



Nurturing Corporate Entrepreneurship: A Cross-Cultural Analysis of Organizational Elements That Foster Corporate Entrepreneurship

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Abstract. This study is a cross-cultural, empirical investigation to assess the relationship between organizational climate for corporate entrepreneurship and national culture values. National culture values regarding entrepreneurship indicate the degree to which a society considers entrepreneurial behaviors as desirable (Hayton, George and Zahra, 2002). Thus, it is expected that national culture values will influence the organizational climate for entrepreneurship. However, in the past, very few research studies have empirically examined this important relationship (Hayton et al., 2002). The main purpose of this paper is to explain how culture values of nations, can account for the differences in the organizational climate for corporate entrepreneurship. Understanding national culture values can help managers of multinational businesses to optimize their efforts for promoting a climate for corporate entrepreneurship. By leveraging culture values, managers can design effective nation-specific strategies for business units located in different countries, instead of adopting a “one size fits all” approach. A “one size fits all” approach might have undesirable consequences for an organization, especially if the culture values of the nation where the business units are located are contradictory to the organizational values and climate for internal entrepreneurship. This research was conducted in a multinational organization that had plants located in 20 countries. Spearman’s correlation coefficient (Spearman’s ρ) was used to assess the correlations between national culture values and organizational climate elements for corporate entrepreneurship. Results indicated that there are significant correlations between these two variables. These findings have significant implications for organizational managers and researchers in the area of entrepreneurship.

Keywords: corporate entrepreneurship, organizational climate, cross-cultural studies, intrapreneurship, organizational culture, entrepreneurship within organizations.

Once an organization loses its spirit of pioneering and rests on its early work, its progress stops.

Thomas J. Watson

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1. Introduction

Organizational culture and climate have been long acknowledged as a critical factor for kindling and nurturing the corporate entrepreneurship (intrapreneurship) spirit in organizations (Eggers, 1999; Hamel, 2000; Kuratko, Hornsby, Naffziger, & Montagno, 1993; Rule & Irwin, 1988; Sathe, 1988; 2003; Sykes & Block, 1989). Considerable research has been conducted on identifying elements in the organization's culture that are conducive to growth of corporate entrepreneurship in organizations (e.g. Sathe 1989). Moreover, there is substantial evidence that various aspects of a nation's culture impact the way organizations function, particularly with regards to profitability (e.g. Sethi & Elango, 1999). Another crucial aspect of an organization's functioning is its ability to reinvent and grow new businesses or transform stagnant business that are currently in the need of transformation (Schendel, 1990). This notion of reinventing or transformation is linked to corporate entrepreneurship (Schendel).

Despite growing interest in the relationship between national culture and entrepreneurship, few research studies have empirically examined this relationship or the effects of national culture on internal corporate entrepreneurship (Hayton, George, & Zahra, 2002). In this study, we explore the relationship between national culture values and elements of a corporate entrepreneurial climate.

In the present business environment, where multinational businesses are the norm, studying corporate entrepreneurship in a single national or cultural context (as is the case with most research studies) is remarkably inadequate. Previous research studies have shown that a nation's culture values influence organizational values (van Muijen & Koopman, 1994). For this reason, organizations cannot assume a "one size fits all" approach to managing business units or organizations located outside the headquarters nation, especially not with countries that uphold contrasting culture values. Moreover, if the culture values of any given nation are contradictory to the values of the organization at headquarters, the friction created by the contradiction might lead to undesirable results for the organization. It is therefore critical that managers of organizations understand how an organization's elements (e.g. practices, procedures, (Schneider 1975), that constitute a climate for corporate entrepreneurship, differ in comparison to different national cultures. By comparing many nations, as opposed to just two or three, management can understand why (based on national characteristics) countries differ on climate for entrepreneurship variables.

In this paper we explain how elements of a corporate entrepreneurial climate within each of the subsidiaries of a multinational organization, differ across each of 20 nations. We discuss these differences by utilizing characteristics of nations, especially their culture values, propounded by two leading scholars in the field of cross cultural research, Geert Hofstede and Shalom Schwartz. These culture values include individualism and collectivism, power distance, uncertainty

avoidance, masculinity and femininity (Hofstede, 2001), autonomy vs. conservatism, harmony vs. mastery, or hierarchy vs. egalitarianism (Schwartz, 1994; 1999). The variables reflecting a climate for entrepreneurship including risk-taking, innovation, organizational rewards/recognition, explicit goal setting, and feedback to employees. The relationship between culture values and climate for entrepreneurship variables will be evaluated at the country level of analysis. By studying this level of analysis, we will be able to explain why and to describe the likelihood by which an organization, embedded within a national culture, would endorse risk-taking, innovation, organizational rewards/recognition, explicit goal setting, and feedback to employees. With this type of information, organizations planning to open subsidiaries in any of these nations can plan to assess how best to foster or to capitalize on a climate for entrepreneurship.

Based on an ecological model for cross-cultural research (Segall, Lonner, & Berry, 1998), we assert that culture values will relate to variables that reflect climate for entrepreneurship. Below we review literature on entrepreneurship and culture. Toward the end of the literature review, we will summarize the literature and arguments in support of a relationship between culture values and climate for entrepreneurship and delineate our hypotheses.

2. Literature Review

There are two main themes of research in the field of corporate entrepreneurship, the first theme focusing on individuals who implement innovations in the firms and the second emphasizing the corporate entrepreneurial process, looking specifically at the factors required for the emergence and conditions required to sustain entrepreneurship (Carrier, 1996). Most research on the climate for fostering corporate entrepreneurship contributes to the second theme of research and analyzes factors, including organizational climate, that are conducive to enabling employees of organizations to be an intrapreneur or an entrepreneur within the organization, unit or work group.

By climate, we mean the general feelings one has, at a given moment in time, about how the group or organization with which one is associated is supporting (through procedures, practices, policies, and rewards) entrepreneurial behaviors. It is to this point that we are focusing on entrepreneurship. That is, we are assessing the extent to which organizations of a multinational firm, embedded within certain nations, endorse various elements of entrepreneurship. Prior to delving into a review of literature on entrepreneurship, it is important to define climate and differentiate it from culture. The distinction that will be made is important as in this study we are addressing elements of a nation's culture in relation to variables that reflect an organization's climate for entrepreneurship.

