

**UNCERTAINTY AVOIDANCE AND ITS INFLUENCE ON ENTREPRENEURSHIP
AMONG LITHUANIANS**

By *Aivaras Sostakas*



LUND UNIVERSITY
School of Economics and Management

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Contents

Abstract	3
1. Introduction	4
2. Lithuanian history, cultural views and entrepreneurship	5
3. Literature Review	7
Culture and Entrepreneurship	7
4. Uncertainty Avoidance Index (UAI)	11
5. Methodology	13
5.1. Sampling method	13
5.2. Data collection and analysis method	14
6. Results analysis	15
6.1. Result Presentation	15
6.2. Interpretation of results.....	18
7. Discussion	19
8. Conclusion	22
9. Recommendations for future research	23
Reference	24

Abstract

The purpose of this thesis is to examine whether uncertainty avoidance or risk intolerance has influence on entrepreneurship among Lithuanians. This paper aims to look into the cultural dimensions according to a Dutch researcher, Geert Hofstede who rated Lithuania an index score of 65, and a study by a Lithuanian professor Huettinger (2008) who rated Lithuania a score of 59, whereby 100 means an extremely risk intolerant score and 1 being extremely risk tolerant score. These two researchers of cultural dimensions concluded that Lithuania is a nation whose tolerance to risk is moderate. Thus, a nation of risk intolerant individuals may not be welcoming to risky activities such as starting new ventures. The research question in this paper is to find out if risk intolerance among Lithuanians affect their engagement in business formation and entrepreneurship. Furthermore, this thesis compares uncertainty index scores of Lithuania to Sweden and Belgium, and uses anecdotes of current entrepreneurship activities taking place in Lithuania to reinforce results from this study. Questionnaire method was used and 102 Lithuanians responded out of 500 questionnaires sent. The conclusion from this survey is that uncertainty avoidance has no impact on the level of business formation among Lithuanians. Although respondents were risk conscious when responding to questions testing their risk tolerance, it did not impact their willingness to form a business. From previous studies, Lithuanians proved to be of a cautious nature by following a given set of society structured rules and regulation but the level of entrepreneurship witnessed in modern times in Lithuania goes against the norm. In a low Uncertainty Avoidance culture such as Sweden, a manager is not expected to know everything and can learn on the job, new entrepreneur is not expected to know all rules and regulations in their startup company, or an investor can put money in a new idea without knowing all the details of the new business (Hofstede, 2001). While Lithuanians involved in this study were asked similar questions to determine how risk intolerant they are as well as how willing they are to start a company, it came out that regardless of risk intolerance, Lithuanians are still willing to engage in risky, entrepreneurial activities. This survey found out Lithuanians can accommodate risk but still need guidance through some form of rules to maintain order and reinforce trust.

Key words: Cultural Dimensions, Culture, Uncertainty Avoidance, Entrepreneurship, Lithuania, Sweden, Belgium

1. Introduction

This study is based on previous cultural studies of Hofstede (2001) and Huettinger (2008) on the culture of uncertainty avoidance among Lithuanians. The findings of these two authors concluded that Lithuanians are moderate risk-takers, which affects the way they engage into entrepreneurship activities, for example when it comes to investing in unknown start-up entrepreneurial ventures with unknown rates of return. Culture and entrepreneurship tend to mutually affect each other. A culture in a given society may influence whether young people will be innovative, start a new business, or will seek employment in successful companies. Due to the complexity of the relationship between culture and entrepreneurship, different approaches have been conceived in order to measure the cultural determinants and explain the way they affect entrepreneurship (Lauzikas and Mokseckiene, 2013). Culture in itself affects the way individuals and companies behave in their natural settings, the way they conduct business negotiations, or organizational management styles (Nasierowski and Mikula, 1998).

However, there is no one single or generally acceptable interpretation of a culture in relation to entrepreneurship. Studies at an individual level of analysis have shown there is a link between values, beliefs and behavior with entrepreneurship. Once these values, beliefs, and behaviors are embedded in a national culture, they can influence decisions of many individuals of becoming entrepreneurs (Mueller and Thomas, 2000). There are some known factors that influence the decision to be innovative and engage in entrepreneurship. Some of these factors which have an impact on an individual start-up decision are such as education level, previous profession and training, employment, personality traits, as well as social and regional environment. However, these individual factors alone cannot explain why certain individuals prefer paid employment while others become self-employed or successful entrepreneurs.

