ROLE OF POWER DISTANCE AND INDIVIDUALISM VS COLLECTIVISM IN SHAPING ENTREPRENEURIAL INTENT

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Abstract: This study examines how two of Hofstede's cultural dimensions—Power Distance and Individualism versus Collectivism—affect entrepreneurial intent in Saudi Arabia. Using Hofstede's Cultural Dimensions as a framework, the research explores how cultural differences shape entrepreneurial activities, focusing on Saudi culture compared to other global cultures. The study aims to empirically analyse the influence of these cultural dimensions on entrepreneurial intent, assess their role in the success of entrepreneurial ventures in Saudi Arabia, and provide insights for entrepreneurs and policymakers to enhance decision-making and strategic planning. The research methodology includes a literature review and a self-administered online survey completed by 200 respondents. The findings reveal that High Power Distance and Collectivism significantly impact entrepreneurial intent in Saudi Arabia, offering valuable implications for promoting entrepreneurship in alignment with Saudi Arabia's Vision 2030. The study also contributes to academic understanding by providing a framework to analyse the relationship between cultural dimensions and entrepreneurial activities in the Saudi context.

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Introduction

The cultural changes in Saudi Arabia have led to growing opportunities, with the support of the Saudi government's efforts to bolster the economy through the 2030 Vision initiative; one of the key aspects of the vision is to invest in diverse economic activities, thus, resulting in emerging trends within Saudi culture, these changes led to similar changes in consumer demands, tastes, and needs which created several opportunities for entrepreneurs to initiate, improve, and innovate in their ventures

In a 2008 publication, entrepreneurship was defined as the pursuit of generating value by creating or expanding economic activity by identifying and exploiting new products, processes, or markets (Ahmad & Seymour, 2008).

On the other hand, according to anthropological studies, culture and cultural systems are considered to be the products of human action that shape future actions over time (Kroeber & Kluckhohn, 1952). Furthermore, Geert Hofstede's Cultural Dimensions Theory provides a framework commonly used to understand cultural differences across countries; this theory identified several cultural dimensions, including power distance, uncertainty avoidance, masculinity versus femininity, collectivism versus individualism, long-term versus short-term orientation, and indulgence versus restraint.

This research aims to empirically investigate the significant impact of selected two cultural dimensions, specifically power distance and collectivism versus individualism as identified by Hofstede, on shaping entrepreneurial intent and activity in Saudi Arabia's emerging economy,

This study has two main goals. The primary goal was to delve into the essence of national culture and the profound impact of cultural dimensions on entrepreneurial endeavours within Saudi Arabia. By elucidating the cultural fabric that underpins entrepreneurial activities, the study seeks to provide an understanding of the socio-cultural dynamics shaping entrepreneurial intent.

Secondly, the research endeavours to empirically test the influence of selected cultural dimensions, high power distance and collectivism versus individualism on entrepreneurial ventures within Saudi Arabia. The study seeks to ascertain how cultural factors shape entrepreneurial aspirations and actions in the Saudi context through meticulous analysis and interpretation of survey data. Moreover, the research goal was also to compare Saudi culture with other cultures.

To understand the interplay between culture and entrepreneurship, a notable gap exists within the Saudi Arabian cultural context; although extant literature offered valuable insights into entrepreneurship and cultural dimensions, research specifically focusing on the Saudi context remains needed. Therefore, this study aims to bridge this gap by exploring how cultural nuances influence entrepreneurial activities in the context of Saudi Arabia by answering the research question: What is the impact of cultural dimensions on shaping entrepreneurial intent within Saudi Arabia's culture? addressing this question,

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the research can explore the complex interplay between cultural values and entrepreneurial activities and offer valuable insights into the drivers of entrepreneurial activities in Saudi Arabia.

Literature review

Entrepreneurship

In today's context, entrepreneurship is a key economic growth driver. The concept of entrepreneurship can be traced back to early studies, with Joseph Schumpeter being one of the prominent authors who discussed it. Schumpeter's dynamic theory of entrepreneurship suggests that it serves as a catalyst for disrupting the steady flow of the economy and initiating development processes (Oladimeji et al., 2021).

Various scholars have attempted to define entrepreneurship. For instance, Fadda (2020) argues that entrepreneurship involves making lifestyle decisions that enable individuals to turn their culture and beliefs into business ventures. According to authors Wang and Altiny, entrepreneurs are individuals who initiate new ventures. Wang and Altiny (2012) discuss how individuals can become entrepreneurs by effectively managing their interests and striking a balance between personal interests and business pursuits.

