Do Entrepreneurs Really Create Entrepreneurial Cultures? When Intentions do not Match Actions

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Abstract

From the perspective that organizational cultures are shaped by their founders, it is expected that entrepreneurs create entrepreneurial cultures in line with their innovative approach. This paper challenges this expectation by drawing attention to the relationship between entrepreneurs and the cultures they build, with a particular emphasis on the potential challenges that may inhibit entrepreneurs from forming and maintaining innovation oriented cultures as intended. Four traps, identified as the trap of control, the trap of similarity, the trap of preservation, and the trap of individual identity, that act as barriers in the formation of innovative cultures are proposed and discussed in relation to the current literature.

Keywords: entrepreneurship, creativity, innovation, organizational culture

Due to the immense effects of globalization, technological advances, and increasingly competitive environments, innovation has become a requirement for organizations in order to respond to constantly changing market demands and customer needs (Shimizu and Hitt, 2004). In this respect, innovation has gained

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further importance for the competitive advantage and more, crucially, for the survival of organizations (Capaldo et al., 2003). According to Heunks (1998), the chances of a small firm to survive and to be successful are becoming ever more dependent on innovation. Consequently, this had led practitioners and scholars to identify the factors that stimulate creativity and innovation in organizations.

There is a close linkage between entrepreneurship and innovation. Entrepreneurship is traditionally viewed as the creation of something new that did not previously exist, and thus as a creative act and innovation (Gartner, 1988; Schumpeter, 1934). Entrepreneurial acts are characterized by searching for new challenges and focusing on continuous innovation in order to sustain business success and competitive advantage (Drucker, 1985; Russell and Russell, 1992; Zhao, 2005). Furthermore, the entrepreneur is mainly characterized by innovative behaviour (Gartner, 1988). Schein (1983) posits that organizational cultures are formed primarily by their founders. The founder of a firm by definition is an entrepreneur and innovator (Heunks, 1998). Thus, it is typically expected that entrepreneurs, who are characterized to be flexible, creative, independent, and open to new ideas with their innovative approaches and entrepreneurial enthusiasm (Cardon et al., 2009; Heunks, 1998), shape their organizational culture in line with their beliefs and values. Accordingly, fostering creativity that lead to implementation of innovations should be a typical aspect in entrepreneurial cultures.

However, the outcome may not always be as intended. Slevin and Covin (1990) argue that the entrepreneur’s managerial behavior is not sufficient for success if the organization does not have the appropriate culture to support such behavior. Thus, the ability to create a culture of innovation is also necessary (Zhao, 2005). However, despite the expectations, there might be constraints and inhibitors to the effective formulation of an entrepreneurial culture caused by the entrepreneurs themselves.

This conceptual paper, essentially touching upon the dark side of entrepreneurship, anticipates challenging the natural expectation that entrepreneurship and entrepreneurial cultures go hand in hand. More specifically, this paper investigates the relationship between entrepreneurs and the cultures they create and emphasizes potential factors that may inhibit entrepreneurs from forming and maintaining entrepreneurial cultures as intended. Four different potential traps derived from the literature; specifically the trap of control, the trap of similarity, the trap of preservation, and the trap of individual identity, associated with the entrepreneur’s actions that act as barriers in formation and sustaining of innovative cultures are proposed by the author and discussed in relation to the literature.

This paper has particular significance since it addresses a major gap in the literature. Dunne and colleagues (2016) assert that while entrepreneurship research often focuses on innovation and creativity, little is known about how entrepreneurs create an environment that enhances innovation. Researchers point to the need for studies on factors that determine a culture that supports creativity and innovation (Judge et al., 1997; Martins and Terblanche, 2003). In addition, the majority of the research has focused on the bright side of entrepreneurship. While previous research has documented some of the dysfunctional outcomes of the dark side, the impact of entrepreneurial actions
on creativity and formation of entrepreneurial cultures has not been examined in detail or has remained rather fragmented.

Furthermore, considering that innovation is crucial for the survival and success of entrepreneurial organizations (Kang et al., 2015), research on the subject is specifically needed in the entrepreneurial context. This study contributes to the aforementioned gaps in the literature in the intersection of entrepreneurship and entrepreneurial cultures.

The next section explains the relationship between entrepreneurs and entrepreneurial cultures, followed by a review of work on the dark side of entrepreneurship. Then, the four traps that inhibit entrepreneurs from forming entrepreneurial cultures are proposed and discussed.

