

Cultural and Economic Influences on Humane Entrepreneurship and Policy Implications for Balanced Entrepreneurship

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INTRODUCTION

The human side of entrepreneurship and the entrepreneurial role of employees in established firms are not fully emphasized (Kim, El Tarabishy, & Bae, 2018; Parente, El Tarabishy, Vesci, & Botti, 2018; White Book, 2016). For this human-centered logic to be emphasized, a new term “humane entrepreneurship” was developed by ICSB working group (Kartajaya, 2016; Kim, 2016).

Humane entrepreneurship is defined as “virtuous and sustainable integration of entrepreneurship, leadership, and HRM, in which successful implementation leads to a beneficial increase in wealth and quality job creation, perpetuated in a continuous cycle” (Kim et al. 2018a). Humane entrepreneurship argues that entrepreneurs extend their priorities beyond their profit margin, toward their employees, environment, and society, because companies generate higher profits when they value and encourage employees, and also when they act friendly for the environment and society (Parente et al., 2018).

Previous studies on the humane entrepreneurship are conceptual (Kim et al., 2018a; Parente et al., 2018), measurement (Bae et al., 2018), or characteristic (Kim, Bae, Enriquez, & Song, 2018). But there are no humane entrepreneurship research that considers economic and

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cultural differences. This study compares 19 countries based on the degree to which each element of humane entrepreneurship is realized and emphasized. This paper addresses how humane entrepreneurship is related with economic and cultural differences. This study also provides different sets of guidelines for each country.

MODEL AND HYPOTHESES

This study argues that characteristics of humane entrepreneurship are different among countries. It is likely that humane entrepreneurship is related with economic development (Kim, Kim, Song, & Kang, 2018) and/or national culture (Kim et al., 2018b).

It is widely accepted that entrepreneurship and GDP per capita, have a U-shaped relationship (Carree, Van Stel, Thurik, & Wennekers, 2002). This phenomenon can be explained through high numbers of necessity-driven entrepreneurs in low-income countries and of innovation-driven entrepreneurs in high-income countries (Hicks, Maroni, Stackpole, Gibson, & Puia, 2015; Shane, 1993).

Hypothesis 1. Humane entrepreneurship has U-shaped relation with GDP per capita.

Six cultural dimensions suggested by Hofstede were applied to analyze the influence of culture on entrepreneurship: power distance, uncertainty avoidance, individualism, masculinity, long-term orientation, and indulgence. The entrepreneurs in low power distance cultures are more passionate towards new start-ups to improve the status quo of the organization (Shane, 1993). An individualistic culture believes that an individual is more effective in decision-making and execution than groups are. It is commonly known that individualism breeds entrepreneurship (McGrath, Macmillan, and Scheinberg, 1992; Shane, 1993). Entrepreneurs in a masculine culture (assertiveness, success, power, and proactive

actions) have a high desire for achievement (Hofstede, 2001), and therefore participate in new businesses more actively. (Jeong and Ryou 2012)

Cultures with low uncertainty avoidance are more likely to embrace various types of risk, such as changes in jobs and engaging in actions without set rules (Hofstede 2001). Long-term orientation (patience and frugality) is positively correlated with entrepreneurship (Lumpkin, Brigham & Moss 2010), because prerequisite of entrepreneurship is the embracing of long-term direction and risk (Dissanayake and Semasinghe 2016). High levels of indulgence reflect a rebellious attitude that does not limit entrepreneurial passions and dreams. Companies are more likely to explore environments in these cultures (Once and Almagtome 2015).

Hypothesis 2. Humane entrepreneurship is negatively related with power distance (H2-1) and uncertainty avoidance (H2-2) and positively related with individualism (H2-3), masculinity (H2-4), long-term orientation (H2-5), and indulgence (H2-6).

Innovation-driven countries typically achieve a balance between enterprise and human cycles to a certain degree. The humane cycle acts to magnify the effects of the enterprise cycle. Kim et al.(2018b) argued that keeping balance between humane cycle and enterprise cycle is critical, because humane entrepreneurship is an internal condition for firm growth.

Hypothesis 3. Balance between enterprise cycle and humane cycle is positively related with GDP per capita.

EMPIRICAL STUDY

Measurement

To develop the measurement of humane entrepreneurship, empowerment, ethics, equality, engagement, ecosystem, envisioning, enthusiasm, enlightenment, experimentation, and

excellence (10Es) (Kartajaya, 2016; Kim, 2016) were selected (**Table 1**) by reviewing literature from five research domain—strategic entrepreneurship, stakeholder theory, transformational leadership, motivation theory, and humanistic management. These 10Es are classified into humane cycle and enterprise cycle. Among 10Es, empowerment, ethics, equality, engagement, and ecosystem were strongly correlated with humane cycle and envisioning, enthusiasm, enlightenment, experimentation, and excellence belonged to traditional enterprise cycle (Kim, 2016; Kim et al., 2018b). Bae et al. (2018) empirically confirmed this two-factor 10Es model.

