

# ENTREPRENEURIAL CULTURE, PROFILE OF THE LEADER AND ENTREPRENEURIAL ORIENTATION: EMPIRICAL APPLICATION IN THE CASE OF THE TUNISIAN COMPANIES

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## **Abstract:**

*Today, no company is safe from forces and pressures, which are exerted on it, because of a significant number of the requirements in particular as regards competitiveness, the need for change, or the crises, the deregulations and the cost of energy. To face this news gives, the company must reconsider its behaviors and its practices to renew itself, to open out and reinforce its international position in the market. Some of these practices form what one calls the entrepreneurial orientation.*

*For this reason, we will devote this paper for better encircling and apprehending the concept of entrepreneurial orientation and this, by focusing on its relation with the entrepreneurial culture and the profile of the leader in the specific case of the Tunisian companies.*

**Keywords:** *Entrepreneurial culture, profile of the leader, entrepreneurial orientation, Tunisia.*

**JEL Classification:** *L26, M14*

## **1. Introduction**

In the field of management, the entrepreneurial culture is often articulated with the performance of the company and the effectiveness of its management. According to Kanter (1982), the capacity of innovation of the company is dependent on the cultural standards, the practices and the structure. This culture can also be conditioned by the level of the taking risk (Burgelman, 1983), and of the pro-activity (Miller and Frisen, 1982). To this end, Cornwall and Perlman (1990), analyzed the effect of the culture<sup>1</sup> on the entrepreneurial activities such as the taking risk, the exploration of opportunities and the innovation.

Moreover, Naranjo-Valencia et al. (2011) showed that the capacity of innovation of the company is conditioned by the cultural standards, the practices and the structure. In addition, Kuratko et al. (1993) argue that the entrepreneurial culture is a crucial factor of the installation of an entrepreneurial spirit. From his side, Birkinshaw (2003) refers to an organizational model of entrepreneurship in which the culture of company and the style of management are impossible elements to circumvent. At this level, through its effects on the capacity to innovate, assume and run risks and enter new markets, the entrepreneurial culture largely conditions the EO of the company. This is why, we consider in our research that the organizational culture is an integral part of the company and therefore, it is assimilated as a powerful organizational tool. Therefore, the culture of company affects the behaviors, offers to the various fascinating parts a feeling of identity and control the decision-making. So, it becomes integrated in the same roots of the existence of the company.

Many factors proved to be subjacent factors of the orientation, one of them being the culture of company (Naranjo-Valencia, Jimenez and Sanz-Valle, 2011). According to these authors, the entrepreneurial culture is a determining key of the strategy of innovation, and consequently, the companies should support values and standards according to their strategic choice. In other words, the culture of company is posed as an axial element of the continuation of the organizations in entrepreneurial activities and arouses the interest to jointly analyze it with the concept of entrepreneurial orientation (EO).

Therefore, the two concepts are not identical but inter-connected (Dess and Lumpkin, 2005). In other words, the EO and the organizational culture are distinct phenomena

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<sup>1</sup> This supports the vision, the mission and the strategies of the company.

(Wales, Monsen and Mc Kelvie, 2011). Indeed, the EO represents the practices and the processes of the fascinating parts of an organizational structure having for objective creation of possibilities and taking risk, whereas the culture of company is the context in which the activities of EO occur (Lumpkin, Wales and Ensley, 2007).

In addition, a strong connection between the EO and the entrepreneurial culture can be apprehended through the innovation. Indeed, the companies which succeed have the capacity to absorb the innovation in their culture.

Moreover, Kanter (1983) was focused on the prerequisites to the success of the companies in general and the innovation in particular and this, by treating the questions relating to the categories of people whose culture is characterized by the doubt about their own capacity to innovate such as the "old cultures" established for a long time and the "young cultures" as those of new hi-Tech industries which are more supposed to familiarize their members with the innovation and the change. From his side, Schein (1983) primarily made allusion to imperative posed with regard to an organization to develop a culture, which enables it to adapt to its environment and in same time to maintain and develop key factors of success source of competing advantage.

On the basis of these ideas, the entrepreneurial culture can thus affect significantly and directly the various aspects of the EO by encouraging the innovation by the means of the individual initiative or the recruiting of highly qualified people who lead to even more innovation. It can also support the taking risk and the pro-activity by the introduction of good working conditions based on confidence as for the actions of the individuals within the organization and in their synergies with the customers and the suppliers. By opposition, it can overpower the innovating activity, when it reinforces the presence of subcultures, individualism or the clientelism (Miller, 2011) and in particular in a structure with human size.

