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Entrepreneurial Learning in a Network: The Role of Cultural Values

Federica Ceci, Francesca Masciarelli and Andrea Prencipe

In this chapter we look at entrepreneurs as permanent learners (Franco and Haase 2009). We posit that the networks to which the entrepreneurs belong play a crucial role in their learning process. It is widely accepted that being immersed in a network is strongly related to the sharing of similar cultural values. However, we know precious little about what the main elements of cultural values are that affect entrepreneurial behaviour and learning. Here we aim to provide an overview of the different theoretical perspectives on the role of cultural values so as to shed light on how those values might influence knowledge sharing in a network of companies. We empirically test the identified theoretical perspectives

A. Prencipe

Department of Business and Management, Luiss University, Rome, Italy

F. Ceci (🖂) • F. Masciarelli

Department of Business Administration, Università G.d'Annunzio, Chieti, Italy

empirically in an original setting. We find that sharing similar cultural values contributes to creating a 'fit' between the entrepreneur and the network, which is mainly responsible for the circulation of knowledge.

Recent studies have proved that belonging to a network with shared cultural values has an impact on individual behaviour and learning. Membership of organisations with shared cultural values is related to 'life satisfaction' and happiness (Ferriss 2002; Inglehart 2010). Social networks that are formed in these groups are characterised by a strong sense of identity among members, by relevant social support, and by the presence of shared frameworks for interpreting reality (Lim and Putnam 2010). The benefits of shared cultural values can also impact on the innovation process. A context characterised by shared values may, by creating a common language and communication codes, foster the exchange of ideas, the identification of new opportunities, and a combination of the resources and knowledge of a large and heterogeneous pool of actors (Martins and Terblanche 2003; Giuliani and Bell 2007). In line with this reasoning, this chapter investigates how entrepreneurs participating in a network share not only business interests but also cultural values. This empirical context has been selected because it presents a high level of cohesion, while data from previous studies report an equally high level of innovativeness among members (Ceci et al. 2014, 2015).

1 Entrepreneurship Learning and Network

Scholars agree that firms belonging to networks are likely to be more competitive and innovative than are isolated firms (Ahuja 2000; Baptista 2000; Baptista and Swann 1998; Brass et al. 2004; Podolny and Stuart 1995; Powell et al. 1996). There are several issues that can explain this probability. Within networks, sharing of information, resources and knowledge among firms is facilitated, and hence the likelihood of producing new ideas increases (Dahl and Pedersen 2004; Sorenson et al. 2006; Storper and Walker 1989). This is because of the presence of a set of relationships established by professionals that enables localised learning and knowledge sharing among firms (Giuliani and Bell 2005; Keeble and Wilkinson 1999; Ceci and Iubatti 2012). The learning processes of

firms are expedited if firms are exposed to external sources of knowledge that improve knowledge exchange (Burt 1992; Inkpen and Tsang 2005; Knoke 1990; Masciarelli 2011; Laursen et al. 2012).

Networks are composed of multi-dimensional links (Brass et al. 2004; Faems et al. 2008; Padgett and Powell 2011). Padgett and Powell (2011) emphasise that these links contribute not only to the social and economic development of networks, but also to knowledge sharing, to developing new relationships among actors and to generating new subnetworks. In particular, social and personal relationships increase information flow within networks: when personal relationships exist, actors tend to improve knowledge sharing because of the existence of trust, which depends mainly on personal relationships (Granovetter 1985; Lorenzen 2001). Personal relationships, enabling partners to trust each other's behaviour, foster knowledge exchanges that are essential to the developing of networks (Gulati 1998; Mellewigt et al. 2007). Economic actions and outcomes are affected by a set of social relationships and the overall structure of networks in which they are embedded (Granovetter 1985; Granovetter and Swedberg 1992). Contributions on this topic explain how it is that, in networks characterised by embedded relationships, firms are motivated to pursue goals that could possibly result in no immediate economic revenue or growth yet serve to strengthen the network (Powell 1990; Provan 1993; Smitka 1991; Uzzi 1997).