With a purpose in mind to explore how avoiding uncertainty and ambiguity affects entrepreneurship, the two concepts of culture and uncertainty avoidance according to Hofstede (2001) will be widely explored in this paper. A study about identification and measurement of various dimensions of culture was provided by a Dutch researcher, Geert Hofstede. His study breaks down cultures into components. Hofstede (1980, 1991) studied widely the concept of cultures in 40 different countries and thus categorized cultures in a framework of four dimensions that differentiates one culture from another. These cultural dimensions are power distance, individualism-collectivism, masculinity-femininity, and uncertainty avoidance.

This thesis explores whether uncertainty avoidance among Lithuanians does affect their business formation activities. These study was conducted within a small sample group of 102 Lithuanian university students, recently graduated individuals, business owners whether startups or old businesses, non-entrepreneurs, employed professionals, and the general population. The study

draws a conclusion from a survey conducted among Lithuanians to find out opinions that can or cannot reflect on the Hofstede's score. The study examines whether the index score of 65 of uncertainty avoidance in Lithuania truly reflects opinions and actions of Lithuanians when establishing new ventures. Lack of innovativeness, unwillingness to start a new business, or finding secure careers that give financial security as opposed to pursuing a promising business opportunity, are some of the issues that can reflect uncertainty avoidance tendencies. This study uses the Hofstede's Value Survey Model (VSM) questionnaire of 1994 to generate questionnaire items that can be used to probe respondents on their uncertainty avoidance views and the willingness of the surveyed Lithuanians to engage in entrepreneurial activities.

The results from this survey explains that uncertainty avoidance is not a factor that prevents Lithuanians from being entrepreneurial. Regardless of the existence of avoiding ambiguity among Lithuanians, there is a high involvement of the young Lithuanians in innovative activities taking place in the country. The results from this survey contradicts opinions and views regarding the culture of risk avoidance or risk acceptance among Lithuanians when observed from the perspective of Hofstede's index score of uncertainty avoidance of Lithuanians. According to Hofstede (2001), medium to high uncertainty avoiding cultures tend to shun away from ambiguity, but not in Lithuania which has a medium uncertainty avoidance score of 65 (Hofstede, 2001) . Uncertainty avoidance is associated with avoiding risky activities which can also include not starting a business that can be a failure. An article by Mancas (2015) explained the most current entrepreneurship activities in Lithuania some of which are startup companies such as Getjar, Mobofree, TransferGo, Dragis, Batcrab and startup accelerators such as StartupHighway, and Barclays Accelerator. Startup events in Lithuania are also common.

The next section of this paper will explore a short overview of Lithuania, various literatures that link culture and uncertainty avoidance and its influence on entrepreneurship. Methodology of research, presentation of research findings, conclusion and recommendation for future research are follow in later sections.

2. Lithuanian history, cultural views and entrepreneurship

Lithuania is a former Soviet-Union nation and one of three Baltic States located along the southeastern shore of the Baltic Sea, east of Sweden and Denmark, in Northern Europe. It borders Latvia to the north, Belarus to the east and south, and Poland to the south. As of 2013, it had an estimated population of 3 million inhabitants. Lithuanian cultural values have evolved over generations through these three cultural systems; the culture before the 2nd world war, the culture after the wars where communist ideological values influenced the understanding and behavior of

Lithuanians, and lastly the culture after 1990 when new ideological values evolved in the minds of Lithuanians creating a diverse awareness among the new generation (Baltrimiene, 2007).

Looking back to history, Lithuania as a country has lived through a lot changes and uncertain moments in the past. As the country modernizes and moves up the economic ladder from a low income to a high income country by 2012, according to the World Bank (www.data.worldbank.org), it is normal to have a culture that develops and follows rules and guidelines to control social behaviors and maintain order. As a result, individuals become overly cautious and likely to avoid risk and uncertainty, choosing to take risks that they can control its outcomes. According to the study by Hofstede (2001), Lithuania has an index score of 65 on the cultural dimension of Uncertainty Avoidance (UA). This is a medium high score which means Lithuanians have an in-built worry about their surroundings and the world around them, they are resistant to taking risks, are bureaucratic, and rely on rules and regulations to function.