2.1. Culture versus Climate

Culture, whether the context is organizational or national, refers to patterns of fundamental assumptions, rooted in values, and contextual artifacts, that are shared by a group of people (Schein, 1990). Culture is reflected in shared patterns of beliefs, values, and expectations that produce norms that powerfully shape behaviors exhibited, thought processes, and feelings held by groups or individuals (Hofstede, 2001; Schwartz & Davis, 1981). The beliefs, values, norms, patterns of expectations are shared because they are shaped over the course of time, often influenced by environmental contingencies (Segall et al., 1998).

In contrast, climate is typically discussed in the context of organizations or groups. It is based on employees' perception of the work environment (Glisson & James, 2002). More specifically, climate is reflected in employees' perceptions of practices, policies, and procedures endorsed by an organization (or group) and their perceptions of behaviors that would be rewarded (Schneider, Gunnarson, & Niles-Jolly, 1994).

When focusing on the organizational context, in particular, it is often useful to think about the difference between climate and culture in terms of *what* happens in an organization (i.e., organizational climate) and *why* the "what" happens in an organization (i.e., organizational culture; Schneider et al. 1994). Another way to look at these concepts is through the lens of time where organizational climate can be seen as a snapshot moment and culture is more enduring (Moran & Volkwein, 1992).

In this study, we are not assessing the values held by organizational members. Thus, we are not studying organizational culture. We are, however, assessing how values at the culture level of analysis relate to the "snapshot" moment of the practices, policies, procedures, and reward processes of organizations within the context of nations. In other words, we are examining how culture relates to the climate for entrepreneurship. Although it is not understood which comes first, climate or culture, it is not the scope of this paper to make that determination. Instead, the purpose of this paper is to determine how the two variables, culture (in terms of culture values) relate to climate for entrepreneurship, without asserting a directional relationship.

2.2. Corporate Entrepreneurship

Corporate entrepreneurship has been defined as organizational process for transforming individual ideas into collective actions by managing the uncertainties in the process (Chung and Gibbons, 1997). It refers to innovation, initiated and implemented by employees within an organization (Carrier, 1996). Corporate entrepreneurship has also been referred to as intrapreneurship (Pinchot, 1985), venture (Hornsby, Naffziger, Kuratko & Montagno, 1992), internal

corporate venture and corporate venture (Zahra, 1991). For this reason, in this paper, the terms corporate entrepreneurship will be interchanged with intrapreneurship and intra-corporate entrepreneurship (Pryor & Shays, 1993).

From the time of its inception through today, the idea of corporate entrepreneurship has been a popular subject among organizational managers, because it is seen as beneficial to the organization's survival. Some of the reasons for encouraging corporate entrepreneurship in organizations include developing cost effective solution[s] to meet the challenges of global competition (Pryor & Shays, 1993), "taking advantage of the in-house genius" (Adams, 1996, p.56), "to innovate ...to improve flexibility, competitiveness, and reactivity" (Carrier, 1996, p. 5), to avoid losing business to startups in economies such as the US where venture capital is available in plenty in the global market place (Sathe, 1988), and to "exploit new market opportunities" (Eggers, 1999, p. 76). Organizational managers, therefore, try to find ways and means to nurture corporate entrepreneurship as a means of competitive advantage for the firms.

Establishing an organizational environment, specifically an *organizational climate* that encourages corporate entrepreneurship, wherein each employee is encouraged to create new things, is of crucial importance and one of the key factors for fostering corporate entrepreneurship (Eggers, 1999; Hamel, 2000; Sathe, 1988; 2003; Sykes & Block, 1989).

2.3. Organizational Culture versus Climate for Corporate Entrepreneurship

In this paper, we will be strict about the use of the words climate versus culture in this study, even though numerous scholars have used these terms interchangeably. Whenever possible, we will clarify when the terms are not being used synonymously with the definitions we have set forth. Other scholars have taken a different route by distinguishing between "deep entrepreneurship" (which is supposed to reflect entrepreneurial culture) and "surface entrepreneurship" (which is supposed to reflect a climate for entrepreneurship; Vijay Sathe, 1988). "Deep entrepreneurship" is found in organizations where entrepreneurship is held as an important shared value by organizational members. This type of an entrepreneurship can be viewed as an enduring or long-term entrepreneurship, wherein management encourages corporate entrepreneurs not because it is a corporate mandate or a business necessity, but because entrepreneurship is a value that the management truly believes in. In contrast, "surface entrepreneurship" occurs when managers of organizations encourage corporate entrepreneurs through various practices and reward systems. Thus, surface entrepreneurship reflects "climate for entrepreneurship," as it is for a short-term period in which an organization encourages internal entrepreneurship. To extrapolate, "surface entrepreneurships" is a short-term effort by organizations to encourage corporate entrepreneurship, which may cease as soon as there is no

business necessity to encourage entrepreneurship within the organization. Therefore, the former concept is permanent, whereas the latter is transitory in nature. Although in both these cases organizations have environments that encourage entrepreneurship, based on the definitions of these concepts, it is clear that we are studying surface entrepreneurship. Moreover, we argue that organizations that encourage entrepreneurship among its employees must have organizational climates and structures in place to encourage entrepreneurship, irrespective of whether the organization has a culture for entrepreneurship.

