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American University of Sharjah



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# **Founder Social Identity and Venture Performance: The Role of National Culture**

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## RESEARCH MOTIVATION

- Growing prominence of *the social role of entrepreneurship* (McMullen & Warnick, 2016; Zahra & Wright, 2016)
- There is a need for more diverse *social identities* ('*who I am*' and '*what I do*') among those individuals who start their own business (Fauchart & Gruber, 2011). However, there is a lack of knowledge on the effectiveness of firms launched by entrepreneurs of different social identities.
- According to the *cultural embeddedness* theory, entrepreneurial action is dependent upon the expectations that exist in the general society (Greenman, 2013; Wigren-Kristoferson et al., 2022). Either the fit or misfit with such expectations determines the performance priorities and effectiveness of entrepreneurial firms.



**Research question:** *How does the national culture shape the relationship between founder social identity and venture performance?*



## KEY DEFINITIONS

- *Social identity* is an individual's sense of self which is critical to beliefs, feelings, values, and actions in all social contexts, including new firm creation (Fauchart & Gruber, 2011)

<b>Social Identity Type</b>	<b>Characteristics</b>
<i>Darwinian</i>	Profit-orientation, focusing on the competition with other firms and their own economic self-interest
<i>Communitarian</i>	Offering employment opportunities for local residents, keeping local capital in the communities, providing a local investment option for shareholders, etc.
<i>Missionary</i>	Engaging in political and social activism on a global scale, pursuing ecological responsibility and transparency in its operations, etc.



## KEY DEFINITIONS

- *National culture* is a set of assumptions, values, and beliefs that are shared between members of a specific group (Hofstede, 1991)

<b>National Culture</b>	<b>Characteristics</b>
<i>Performance Orientated</i>	Aimed at reflecting the extent to which a social agent values reward, taking initiative, increase in performance (Abu-Jarad et al., 2010)
<i>Humane Orientated</i>	Reflects the way social agents in a given culture value informal relationships, local traditions, mentoring, individualized considerations, etc (Abu-Jarad et al., 2010)
<i>Future Orientated</i>	Focuses on the temporal orientation of the majority of people in society and tends to have a longer strategic orientation, long-term success, etc (Abu-Jarad et al., 2010)

## THEORETICAL FRAMEWORK & HYPOTHESES

### ➤ *Social identity theory*

(Fauchart & Gruber, 2011; Powell & Baker, 2014)

As a rule, the founder identity contains the characteristics of each entrepreneurial type in various proportions (Fauchart & Gruber, 2011). Our expectation is that the stronger the particular identity is developed within the founder, the more attention and resources are spent for achieving the results that are meaningful for this identity (Powell & Baker, 2014; Shepherd & Haynie, 2009):

*H1a. The Darwinian social identity of founders is positively related to venture growth.*

*H1b. The Communitarian social identity of founders is positively related to job creation.*

*H1c. The Missionary social identity of founders is positively related to firm innovativeness.*