In a study of the level of entrepreneurship in Lithuania conducted by the Global Entrepreneurship Monitor (GEM), in 2012, it was concluded that Lithuania is a country of young and ambitious entrepreneurs. GEM added Lithuania to their database in 2011. During the GEM's study of entrepreneurship in Lithuania in 2012, a sample of 2,003 individuals aged between 18 and 64 were identified and interviewed. The sample also included 36 top experts in Lithuania from finance, business, and education field. The GEM survey of Lithuania's entrepreneurship showed that 25% of people between the ages of 18 to 64 started their own business, while 21% of the same age group started businesses for others, and 24% indicated to having a plan to start a business in the next three years. The survey in 2012 also noted a high level of uncertainty avoidance being dominant among Lithuanians. In 2013, Lithuania was for the very first time ranked by Global Entrepreneurship and Development Index (GEDI).

In 2014, the World Bank ranked Lithuania in number 11 out of 189 countries surveyed on the ease of doing business in this country. A global ranking of 11 shows that Lithuania is among the top nations out of 189 in the whole world where it is very easy to start and run a business based on getting trading permits, construction permits, understanding rules and regulations and paying taxes, among other reasons. This ranking makes Lithuania an attractive country for investors who may wish to put their money in startups and new businesses, and also very attractive to up and coming entrepreneurs and innovative young people. With a good ranking from the World Bank in 2014, it is generally expected that Lithuania will be a less risky country to start a new company in. This ranking also shows less uncertainty and a sense of security for any entrepreneur who is risk averse or someone with a trait of avoiding uncertainty.

3. Literature Review

Culture and Entrepreneurship

Culture is defined by Barnouw (1979) as “the configuration of stereotyped, learned behavior patterns, handed down from one generation to the next generation through various means of language and imitation” (pp. 5). Kroeber and Parson’s (1958, p. 583) made an earlier cross-disciplinary definition of culture to include patterns of values, ideas, and symbolic-meaningful systems of factors that subsequently shape human behavior. Hofstede (1980) defines culture as value systems and the programming of the mind that distinguishes members of one human group from another community or society. Entrepreneurship from the Schumpeterian era has somewhat been rediscovered as a catalyst for progress in technology (Schumpeter, 1934; Hagen, 1962; Kilby, 1971, and Baumol, 1986). Entrepreneurial ventures of today are the incubators for new products and market innovation, accelerating the modernization of old technologies to new ways of creating products or services (Reynolds, 1987).

The seminal work of Hofstede (1991) on the consequences of culture and entrepreneurship led to a number of authors to conduct studies based on his four cultural dimensions and relating these dimensions to entrepreneurship activities in various countries (McGrath et al., 1992; Shane, 1992, 1993). Shane (1992) developed a theoretical framework that tested the rate of innovation and its relationship to the culture in a country. Morris et al. (1994), used Hofstede’s Individualism-Collectivism cultural dimension to relate its influence on corporate entrepreneurship by sampling individuals in organizations who are not afraid to violate old traditions in a corporation, are innovative and entrepreneurial within an established organization. Morris et al. (1994) found out that the more a culture of collectivism is embraced, levels of entrepreneurship subsequently declines. The authors clearly linked Individualism-Collectivism cultural dimension (Hofstede, 1980, 1991, 2001) to acts of entrepreneurship in organizations, and concluded that in cultures where collectivism is stronger than individualism, very few individuals will take an initiative to get involved in entrepreneurial activities.