2.4. Elements of an Organizational Climate for Corporate Entrepreneurship

Regardless of management's motivation for encouraging entrepreneurship or the type of entrepreneurship, organizations wishing to create an organizational environment conducive to corporate entrepreneurship must necessarily encourage certain factors in its environment. Although literature search has identified numerous factors that encourage entrepreneurship within organizations, some factors are emphasized repeatedly by researchers. These factors include encouraging innovation (e.g. Morris, Avila, & Allen, 1993), continuous improvement (Baumol, 2004; Carrier, 1996), risk taking (e.g., Sykes & Block, 1989), providing explicit goals and feedback (e.g., Kuratko et al, 1993), providing adequate rewards, recognition (e.g., Carrier, 1996; Hornsby, Naffziger, Kuratko, & Montagno, 1992; Sathe 1988). These are some of the critical factors in an organization's environment that must be perceived by the employees as being encouraged in the workplace. The aggregated perceptions of employees regarding the extent to which these elements are encouraged in the organization, in turn, reflects the organizational climate for corporate entrepreneurship. For the purposes of this research paper we focus on the climate for entrepreneurship, that is, the extent to which employees in organizations perceive their organization is encouraging concepts related to internal entrepreneurship, namely risk-taking, innovation, continuous improvement, providing explicit goals, providing adequate rewards, recognition and feedback.

The factors mentioned above as related to entrepreneurial organizational climate are likely related to national culture values. National cultural values regarding entrepreneurship indicate the degree to which a society considers entrepreneurial behaviors as desirable (Hayton et al., 2002). Thus, it is expected that national culture values will influence organizational practices and rewards that encourage an internal entrepreneurial spirit. For example, nations that emphasize autonomy values (i.e., freedom of creative thinking; Schwartz, 1999) would reward behaviors reflective of innovation and risk taking. Engaging in these behaviors would aid the development of entrepreneurship, and thus support a climate for entrepreneurship. In contrast, nations that emphasize Conservatism values (i.e., conformity to norms and maintaining the status quo; Schwartz, 1999)

would be less likely to support a climate for entrepreneurship (Hayton et al., 2002). To further understand the expected relationships between culture values and entrepreneurship, we briefly review culture values developed by Hofstede (2001) and Schwartz (1999).

2.5. Culture Values: Describing National Cultures

National culture provides a basic framework for social interaction (Douglas & Dubois, 1977; Morris, Davis, & Allen, 1994). These principles are also referred to by Schwartz (1994; 1999) as cultural values. In other words, culture values are guiding principles that nations endorse and guide people within the nation on appropriate behaviors. Culture values endorse various patterns for social interactions (see Schwartz, 1994; 1999). Culture values are also defined as broad preferences for one state of affairs over others and opinions on how things should be (Hofstede, 1984). Thus, cultural values guide accepted societal norms for its members to follow in various situations (Schwartz, 1999). Both Hofstede (2001) and Schwartz (1999) were able to characterize nations along culture values.

In this study, we will examine each of Hofstede's (2001) culture values, as well as Schwartz's (1994; 1999) culture values in relation to the climate for entrepreneurship-related variables. Although all cross-cultural studies of entrepreneurship have utilized Hofstede's culture values to explain findings (Hayton et al., 2002), it is not a comprehensive framework that was developed for the specific purpose of describing cultures (Smith & Bond, 1998) and the data that are applied for studying relationships among variables at the culture level of analysis are today over 35 years old. Schwartz's (1994; 1999) culture values scores represent a more comprehensive, recent framework, developed *a priori* with a team of international scholars, using a sample of teachers and students (not IBM managers as with Hofstede's study) for validating the measure. Moreover, the former communist blocks are included in Schwartz's results, but not in Hofstede's. Because of the profound impact Hofstede's culture values concepts have had on management and in cross-cultural management literature, cultural values forwarded by both these scholars will be used to understand the relationship between culture values and organizational climate for entrepreneurship.

2.5.1. Hofstede's Culture Values

Hofstede (2001), classified over 40 countries from around the world into four dimensions of culture-related values, including "Power Distance," "Individualism-Collectivism," "Uncertainty Avoidance," and "Masculinity-Femininity." Power distance refers to the degree of equality and inequality

between people in a country's society. Countries that are high on power distance emphasize rigid distinctions in the social strata (e.g., caste system) and do not readily allow upward movement of its citizens. Examples of high power distance countries are India and China. In an organizational context, power distance refers to the degree of deference subordinates have for their superiors or for the organizational hierarchy. Countries scoring low on power distance emphasize equality for all its citizens. Examples of low power distance countries include the United States and the United Kingdom.

Individualism and Collectivism refer to the extent to which a society emphasizes individual choices and individual achievement versus collective achievement and interpersonal relationships (Hofstede, 2001). Cultures that emphasize individuals as distinct from the group are individualistic, whereas culture that emphasize individuals as a integral part of the group are collectivistic (Hofstede). Examples of countries scoring high on individualism (or low on collectivism) include USA, Netherlands, and Australia. Countries scoring low on individualism (i.e., high on collectivism) include China, Singapore, and Brazil.

Uncertainty Avoidance refers to the level of tolerance a society has for uncertainty and ambiguity. Countries that have a high tolerance for ambiguity would score low on uncertainty avoidance. Countries such as the United Kingdom and India, that have a low score on uncertainty avoidance, have high tolerance for uncertainty and ambiguity, whereas Poland and Japan, which score high on uncertainty avoidance, have a low tolerance for ambiguity.

Masculinity versus Femininity refers to the extent to which societies emphasize the traditional male role work model of achievement, control, and power versus interpersonal harmony. This dimension is not akin to the gender distinctions at the individual level of analysis (Hofstede, 2001). At the cultural level of analysis, masculinity is defined as the extent to which a society or a culture clearly distinguishes between social gender roles, that is, between the traditional roles of men versus women (Hofstede, 1998). For example, men are expected to be assertive, tough, and ambitious and women are looked on as being nurturing, modest and more concerned with quality of life (Hofstede, 1998). Societies that value masculinity draw up a clear distinction between the roles for men and the roles for women and an overlap between these roles may be discouraged. For example, a woman who is assertive and ambitious, or a man who is nurturing and modest may not be appreciated in masculine societies. In contrast, societies that value femininity do not clearly distinguish between gender roles for men and women. In these societies gender roles overlap and therefore both men and women are supposed to be modest, tender and concerned with the quality of life (Hofstede, 1998). Countries scoring high on Masculinity include Mexico and Italy; countries scoring low on Masculinity (i.e., high on Femininity) include Brazil and Singapore.

