, and new products, technologies, and services will not be introduced (Eckhardt and Shane 2003). A particular opportunity is evaluated favorably when "individuals recognize opportunities for themselves and make the decision to act on these opportunities in the face of uncertainty" (Mitchell and Shepherd 2010: 140). Identifying and understanding factors that influence why, when, and how some people, but not others, favorably assess new opportunities to introduce

novel goods and services has emerged as an important research agenda in the last decade (Haynie et al. 2009).

Research from a variety of perspectives suggests that outcomes on cognitive tasks like evaluation of new opportunities are influenced by core values. Schwartz and Bilsky (1987, 1990) defined values as concepts or beliefs that pertain to desirable end states or behaviors that transcend specific situations and guide the selection or evaluation of behavior and events and that are ordered by relative importance. Drawing on the works of Charles Horton Cooley, George Herbert Mead, and Herbert Blumer, among others, van Maanen (1989) argued that individuals learn to ascribe socially constructed descriptors to themselves and others through interactions (Ashforth and Mael 1989). These values emerge in response to basic issues of survival and growth (Kirkman et al. 2006) and help individuals understand and manage the "complex reality of our social world" (Hofstede 2006: 895). Social interactionism holds that values are learned and acquired from verbal and nonverbal interactions of individuals (Fine 1993). According to symbolic interactionism theory (Fine 1993), individuals acquire values and beliefs through social and cultural interactions.

Several researchers have tried to classify values (e.g. Rokeach 1973; Levitin 1973; Schwartz 1992) with varying degrees of success. There are a variety of frameworks to capture core values and beliefs, but perhaps the most influential, especially in regards to the interactional nature of values, is the one offered by Geert Hofstede. Hofstede (1980) deconstructed individual value system into four basic core dimensions: power distance, uncertainty avoidance, individualism, and masculinity. These four facets, Hofstede (1991, p. 35) argued, represent "core elements" of the value system, and can be used to meaningfully describe values and beliefs worldwide (Hofstede 2002). We describe these dimensions in more detail below:

1. *Power distance* is the extent to which unequal distribution of power is considered acceptable and legitimate (Smith and Hume 2005). Power and inequality are fundamental facts of human organization, as at least some people in every society are situated in certain formal, hierarchical positions. The notion of power distance is manifested in obedience to people in authority versus striving for egalitarianism.
2. *Uncertainty avoidance* refers to lack of tolerance for ambiguity and absence of structure (Dorfman and Howell 1988). It indicates discomfort with and unacceptability of operating in unstructured and uncertain situations. Uncertainty-avoidance involves minimizing chances of being in unknown and unexpected situations by setting strict rules and regulations, and prescribing guidelines for every possible scenario.
3. *Individualism* is the degree to which individual interests are considered subordinate to the interest of the group (e.g., family) (Kagitcibasi 1997). It involves elevating personal aspirations ahead of group goals, as opposed to making the self subservient to the group (Robert et al. 2000). Individualism is often considered the most fundamental aspect of all cultural values (Oudenhoven, et al. 1998), and is arguably the most heavily investigated of the core values (Offerman and Phan 2002).
4. *Masculinity* indicates preference for 'tough' concerns such as competition and achievement (Emrich et al. 2004). It corresponds to the male stereotype of having a higher proclivity for autonomy, exhibition, and dominance, as opposed to preference for 'soft' characteristics such as agreeableness and affiliation. Originally labeled as the 'ego-social' dimension, it was later

rechristened as masculinity, a nomenclature that has generated so much controversy that it is considered "the taboo dimension" of the cultural values framework (Hofstede 1998).

When conceived as individual-held cultural values, endorsement of the four descriptors- power distance, uncertainty avoidance, individualism, and masculinity- reflect a "pattern of construct variation unique to the individual" (Triandis et al. 1990). These values shape the way individuals organize knowledge and social behavior into a fairly consistent set of psychological orientations that reflect "a broad tendency to prefer certain set of affairs over others" (Mitchell et al. 2000: 979). Robert and Wasti (2002, p. 545) note that cultural values "help one organize and interpret the world by focusing attention on certain patterns or themes in the subjective elements of the environment." Prior research has considered these individual-level cultural values in within-country research (Colquitt 2004; Colquitt et al. 2002) as well in cross-country studies (Gomez et al. 2000; Kirkman and Shapiro 2001).

In the present study, we hypothesize:

Hypothesis 1. Power distance will be negatively associated with opportunity evaluation.

Hypothesis 2. Uncertainty avoidance will be negatively associated with opportunity evaluation.

Hypothesis 3. Collectivism will be positively associated with opportunity evaluation.

Hypothesis 4. Femininity will be positively associated with opportunity evaluation.

METHOD

Data and Sample

We collected data from business students at a large private university in Southern India. A total of 267 students (164 men, 56 women, and 47 unreported) completed the English-language survey in class. The average age of our sample was 22 years, which is consistent with the age at which early-stage entrepreneurial activity is most common (Hisrich et al. 2007). Respondents were traditional students with very little or no work experience. We chose business students as our sample for several reasons. First, we sought participants who are familiar with the business world and with the concept of entrepreneurship (Begley et al. 2005). Second, we wanted respondents who have not yet decided on a corporate career and are likely to be interested in starting their own business in the future (Mueller and Thomas 2000). Lastly, business students are believed to represent a significant share of the pool of entrepreneurially-oriented individuals in developing countries (Gupta and Fernandez 2009), and there exists a strong emphasis among policy-makers on encouraging business students to be entrepreneurial (Hisrich et al. 2007). For these reasons, we believe business students are an appropriate sample for our study.