**Entrepreneurs and Entrepreneurial Cultures**

The concept of entrepreneurship cannot be reduced to a single definition. It can focus on the creation of new businesses or it can occur within existing organizations, thus encompassing multiple definitions including intrapreneurship, corporate entrepreneurship or social entrepreneurship. However, creating new ventures is probably the most commonly used context in which to address entrepreneurs. Schumpeter (1934) defines an entrepreneur as a person who carries out new combinations such as new products, processes, markets, or organizational forms. Entrepreneurship is the creation of a new venture based on an innovative idea or a renewal and innovation in an existing system (Gartner, 1988). According to Gartner, research on entrepreneurship should focus on the actions of the entrepreneurs (what the entrepreneur does) rather than the traits (who the entrepreneur is). This paper also draws from the behavioral theory of the entrepreneur and focuses on the entrepreneurs’ actions while they form the organizational culture of a new venture.

Entrepreneurs’ actions have been positively related to innovation in literature. Schumpeter’s (1934) concept of creative destruction describes entrepreneurs as sources of disequilibrium who destroy the equilibrium by means of altering old ways of doing things through continuously responding to change, shifting resources, creating new alternatives, and constantly innovating. Furthermore, entrepreneurial ventures are often characterized by a context of innovation where the entrepreneur is expected to promote idea generation, idea structuring, and idea promotion (Cogliser and Brigham, 2004). According to Yamada and Yamashita (2006), an entrepreneur, as the founder, is influential in nurturing and supporting creativity and innovation\(^1\) (Shalley and Gibson, 2004; Yamada and Yamashita, 2006).

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\(^1\) For the clarity of concepts, it would be useful to note that in many studies creativity and innovation are usually used interchangeably. In fact, they are highly related but are different constructs. Creativity is defined as a combination of flexibility, originality and sensitivity to ideas, enabling the thinker to break away from the usual sequence of thought (Jones, 1972). On the other hand, innovation is defined as “the intentional introduction and application within a role, group or organization of ideas, processes, products or procedures, new to the relevant unit of adoption, designed to significantly benefit the individual, the group, the organization or wider society” (West and Farr, 1990: 9). Creativity is the first step in the innovation process (Amabile, 1988; West and Farr, 1990) and innovation is broader than creativity by also including the successful implementation of ideas (Amabile, 1996; Baer, 2012; King and Anderson, 2002). However, regardless of the type of innovation (e.g. process, service, product, strategy), innovation presupposes the existence of creativity. Therefore, while the concepts of creativity and innovation are both used, this paper focuses mainly on the creativity aspect of innovation since creativity is a prerequisite of innovativeness, and thus of entrepreneurial cultures.
This is also supported by Schein’s model of organizational culture. The culture that the entrepreneur creates is crucial because culture is strongly related to creativity and innovativeness (Burnes, 1996; Kao, 1989; Nyström, 1990; Pohlmann et al., 2005). According to Schein (1985), organizational culture is made up of a pattern of shared, taken-for-granted assumptions that are held by the members of an organization and taught to the new members. When a culture is created, the founder or the entrepreneur is granted a fundamental role of setting the roots of the culture (Schein, 1983; 1985). Pettigrew (1979) refers to the founder-entrepreneurs as creators of cultural components such as beliefs, ideologies, and symbols. Founders can develop and maintain an organizational culture of innovation by creating and spreading a set of values that reinforce these cultural attributes (Trice and Beyer, 1993). In line with that approach, it would be expected that entrepreneurs will create entrepreneurial cultures in the ventures they form.

Some common attributes of entrepreneurial cultures can be summarized as focus on people and empowerment, teamwork, freedom to try and fail, experimentation, risk taking, creativity, innovation and change (Jassawalla and Sashittal, 2002; Peters, 1997; Timmons, 1999). In Quinn and Rohrbaugh’s (1983) Competing Values Framework, adhocracy is defined as a form of entrepreneurial culture where there is high commitment to seeking new challenges, and knowledge, experimentation and innovation and innovative leaders encourage members to take risks. Mintzberg (1979) also refers to adhocracy as a truly innovative organizational form, being a fluid and highly organic structure with little formalization of behavior. The leadership styles of such cultures are characterized as entrepreneur, innovator and risk taker (Cameron and Quinn, 1999).