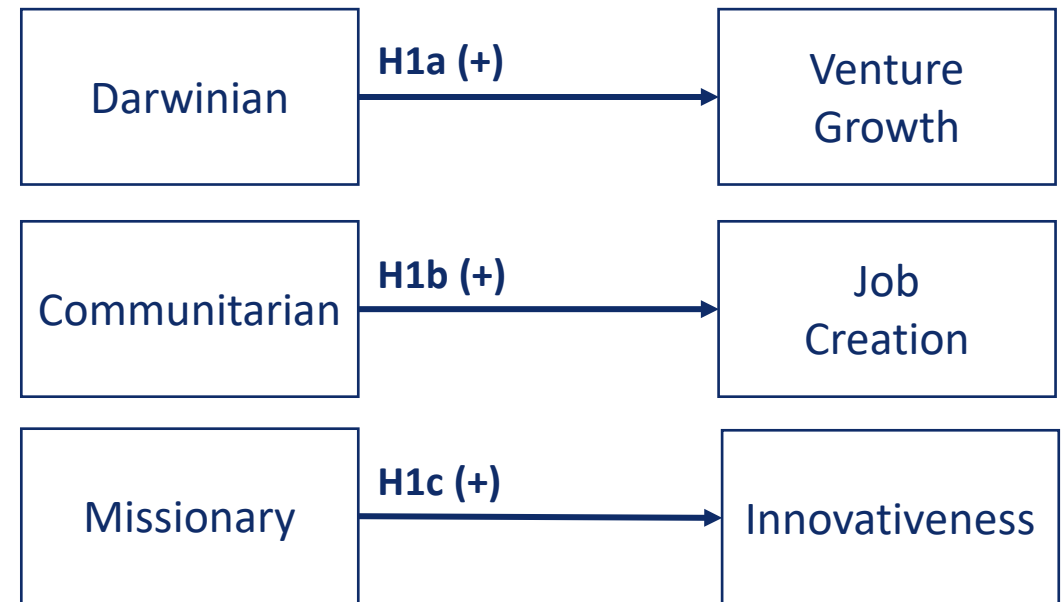


Figure 1. Theoretical model

## THEORETICAL FRAMEWORK & HYPOTHESES

### ➤ *Cultural embeddedness theory* (Granovetter, 1985)

It suggests that the effectiveness of entrepreneurial behavior is sensitive to variations in national culture (Liñán et al., 2022; Stephan & Uhlaner, 2010). We posit that the fit between founders' values and those shared in the society enables them to run their firms in a manner that expresses their social identity, enhancing the effectiveness of the entrepreneurial activity:

*H2a. The performance-oriented national culture **positively moderates** the relationship between the Darwinian social identity and venture growth.*

*H2b. The humane-oriented national culture **positively moderates** the relationship between the Communitarian social identity and job creation.*

*H2c. The future-oriented national culture **positively moderates** the relationship between the Missionary social identity and firm innovativeness.*