2.5.2. Schwartz's Seven Culture Value Types

In a more recent study of culture values, Schwartz (1994; 1999) determined seven culture value types that can be collapsed into three culture value dimensions. The first of these culture values is autonomy vs. conservatism. This culture value dimension, like individualism vs. collectivism, addresses the relationship of the individual to the group. In autonomous cultures, like individualistic cultures, the individual's interests takes precedence over the group's interests, whereas in conservatism cultures, like in collectivistic cultures, the group's interests takes precedence over the individual's interests and the individual is embedded in the group. Societies that consider individuals as independent and encourage them to express their preferences are labeled *autonomous* cultures.

Schwartz (1999) further classified autonomy values into *intellectual autonomy and affective autonomy*. Intellectual autonomy refers to a cultural emphasis on desirability of individuals pursuing their own intellectual directions. Affective autonomy refers to a cultural emphasis on desirability of individuals in pursuing emotionally positive experiences. Societies or nations that emphasize autonomy values include France and the Netherlands. Conservative cultures, in contrast, have a marked cultural emphasis on maintenance of status quo and dissuade actions that disrupt the solidarity or group order are said to emphasize the value of conservatism. Nations that emphasize conservatism include Singapore and Poland.

A second dimension is hierarchy vs. egalitarianism (Schwartz, 1994; 1999). This culture value is similar to Hofstede's (2001) power distance, as well as femininity. The dominant principle is how societies determine to encourage socially responsible behavior from its citizens. Societies that ensure this by legitimizing and relying on hierarchical social differences (as with power distance culture value, Hofstede, 2001; Schwartz, 1994) are labeled *hierarchical*. Examples of countries that actively emphasize values of hierarchy are China and India. Cultures that encourage its members to treat others as moral equals (as with low power distance and feminine cultures) emphasize *egalitarianism* as a socially desirable value, Countries that emphasize egalitarianism include Italy and the Netherlands.

A third and final dimension is mastery vs. harmony (Schwartz, 1994; 1999). This culture value is similar to masculinity vs. femininity (Hofstede, 2001; Schwartz, 1994). A prevailing issue that all societies try to resolve is the relationship of mankind to the environment and the social world. Societies that emphasize *harmony* as a cultural value encourage its citizens to fit harmoniously with the environment (as with Feminine cultures, Hofstede, 2001; Schwartz, 1994). Countries that encourage harmony values include Italy and Poland. Societies that encourage *mastery* as a cultural value emphasize getting ahead through self-assertion, encourage ambition and success, and encourage individuals to change the world to fit personal or group interests (as with

Masculine cultures, Hofstede, 2001; Schwartz, 1994). Examples of countries that encourage mastery values are Canada and the USA.

Research studies have shown that cultural values of a nation exert important influence on entrepreneurial behavior within a nation (e.g. Shane, 1992, 1993). In the next section we look at the relationship between national culture and corporate entrepreneurship.

2.6. National Culture in Relation to Corporate Entrepreneurship

Most cross-cultural entrepreneurship research has focused on the relationship between national culture and aggregate measures of entrepreneurship or on the relationship between national culture and characteristics of entrepreneurship (Hayton et al., 2002). A few of the studies that have studied corporate entrepreneurship have examined issues, such as choice of entry mode (i.e., organizations' preference to enter new markets via acquisitions, joint ventures or direct investments), preferences regarding innovation-championing styles (i.e., types of innovation champions and championing styles preferred by organizations, for example, an innovation champion who is a maverick versus a follower of rules), and executive commitment to the strategic status quo (i.e., the extent to which top management prefers maintaining strategic status quo versus strategic renewal), (Hayton et al. 2002). This study is different from the above mentioned previous studies because these prior studies have assessed the association between national culture and outcomes mentioned above and not at the organizational environment for fostering entrepreneurship. Only one landmark study by Morris et al (1994) has addressed this important relationship, by considering the effects of two culture values, i.e. individualism and collectivism, on corporate entrepreneurship. Morris et al. assessed the extent to which individualism and collectivism relate to organizational entrepreneurship and found that there is a curvilinear, inverted U shaped relationship between corporate entrepreneurship and national cultural values of individualism and collectivism. The authors concluded that corporate entrepreneurship declined with high levels of collectivism or individualism, but moderate levels of individualism or collectivism is more conducive to fostering corporate entrepreneurship. Morris et al.'s (1994) study demonstrates that culture values might relate to an organization's climate for entrepreneurship. Thus, it is conjectured that organizations in some countries will be more successful than organizations in other countries in fostering a climate for entrepreneurship that includes innovation, continuous improvement, and risk taking, explicit communication of goals and feedback to employees, and provision of sufficient rewards and recognition of employees for their performance. It is further surmised that countries that endorse cultural values that oppose entrepreneurship will hinder the process of establishing a organizational climate for entrepreneurship,

whereas compatible cultural values are expected to facilitate the process. For example, it is likely that we would find a negative relationship between conservatism culture values and risk-taking, but a positive relationship between autonomy culture values and risk-taking.

The following section will elaborate on the different factors that comprise the organizational climate and how national culture is expected to affect the levels of these factors in organizations. Each subsection is followed by hypotheses.

2.7. Hypotheses

2.7.1. Risk Taking, Innovation, Continuous Improvement and National Culture Values

Risk taking and Innovation, are expected to be encouraged in organizations situated in cultures that are moderately high on individualism. The spirit of competition in individualistic societies and the openness of individualistic societies to experimentation are expected to encourage innovation and risk taking among individuals and organizations (Herbig & Miller, 1992; Shane 1992; 1993). Similarly, intellectual autonomy in a society encourages individuals to pursue their own ideas and intellectual directions and in such societies curiosity, creativity and broadmindedness are valued (Schwartz, 1999). Conservatism values, however, emphasize maintenance of status quo and people in societies that value hierarchy are socialized and sanctioned to comply with the rules attached to their roles (Schwartz, 1999). Therefore “thinking outside the box” or challenging the existing way or doing things and creating something new may not be encouraged in conservative societies and in organizations in such societies. We can therefore expect risk taking, innovation, and continuous improvement to be encouraged in organizations where the national culture emphasizes values of individualism and intellectual autonomy. Organizations situated in national cultures that emphasize conservatism and hierarchy are expected to be low on risk-taking, innovation, and continuous improvement.