Based on the aforementioned connection of entrepreneurship, creativity and entrepreneurial (innovative) cultures, it is expected that entrepreneurship and entrepreneurial cultures go hand in hand. In an entrepreneurial culture, organizational values and practices need to be consistent in order not to convey confusing messages (Argyris and Schön, 1974). Consequently, an entrepreneur’s innovation related values should be reflected in the organizational practices so that there is no incongruity. However, this paper challenges this expectation by referring to some potential challenges faced by the entrepreneurs. In other words, the entrepreneurs’ actions in their daily organizational practices may not follow their intentions to create and maintain an entrepreneurial culture. These challenges are mainly associated with what is called the “dark side” of entrepreneurship.

**Dark Side of Entrepreneurship**

Several researchers have also examined what they refer to as the dark side of entrepreneurship in order to draw attention to dysfunctional attributes of entrepreneurship (Beaver and Jennings, 2005; Fisher and Langan-Fox, 2009; Kets DeVries, 1985; Kuratko, 2007; Miller, 2015). Referring to the dark side, Kets DeVries (1985) argues that entrepreneurial perspective may also have a destructive source in the drive of the entrepreneur. Accordingly, the way entrepreneurs manage the challenges of risk, stress, and entrepreneurial ego can be potentially destructive. The strong desire to control their business may lead to an obsession for autonomy and over control. In addition, ego may lead to too much
optimism and cause unrealistic judgments when faced with critical decisions. Beaver and Jennings (2005) also suggest that entrepreneurs may display egocentric attitudes associated with the abuse of power in their hands, which may lead to the failure of the business. Fisher and Langan-Fox (2009) refer to the obsessive passion associated with entrepreneurship and point to both positive and negative outcomes of this passion. Accordingly, the dark side of obsessive passion results in poor self-reflection, less adaptability, ineffective relationships and failures in business decision making. This paper also raises concerns regarding the dark side associated with dysfunctional outcomes of entrepreneurs’ actions related to failure to create an entrepreneurial organizational culture.

**What Inhibits Entrepreneurs from Creating Entrepreneurial Cultures?**

From the functionalist perspective, it is well documented in literature that founders and leaders of organizations affect their organizations’ cultures and structures by embedding their own values (Schein, 1985; Schneider, Goldstein, and Smith, 1995; Trice and Beyer, 1993). This assumption also leads us to envisage that entrepreneurs are likely to impose their own values and innovative styles on the culture they create. However, the actions of entrepreneurs may sometimes lead to unintended consequences and turn out to be destructive rather than constructive in terms of creating or maintaining an entrepreneurial culture.

Drawing from the behavioral theory of entrepreneurs (Gartner 1988, 1990) and Schein’s model of organizational culture, this paper investigates the actions of entrepreneurs, as the founders of a new culture, that inhibit them from forming entrepreneurial cultures. The paper proposes four potential traps that the entrepreneur may get blinded by. They are called the trap of control, the trap of similarity, the trap of preservation, and the trap of individual identity. Each of these potential failures is also named from the view of the entrepreneur as “My Command”, “My Worldview”, “My Best Way”, and “My Organization” respectively.

1. **“My Command”: Trap of Control**

   Among portrayal of entrepreneurs, it is generally acknowledged that entrepreneurs tend to prefer autonomy implying self-reliance, dominance, and independence, and they have a low need for support which can lead to delegation and communication problems (Rauch and Frese, 2007; Sexton and Bowman, 1985). Kets DeVries (1985) also emphasizes the dark side of entrepreneurs as a strong desire to control their business, which may lead to obsession for autonomy and over control.

   Entrepreneurs come up with a brilliant idea; they have the ability to turn this creative idea into an innovation and expand their business upon it (Reich, 1987). However, this may bring along some kind of ownership of the business or idea as well. It can be the need to control, or the need for autonomy, or it can be the lack of trust in others’ competence (Kets De Vries, 1996), feeling that nobody else can own and protect the business as much as he or she. Feldman (1993) found that perfectionism and over com-
mitment to ideals can reflect on an inner-directed cultural orientation, which results in the tendency to control. This may result with the tendency of over-controlling and the failure to give initiative, or in other words, failure to empower other members of the organization. However, entrepreneurial cultures and their essential element, creativity, are fostered via empowerment. That is also supported by the finding that participative leadership is related to cultures of innovation (Ogbonna and Harris, 2000).