We posit that one of the key factors that facilitate knowledge exchanges and entrepreneurial learning in a network is the fit, or congruence, of the individual with the values of the network. The fit of one person with the network is conceived as the extent to which personal values, beliefs and needs are compatible with the culture of the network (Chatman 1989). The concept of fit has a long tradition in organisational behaviour studies (Nadler and Tushman 1998). Scholars have adopted different facets to explain the concept of fit. The dimensions most used are supplementary and complementary (Piasentin and Chapman 2006). Supplementary fit refers to the congruence between individual and network values, whereas complementary fit pertains to the compatibility between individual and network aims. This literature emphasises that both supplementary and complementary fit produce a positive outcome for the individual and the network (Ostroff et al. 2002). O'Reilly et al. (1991) explain that organisational behaviour researchers have usually followed one of two approaches: the first analyses the interaction of individual characteristics and occupational attributes (Drazin and Van De Ven 1985; Venkatraman 1989), while the second focuses on the fit between the specific characteristics of an organisation and the characteristics of the people working in it (Chatman 1989; Joyce et al. 1982). In this chapter we follow the second approach, looking at the fit between the entrepreneur and his/her network. It is therefore a person situation fit: if there is a fit between the entrepreneur and the network, it means that the entrepreneur shares with the other members of the network an understanding, evaluation and interpretation of the world. Therefore this fit is likely to diminish conflict and misunderstandings in the communication process, generating positive effects on the entrepreneur's propensity to exchange knowledge with others while improving innovation and organisational performance.

2 The Role of Cultural Values in Entrepreneurship Learning

The relevance of culture in management studies has emerged since the seminal, if controversial, contribution by Hofstede published in *Organizational Dynamics* (Hofstede 1980). His point was that no such thing as 'general management theories' exist, and no theories are applicable to the world as a whole because diversity in culture makes for inapplicable theories that emerge from the observation of local practice. As a consequence of Hofstede's contribution, management scholars started paying attention to the role of culture in management.

To explore the importance of shared culture and value, it is crucial to define in this chapter what we mean when we refer to culture and value. Following the definition of Parsons and Shils (1951), culture is 'composed by a set of values, norms and symbols that guide individual behaviour'. Therefore values appear to be a component of culture. To define 'values' we adopt the view of Rokeach (1973): 'values are enduring beliefs that a specific mode of conduct or end state of existence is personally or

socially preferable to an opposite or converse mode of conduct or end state of existence'.

The first contributions paid attention to the diversity among nations, with particular emphasis on the collectivism/individualism dichotomy (Hofstede 1980, 1993; Kedia and Bhagat 1988; House et al. 2004). In a collectivist society, network or group individuals view themselves primarily as parts of the whole. By contrast, when individualism prevails, personal interests and goals motivate individuals (Triandis 1995). More specifically, Hofstede identified the following dimensions of culture that play a role in influencing culture and economic behaviour:

- 1. *Collectivism/individualism*: individualism is defined as 'a loosely knit social framework in which people are supposed to take care of themselves and of their immediate families only', while collectivism 'is characterised by a tight social framework in which people distinguish between in-groups and out-groups, they expect their in-group to look after them, and in exchange for that they feel they owe absolute loyalty to it' (Hofstede 1980).
- 2. *Power distance*, 'the extent to which a society accepts the fact that power in institutions and organizations is distributed unequally' (Hofstede 1980).
- 3. Uncertainty avoidance, defined as '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 formal rules, not tolerating deviant ideas and behaviours, and believing in absolute truths and the attainment of expertise' (Hofstede 1980).
- 4. *Masculinity/femininity*, where masculinity is defined as '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) and femininity is defined as the opposite of masculinity.
- 5. *Confucian dynamism* (or long-term versus short-term orientation) was developed later by Hofstede and Bond (1988). Long-term orientation refers to future-oriented values such as persistence and thrift, whereas

short-term orientation refers to past- and present-oriented values such as respect for tradition and fulfilling social obligations.

The conceptualisation and operationalisation of Hofstede's (1980) cultural values (Fig. 8.1) are intended only for studies at the country level. However, researchers have liberally adapted them for studies at the individual level. Such adaptation, apart from some weaknesses, has provided a new way to consider, describe and measure culture (Bond 2002). Strongly based on Hofstede's contribution, the GLOBE (Global Leadership and Organizational Behaviour Effectiveness) research programme aimed at testing and extending Hofstede's previous findings was created by Robert House in 1991. At first his aim was for an international research project on leadership, but later, the study branched out into other aspects of national and organisational culture. In the period 1994–97 some 170 voluntary collaborators collected data from around 17,000 managers in 951 organisations across the world.