## **2. Entrepreneurial culture and EO**

In fact, principal modeling of the organizational entrepreneurship potentially integrated the variable culture (Zahra 1993, Lumpkin and Dess, 1996, Ireland et al., 2009). In this respect, the functionalist current insisted on the fact that any organization has a culture through the values, the standards, the artifacts and the beliefs. According to this vision, the perceived culture is compared to an internal element of the company, a variable which one can examine with other internal or external elements of the company (Cherchem and Fayolle 2010).

According to Cherchem and Fayolle (2010), this model is multidimensional and it evaluates the dominant characteristics of the company, the leadership, the management of the employees, the values which cement the company, the deployed strategy and the criteria of success. In the light of the above mentioned ideas, we suppose that a central assumption can be formulated as follows:

***H.1: The entrepreneurial culture is a dominating factor of the EO of the company.***

In fact, the literature relating to the organizational culture stressed four types of culture that are: Hierarchical culture, culture of group, culture of market and adhocratic culture.

### **2.1. Hierarchical culture**

The hierarchical culture is characterized by the structuring and the formalization of the work. This culture insists on the internal stability, the rules and the values which are associated to the preserving strategic posture<sup>1</sup> (Zammuto and Krakower, 1991). It attaches a particular importance to the formalization of the procedures of production and the control of the situations. The hierarchical culture is based on a mechanist structure which is not often favorable to the entrepreneurial activities. So a first fundamental assumption can be derived as follows:

***H.1.1: A strong hierarchical culture exerts negative repercussions on the EO of the company.***

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<sup>1</sup> Conservatively oriented strategic posture

## **2.2. Culture of market**

This culture is mainly directed towards the realization of the results (*results-oriented*) through the maximization of the production. Its essential values are the productivity, the competitiveness, the profitability, the rational decision-making and the success. The culture of market refers to the values of the company and the functions as those relating to the market, i.e. of the functions based on the transactions with the suppliers, the consumers, the partners and the collaborators (Cameron & Quinn, 2006). On the basis of this definition a second axial assumption can be attested as follows:

**H.1.2:** *A dominating culture of market will positively affect the EO of the company.*

## **2.3. Culture of group**

This type of culture is characterized by convivial environment in the place of work, and divides it between the individuals. Its essential values are the flexibility, the confidence in the human resources, the engagement and the development of human resources. The objective of the company is to develop the team spirit, the feeling of membership and the participation. According to Pearce and David (1983) and Jennings and Lumpkin (1989), an innovating company is characterized by a style of participative management. This idea leads us to formulate a third axial assumption that is:

**H.1.3:** *A strong culture of group affects significantly and positively the EO of the company.*

## **2.4. Adhocratic culture**

This culture is characterized by the dynamism, the creativity, the taking risk and focusing on the external environment (Dension and Spreitzer, 1991). In this culture, the decision maker is a visionary, an innovator and a taker of risk. The company supports the creation of new products/services and its long-term objective is to support the growth and the acquisition of the new resources. On the basis of these ideas, a fundamental assumption can be formulated in this manner:

**H.1.4:** *The EO of the company is positively conditioned by the adhocratic culture.*

## **3. Profile of the leader and EO**

In this line of research, we will attest the assumption according to which the three psychological features chosen for this study, could condition dynamics entrepreneurial company and this starting from the second following central assumption:

**H.2:** *The profile of the leader is a potential factor of the EO of the company.*

For this end, while resorting to a well anchored literature, in order to distinguish the personality of the leader up to what point affects entrepreneurial dynamics of its organization, we retained the three following psychological features: "Need for achievement", "internal locus of control", and "entrepreneurial self-efficacy".

### **3.1. Need for achievement**

This concept reflects the perception of an individual on his capacity to take up the challenges to reach a personal achievement (McClelland, 1961;1965). The individuals who have a desire of achievement can be more likely to exploit entrepreneurial opportunities in comparison with those which have a weak desire of achievement. This idea leads us to formulate an axial assumption subjacent with the central assumption H.2 that is:

**H.2.1:** *The need for achievement favorably affects the EO of the company.*

In fact, this assumption is inspired by the articulation between the need for achievement and the design of a strategy or the organizational structure (Miller, 1983). The individual caused by this need for achievement will be proactive and inclined to take risks in order to exploit entrepreneurial opportunities in comparison with individual having a weak desire of achievement.