The literature provides adequate evidence regarding the positive association of empowerment to creativity and innovative cultures. Empowerment has been identified by many researchers as being one of the most important factors that influence employees’ creativity and innovativeness (Burpitt and Bigoness, 1997; Dooley and O’Sullivan, 2000; Frischer, 1993; Krause, 2004; Spreitzer, 1995). According to DeJong and Den Hartog (2007), one way for organizations to become more innovative is to capitalize on their employees’ ability to innovate. They found that delegation by giving subordinates sufficient autonomy to make decisions was positively linked to idea generation and innovation application behavior.

Encouragement of risk-taking, idea generation, a collaborative idea flow and participative decision making are positively related to innovative cultures (McLean, 2005), since people are likely to produce unusual ideas when they are encouraged to do so and when they feel free to experiment (Parnes, 1961). Blumentritt, Kickul, and Gundry (2005) found that in order to develop innovation oriented cultures, entrepreneurs need to encourage and extract contributions from other individuals in the organization by involving them in the idea development stages. This way, creativity in the organization does not solely depend on the creative potential of the entrepreneur.

However, despite the affirmed relation between empowerment and creativity, at the early stage of the firm, it can be shown that some entrepreneurs may have the tendency of not letting go of their control and of micro-managing others’ business (Kets De Vries, 1996). Until some point in time, they try to settle things, set up strategies, and make decisions on their own. Although this might have advantages such as fast and centralized decision making and responding quickly to changing situations, in the long run this causes major problems of leader dependence (Kark et al., 2003). These types of entrepreneurs, seen as the leaders in the organization, control and take initiative so much, that by failing to give the initiative to others, the other members develop dependence on the leader’s opinions and decisions. Dependence on the leader manifests itself such that employees are limited in their ability to make decisions without the leader’s guidance (Kark et al., 2003). Consequently, they may feel it unnecessary to take initiative in decisions and make creative contributions, since the leader already takes care of everything; this may result in cognitive laziness (Shah and Oppenheimer, 2008).

After this initial stage of settling down, if the entrepreneur feels the relief that the organization has now settled its core and the people involved are also capable of continuing the organization’s mission, he may believe that it is time for empowering the others to take initiative. However, at this point, the employees, who have developed leader dependence over time, feel stressed when faced with an empowered situation which they were not used to before. However, in contrast to leader dependence, empowerment
requires employees’ autonomy, independence, and self-efficacy (Kark et al., 2003). The literature suggests that when there is a dependency on the leader, the departure of the leader (or withdrawal from full control in this particular case) may result in the followers’ feelings of distress (Shamir, 1991). Moreover, from the perspective of the employees, this situation may be regarded as a change event in their role or task, causing an uncertain environment where they are not sure as to how to respond. The literature of change suggests that change events combined with uncertainty lead to stress (Lazarus and Folkman, 1984; Rafferty and Griffin, 2006). Consequently, stress is associated with decreased creativity (Talbot et al., 1992). Therefore the positive relationship expected between empowerment and creativity turns into a negative one.

When the employees have developed a dependence on the leader due to the previous behaviors of the entrepreneur, the employees’ sense of competence and self-efficacy are also reduced. Feeling no competence regarding taking initiative, stress emerges as an affective reaction for coping with a new and unexpected situation (Parker, 1998). Consequently, the stress lowers their creative abilities and reverses the positive empowerment-creativity relationship towards a negative one.

It can be summarized that after periods of over control by the entrepreneur, if subordinates develop dependence on the entrepreneur leader, they will experience feelings of stress when they are empowered to take initiative, which will decrease their creativity. Hence, considering the negative impact on innovation, entrepreneurial action emphasizing too much control with little empowerment at the initial stages of business can be proposed as the first failure that prevents the creation of entrepreneurial cultures. It is named the trap of control, or from the entrepreneur’s perspective, the trap of over-emphasizing “my command”.

**Proposition 1:** Control is positively related to leader dependence.

**Proposition 2:** Control is negatively related to empowerment.

**Proposition 3:** Stress mediates the relationship between empowerment and creativity.

**Proposition 4:** Leader dependence moderates the relationship between empowerment and stress. In other words, empowerment will lead to more stress if employees have more leader dependence.

2. “My Worldview”: Trap of Similarity

Previous research shows that founders of organizations are directly influential on the creation of organizational cultures by embedding their own values, beliefs and assumptions (Schein, 1985; Schneider et al., 1995). Schneider (1987) also asserts that “people make the place,” implying that people in the organization determine the organizational culture and practices. In line with this proposition, he put forward the Attraction-Selection-Attrition (ASA) framework. Attraction means that people’s preferences to work in an organization depend on the congruence of their own values with
those of the organization (Schneider et al., 1995). Selection indicates that leaders hire people who share the same values and assumptions. Finally, attrition posits that people whose values do not fit the values of the organization tend to leave it.