Akila and Feldman (2021) and Rahatullah and Raeside (2015) discussed the role of entrepreneurship in the Saudi economy between 2008 and 2019; their findings indicated that entrepreneurship played a crucial role in the economy, particularly in terms of diversification and entrepreneurial initiatives, the authors argue that policymakers increasingly recognise the potential impact of entrepreneurship on redefining Saudi Arabia's economy.

Entrepreneurial Activity

Entrepreneurial activity has been a research subject for early scholars; for instance, Penrose's book (1959/2009) defines Entrepreneurial Activity as identifying opportunities within the economic system (cited in Ahmad & Seymour, 2008).

The government of Saudi Arabia has undertaken various initiatives to foster entrepreneurial activities, supporting the establishment and growth of SMEs to stimulate economic growth and enhance living standards for its citizens (Aloulou & Alothman, 2020). This emphasis on entrepreneurial activity aligns with a broader goal of economic diversification in Saudi Arabia (Akila & Feldman, 2021).

Hofstede's Cultural Dimensions

Culture can be defined as **"**the collective programming of the mind that distinguishes the members of one group or category of people from others" (Hofstede et al., Cultures and Organizations, 2010).

Al-Hilabi and Khan (2021) explored the implications of Hofstede's dimensions on the country's culture in Saudi Arabia, highlighting changes and criteria in different dimensions.

Power Distance and Individualism/Collectivism

Power Distance, according to the studies by Hofstede, this dimension is concerned with how far the culture encourages superiors to exercise and display power and how individuals accept the hierarchy, (Hofstede, Dimensionalizing Cultures: The Hofstede Model in Context., 2011), Power Distance in organisations can be seen as "the extent to which the less powerful members of organizations and institutions (like the family) accept and expect that power is distributed unequally.

Hofstede stated, "Individualism versus collectivism is related to the integration of individuals into primary groups." Hofstede argued further that societal ties and relationships characterise collectivism. Individualist societies are where individuals look after themselves. Collectivists are societies where people are associated into groups, looking out for each other, families, and, more often, extended families. (Hofstede, Dimensionalizing Cultures: The Hofstede Model in Context., 2011).

Furthermore, a number of researchers empirically examined the effect of Hofstede cultural dimensions and tried to test their impact on different cultures, a study by Russell, (2004), is one of these studies, in his research, the author used the cultures of several Latin American countries Canada and the United States, in his paper, he tried to link data he used from the Hofstede index, and Entrepreneurship in the above-mentioned cultures, Unites is very high in individualism, and Canda also score high, whereas, the rest of the Latin American cultures scored lower in Individualism, the other dimensions which is Power Distance, USA and Canda scored lower than other Latin American cultures, The Author also described

the implication of the dimensions on Entrepreneurship, “In low power distance cultures, a greater percentage of individuals will be both attracted and permitted access to the role of “entrepreneur” and entrepreneurship may, in fact, be considered a legitimate means for achieving the ideal of social mobility. Thus, compared to high power distance regions, low power distance cultures are likely to generate higher entrepreneurial activity”. Russell (2004) also addresses the implication of collectivism; he argues that collectivist cultures are not willing to engage in entrepreneurship but prefer to initiate collaborative groups.

Now, in the dynamic economy of Saudi Arabia, and taking into consideration the score of Hofstede's two selected dimensions, Saudi Arabia, according to Hofstede’s index indicators, scored 72 in Power Distance, which is relatively high and thus, we can say that Saudi Culture, tend to value tradition, community, and social rules. Besides, Saudi culture scored 48 in Individualism, (Hofstede Insights, n.d.), which will allow us to state that Saudi Culture is more of a Collectivist culture; the emphasis here is on the group and on accepting the values and decisions of the group, family, extended family, and social groups.

Literature Gaps

Building upon the discussion and acknowledging the Power Distance gap in the cultural context of Saudi Arabia, the formulation of the first hypothesis was developed:

H1: High Power Distance exerts a significant impact on Entrepreneurial Intent.

Moreover, recognising the gap in the Individualism versus Collectivism dimension within the cultural context of Saudi Arabia, this dimension is further delineated into two hypotheses:

H2: Individualism significantly influences Entrepreneurial Intent.

H3: Collectivism significantly influences Entrepreneurial Intent.

Methodology

Research Design

A deductive approach was employed in this research; the research method employed in this study was the survey questionnaire tool; given that the study is about the cultural context of Saudi Arabia and the need for generalisable results, a survey was deemed a suitable tool for collecting many responses and gathering diverse opinions.

Sampling

In this research, the target population consisted of Saudi and potential entrepreneurs; the prospective entrepreneurs are those who intend to start their venture. A report published in the third quarter of 2023 by Monsha'at stated that the total number of Micro, Small, and Medium enterprises in Saudi Arabia reached 1,270,000.