Erez and Early (1993) noted in their study that culture does shape the cognitive development that assign meaning to values, standard of behavior, commitments and guide ones choices early on in life. When cultural values are instilled into individuals early in life, they are somewhat programmed into the mind of a person, which results into a pattern of behaviors adhering to the cultural context in which an individual belongs (Hofstede, 1980; Barnouw, 1979). A study conducted by Huisman (1985) noted how wide entrepreneurial activities differ cross-culturally. His conclusion was that cultural values and norms have a great influence on entrepreneurial or non-entrepreneurial behaviors and decisions of individuals in societies. A similar conclusion was reached

by McGrath et al. (1992) after conducting a survey of entrepreneurs and non-entrepreneurs in 10 countries. The authors found that non-entrepreneurs and entrepreneurs have varying opinions in cultural-based belief and values. In the survey, entrepreneurs believed that owning your own company is an image of success while non-entrepreneurs believed personal merits should go hand in hand with the end reward (salary).

In developed countries, an increase in entrepreneurship activities is seen as a way to rejuvenate industries that are on their way to obsolesce by creating new jobs and employments to those left out of the job market caused by corporate downsizing and restructuring (Birley, 1986). In developing nations, entrepreneurial activities are seen as they only way of saving the economy of the country (Harper, 1991). Education programs are now designed and given incentives by governments in Latin America, Africa, Asia and Eastern Europe, among others (Gibb, 1993). More authors continue to explore various aspects in a culture and their relationship to cross-cultural entrepreneurial behaviors (Buseniz et al., 2000; Autio et al., 2010; Mueller and Thomas, 2000; Lee and Peterson, 2000). Various comparative studies have proved that countries are culturally significant institutions (Smith and Peterson, 2005).

Etzioni (1987) argued that the values, beliefs and norms predominant in the culture of an individual may have a huge influence on the choice to start a business. Inglehart (2003) used a post-materialism concept to explain the relationship of entrepreneurship and culture. His conclusion describes the transformation of cultures from being dominated by materialistic-oriented individuals to a society in which its population prefers non-materialistic life goals, and thus a non-materialistic culture is less likely to be entrepreneurial. This led to Uhlaner and Thurik (2007) to conclude that, materialism is central to entrepreneurship, and therefore non-materialistic cultures are less entrepreneurial.

Research has shown the existence of a complex interrelationship between a culture of a country and entrepreneurship activities (Thurik and Dejardin, 2011). A study by Noorderhaven et al (2004) concluded that a higher level of dissatisfaction with life in a country where jobs pay lower salaries and an increased rates of unemployment lead to higher rates of entrepreneurship. Despite these efforts by government to stimulate entrepreneurship, some cultural orientations render individuals or groups of people in the society to feel insecure when engaging in entrepreneurship activities which do not guarantee success and in most cases guaranteeing some failure. According to Davidson (1995), a national culture that supports entrepreneurship would lead to entrepreneurs in the society to feel accepted, secure and proud of what they do, hence creating a system that can be followed by young and innovative entrepreneurs of the future. This will in the long run lead into an

interest in people to start new businesses irrespective of their attitudes and common beliefs (Etzioni, 1987).

Fernandez et al. (2009) in their study found that in culture that highly perceives activities of entrepreneurs, more people will have positive attitudes towards entrepreneurship and engage in entrepreneurial activities. Davidsson (1995) concluded that when there are more people in a country expressing entrepreneurial values, an increased number of people in the same country will continue to express entrepreneurial behaviors. However, as the level of economic development increases in the country and the economy grows, the relationship between culture and entrepreneurship diminishes slowly. As a result, low-income countries are said to have a high level of entrepreneurship which exists with a culture of collectivism (Wennekers et al., 2007). But in developed and high-income countries, a culture of individualism is also associated with high level of entrepreneurship engagement (Busenitz and Lau, 1996;). Schwartz (1999) associates individualism to autonomy and social equality, which are both positive factors that affects entrepreneurship.

Using the Global Entrepreneurship Monitor (GEM) data, studies have been conducted to show the relationship between culture and entrepreneurship. Using this data set, Stephan and Uhlaner (2010) performed a cross-country study of 40 nations. They narrowed down their findings to two high order cultural dimensions which are; the socially-supportive culture (SSC) and the performance-based culture (PBC). In their conclusion, a socially-supportive culture positively influences entrepreneurship while a negative influence in entrepreneurship was found in nations that depicted a performance-based culture. Similarly, Linan et al. (2011) used a data set from GEM to conclude that an individual's perception on the culture of entrepreneurship in the society influence the intention of that individual to engage or not engage in entrepreneurship.