Focusing on the selection process of the ASA framework, leaders and founders of an organization create cultures by reflecting their own values. As a result, the entrepreneurs will be likely to select those applicants who are congruent with his or her ideas and beliefs to work with. Pettigrew (1979) also mentions that entrepreneurs may initially recruit their employees based on prior acquaintance and homogeneous backgrounds. This may seem to be an ideal way of creating an entrepreneurial culture with personal values being congruent with the value systems of the entrepreneur. Although this congruence may also have beneficial outcomes in terms of group harmony and cohesion, Schneider and colleagues (1995) argue that there is an unintended consequence of the ASA process in terms of increasing homogeneity in the organization, called the homogeneity hypothesis.

As mentioned before, adhocracies are interpreted as the ideal innovative cultures. The foremost strength of the adhocracy is its ability to bring together experts from various fields, and merge them as ad hoc project teams to solve new and unexpected problems. In order to boost innovation, the building of knowledge and skill requires the combination of different people and a diversity of values and opinions (Mintzberg, 1979). Diversity refers to the extent of the similarity or dissimilarity of members of a team along different attributes, such as gender, age, education, ethnicity, culture, and functional experience (Jackson, May, and Whitney, 1995). Researchers suggest that diversity is an important facilitator of creativity with the generation and communication of diverse perspectives (Amabile, 1996; Woodman et al., 1993). Multiple perspectives may boost innovation via increasing the information available for problem solving and enhancing the team’s ability to create alternative interpretations and generate creative solutions to problems (Hennessey and Amabile, 1998; McLeod, Lobel, and Cox, 1996; Watson, Kumar, and Michaelson, 1993).

As opposed to the view of Schneider et al. (1995), which regards homogeneity as an unintended consequence, some other researchers are proponents of homogeneity over heterogeneity in teams. According to Blau (1977) firms characterized by high levels of cultural diversity experience dissimilar dynamics. In culturally homogeneous groups, members share their worldviews, have higher attachments to the group, communicate with each other more often, and experience less conflict (Earley and Mosakowski, 2000; Williams and O’Reilly, 1998).

The role of the entrepreneur is thus to be aware of the limitations of each perspective and create the balance between diversity and conflict. The entrepreneur, while forming the innovative culture, needs to use the advantages of heterogeneity in terms of fostering creativity and minimize its disadvantages by working on conflict resolution strategies and maintaining the harmony and open communication in the group.

Considering the homogeneity hypothesis, the second failure that inhibits developing innovative cultures is related to the similarity-based selection processes of entrepreneurs and is proposed as the trap of similarity; or from the entrepreneur’s perspective, the trap of “my worldview”.
Proposition 5: Similarity of values in the organization (low diversity) reduces creativity.

3. “My Best Way”: Trap of Preservation

Although entrepreneurs are portrayed as proactive and innovative risk takers who always search for change and use it as an opportunity (Drucker, 1985; Schumpeter, 1934), they may fail to demonstrate such a big embrace of change in their actions. This can be attributed to their paradox between change and preservation (Baden-Fuller and Volberda, 1997). It is proposed that the tendency to prefer preservation over change may be caused by two major reasons; feelings of ownership or fear of failure.

Entrepreneurs, as the owners of the business may feel a strong ownership towards their business and the original idea they have implemented such that their idea becomes a monument to them (Conger, 1990). As Kets De Vries (1985) mentions regarding the dark side, entrepreneurs have a certain ego which can be destructive, if not used in a positive way. For example, their ego may lead to a cognitive bias in their decision making which leads to an unrealistic optimism about the probable success of their ideas (Dawson and Henley, 2012). In that respect, Camerer and Lovallo (1999) and Vecchio (2003) also found that entrepreneurs tend to overestimate their chance of success since they are overly confident about their own abilities. If the necessary change requires that the entrepreneur modify the business or even discard an important portion of it for something better, the entrepreneur may let the feelings of attachment to his or her idea overwhelm him or her. Thus, when the subjectivity of ownership overrides the objectivity of need for change, the entrepreneur may be blinded and be unable to make the effective decisions (Conger, 1990). The strong ties to the business may decrease the openness to change, which is a hindrance for an innovative culture that is seeking change.