A probability sampling method, specifically random sampling, was employed to ensure that the sample represents the population adequately. The sample size of the study is two hundred managers and owners, or perspective owners of Entrepreneurial firms in Saudi Arabia,

The respondents were contacted via email or phone, and a link to the online questionnaire was provided. Confidentiality was assured, and no personal information was collected during the data collection process; the confirmation included that all the collected data would be used for research purposes only.

Data Collection

The questionnaire items were constructed based on relevant literature investigating the relationship between Hofstede's cultural dimensions and entrepreneurship within a specific cultural context. This study focused on the Saudi context; the data was collected and analysed within 2023.

The survey questionnaire was completed online, including a brief description of the study's purpose, an estimated time for completion, and an introduction about the researchers. Confidentiality was assured to the participants, emphasising that no personal data would be collected and all data would be treated confidentially.

The questionnaire was structured into four sections, comprising 26 questions to be completed by the respondents. The first section focused on collecting demographic information through five nominal questions, allowing respondents to choose from a list of alternatives. The demographic questions

included years of experience, industry identification, gender specification, age, and factors attracting individuals to entrepreneurs in Saudi Arabia.

Sections two to four consisted of ordinal questions using a five-point Likert scale; these sections included 21 questions, with 15 questions assessing the independent variables (Power Distance and Individualism versus Collectivism) and six questions investigating the dependent variable (Entrepreneurial Intent).

Results and Discussion

Scale Reliability

The scale reliability represented if the reliability among the items was significant, significant Cronbach's Alpha was employed, and the values of Cronbach's Alpha and the Cronbach's Alpha based on standardised items were 0.857 and 0.853 respectively, which indicates that the utilised scale was reliable, in addition, it also indicates a high level of internal consistency.

Table 1: Reliability Statistics.

Reliability and Scale Statistics		
Cronbach's Alpha	***Cronbach's Alpha Based on Standardized Items***	***N of Items***
0.857	0.853	21
Mean	***Variance***	***Std. Deviation***
73.33	208.753	14.448

Source: Author.

Demographic Analysis

The analysis of demographics revealed that most respondents (59%, n=118) were aged 36 and above, indicating a significant portion of participants in the mid to late stages of their careers. most respondents (34%) had 1-5 years of experience, indicating early career stages. Education or Training was the predominant industry that most of the participants were engaging in (22%), followed by Computer and Technology (20%). Gender distribution showed that there were more males than females when starting businesses. Notably, respondents (27%) identified Market attractiveness as the primary factor driving entrepreneurship in Saudi Arabia, highlighting the pivotal role of market dynamics. Table 2 illustrates the demographic and identification information.

Table 2: Demographic and Identification Information.

Category	**Frequency**	**Percent**
Age		
18 - 25	37	18.5%
26 - 35	45	22.5%
36 - 45	59	29.5%
46 and above	59	29.5%
Gender		
Female	92	46.0%
Male	108	54.0%
Primary Industry		
Computer and technology	41	20.5%
Education or Training	44	22.0%
Finance and Insurance	30	15.0%
Food and beverages	20	10.0%
Retail	22	11.0%
Services or Hotels	21	10.5%
Transportation	22	11.0%
Attractiveness to Entrepreneurship		
Being rich helps to become a business owner	19	9.5%
Culture	29	14.5%
Education in Entrepreneurship	38	19.0%
Family Recommendation or belonging to a family business	35	17.5%
Market attractiveness	54	27.0%
Social Acceptance	25	12.5%
Total	200	100.0%

Source: Author.

Exploratory Factor Analysis

Exploratory factor analysis was utilised to identify the relationship between the variables. The Kaiser-Meyer-Olkin (KMO) measure, followed by Bartlett's Test of Sphericity, was employed in this study to assess the appropriateness of Factor Analysis. The KMO values for the independent and the dependent variables were 0.835; Bartlett's Test of Sphericity yielded a statistically significant result, as indicated by a chi-square value of 1101.986 with 210 degrees of freedom (ρ= .001). The results of the analysis are presented in Table 3.

Table 3: KMO and Bartlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.835
Bartlett's Test of Sphericity	Approx. Chi-Square	1101.986
	df	210
	Sig.	<.001

Source: Author.

Regression Analysis

The last analysis stage for this research was estimating The Regression model through the ordinary least square (OLS) technique. Table 4 below represents the results of the regression.