Data Collection

Survey for data collection began in January 2016. SurveyMonkey® and supplementary e-mail communication were used and the survey ended in November 2016. Country representatives were asked to contact policy makers, business people, and management and/or entrepreneurship educators as respondents. Respondents were asked to evaluate the “state (performance)” and importance of each element of humane entrepreneurship in their countries using a five-point Likert scale (1=Very low, 2=Low, 3=Neutral, 4=High, 5=Very high).

Data were collected from more than 40 countries through proportional random sampling. Finally, data from 19 countries, whose responses are more than 10, were used for country-by-country comparison by calculating mean numbers for each country (White Book, 2016).

Hypothesis Test

The humane cycle score and enterprise cycle score for each country are presented in **Table 2a** and **Table 2b**. The humane cycle score was lower than the enterprise cycle score for all countries.

According to correlation analysis (**Table 3**), Hypothesis 1 was supported, Hypothesis 2

was partially supported, and Hypothesis 3 was not supported.

Enterprise cycle and humane cycle are positively related with GDP per capita 2015, GDP per capita 2015 (PPP), squared value of GDP per capita 2015, and squared value of GDP per capita 2015 (PPP). This supports the argument that there is U-shaped relationship between humane entrepreneurship and GDP per capita (Hypothesis 1 supported).

We compared humane entrepreneurship scores with cultural variables and found human-centered entrepreneurship is correlated with uncertainty avoidance, power distance, and masculinity. These results support Hypothesis 2-1, 2-2 and 2-4, but correlations between enterprise cycle, humane cycle, individualism, long-term orientation, and indulgence were not significant although directions were as expected (Hypothesis 2-3, 2-5, and 2-6 not supported).

Finally, we tested balance between enterprise cycle and humane cycle by calculating absolute difference between enterprise cycle and humane cycle. Correlation coefficients for balance and humane entrepreneurship were not significant although directions were as expected (H3 not supported).

CONCLUSIONS

This paper provides empirical support for the importance of human-oriented entrepreneurship. We analyzed and confirmed effects of cultural and economic factors on humane entrepreneurship. The argument for balance between humane cycle and enterprise cycle was not supported. To examine this hypothesis further and provide policy guidelines we executed importance-performance analysis (IPA) (Martilla & James, 1977). Here, all of 10Es were very important for all countries, so level of importance for IPA was fixed as “High”. Therefore we have two strategies: ‘Concentrate here[c]’ when the performance is low and ‘Keep the good work[k]’ when the performance is high (**Table 4**).

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Table 1. Operational Definition of Humane Entrepreneurship

Construct	Component	Description
Humane cycle	Empowerment	Entrepreneurs seek for the spirit of openness and collaboration by transferring works and empowering employees to increase work scope and autonomy in doing their jobs.
	Ethics	Entrepreneurs which serve as stewards taking social responsibility have a 4 level of ethics, accountability, responsibility, and holistic growth to make the enterprise reliable and admired.
	Equality	Entrepreneurs maintain the spirit of fairness and equality through unconstrained human relations, while seeking external stimulus and viability.
	Engagement	Entrepreneurs promptly recognize crises driven by environment changes, are able to overcome those crises, and change threats into opportunities by encouraging and motivating employees.
	Ecosystem	Entrepreneurs cultivate a healthy business ecosystem through altruistic oriented relationship management where suppliers, employees, and local communities collaborate and trust one another.
Enterprise cycle	Envisioning	Entrepreneurs are able to predict future environment changes, capture new opportunities, provide vision, and thereby proactively pursue.
	Enthusiasm	Entrepreneurs keep a challenging spirit, risk taking despite uncertainty, and exploit new opportunities.
	Enlightenment	Entrepreneurs ceaselessly pursue changes, improvements for processes, development of new technology, thereby creating and producing higher added value.
	Experimentation	Entrepreneurs keep creative thinking for developing new products, through which they could exploit new market, and develop new business.
	Excellence	Entrepreneurs pursue and exploit excellence in execution to achieve goals and better performance in terms of cost, quality, technology development, and operations.