Feelings of ownership can also be explained via the entrepreneur’s passion. Passion is explained as a strong desire for a self-defining activity that one loves and in which requires a significant amount of time and energy (Vallerand et al., 2003). Cardon, Wincent, Singh, and Drnovsek (2009) state that passion is aroused in entrepreneurs since they do something that relates to a meaningful and valuable self-identity for them. According to Vallerand et al. (2003) passion is dualistic in nature; it is either harmonious or obsessive. Harmonious passion in an activity is more flexible. However, in the obsessive type, the activity may take control of the individual and lead to a rigid persistence in the activity even at high costs such as business failures or damaged relationships (e.g. escalation of commitment) (Fisher and Langan-Fox, 2009; Staw, 1981). In the context of this paper, an entrepreneur’s obsessive passion may lead to insisting on rigid ideas with the aim of preserving them at the cost of giving up innovativeness and openness to change.

The second reason for change resistant actions may be attributed to the fear of failure. Entrepreneurs start their business based on their brilliant idea and take subsequent steps to make sure their business is a success. On the pathway of making decisions, after consequent success stories, entrepreneurs may face the fear of failure with the next moves. The initial success may persuade the entrepreneur that his ideas are invincible (Conger, 1990). Therefore, trusted and proven strategies become preferred over and
over. In that case rather than trying and testing new strategies, the past patterns begin
to create path dependencies. Becoming bound to a suboptimal course of action over
time is also called entrapment (Drummond, 2004). Consistently, the employees are not
provided the grounds for testing and experimenting, which is a prerequisite of creativity
and innovation. As a result, this sacrifice of creativity for the fear of change reduces
openness to change, and surely contradicts the innovative nature of entrepreneurship.

The trap of preservation also reduces the strategic flexibility of the firm. Shimizu
and Hitt (2004) define strategic flexibility as an organization’s capability of being aware
of the changes in the external environment and taking appropriate actions in a timely
and quickly manner. In turbulent environments, firms need to develop a unique set of
resources, referred to as core competences, to build a competitive advantage (Hitt et al.,
1998). These core competences must be continually developing rather than remaining
static. Otherwise, in the absence of strategic flexibility, these core competencies of the
firm face the danger of turning into core rigidities in highly competitive environments
(Gilbert, 2005; Leonard-Barton, 1992; Prahalad and Hamel, 1990). The trap of pres-
ervation accompanied by reduced flexibility will hence develop core rigidities, which
will be related to a decrease in creative potential.

Bearing in mind that the tendency of preservation is a threat to an entrepreneurial
culture, the entrepreneurs need to be aware of the balance between preservation and
change. This can be managed by ambidexterity (Gupta et al., 2006). Ambidexterity is
the ability to keep a balance between explorative and exploitative processes (Levinthal
and March, 1993). March (1991) makes the distinction between the two concepts in
that exploitation means using and developing things that are already known, whereas
exploration refers to searching for new alternatives, experimentation and innovation.
March (1991) further describes exploitation by the keywords of “refinement, choice,
production, efficiency, selection, implementation, execution” and contrasts it to explora-
tion which is described by terms such as “search, variation, risk taking, experimentation,
play, flexibility, discovery, innovation”. Birkinshaw and Gibson (2004) and Volery and
colleagues (2015) propose that the success of an entrepreneurial organization depends
on ambidexterity (i.e. the balance of focus on the value of current business activity and
searching for new value by innovation). Ambidexterity is seen crucial to innovation
because innovation needs both explorative and exploitative aspects. Therefore it is
important for the entrepreneur to focus on both of these processes.

On the other hand, if past success rewards using exploitation over exploration and
if path dependencies are created due to a fear of failure, the culture becomes more
risk averse which is not an aspect of entrepreneurial culture. March (1995) also points
to this threat by stating that activities of exploration in startup firm fade away after a
while and new ideas become standardized and routine. Thus, unless ambidexterity is
properly managed, the trap of preservation inhibits creativity and the creation of an
entrepreneurial culture.

Proposition 6: Tendency of preservation is negatively related to creativity and
entrepreneurial culture.
Proposition 7: Openness to change and strategic flexibility mediate the relationship between tendency of preservation and creativity and entrepreneurial culture.