Table 4: Regression analysis output

Dependent Variable: ENTREPRENEURIAL_INTENT_AVG
Method: Least Squares
Sample: 1 200
Included observations: 200

Variable	Coefficient	Std. Error	t-Statistic	Prob.
POWER_DISTANCE_AVG	0.669702	0.067998	9.848915	0.0000
COLLECTIVISM4_AVG	0.207296	0.056549	3.665738	0.0003
INDIVIDUALISM_AVG	0.091172	0.060349	1.510744	0.1325
C	0.317164	0.212915	1.489632	0.1379

R-squared	0.582311	Mean dependent var	3.649167
Adjusted R-squared	0.575918	S.D. dependent var	0.879920
S.E. of regression	0.573018	Akaike info criterion	1.743997
Sum squared resid	64.35646	Schwarz criterion	1.809963
Log likelihood	-170.3997	Hannan-Quinn criter.	1.770693
F-statistic	91.08306	Durbin-Watson stat	1.529815
Prob(F-statistic)	0.000000		

Source: Author.

The result of linear regression indicates that the results supported H1 and H2, whereas H3 individualism was insignificant and, therefore, not supported. The study results were affirmative of the theory defined by Geert Hofstede.

Discussion

The research results confirmed that the analysis output was logical and reliable since it aligned with the theory's main assumptions.

The results revealed that Hofstede's high power distance and collectivism significantly impacted entrepreneurial intent in the Saudi cultural context. In contrast, Individualism's impact was not supported, thus revealing a significant relationship between cultural dimensions and entrepreneurial intent within Saudi Arabia. High power distance and collectivism emerge as significant drivers of entrepreneurial pursuits, aligning with theoretical propositions advanced by Hofstede. However, individualism's impact was insignificant, warranting further investigation into cultural nuances.

Compared with other cultures, and as discussed in the literature, Power Distance Dimension, countries like the United Kingdom and Australia have low power distance (35) and (38), respectively (Hofstede Insights, n.d.), valuing mutual decision-making, with power more distributed and individuals more likely to question authority.

Additionally, Saudi culture leans towards collectivism, emphasising strong social bonds within families and communities; loyalty, cooperation, and harmony precede individual interests, and it supports entrepreneurs through collectivist relationships and networking. Conversely, Western cultures like the United States and Canada exhibit individualistic tendencies, prioritising personal autonomy, self-expression, and individual achievements over group cohesion.

Conclusion

In conclusion, the main goal was to test the impact of the defined dimensions on EI in the Saudi cultural context; the data analysis model was employed to gain insight into this phenomenon in the Saudi context. The research results revealed that Hofstede's dimension, high power distance, and collectivism significantly and positively impact entrepreneurial intent in the Saudi cultural context, whereas individualism was insignificant.

Also, among the research goals was drawing a comparison based on the results between Saudi culture and other cultures; first, Saudi culture has a high-power distance culture, which was confirmed in the findings; hierarchical structures and authority are deeply ingrained, and people tend to accept and respect the decisions of those in positions of power; therefore, this can be considered as a reason for an entrepreneur to decide to pursue their own business as a method not to work and associate with bosses. Similarly, Saudi culture leans towards collectivism, supported by the research findings. Thus, this indicates that the Saudi culture emphasises strong bonds and interconnectedness within social groups, including the family, tribe, and community.

It is important to understand these cultural differences, as they can provide insights into how power dynamics and social relationships influence entrepreneurial activities and intentions in different cultures.

Recommendations/Practical Implications

Based on the findings of this study, it is recommended to focus on developing educational programs and training initiatives that promote entrepreneurship; these programs can help individuals develop the necessary skills and mindset required for starting and managing venture businesses. In addition, since collectivism was supported and significantly correlated with EI, it is also recommended to create a supportive cultural environment that encourages innovation to foster an entrepreneurial mindset.

Furthermore, the collaboration between different stakeholders can be very encouraging for entrepreneurs. Stakeholders such as universities, corporations, and research institutions can foster innovation and create opportunities for entrepreneurship by facilitating partnerships and knowledge exchange.

Besides, this research aimed to contribute to the academic discourse on entrepreneurship and cultural context by bridging the gap between theory and practice and providing valuable and actionable insights for entrepreneurs, policymakers, and academics. This research can potentially impact the business landscape in Saudi Arabia and beyond.

Limitations and Future Research

The study's limitations include the following: first, the exclusion of behavioural factors; in addition, the study did not include all of Hofstede's cultural dimensions; moreover, the smaller sample size of 200 instead of the targeted 300; and the lack of advanced qualitative methods.

Future research can be better by utilising a larger sample size, including all of Hofstede's cultural dimensions, and employing advanced qualitative methods like interviews or focus groups to enhance a comprehensive understanding of cultural differences.

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