Recent contributions to the study on culture and entrepreneurship by Jaen and Linan (2013) found evidence to support the influence of cultural values towards entrepreneurship in different countries, and thus an intention thereof to actively engage in entrepreneurial activities. According to Linan and Fernandez (2013), levels of entrepreneurship activities in the EU countries widely differ, similarly to Gross Domestic Product (GDP), whereby Luxembourg is ranked with the highest GDP in the EU as of 2013, while Bulgaria with the lowest GDP among the member states. Others argue it is true that cultural values that are prioritized in every nation in terms of business activities directly influence the level of entrepreneurship in that country (Ma and Todorovic, 2012). A study conducted in the European Union (EU) by Kelley et al. (2012) found the existence of different levels of entrepreneurship activities in different cultures found in EU countries. According to that study, national cultural orientations can be directly attributed to the cultural differences and diversity

in the EU countries studied. This confirms that cultural factors do play an important role in entrepreneurship, not only demographic and economic factors.

There are concepts and studies claiming that diversity in national and regional economic success and development is directly aligned to the prevalence of entrepreneurial cultures or non-existence of such cultures in any given period (Baumol 1968). Theoretical studies have been conducted to formalize the role of an entrepreneur in economic development of countries (Jovanovic 1994) or generate conceptual frameworks (Kirzner, 1997). It is therefore relevant to discuss the interrelationship between the culture in an individual country and its level of entrepreneurial activities when trying to explain why some countries have higher levels of development than their counterparts although all belong to a common economic union. Wennekers et al. (2005) was able to differentiate societies regarding their orientation towards entrepreneurial activities as some societies have lower levels of entrepreneurial activities as opposed to others. Schwartz (2008) also studied cultural profiles in different European nations by examining factors that may influence a culture such as the history of a country, language spoken in the country as well as neighboring nations, location and geographic proximity. According to the study, the generalized cultural values found among people living in Western European countries express a high level of autonomy, social equality, opportunity, unity and harmony in order to coexist and function well in the society.

When Western European countries are compared to other regions of the world, it becomes evident that they share some cultures among them (Ester et al., 1994). But nations such as France show a high level of preference to hierarchy and structured institutions, which is contrary to the general conclusion on Western Europe nations (Schwartz, 2008). The study by Schwartz (2008) grouped nations such as Ireland and UK with non-European but English-speaking countries. The study found that these countries are high in autonomy, with cultural orientations that support, "...an assertive, pragmatic, entrepreneurial, and even exploitative orientation to the social and natural environment" (p.236). As with the Central and Eastern European states, it was found that they display higher levels of hierarchy in their cultural orientations. It is obvious that personal characteristics and traits are important towards building a culture of entrepreneurship, but there are more factors involved such as family background, level of national economic development, individual employment history, professional and social networks, personal traits and characteristics, culture of the nation among other (Rauch and Frese, 2000).

McGrath et al. (1992) extensively studied entrepreneurial traits in individuals to find out whether these traits surpass cultural values that instill the spirit of entrepreneurship in people. The authors wanted to differentiate a set of values found in entrepreneurs that might be lacking in non-entrepreneurial individuals, regardless of their cultural backgrounds. To carry out this study, eight

countries were sampled. Using Hofstede's four cultural dimensions, the value orientations of business owners and non-entrepreneurs from the eight sampled countries were compared. They found true that, different entrepreneurs across all the countries have a distinctive persistent culture irrespective of which cultural background they possess. More authors have suggested that, regardless of a country's level of economic development, the cultural orientation of a society towards favoring entrepreneurship activities plays a role in shaping that society.

A study by Morris et al. (1994) and Spence (1985) highlighted on what is seen in the United States in terms of the level of entrepreneurship activities in the country. The authors argue that, cultural value systems such as freedom, autonomy and individualism, independence, praise for achievements and materialism, are some of the strong values which shaped the entrepreneurial culture in the United States. This value systems that push forward entrepreneurship and economic development in societies was originally developed by Murray (1938) and later made popular by McClelland (1961) in his seminal paper titled "The Achieving Society." McClelland's study analyzed 22 countries in measuring economic development and entrepreneurship culture, but his results were highly criticized and questioned by later authors due to lacking clear data that was used to carry out the study (O'Farrell, 1986). However, McClelland (1961) was among the authors who made an excellent attempt to measure an entrepreneurial culture in countries and relating the results to the level of economic development.