Although continuous improvement can be viewed as incremental innovation, the former happens when innovative activity is subjected to bureaucratic controls and hierarchy (Baumol, 2004). Therefore, continuous improvement is not as “free-spirited” as innovation. It is subject to organizational hierarchy and power distance, where the supervisors or organizational mandate control the process. Moreover, previous researchers (Shane, Venkataraman & McMillan, 1996) have also found that societies that are high on power distance prefer innovation champions who have the buy-in and approval from the management regarding these improvements before these are implemented. For this reason, innovation is expected to be encouraged in cultures that value intellectual autonomy and

individualism, but continuous improvement is expected to be encouraged in cultures that value intellectual autonomy, hierarchy and power distance.

Hypothesis 1a: Risk taking and Innovation will correlate positively with intellectual autonomy and individualism culture values, but negatively with the conservatism culture values.

Hypothesis 1b: Continuous Improvement will correlate positively intellectual autonomy, power distance, and hierarchy as cultural values.

2.7.2. Rewards and National Culture Values

One of the aspects of cultures high on mastery values is that they value and encourage success and manipulation of one's environment. Management scholars have repeatedly emphasized rewarding and recognizing employees based on their performance in order to maintain performance levels and as a tool of employee retention (e.g. Galpin, 1994; Michlitsch, 2000). Given that rewards are given to those who have successfully utilized resources and mastered a piece of work through to successful completion, it is conceived that nations high on mastery culture values will have reward systems that encourage success as compared to organizations located in countries that are low on mastery values.

Hypothesis 2: Organizational Rewards and Recognition will be positively correlated with mastery culture values.

2.7.3. Explicit Goals and Feedback and National Culture Values

Providing explicit goals and feedback are two of the key elements for an organizational climate that emphasizes entrepreneurship (Carrier, 1996; Kuratko et al., 1993). Setting explicit goals avoids confusion and uncertainty among employees regarding what is expected of them (Galpin, 1994). Regular feedback helps employees understand the situation in the organization and their performance and reduces ambiguity (Morrison, Chen & Salgado, 2004). Cultures that have little tolerance for ambiguity are those that are high on uncertainty avoidance (Hofstede, 2001). Therefore, it is expected that organizations situated in countries that are high on uncertainty avoidance will provide explicit goals and feedback to employees.

Hypothesis 3a: Explicit goal setting regarding business performance and individual performance will correlate positively with high uncertainty avoidance values.

Hypothesis 3b: Providing feedback to employees regarding individual and business performance and conditions will correlate positively high uncertainty avoidance values.

3. Methods

Data for this study are archival. They were obtained by the second author from an HR manager located at the multinational firm's headquarters in the mid-West. Below we provide some description about the nearly 16,000 individuals, who responded to the organization-wide survey and who make up the populations representing the various nations in this study. In addition, we describe the measures developed and the overall research design used to test the hypotheses.

3.1. Participants

Data were collected in 1999 through an organization wide climate study of a multi-national company that had plants located in 20 countries. These countries include USA, Canada, Australia, UK, China, Japan, Singapore, India, Mexico, Brazil, Argentina, the Netherlands, South Africa, France, Italy, Poland, Romania, Czech Republic, Spain and Turkey. Data were gathered from 15,855 employees that constituted approximately 75% of the workforce. However, countries that had less than 10 respondents were not included for analyses. Thus, three countries, Czech Republic, Spain, and Turkey, were omitted from further analyses. After cleaning the data for incomplete responses and insufficient sub-samples, the final sample size was 15,598. Of the available demographic information is occupational group. Respondents were classified into eight occupations, including Production Associates (48.2%), Skilled/Maintenance (15.7%), clerical/secretarial (4.1%), Technician (4.3%), and Professional (10.5%), Supervisory/Operations coordinator (4.1%), Managerial (3.8%), and General Manager or above (0.7%). In addition, 8.6% of the respondents did not report their occupation. Table 1 depicts the percent of respondents in each occupation in each country. Due to differences in personnel laws in various countries, personal demographics such as age, tenure and education levels were not obtained from the respondents. However, the HR manager at the company did indicate that probably about 75% of the employees worldwide are men.

Table 1: Percent of Employees Within a Given Occupational Category for Each Country

Country	n	Occupations							
		Plant Operatives				Staff Management			
		Production	Maintenance	Clerical	Technical	Professional	Supervisor	Manager	General Manager
AR*	10	10.0	10.0	40.0	0	10.0	10.0	10.0	0
AU	50	26.9	5.8	26.9	1.9	19.2	1.9	9.6	3.8
BR	318	57.1	8.6	11.1	9.3	1.9	6.8	2.2	1.2
CA	312	55.4	14.9	4.8	1.5	6.5	5.7	3.6	0.6
CH	131	64.3	15.7	2.7	1.0	2.6	1.0	2.2	0
FR	805	60.4	7.8	5.8	7.4	6.3	4.3	3.6	0.5
IN	391	38.7	6.9	2.0	3.0	15.6	5.3	5.5	2.2
IT	99	51.3	14.2	0.9	8.0	8.0	1.8	3.5	0
JA	18	0	0	33.3	0	44.4	0	16.7	5.6
MX	8	12.5	6.3	12.5	0	12.5	0	6.3	0
NE	23	43.5	26.1	0	4.3	17.4	4.3	4.3	0
PO	434	6.5	57.7	1.7	1.9	6.1	5.0	4.0	0.2
RO	844	35.3	24.7	6.8	5.7	9.8	6.5	4.2	0
SI	68	76.5	0	2.9	4.4	11.8	1.5	2.9	0
So. Af	147	39.3	11.0	14.7	0	7.4	9.8	5.5	2.5
UK	1,302	45.6	17.0	4.4	3.1	9.1	6.2	2.9	0.3
USA	8,320	49.2	13.9	3.4	4.7	12.7	3.6	4.0	0.9

Note. * AR = Argentina, AU = Australia, BR = Brazil, CA = Canada, CH = China, FR = France, IN = India, IT = Italy, JA = Japan, MX = Mexico, NE = Netherlands, PO = Poland, RO = Romania, SI = Singapore, So. Af = South Africa, UK = United Kingdom, US = United States.