Fig. 8.1 Hofstede's cultural values

The GLOBE study is one of four major cross-cultural research projects carried out in the 1990s. The major constructs investigated in the GLOBE programme are nine attributes of culture that are operationalised as quantitative dimensions: (1) Uncertainty Avoidance, (2) Power Distance, (3) Collectivism I: Societal Emphasis on Collectivism, (4) Collectivism II: Family Collectivistic Practices, (5) Gender Egalitarianism, (6) Assertiveness, (7) Future Orientation, (8) Performance Orientation, and (9) Humane Orientation. These dimensions were selected on the basis of a review of the literature relevant to the measurement of culture in previous large-sample studies, and on the basis of existing cross-culture theory.

We believe that, when exploring an entrepreneurial network, the following two aspects of culture are the most relevant: (1) Collectivism I (or institutional collectivism): this reflects the degree to which organisational and societal institutional practices encourage and reward collective distribution of resources and collective action; and (2) Collectivism II (or in-group collectivism), which reflects the degree to which individuals express pride, loyalty and cohesion in their organisations or families.

Moving on from cultural values, the field of social psychology supports us in offering useful studies and classifications by which to explore individual values and feelings, such as Leung and Bond's (2004) discussion of social axioms. Social axioms are defined as 'generalised beliefs about oneself, the social and physical environment, or the spiritual world, and are in the form of an assertion about the relationship between two entities or concepts'. Social axioms are beliefs at a high level of abstraction; they facilitate the attainment of important goals and help people to understand the world. Using empirical results from more than 40 countries, Leung and Bond (2004) extended the results of the earlier Leung et al. (2002) study and identified five dimensions—cynicism, reward for application, religiosity, fate control, and social complexity-as pan-cultural dimensions of belief that characterise individuals and relate to differences in individual behaviours. Leung and Bond (2004) suggest that people across cultures form similar dimensions of social beliefs because they deal with similar problems. People in different cultures, however, may subscribe to these beliefs at differing levels based on the social logic developed historically by that particular cultural group. The five social axioms, as defined by Leung and Bond (2004) are as follows:

- 1. *Social cynicism*: It represents a negative view of human nature, especially as it is easily corrupted by power, offers a biased view against some groups of people, has a mistrust of social institutions and a disregard of ethical means for achieving an end. An example is 'A fool and his money are soon parted.'
- 2. *Social complexity*: It suggests that there are no rigid rules, but rather multiple ways of achieving a given outcome, and that apparent inconsistency in human behaviour is common. An example is 'A face for all occasions.'
- 3. *Reward for application*: It represents a general belief that effort, knowledge, careful planning and the investment of other resources (Foa 1971) will lead to positive results and help avoid negative outcomes. An example is 'Slow and steady wins the race.'
- 4. *Religiosity*: It asserts the existence of supernatural forces and the beneficial functions of religious belief. An example is 'We are all in God's hands.'
- 5. *Fate control*: It represents a belief that life events are predetermined and that there are some ways for people to influence these outcomes. It is interesting to note that lay people accept the logical contradiction between predetermination and their ability to alter predetermined events. In fact, practices for avoiding bad luck are commonplace in many cultures, and the contradiction involved in the simultaneous belief in predetermination and possibilities for altering one's fate may be widespread in everyday life. An example is 'It's all in the stars' (Fig. 8.2).

2.1 Shared Cultural Values and Entrepreneurial Learning: The Case of Compagnia delle Opere (CDO)

Our empirical context is represented by CDO, an association of firms that follow the values observed by the Roman Catholic Church in economic activities (Nanini 2011). Its members share the same norms, principles and values. In 1986, CDO began its activities as an association of entrepreneurs who wanted to share human and economic resources



Fig. 8.2 Leung and Bond's social axioms

to help one another. Today, the association has 38 branches in Italy and 17 abroad. The branches across the world operate in Latin America (Argentina, Brazil, Chile, Colombia, Paraguay, Peru and Venezuela), Europe (Bulgaria, Spain, France, Hungary, Portugal, Poland, San Marino and Switzerland), the Middle East (Israel) and Africa (Kenya). When data were collected, CDO had about 36,000 members, mainly for-profit companies. CDO's chief goal is to promote and develop relationships among its members and between these members and non-member organisations. It offers various services to its members, such as commercial and financial agreements, training activities, support for international business, job creation and innovation. This empirical context has been selected because it presents a high level of cohesion and data from previous studies, while a survey conducted in November 2014 reports a higher level of innovativeness among the CDO members than among non-members (Ceci et al. 2014, 2015). To collect the data to explore the research questions described so far, we conducted a preliminary study of the innovation dynamics occurring in a local branch of the CDO association, conducting 23 interviews—14 with general managers or CEOs, and 9 with those responsible for other functions (e.g. sales, finance, production, marketing) (Ceci et al. 2014). In September and October 2014, we conducted 10 open-ended interviews, with key informants associated with the CDO association and identified by the president of CDO, Dott. Bernhard Scholtz. The complete list of the interviewes can be found in the Appendix. The questionnaire we used was aimed at understanding the critical values that guide the entrepreneurial vision, and how these values are shared within the CDO network.