Table 2a. Enterprise Cycle 5Es Scores

	Envisioning	Enthusiasm	Enlightenment	Experimentation	Excellence	Enterprise Score	HE Score
USA	3.56	3.78	3.56	3.78	3.33	18.00	33.33
Belgium	3.14	3.05	3.26	3.37	3.28	16.09	30.53
Bulgaria	2.75	3.02	3.00	2.83	2.81	14.41	27.43
Serbia	2.19	2.58	2.51	2.46	2.53	12.26	23.46
Italy	2.90	2.80	3.04	3.00	2.90	14.63	27.02
Austria	3.44	3.15	3.56	3.62	3.53	17.29	34.26
U.K.	3.35	3.37	3.22	3.25	3.20	16.40	31.89
Mexico	3.25	3.50	2.75	3.50	3.50	16.50	31.75
Argentina	2.93	3.27	3.13	2.97	2.93	15.23	26.87
Malaysia	3.00	2.75	3.00	2.75	3.00	14.50	27.75
Indonesia	2.96	3.23	3.40	3.41	3.12	16.12	30.51
Philippines	3.00	3.18	3.00	2.91	2.91	15.00	28.36
Singapore	3.75	3.50	3.58	3.50	4.17	18.50	36.33
Japan	2.57	2.58	2.82	2.90	2.92	13.80	27.86
Korea	3.14	3.12	3.17	3.28	3.30	15.99	28.34
Vietnam	2.78	2.88	2.72	2.90	2.91	14.19	27.55
Cambodia	2.60	2.89	3.00	3.11	3.44	15.11	28.44
China	3.30	3.46	3.18	3.35	3.27	16.53	30.18
Turkey	2.66	2.84	2.75	2.97	2.78	14.00	26.53
Total	2.93	3.06	3.06	3.11	3.06	15.21	28.63

Table 2b. Humane Cycle 5Es Scores

	Empowerment	Ethics	Equality	Engagement	Ecosystem	Humane Score	HE Score
USA	3.44	3.11	2.67	3.00	3.11	15.33	33.33
Belgium	2.93	2.95	2.74	3.07	2.74	14.44	30.53
Bulgaria	2.67	2.43	2.71	2.54	2.67	13.02	27.43
Serbia	2.26	2.21	2.13	2.42	2.19	11.21	23.46
Italy	2.37	2.45	2.45	2.78	2.35	12.39	27.02
Austria	3.12	3.44	3.35	3.47	3.59	16.97	34.26
U.K.	3.08	3.10	3.16	3.12	3.08	15.54	31.89
Mexico	3.25	2.75	3.00	3.50	2.75	15.25	31.75
Argentina	2.27	2.30	2.10	2.70	2.27	11.63	26.87
Malaysia	2.50	2.75	2.75	3.00	2.25	13.25	27.75
Indonesia	3.01	2.82	2.82	2.94	2.81	14.39	30.51
Philippines	3.09	2.55	2.45	2.64	2.64	13.36	28.36
Singapore	3.50	3.83	3.58	3.67	3.25	17.83	36.33
Japan	2.64	2.75	2.76	2.70	2.76	13.70	27.86
Korea	2.49	2.31	2.47	2.74	2.46	12.46	28.34
Vietnam	2.84	2.62	2.55	2.71	2.64	13.36	27.55
Cambodia	2.40	2.30	2.40	3.00	2.70	12.80	28.44
China	2.87	2.64	2.74	2.86	2.85	13.83	30.18
Turkey	2.38	2.53	2.34	2.78	2.50	12.53	26.53
Total	2.72	2.62	2.65	2.80	2.67	13.44	28.63

Table 3. Correlation Matrix

	PDI	IDV	MAS	UAI	LTO	IDL	GDP	GDP_P	GDPS	GDP_PS
Enterprise Cycle	-0.361	0.242	0.166	-.476*	0.016	0.432	.643**	.633**	.702**	.651**
Human Cycle	-0.333	0.200	0.306	-.518*	0.056	0.460	.661**	.677**	.732**	.709**
PR: Enterprise Cycle	-.557*	0.439	.530*	-0.318	0.182	0.409				
PR: Humane Cycle	-.531*	0.393	.485*	-0.324	0.219	0.402				

Note: *p<0.05, **p<0.01; PR: Performance Ratio (Actual State by Importance); PDI: Power Distance; IDV: Individualism; MAS: Masculinity; UAI: Uncertainty Avoidance; LTO: Long-term Orientation; IDL: Indulgence; GDP: GDP per capita 2015; GDP_P: GDP per capita, PPP 2015; GDPS: GDP per capita 2015 Squared; GDP_PS: GDP per capita, PPP 2015 Squared.

Table 4. IPA Matrix

	Envisioning	Enthusiasm	Enlightenment	Experimentation	Excellence	Empowerment	Ethics	Equality	Engagement	Ecosystem
Argentina	n	n	n	n	n	c	c	c	n	c
Austria	k	n	k	k	k	n	k	k	k	k
Bulgaria	c	n	n	c	c	c	c	c	c	c
China	k	k	k	k	k	n	c	c	n	n
Indonesia	n	k	k	k	k	n	n	n	n	n
Italy	n	n	n	n	n	c	c	c	n	c
Japan	c	c	n	n	n	c	c	c	c	n
Serbia	c	c	c	c	c	c	c	c	c	c
South Korea	k	k	k	k	k	c	c	c	c	c
Turkey	n	n	n	n	n	c	c	c	n	c
U.K.	k	k	k	k	k	n	n	n	n	n
Vietnam	n	n	n	n	n	n	c	c	c	c

Note: Statistically [c] Concentrate here when the confidence interval > 3 (scale mean), [k] Keep the good work when the confidence interval < 3, [n] Concentrate or keep the good work when the confidence interval includes 3.