### **3.2. Internal locus of control**

This concept is apprehended as the perception of an individual on his capacity to control its activities and its destiny (Rotter, 1966). According to the same author, the individuals who hold this feature believe that their success in the life emanates from their own actions, their capacity to control and their ability. Whereas, people who refer to an external locus of control believe that their success is more related to external factors (the chance, the network of influential people, events...).

At this level, Pandey and Tewary (1979) showed that the individuals who have a fort internal locus of control have a capacity to engage in entrepreneurial behaviors. Therefore, an additional axial assumption can be derived from our second central assumption that is:

**H.2.2:** *The EO of the company is favorably conditioned by the variable internal locus of control.*

### **3.3. Entrepreneurial self-efficacy**

This characteristic returns to the perception of the individual on his capacity to succeed specific spots. The individuals who hold this feature believe in their capacities to raise the challenges, to introduce new products, to act on their environment, to take risks....In the contrary case, the individuals who do not present this perception are likely to remain in a situation of statu-quo, to be passive and not to take the risk. Moreover, Boyd and Vozikis (1994), postulate that this feature has a positive bond with the intention and the entrepreneurial action. In the light of this idea, we can add another formulated axial assumption in this manner:

**H.2.3:** *Entrepreneurial self-efficacy of the leader favorably affects the EO of the company.*

## **4. Methodology and results of the estimate**

This research aims at having results which make it possible to understand the relation which exists between the entrepreneurial culture, the profile of the leader and the entrepreneurial orientation (EO).

The sample object of our study is a sample of 180 companies and for the processing of our data, we resorted to two methods which are: *The descriptive approach* which rest primarily on the construction of the simple and cross tables of frequency to appreciate the success of an EO according to the entrepreneurial culture and the profile of the leader. With regard to *the econometric approach*, it primarily seeks to raise the explanatory factors of the EO conceived from the side of the entrepreneurial culture and the profile of the leader.

### **4.1. First analysis in principal component**

This part is intended to describe the general structure of the sample obtained according to certain characteristics of 180 companies. In what follows, we will seek to highlight the particular characteristics of these companies by relying on a multidimensional approach. For this end, we will seek to locate the various variables measuring the entrepreneurial culture and the profile of the leader on a factorial design. Therefore, we will successively examine the dimensionality of the scale by means of the principal component analysis (PCA) then, its reliability, i.e. internal coherence between the answers by calculating alpha of cronbach and finally, we will carry out the interpretation of the axes retained by the PCA. Thus, the scale fills the conditions for application of the factorial analysis ( $KMO^1 = 0.699$  and the test of Bartlett = 349.9).

A first analysis in principal component according to the matrix of covariances, on 7 items is launched without specifying the number of required axes. According to the

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<sup>1</sup> The KMO is a reality ranging between 0 and 1. An acceptable KMO higher than 0.5 ensures that the partial correlations are not too significant compared to the simple correlations. The KMO is essential to obtain an interesting PCA. In the negative one, it can be necessary to remove certain variables.

criterion of Kaiser (eigenvalue > 1), two factors are extracted and make it possible to put in perspective 33.7 % of the original variance. The first factor gives an account of 22.4% of the original variance and the second factor 11.3%. The correlations of the items with the two axes extracted the PCA, after rotation vari-max, are presented below and the choice of rotation vari-max indicates that the factors are separable.

**Table 1: Factorial and exploratory analysis of the scale of the entrepreneurial culture and the profile of the leader (With rotation VAR-max)**

	Fact1	Fact2	Saturation
Hierarchic Culture	0.302		0.06
Culture of the market	0.206		0.116
Culture of group	0.45		0.205
Adhocratic culture	0.61		0.552
Need for achievement		0.65	0.54
Internal locus of control		0.103	0.176
Entrepreneurial self-efficacy		0.003	0.455
Variance	3.13	1.57	
% explained Variance	22.4%	11.3%	

#### **4.2. Second analysis in principal component**

To detect the most redundant variables, we will resort to a second factorial analysis via the circle of correlation to reduce the number of the variables which constitutes the contained informational one of the final data base. Thus, the configuration of 7 variables provides the best approximation of the real angles between the variables, and consequently the best plane representation of the matrix of the correlations. Indeed, the circle of correlation shows that, several variables are very close what translates the presence of a high coefficient of correlation.