ANALYSES AND RESULTS

The primary statistical techniques used to analyze data in this study included descriptive statistics, correlations and multivariate hierarchical regression. The intercorrelations among the variables in this study were in line with expectations. None of the control variables other than socio economic status were significantly related to the dependent variable.

Results show a significant negative relationship between power distance and opportunity evaluation as hypothesized by hypothesis 1 ($p < .001$). Results also suggest a significant positive relationship between femininity (hypothesis 4), collectivism (hypothesis 3) and opportunity evaluation ($p < .001$). Therefore, hypotheses 1, 3 and 4 were supported. Although there was a significant relationship between uncertainty avoidance and opportunity evaluation ($p < .001$), it was a positive relationship rather than a negative relationship; therefore, hypothesis 2 was not supported.

DISCUSSION

Entrepreneurial activity is a result of individuals favorably evaluating business opportunities to introduce new goods and services (Chiles et al. 2007). Although conventional economic wisdom advocated an objective value-based perspective of business opportunities, recent research recognizes individual differences in evaluation of opportunities (Mitchell and Shepherd 2010). In this study, we examined the relationship between individual cultural values and opportunity evaluation. We found that power distance value is negatively associated whereas uncertainty avoidance, collectivism, and femininity values are positively associated with opportunity evaluation. Our results suggest that those who are members of close knit networks, perceive egalitarian values in society, look out for the interests of others, and show a preference for agreeableness and relationships are more likely to evaluate new opportunities favorably. As such, we contribute to the knowledge of factors underlying opportunity evaluation (Eckhardt and Shane 2003) as well as the impact of individual cultural values on opportunity evaluation (Kirkman et al. 2009).

The cultural values literature involves a paradox: Although Hofstede (1980) was clear that his framework of cultural values was intended only for the country level, researchers have liberally adapted them to derive and test theories about the cultural antecedents to individual outcomes in the workplace (Taras et al. 2010). Prior research on individual-level cultural values have preferred to focus on the individualism dimension (Kirkman et al. 2006), and few studies have been published in this area using all four Hofstede (1980) cultural dimensions (Niranjan et al. 2013). Furthermore, research often tend to fall back on Hofstede's (1980) country scores as proxies for individual-level cultural values rather than directly assess beliefs and values at the individual level (Kirkman et al. 2006). To construct a more complete picture of the effects of cultural values, we developed coherent theory about different cultural value effects at the individual level and tested it using data collected in a specific country. As expected, the four cultural values studied in this research were found to have a significant effect on evaluation of new business opportunities.

We acknowledge certain limitations of our study, which also open directions for additional research. Although the four-dimensional cultural framework dominates research in the international arena (Niranjan et al. 2014), there are several other cultural values that have been

proposed over the years (Taras et al. 2009). Perhaps, comparative research weighing the relative contributions of different cultural frameworks would be helpful in unraveling their usefulness in understanding new opportunity evaluation. We theorized and tested our predictions in one country, which has the advantage of holding extraneous factors constant (e.g., laws related to participation of men and women in the workforce). Yet, it would be especially helpful to explore the relationships between cultural values and opportunity evaluation in countries that are very different from the Indian context in which we conducted the present study. Finally, generalizability of results reported in this study to populations with more experience in evaluating new opportunities cannot be assumed and needs to be empirically confirmed. Thus, future research could test the validity of the relationships proposed here in populations with entrepreneurial experience.

Notwithstanding the limitations of our research, our study has several methodological strengths. First, we tested our hypotheses in India, which enabled us to respond to calls for research "in countries that are emerging as important global players and at the same time have sociocultural contexts very different from those of western countries" (Nadkarni and Herrmann 2010, p. 1067). Second, the participants of this research study fell in the 18–24 age group, which has the lowest proportion of people in India who attribute their pursuit of new opportunities to push factors such as lack of alternative employment (Manimala 2002). Third, unique to prior research, we used a multi-vignette approach to measure evaluation of new business opportunities, which provides for a stronger and more robust measure of opportunity evaluation. Finally, although the nature of the research participants' experiences did not exactly mirror those of a real organizational situation, several features of this task and of our participants achieved what Berkowitz and Donnerstein (1982) referred to as "mundane realism." To summarize, we have confidence that cultural values help explain variations in opportunity evaluation as we found in our study, and we encourage additional research in other settings to empirically examine the generalizability of our findings across populations, time periods, and dependent variables.

CONCLUSION

Our research advances extant literature by examining the relationship between cultural values and opportunity evaluation at the individual level. Entrepreneurship researchers should seek to delve deeper into the linkages between power distance, uncertainty avoidance, femininity, and collectivism on the one hand and opportunity evaluation on the other. Our logic connecting cultural values with opportunity evaluation is based on past research, but moderating and mediating variables in these relationships need to be examined. Comparative studies between different regions in the same country or between different countries will help extend the generalizability of our research.

REFERENCES

Available from authors and in the full manuscript.