The interview text was analysed following the classification discussed in the literature review section, to understand which values are the most relevant in the analysed empirical context. Those values are likely to impact on knowledge sharing and entrepreneurial learning. The entrepreneurs learn through their participation in networks in which individual experiences are connected, and shared meanings are constructed (Rae 2005).

The first part of the analysis consisted in identifying the values suggested by the interviewees. Three coders, working independently, manually identified the relevant concepts. Researchers then checked the entire text manually and discussed their results in order to provide a shared list of values. Table 8.1 reports (in alphabetical order) the values emerging from the words of the interviewees. In the remainder of the section, the values will be linked to the concepts identified in the literature. The frameworks used are the

Attitude toward change	Inclusion	Serenity
Autonomy	Individual empowerment	Sharing
Care for people	Mutual co-operation	Solidarity
Catholicism	Openness	Subsidiarity
Enthusiasm	Positivity	Transparency
Freedom	Sense of community	Trust
Gratuitousness	Sense of unity	Trustworthiness

Table 8.1	Values	emerging	in the	interviews

GLOBE values (House et al. 2004) and the social axioms (Leung and Bond 2004).

2.2 Cultural Values Identified by the GLOBE Project in CDO

Institutional collectivism reflects the degree to which organisational and societal institutional practices encourage and reward the collective distribution of resources and collective action. Interviews showed a high level of institutional collectivism, because we found high levels of *subsidiarity*, *collaboration* and *sharing*.

Among the characteristics of societies that have high institutional collectivism are that (1) members assume that they and the organisation are very much interdependent; (2) group loyalty is encouraged, even if this undermines the pursuit of individual goals; and (3) critical decisions are made by groups. These concepts are also present in the interviews, as the reported sentences show: '*CDO is an experience different from a typical association, because it is based on basic principles of sharing and mutual use of knowledge and market ... moreover we share opportunities here.*' We believe that this sentence represents an example of how members see the association, and believe in values such as collaboration and the sharing of ideas.

In-group collectivism reflects the degree to which individuals express pride, loyalty and cohesion in their organisations or families. This cultural dimension emerges as a strong predictor of the two most widely admired characteristics of successful leaders. High in-group collectivism societies have characteristics such as: duties and obligations are important determinants of social behaviour, a strong distinction is made between in-groups and out-groups, and people emphasise relatedness with groups. Interviews show a high level of in-group collectivism, because we found high levels of *subsidiarity*. For example, one interviewee pointed out that: *'my own firm was born together with CDO, and I found in CDO interlocutors who helped me to identify our business area*'. It emerges clearly how the personal business experience (the firm) and the association are strongly linked, and the association also plays an important role in business decisions, such as identifying markets.

2.3 The Paradigm of 'Social Axioms' Applied to the Identified Values

On the basis of the values identified in Table 8.1, we constructed Table 8.2, which represents a classification of the values following the framework of the social axioms. Each value has been linked (where possible) to an axiom, and on the basis of the content we identify the characteristics of the social axioms within the association. It emerges that members of the association share a similar view of the world and this facilitates the creation of a 'fit' within the organisational network, which is chiefly responsible for the circulation of ideas and innovations. More specifically, we found three social axioms that are relevant to the analysed context and, we believe, can play a role in enabling innovation: namely, cynicism, social complexity and reward for application.