3.2. Measures

For most items used in this study, the response scale was the same; 1 indicated *strongly agree* and 5 indicated *strongly disagree*. The sixth response choice was 'I don't know,' which was recoded as 'missing.' Scores were reverse coded so that 5 indicated 'strongly agree' and 1 indicated 'strongly disagree.' There were exceptions in two of the items and these have been noted when explaining the individual items in the following section.

3.2.1. Risk Taking and Innovation

Risk taking and innovation was measured by the mean of participants' responses to four items. This construct was measured by asking participants to respond to items such as "I am encouraged to come up with new and better ways of doing things," "I am encouraged to take calculated risks to improve the company's effectiveness," "I am permitted to make the decisions that I feel are necessary to do my job effectively," and "If I share my ideas about new and better ways of doing things it is most likely to have" The response scale to the last item was

1 'Positive effect on associates like me,' 2 'Little or no effect on associates like me,' or 3 'Negative effect on associates like me.'

3.2.2. Continuous Improvement

Continuous Improvement was measured by participants' responses to four items. The four items were "We are dedicated to improving continuously in things that matter," "I understand why continuous improvement is important to our business (e.g., growing profitably, meeting customer and shareholder expectations, outperforming the competition," "the way my department operates is consistent with my unit's stated business plan and major continuous improvement objectives," and "where I work management is willing to make reasonable investments to support continuous improvement."

3.2.3. Organizational Rewards and Recognition

Organizational rewards and recognition were measured by respondents' answers to three survey items. The survey items were "when I do a good job, I usually receive appropriate recognition," "the better my performance, the better my total compensation will be," and "I benefit when the company improves its performance."

3.2.4. Explicit Goal Setting

Explicit goal setting was measured by the mean of respondents answers to five questions, "My organization's business plan and major continuous objectives have been clearly communicated to me," "It has been clearly communicated to me how my department contributes to the achievement of my Unit's business plan and major continuous improvement objectives," "my personal performance plan is directly tied to our business plan," and "the performance expectations for my job have been clearly communicated to me."

3.2.5. Feedback

Feedback was measured by employees response to four items, "I receive useful feedback on how my Unit is performing relative to its business plan and major continuous improvement objectives," "It has been clearly communicated to me how my department is performing relative to its goals and objectives," " I am regularly involved in discussion of my department's progress and plan regarding

continuous improvement,” and “ I receive effective feedback on how well I do my job.”

3.2.6. National Culture Values

National Culture values were measured by cultural value indices and ranking determined by Hofstede (1984) and Schwartz. Hofstede’s rankings were taken from published research, whereas Schwartz’s values were obtained directly from Dr. Shalom Schwartz by the second author. The data were obtained for the explicit purpose of running analyses, but these numbers have not been published yet. The national culture values used for this study were Intellectual Autonomy, Conservatism, Mastery, Hierarchy and Egalitarianism (Schwartz, 1994, 1999), and Uncertainty Avoidance, Power Distance, and Individualism-Collectivism (Hofstede, 2001).

3.3. Procedures

Survey items were developed by a team of external consultants. The survey was translated into the native language in countries where English was not the prevailing language by a professional translation group, with the exception of India. In India, in cases of employees who did not read English, the survey was translated verbally into Hindi (which is the native language of the region where the plant is located) by interpreters.

Although the items were assessed by asking participants to respond to the items to the survey, it should be noted here that the comparisons for this study are between countries. The comparisons to assess these constructs were made at country levels and the sample size for this study at this comparison level was 17 (countries) and not 15, 598 individuals. Therefore, the participants’ responses to each item were aggregated at the country level. For example, in case of United States the mean of the responses from 8,998 participants was determined to be the country’s average response score to a given item. Scale reliability was conducted at the country level to assess reliability of the scales measuring different constructs. Scale reliabilities were assessed by Cronbach’s alpha.

4. Results

4.1. Scale Reliability Analysis

A reliability analysis to assess the internal consistency or the homogeneity of the items on the scale was conducted by using Cronbach's alpha. Cronbach's coefficient alpha was used because the purpose of the reliability analysis in this stage of the study was to determine the internal consistency of a scale and the internal consistency of a scale is typically associated with Cronbach's alpha (Devellis, 2003). According to Nunnally (1978) a Cronbach's coefficient alpha that is greater than 0.70 is considered adequate. For scales having three items or less the mean of the inter-item correlations was considered in lieu of alpha (Nunnally, 1978). A mean above .30 or higher is considered as acceptable (Nunnally, 1978). For scales that had four items that is, Continuous Improvement Scale, Feedback scale, Explicit Goal Setting Scale, and the Innovation and Risk Scale the alphas were 0.80, 0.80, 0.77, and 0.83 respectively. The Reward Scale had three items and the inter-item correlation for this scale was 0.54. The reliability analyses indicated that each of the scales used for this study were satisfactory.

4.2. Descriptive Statistics

Means and standard deviations for each country (see Table 2). Pearson's correlations between the scale items and Cronbach alpha reliabilities are presented in Table 3. Significant correlations were found between Continuous Improvement and Explicit Goal Setting ($r = .76, p < .01$), Continuous Improvement and Feedback ($r = .71, p < .01$), Explicit Goals and Feedback ($r = .89, p < .01$), Explicit Goal Setting and Innovation and risk taking ($r = .76, p < .01$), Feedback and Rewards and recognition ($r = .62, p < .01$), Feedback and Innovation and Risk taking ($r = .83, p < .01$), between Rewards and recognition and Innovation and Risk taking ($r = .67, p < .01$).