The variables culture of group and need for achievement are presented by two points diagonally opposed on the sphere which indicates that the latter are bound by a strong negative correlation and what would make impossible saturations of the matrix of correlation and shows that the two variables are doublets and thus make a double employment. Moreover, the analysis of the table shows that the entrepreneurial culture and the profile of the leader contain redundant and useless information what returns the training of the system of recognition more complex and thus, preferable to reject it in order to avoid the case of singularity of the matrix of correlation (det=1).

To synthesize our results, we wished to lead multidimensional approach of the entrepreneurial culture and the profile of the leader. The second analysis in principal component, takes into account 7 variables which are: Culture of group, hierarchical culture, adhocratic culture, culture of the market, as variables representative of the entrepreneurial culture, and need for achievement, entrepreneurial self-efficacy and internal locus of control to apprehend the profile of the leader.

**Table 2: Principal results of the second PCA of the entrepreneurial culture and the profile of the leader**

Variables	Fact1 saturation	Fact2 saturation	Fact1 score	Fact2 score
Culture of group	0.15		-0.005	
Adhocratic culture	0.28		-0.04	
Culture of market	0.14		-0.012	
Hierarchical culture	0.15		0.007	
Need for achievement		0.07		0.02
Internal locus of control		0.46		-0.24
Entrepreneurial self efficacy		1.11		0.79
% explained Variance	53.3%	16.1%		
Original variance explained	69.4%			
Regulate of Kaiser:Eigenvalue > 1	Two Factors			
Diagonal of the Matrix Anti Image > 0,5	Coefficient Satisfactory			

The results of the table above, enables us to carry out the following analysis: The PCA with rotation, made it possible in three iterations to synthesize the 7 variables in two factors which explain in its turn 69.4% of the original variance. To lead our multidimensional approach, we will represent the 7 variables on the circle of correlation and by reproducing the projection of these variables on the first factorial. The estimate of this model for purpose unites was carried out according to the maximum of likelihood, and which gives the following results:

**Table 3: Results of the estimate**  
**Dependent variable: Entrepreneurial orientation**

	<i>Joint effects</i>		<i>Marginal effects</i>
	Coefficient	z-stat	Orientation prédit=-0.809
Need for achievement	-0.046	-0.35	-0.009
Internal locus of control	0.41 ***	8.23	0.056
Entrepreneurial self-service efficacy	3.72 ***	10.6	-0.48
Adhocratic culture	-1.07	-1.2	-0.017
Culture of market	0.024 *	2.34	0.017
Hierarchical culture	0.85 ***	4.15	-0.12
Culture of group	0.0021	0.02	0.0003
Constant	17.1 **	9.4	
<i>P-value</i>	0.0000		
<i>Chi-Two</i>	157.21		
<i>R<sup>2</sup></i>	0.57		

(\*), (\*\*), (\*\*\*), respectively significant coefficients with the threshold of 10%, 5% and 1%.

Our results of the estimate show that the variables internal locus of control and entrepreneurial self-efficacy which is representative of the profile of the leader and the variables of the entrepreneurial culture relating to the culture of the market and the hierarchical culture exert significant effects on the entrepreneurial orientation. By opposition, our results show that the culture of group, the adhocratic culture and the need for achievement are statistically non significant. In other words, the assumptions H.1.1, H.1.2, H.2.2 and H.2.3 are validated.

## 5. Conclusions

The examination of the literature relating to the EO led us to emphasize two main categories of factors: Initially, the entrepreneurial culture via its four principal configurations that are: Hierarchical culture, culture of market, culture of group and adhocratic culture. Then, psychological features of the leaders which are gathered in three principal forms: Need for achievement, internal locus of control and coil-efficacy.

Our empirical results illustrate the importance of the entrepreneurial culture and the profile of the leader in the determination of the entrepreneurial orientation of the company. However, this importance interests particular components as the culture of the market, the hierarchical culture, the internal locus of control and the entrepreneurial self-efficacy.

Therefore, on the whole in the case of our sample, the Tunisian company would gain as regards technological innovation, pro-activity, taking risk and autonomy which constitute together the dimensions of the EO, if it is interested in the culture of the market, the hierachic culture, the internal locus of control and the entrepreneurial self-efficacy.

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