4. “My Organization”: Trap of Individual Identity

The last proposed inhibitor of the formation of an entrepreneurial culture is overemphasis on the individual identity of the entrepreneur versus a focus on collective identity. A major prerequisite of a creative and innovative-supportive culture is teamwork and collaborative orientation (Gupta et al., 2004; Jassawalla and Sashittal, 2002). Creativity is fostered not only via the flexible and flat structures consisting of teams, but also by the positive climate enhanced by team spirit. Collective identity - sometimes used interchangeably with the term social identity - is defined as the identity that is shared with a group of others who have some common characteristics (Ashmore et al., 2004). Collective identity should be differentiated from self-identity, such that self-identity focuses on an individual’s personal traits and attributes which distinguish one from the others (Banaji and Prentice, 1994). On the other hand collective identity depends on the extent to which an individual perceives himself or herself to be a member of a group and the significance attributed to this membership (Tajfel, 1978).

The literature presents evidence that members of a group identify more strongly with the collective identity of their group if the leader represents the collective identity and is perceived to be group prototypical (Van Knippenberg et al., 2004). Creating a culture that emphasizes the “us” approach versus the “me” approach is important for creating an entrepreneurial culture. However, sometimes the identity of the entrepreneur as the owner of the organization and the idea is so overwhelming that the entrepreneur is perceived as a hero who is not easy to approach and whose identity constitutes the organization. In line with that, some studies have portrayed the entrepreneur as a hero (e.g. Boswell, 1972). Reich (1987) points to the myth of “entrepreneurial hero” that is a powerful image representing individual freedom, creativity, and inspiration. However, he further points to the need to emphasize collective versus heroic effort and argues that entrepreneurship should be a capability that diffuses throughout the organization, allowing for experimentation and development and leading to a collective capacity to innovate. Otherwise, when the entrepreneur plays the central role, the rest of the workforce becomes solely the supporting cast where they become unable to perform without directions from above (Reich, 1987).

The “hero” perception can act as a barrier for representing the collective identity, and focuses more on the self-identity. As entrepreneurs are characterized by having a considerable amount of ego and a desire for applause (Kets DeVries, 1985, 1996), this tendency to promote individual identity may lead to an over emphasis of the entrepreneur’s achievements rather than attributing the achievements to the organizational members as a team working together for a common purpose. Pettigrew (1979) also argues that the essential problem in entrepreneurship is the translation of individual drive into collective purpose and commitment. In this sense, if the collective identity is poorly constructed by the entrepreneur, the organization may be perceived as “the
entrepreneur’s organization” versus “our organization”. At this point, it’s in the hands of the entrepreneur to shape the culture around the identity of this heroic individual or not.

Furthermore, if the leader is perceived as a hero and idealized excessively, negative aspects are ignored creating the danger of “Yes people” around the leader, leading to group think in line with the tendency to agree with the leader’s ideas, and consequently distorting decision making and creative thinking (Conger, 1990, Janis, 1971; Jaussi and Dionne, 2003).

While arguing for the importance of connective leadership, Lipman-Blumen (1992) refers to the ego-ideal of the American entrepreneur (Drucker, 1985). Accordingly this heroic figure is referred to as a self-reliant individual who has a trouble collaborating, believing others can do it as well, making synergetic group work and taking pride in others’ success. Individualistic leaders usually do not possess these aspects of connective leadership. On the other hand, in connective leadership, egocentrism is replaced with mutuality (Lipman-Blumen, 1992). Consequently, it becomes crucial for entrepreneurs to emphasize more collaboration, collective achievement, teamwork and shared power across the organization, rather than positioning oneself as the hero, in order to foster an entrepreneurial culture.

Proposition 8: Focus on the individual identity of the entrepreneur is negatively related to creativity and entrepreneurial culture.

Proposition 9: Collective identity mediates the relationship between focus on the individual identity of the entrepreneur and creativity and entrepreneurial culture.