Table 2: Means and Standard Deviations of Scale Items

Countries	n	Innovation & Risk-taking		Continuous Improvement		Rewards and Recognition		Explicit Goals		Feedback	
		Mean	S.D	Mean	S.D	Mean	S.D	Mean	S.D	Mean	S.D
Argentina	10	3.43	.77	4.01	.44	3.17	.96	3.48	.84	3.18	1.03
Australia	52	3.76	.72	3.89	.54	3.12	.90	3.75	.70	3.65	.74
Brazil	323	3.52	.78	3.99	.55	3.17	.90	3.62	.85	3.25	.86
Canada	336	3.60	.70	3.60	.80	3.07	1.06	3.62	.87	3.20	.96
China	1,151	3.71	.75	4.04	.69	3.46	1.07	3.95	.74	3.65	.82
France	829	3.68	.71	3.66	.65	2.90	.92	3.68	.73	3.42	.76
India	491	3.44	.79	3.60	.83	3.25	.95	3.46	.89	3.23	.89
Italy	104	3.55	.78	3.78	.66	3.17	1.03	3.37	.93	3.22	.89
Japan	18	4.02	.51	3.85	.64	3.76	.71	3.82	.77	3.63	.80
Mexico	16	3.69	.98	4.04	.62	3.32	.71	3.83	.71	3.39	.75
Netherlands	23	4.07	.48	4.09	.36	3.90	.44	4.01	.51	3.85	.62
Poland	516	3.66	.68	4.02	.59	2.66	.90	3.94	.70	3.58	.78
Romania	851	3.73	.77	4.14	.61	3.22	1.07	3.90	.77	3.56	.86
Singapore	68	3.53	.68	3.86	.60	3.25	.97	3.52	.78	3.34	.82
South Africa	162	3.54	.76	3.76	.65	2.97	.65	3.44	.88	3.26	.90
UK	1,462	3.46	.66	3.52	.69	2.78	.93	3.26	.83	2.97	.88
USA	8,962	3.48	.74	3.57	.78	2.92	.99	3.53	.83	3.15	.92

Table 3: Intercorrelations and Alpha Reliability of Study Variables (n = 17)

Variables	1	2	3	4	5
1. Innovation and Risk-taking	.83				
2. Continuous Improvement	.45	.80			
3. Rewards & Recognition	.67**	.45	.54^Φ		
4. Explicit Goals	.76**	.76**	.46	.77	
5. Feedback	.83**	.71**	.62**	.89**	.80

Note. Alpha Reliabilities are bolded on diagonal.

** $p < 0.01$

^Φ Average of inter-item correlations in lieu of Alpha.

4.3. Testing of Hypotheses

Hypotheses were tested using Spearman's rank correlation coefficient. Spearman's rank correlation coefficient was an appropriate statistic to compare these variables because this correlation compares the ranking of a country's score on a particular criterion and the country's organizational climate ranking on a particular scale item. Table 4 presents results of the Spearman's rank correlation coefficient (Spearman's ρ) between country-level scores on the entrepreneurship climate variables and Hofstede's cultural values. Table 5 presents results of the Spearman's rank correlation coefficient (Spearman's ρ) between country-level scores on the entrepreneurship climate variables and Schwartz's cultural values.

Table 4: Spearman Rho Correlations of Climate Variables and Hofstede’s Values, (n = 17)

Variables	IR	CI	RR	EG	FDBK
Power Distance	.09	.53*	.40	.36	.34
Individualism/Collectivism	.08	-.50*	-.39	-.21	-.24
Uncertainty Avoidance	.38	.31	-.12	.31	.20
Masculinity-Femininity	.12	-.05	.17	.00	0.28

Note. IR = Innovation and Risk-taking; CI = Continuous Improvement; RR = Rewards & Recognition; FDBK = Feedback; EG = Explicit Goals

*p < .05

Table 5: Spearman Rho Correlations of Climate Variables and Schwartz’s Values (n = 17)

Variables	IR	CI	RR	EG	FDBK
Intellectual Autonomy	.52**	.04	.04	.23	.12
Affective Autonomy	.20	-.40	-.24	-.07	-.14
Conservatism	-.25	.22	.02	.01	.10
Hierarchy	-.20	-.17	.07	-.04	.12
Egalitarianism	-.05	-.23	-.27	-.28	-.35
Mastery	-.08	.19	.51*	.17	-.01
Harmony	.28	.13	.22	.07	.20

Note. IR = Innovation and Risk-taking; CI = Continuous Improvement; RR = Rewards & Recognition; FDBK = Feedback; EG = Explicit Goals

*p < .05

** p < .01

Based on Spearman Rho correlation coefficient, hypothesis 1a, that Risk taking and Innovation will correlate positively with intellectual autonomy and individualism culture values, but negatively with the conservatism culture values was partially supported. As hypothesized, Risk taking and Innovation was positively correlated with intellectual autonomy ($\rho = .52, p < 0.05$).

Hypothesis 1b was also partially supported. Continuous Improvement positively correlated with power distance ($\rho = .53, p < 0.05$). Continuous Improvement was also found to be negatively correlated with the cultural value of individualism $\rho = -.50, p < 0.05$. However, the correlations between continuous improvement and cultural values of hierarchy and intellectual autonomy were not significant.

Hypothesis 2 was fully supported. Rewards positively correlated with Mastery value ($\rho = .51, p < 0.05$).

Hypothesis 3a and 3b were not supported. Although Explicit Goal Setting scale was positively correlated with the cultural value of uncertainty avoidance this relationship was not significant.

5. Discussion

The present study provides some empirical support for the relationships between cultural values and variables related to an organizational climate for entrepreneurship. Nation's cultural values were adopted from previous studies by Hofstede (2001) and Schwartz (personal communication). Results of this study showed that the organizational climate for risk taking and innovation had a positive relationship with intellectual autonomy. In other words, cultures that support creative thinking also endorse risk taking and innovation. Jassawalla and Shashittal (2002) similarly found that an organization's culture can act as a powerful frame of reference for thinking and actions in times of uncertainty and ambiguity and highly innovation-supportive cultures help facilitate the process. Extending this logic to national culture values, national cultures that value intellectual autonomy can also be expected to provide a frame of reference for organizations to encourage innovation and risk-taking. Contrary to our predictions, however, risk taking and innovation was not correlated with the cultural value of individualism. This may be because formal organizations have a universal tendency to have a collectivizing attitude on the attitudes and behaviors of employees (Morris et al., 1994) and the individualistic attitude of the society may not be reflected in the organization's values.