As detailed earlier, the first social axiom identified by Leung and Bond (2004) is *cynicism*, which represents a negative view of human nature, a bias against some groups of people, a mistrust of social institutions, and a disregard for ethical means for achieving an end. Interviews showed low levels of cynicism and high levels of mutual co-operation, care for people, solidarity and subsidiarity. For example, one interviewee said: '*we are nice people, we always try to have correct relationships with third parties*'. This short extract from the interviews shows how being correct and helping others in business relationships is a valuable attitude within the association.

olexity: HIGH Reward for application: HIGH
ward Trustworthiness
Transparency
Positivity
Individual empowerment
Enthusiasm

Table 8.2 Social axioms and values

The second social axiom is *social complexity*. An individual with high social complexity believes that there are no rigid rules but rather multiple ways of achieving a given outcome, and that inconsistency in human behaviour is common. Interviews show high levels of social complexity, together with high levels of autonomy, freedom and openness to change. For example, one interviewee said: 'The CDO is not an association that says: I create the things that you need—CDO says I create the conditions so that you become more and more capable of doing that.' We believe that in this way the association fosters the autonomy of the firms, enabling them to accomplish their goals in the way that is most appropriate for their characteristics. Others interviewees noted: 'There is the possibility to exchange, in a very simple way and without barriers, ideas, experiences, contacts, relationships, to acquire new knowledge' and 'If a business owner is curious and has an open mind, he can explore new opportunities here'. The exchange of ideas is fostered and this facilitates the analysis of problems and solutions from different viewpoints.

The third social axiom is *reward for application*. This axiom suggests the existence of a general belief that effort, knowledge and careful planning will lead to positive results. Interviews show a high level of reward for application, which we believe is correlated with high levels of correctness and transparency. For example, one interviewee pointed out: 'I see CDO as a place where, especially in these years of crisis, little is said about the crisis and much about the importance of change ... the idea that reality is always good, is positive and has values in itself. It allows everyone, from the beginning, to reach out towards change'.

3 Discussion and Conclusions

In this chapter, we have discussed the role of cultural values in affecting the economic outcome produced in a network of firms. The cultural patterns of the network in which the firms operate affect how the entrepreneurs think and behave, and produce an impact on the firm's economic outcome. We analysed the role of culture using the different theoretical perspectives of social axioms and GLOBE. Empirically, we conducted ten interviews with entrepreneurs in order to gain information on the cultural values shared in CDO, a particular network of firms. The entrepreneurs we interviewed helped us to identify the values that are considered to be the most effective in promoting knowledge sharing, and thereby increasing entrepreneurial learning, conceived as a dynamic process that enables the entrepreneur to recognise and pursue new opportunities (Schumpeter 1934).

From the entrepreneurs' experience, we can derive four summarising lessons about the role of network culture in entrepreneurial learning:

- 1. To share cultural values in the network makes sharing knowledge a more natural process, increasing elements such as trust, mutual cooperation and solidarity;
- 2. Sharing knowledge with the other network members holding core values. People do not share their ideas and insights simply because it is the right thing to do. On the contrary, the sharing of ideas is strictly related to the alignment among individuals in terms of beliefs, language and values;
- 3. Networks are one of the key vehicles for sharing knowledge. However, knowledge sharing requires a sharing culture that needs to be promoted and improved with tools, resources and legitimisation; and
- 4. Knowledge sharing in a network with shared cultural values has a positive effect on entrepreneurial learning.

This chapter, to the best of our knowledge, is the first work to analyse the most relevant cultural values using different theoretical perspectives. Therefore it has important theoretical implications. First and most important, it contributes to the literature on entrepreneurship, identifying the main cultural values that entrepreneurs consider to be relevant and that consequently affect their behaviour. Those cultural values therefore contribute to the literature that is exploring the antecedents of entrepreneurial behaviour, which may promote knowledge sharing. We also contribute to the network theory by clarifying those cultural elements in the firm's network that are relevant to knowledge sharing.

This chapter has important implications for managers and practitioners. Given the importance of value and culture in promoting knowledge flow, networks should include those organisations guided by people who promote a culture of knowledge sharing

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		Firms' data			CDO experien	lce	Interview		
						CDO			
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ъ	Airoldi	I	Services	Consultancy	Member of	2004	29/09/14	12:00	17′
	Laurizio				Directorial				
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					CDO local				
					branch				

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		Firms' data			CDO experien	lce	Interview		
				-		CDO			
			Industrial		Position	member			
		Name	sector	Activity	held	since	Day	Hour	Length
9	Ranalli Giuseppe	Tecnomatic	Manufacturing	Automation	President of CDO local	n.a.	30/09/14	11:00	50'
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10	Malvatani	Sigma Spa	Manufacturing	Self service	Not a	I	15/10/14	10:00	10′
	Sergio			ticketing	member				

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