**Proposed Model of the Study**

Figure 1 illustrates the proposed relationships between the entrepreneurial acts associated with the relevant potential traps. Also it demonstrates the unintended consequences of these acts in the formation and maintenance of entrepreneurial cultures, directly and indirectly through their impact on creativity. Trap of control leads to leader dependence, which causes employees’ feelings of stress in the case of empowerment. Consequently this stress reduces creativity and thus has a negative impact on creating an entrepreneurial culture. Trap of selection based on similarity of values reduces diversity in the organization, which again hinders formation of an entrepreneurial culture by lowering the potential of creativity in the organization. Trap of preservation relates negatively to creativity and entrepreneurial cultures by decreasing openness to change and strategic flexibility. Finally, trap of individual identity focus reduces collective identity, and thereby relates negatively to creativity and an entrepreneurial culture.
Theoretical and Practical Implications and Suggestions for Future Research

Innovation is crucial for the survival and competitiveness of organizations. While entrepreneurship research often focuses on innovation and creativity, little is known about how entrepreneurs create an environment that enhances innovation. Entrepreneurial culture of a new venture is an important aspect of an environment which enables innovativeness. Drawing from the behavioral approach of entrepreneurship and Schein’s model of organizational culture, this paper questions the expected linkage between entrepreneurs’ actions and their creation of entrepreneurial cultures. To do so, it points to the possible entrepreneurial actions which can be destructive to creativity and innovativeness, thus turning out to be inhibitors of entrepreneurial culture. While previous research has documented some of the dysfunctional outcomes of the dark side of entrepreneurship, the impact of entrepreneurial actions on formation of entrepreneurial cultures has not been examined in detail or in an integrated framework. This paper, with its proposed model, brings an extended view to the dark side of the entrepreneurs’ actions and contributes to the scholarly literature on the entrepreneurial challenges of creating innovative cultures.

Furthermore this paper aims to provide practical implications to guide entrepreneurs in their actions while forming their organizations’ cultures. Accordingly, entrepreneurs need to be aware of four potential traps, namely the trap of control, the trap of similarity, the trap of preservation, and the trap of individual identity. Although it does not mean all entrepreneurs will be caught in the traps identified, it is important to be aware that positive intentions may end up with unintended consequences, or even threats to the
innovative culture if the entrepreneur’s actions do not follow the right path. Thus, this paper anticipates reminding the bitter side of entrepreneurial actions and the importance of being aware of these failures to take proper action against them. Possible actions that can be taken against these traps are suggested and demonstrated in Figure 2 as facilitators of entrepreneurial cultures.

Figure 2
**Inhibitor versus Facilitator Entrepreneurial Actions in the Formation of an Entrepreneurial Culture**

In order not to get caught in the potential traps, empowerment rather than control diversification rather than homogenous selection of members, exploration of opportunities rather than preservation as well as a balance of exploration and exploitation, and focusing on collective identity of the organization rather than on the individual identity of the entrepreneur are suggested as facilitators of an entrepreneurial culture.

More explicitly, entrepreneurs are advised to empower their employees starting with the initial phases of the new venture creation. This way entrepreneur’s control will not lead to leader dependence, and thus stress when employees are empowered at later stages. The entrepreneur may still have control and increase the level of delegation incrementally. Moreover, to avoid a homogeneity of perspectives, it is suggested that entrepreneurs emphasize diversity in their recruitment practices while casting their teams. Thirdly, entrepreneurs are advised to keep exploring new ways, processes, products, and ideas while also exploiting the paths and strategies that have proven to work successfully for them. This will help them maintain an innovation oriented culture rather than a preservation oriented one by balancing exploration and exploitation. Finally, a collective spirit in the new venture focusing on team work would be suggested rather than emphasizing a heroic image of the entrepreneur who is seen separate from the team. Through these actions openness to change, flexibility, empowerment, creativity and a collective identity of cultural membership may work together to foster an entrepreneurial culture.

Future studies can empirically investigate separate propositions in this paper. For example, the relationship between recruitment practices that influence diversity and the entrepreneurial culture of the new venture or the relationship between leader de-
pendence, stress and creativity can be empirically tested. In addition, further studies can investigate the relationship between the heroic perception of an entrepreneur from the employee perspective and entrepreneurial culture in the team. In addition, future studies may benefit from empirically analysing the relationship between entrepreneurs’ actions and entrepreneurial cultures by taking into consideration contextual factors such as the industry dynamics and national culture. Another possibility would be taking a longitudinal approach. For example, Martin (2002) suggested that research focusing on organizational culture and creativity and innovation may examine how an innovative culture diminishes over time. In line with that, future research may consider observing the changes in culture (i.e. culture in the new venture formation phase versus growth stage). Finally, entrepreneurial actions in the formation of culture overlap with leadership literature. Further studies can take a stand from the leadership perspective and apply leadership theories like transformational leadership to see the effect on formation and maintenance of innovation oriented entrepreneurial cultures.

References


DO ENTREPRENEURS REALLY CREATE ENTREPRENEURIAL CULTURES?