Continuous improvement was significantly correlated power distance. Continuous improvement, however, was not significantly correlated with hierarchy or intellectual autonomy. The negative relationship between continuous improvement and individualism (or the positive relationship between continuous improvement and collectivism) was not hypothesized. That cultures valuing power distance and cultures valuing collectivism also endorse continuous improvement might be rooted due to subordinates' perception that supervisors' expect that their subordinates fulfill the organization's goals and innovate by following organizational bureaucracy and procedures. Moreover not helping the group fulfill the goals might cause one to disappoint and disrupt the functioning of the group as a whole.

The concept of vertical collectivism becomes relevant to further explain this phenomenon. Vertical collectivism refers the endorsement of people working for the betterment of the group while also maintaining social status differentials (Triandis & Gelfand, 1998). The opposite of verticalism is horizontalism that emphasizes equality (Triandis & Gelfand). In organizations where vertical collectivism is encouraged people do not have either freedom or equality (Gelfand & Holcombe, 1998). As a result of this, continuous improvement occurs when supervisors provide a mandate to their subordinates to make continuous improvements and the subordinates willingly subject themselves to the authority in order to help their group and organizations succeed.

That mastery values positively correlated with organizational rewards might be due to a principle of acknowledging and rewarding people's achievements, and

strivings for success and ambition. In our sample, countries that scored highest on mastery values were China and India. The recent trends in management literature also corroborate that Asian companies are emphasizing more performance based reward systems, especially team performance, as compared to North American companies (Finer, 2002).

Egalitarianism value negatively correlated with explicit goal setting. Given that Egalitarianism is related with freedom, it is possible that explicitly setting goals hinder the sense of freedom. Thus, in egalitarian cultures, it is likely that managers do not set explicit goals.

6. Implications, Limitations and Future Research

6.1. Implications

This study has interesting practical implications for managers of organizations who wish to encourage a climate for corporate entrepreneurship within their organizations. This study highlights that certain elements of corporate entrepreneurship are correlated with culture values, whereas other elements are either not related to culture values or have been well established into the corporate culture. By knowing which entrepreneurial climate elements significantly correlate with culture values, it becomes possible for management to emphasize those elements that continue to support an entrepreneurial climate to their advantage to encourage the spirit of entrepreneurship in organizations. Understanding the relationship between culture values and entrepreneurial climate elements within organizations serves like a “SWOT” analysis by providing a backdrop for change efforts, especially when organizations venture into uncharted national cultures. Understanding national culture values also help managers to optimize their efforts by determining what are the areas that need gentle stroking and understanding of constraints on the entrepreneurial climate. For example, if an organization decides to implement rewards based on individual performance with regards to entrepreneurial efforts, these may be well received in mastery cultures, but less regarded in cultures that do not have a strong emphasis on mastery values. Therefore, organizations might choose to either capitalize on other successful entrepreneurial elements in the low mastery cultures or they might decide to influence organizational employees in the nation’s culture to be more driven toward mastery by instilling reward structures that are expected to shape performance.

6.2. Limitations

Despite the strengths of this study, including multiple nations represented in a single multinational company, there are also several limitations. One of the main limitations of the study is the uneven, and possibly inadequate, within country sample size. The largest sample size (United States) included over 8,000 respondents and the smallest sample size (Argentina), retained for this study, had only ten respondents. Although greater than 15,000 employees completed the survey, at the country level of analysis, our sample size was seventeen.

This study also had a similar limitation to that of Hofstede (2001), namely the indices for this study were based on responses of employees from one organization, at one time, who completed a survey that had different intentions (i.e., to assess overall climate and alignment of the organization) than what this study examined. Unlike Hofstede's sample that included managers, respondents to this study were predominantly production workers.

Another limitation of our study is that we utilized measures of culture values that might not be most important to understanding corporate entrepreneurial dimensions (Busenitz, Gomez, & Spencer, 2000). Moreover, Hofstede's indices are over three decades old and country scores on these indices may have changed over this period of time. This study has tried to overcome a part of this limitation by using Schwartz's (1994) culture values, which are more recent.

Moreover, although some of the important and recurring entrepreneurship climate variables were examined in this study, other variables that constitute the climate for entrepreneurship, such as proactiveness, were not available in the dataset to be considered.

The final limitation of this study is inherent in most cross-cultural research, that is, the variables that would explain cultural differences might not be reflective of these culture values, but some other cultural aspects that are only now being studied cross-culturally (e.g., social axioms endorsed by cultures) or have not yet been discovered.

6.3. Future Research

Future research should attempt to replicate this study in other and multiple organizations and industries in order to determine if the culture values consistently correlate with the entrepreneurship climate variables or if results from this study were a special case. Moreover, more countries should be included in such studies. One of the major issues with doing research on organizational level variables is that the sample size is not only determined by the number of respondents, but also the number of organizations participating in the research. In the case of cross-cultural research this relationship is even further complicated by the difficulties in obtaining organizations with comparable samples from different

countries. However, research studies that are successful in obtaining a large sample size for analyzing this relationship will be invaluable to this field. Also, future research should assess other elements related to a climate for entrepreneurship that might be instrumental in fostering the corporate entrepreneurial climate in organizations. Finally, these entrepreneur climate variables should be linked to various objective and subjective outcomes.

7. Conclusion

In this study, we have investigated corporate entrepreneurship in a cross-cultural context. The findings of this study are only the tip of the iceberg for determining cultures' relationship with a climate for entrepreneurship. Although the findings of this study can provide useful insights to organizational managers and researchers in this area, a great deal of work remains to be done in this domain to understand the intricate relationships between national culture and organizational climate for entrepreneurship. As the fledgling fields of cross-cultural research and corporate entrepreneurship continue to grow we hope to find more research in this area and more tools to study these very critical but complex relationships.

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