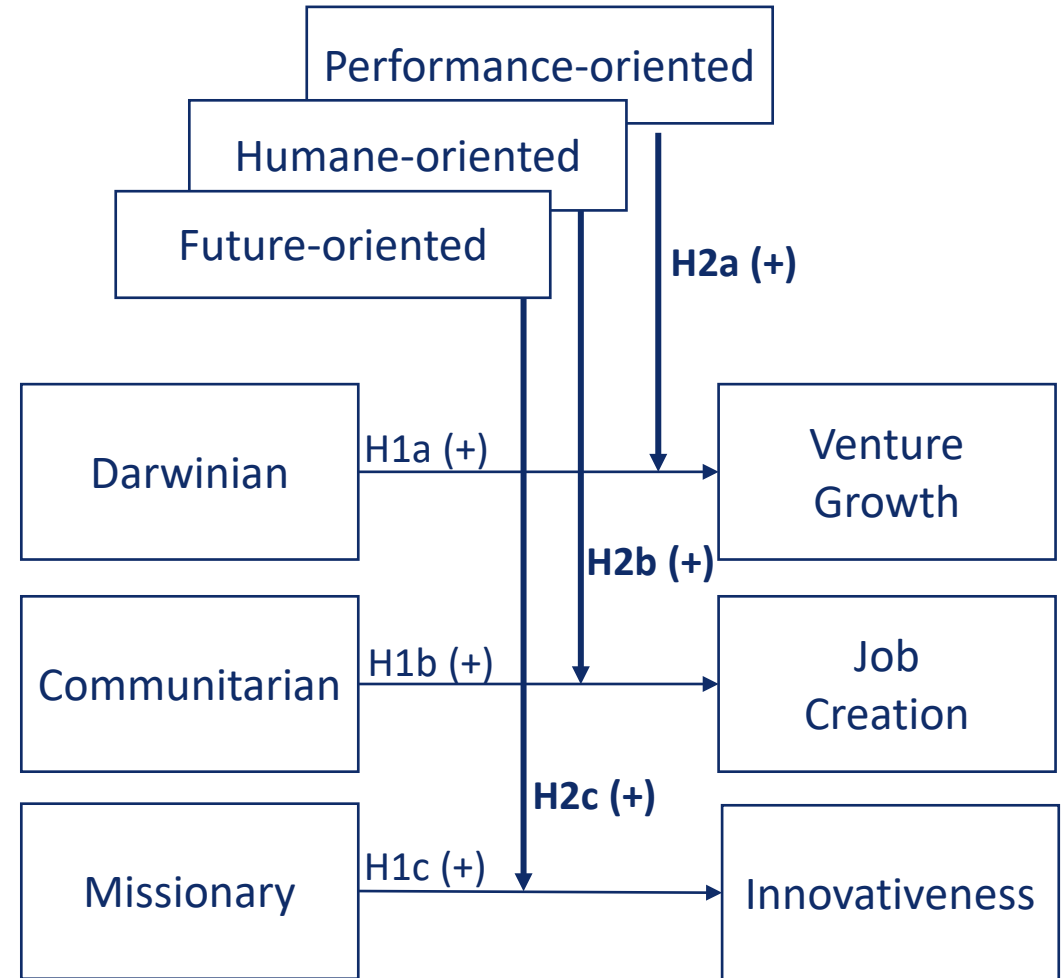


Figure 1. Theoretical model



## DATA & METHOD

- **Global University Entrepreneurial Spirit Students' Survey (GUESSS).** Data were collected in 2021 using an online survey. A total of 267,366 students from 58 countries completed the survey. A subsample of active business founders who owned the majority of the firm was selected.
  - IVs: founder social identity scale (Sieger et al., 2016)
  - DVs: multidimensional subjective performance scale (Dess & Robertson, 1984; Eddleston et al., 2008)
  - Controls: age of the founder; gender of the founder; year of business establishment, industry, etc.
- **Globe project.** For 32 countries from 58 of those participated in GUESSS survey the estimation of the national culture orientations were found -> *the final sample included 6,571 observations from 32 countries*
  - Moderators: dimensions of national culture
- **International Monetary Fund Open Data** (control variables).
  - Controls: GDP per capita, constant prices, purchasing power parity (2018-2020)
- **Method:** Regression analysis (hierarchical linear modeling HLM)



## RESULTS

	Growth	Job creation	Innova-tiveness
Darwinian	0.465*** (0.021) [0.000]		
Communitarian		0.319*** (0.025) [0.000]	
Missionary			0.455*** (0.022) [0.000]
Controls (individual-, firm- and country-level)	Yes	Yes	Yes

Hypotheses	Results
H1a: Darwinian -> Venture growth	supported
H1b: Communitarian -> Job creation	supported
H1c: Missionary -> Innovativeness	supported





## RESULTS

	Growth	Job creation	Innova-tiveness
Darwinian X Performance orientation	0.036 (0.044) [0.412]		
Communitarian X Humane orientation		-0.133** (0.531) [0.012]	
Missionary X Future orientation			0.153*** (0.047) [0.001]
Controls (individual-, firm- and country-level)	Yes	Yes	Yes

Hypotheses	Results
H2a: Performance-oriented culture as a moderator	not supported
H2b: Humane-oriented culture as a moderator	rejected
H2c: Future-oriented culture as a moderator	supported



## DISCUSSION

### ➤ **Theoretical contribution:**

- The research enriches the current understanding of entrepreneurs' social identity as an antecedent of firm performance. The way in which founders understand the essence of their entrepreneurial activity determines the goals of their venture;
- Our study suggests that for the successful realization of the social role of entrepreneurship it is crucial to have a supportive environment. It facilitates the translation of the individual understanding of self into real entrepreneurial actions and performance outcomes. However, it might also serve as a constraint for entrepreneurs when they tend to limit new opportunities and greater perspectives for their ventures.



## DISCUSSION

### ➤ **Limitations:**

- self-reported data;
- limited number of countries represented in the final sample;
- limited number of cultural dimensions.

### ➤ **Future research:**

- gendered specifics of the social identity translation into various performance indicators;
- as well as longitudinal research designs can enrich our understanding of the founder social identity dynamics in entrepreneurial settings.



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# Thank you!

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