4. Uncertainty Avoidance Index (UAI)

Between 1967 and 1973, Professor Geert Hofstede, a Dutch Professor, conducted one of the most comprehensive studies of how values in the workplace are influenced by culture. He analyzed a large database of employee value scores collected within IBM. The data covered more than 70 countries, from which Hofstede first used the 40 countries with the largest groups of respondents and afterwards extended the analysis to 50 countries and 3 regions. Subsequent studies validating the earlier results include such respondent groups as commercial airline pilots and students in 23 countries, civil service managers in 14 countries, 'up-market' consumers in 15 countries and 'elites' in 19 countries.

From the cultural studies, Hofstede came up with values that distinguish country cultures from each other and thereafter statistically categorizing these values into four groups: Power Distance (PDI), Individualism versus Collectivism (IDV), Masculinity versus Femininity (MAS) and Uncertainty Avoidance (UAI). The country scores on these dimensions are relative, in other words, the scores can only be used meaningfully by comparison. As this study focuses solely

on Uncertainty Avoidance (UAI, Hofstede (2001) defines Uncertainty Avoidance cultural dimension as follows;

“The uncertainty avoidance dimension expresses the degree to which members of a society feel uncomfortable with uncertainty and ambiguity. The fundamental issue here is how a society deals with the fact that the future can never be known: should we try to control the future or just let it happen? Countries exhibiting strong UAI maintain rigid codes of belief and behavior and are intolerant of unorthodox behavior and ideas. Weak UAI societies maintain a more relaxed attitude in which practice counts more than principles.”

Low uncertainty avoidance cultures in nations such as Sweden, which has an index score of 29 in the Uncertainty Avoidance Index score according to Hofstede (www.geert-hofstede.com), shows that such a country has a culture tolerant to non-traditional behaviors. This country accepts unfamiliar, risky and ambiguous events, such as starting a new business in an unknown industry, changing jobs, or starting projects with unprecedented principles to follow (Hofstede, 2001, pp.148). Entrepreneurs in low uncertainty avoidance cultures are believed to get social and financial support when engaging in new business formation. Furthermore, in low uncertainty avoidance cultures uncertainty in life is more accepted and taken easily as people are more or less satisfied with living one day at a time. It is believed that conflicts and competitions are used constructively and are controlled by acting and behaving fairly with each other. Risk is not perceived to be threatening; hence there is great tolerance for creativity and innovative behaviors. With more tolerance for ambiguity and willingness to take risks, achievement is viewed and recognized in terms of the effort taken to venture in uncertain and unambiguous situations as opposed to immediate financial security (Hofstede 1980).

In medium uncertainty avoidance culture like Lithuania with an UA index score of 65, entrepreneurs in this nation may be viewed with suspicion. Tuunanen et al. (1997) conducted a study in the United States (US) and found that U.S. entrepreneurs had higher preferences for innovation and are more entrepreneurial than entrepreneurs in Finland. U.S has an UA index score of 46, while Finland has a relatively medium AU index score of 59 (www.geert-hofstede.com).

High uncertainty avoidance cultures in countries like Belgium, with an index score of 94 according to Hofstede’s study, search for a certain known structure in organizations, or institutions, in order to interpret life situations, making them understandable and predictable. Any event out of the ordinary is risky, threatening, and is avoided. High uncertainty avoidance cultures or nations are said to be unwilling to enter into unknown ventures, and are less entrepreneurial due to being risk averse. In high uncertainty avoidance cultures, competition is believed to bring about aggressiveness hence

should be avoided. New ideas and ways of doing things are considered risky and anyone engaging in unknown activities is perceived to be different and not tolerated. Moreover, in high uncertainty avoidance cultures, people are more concerned with financial security in life, and achievement of an individual is more likely to be defined in terms of financial success. Hofstede (1980, 2001) found that in high uncertainty avoidance states, people greatly fear to fail, are unwilling to take risks, are less ambitious, and have a very low tolerance for ambiguity.

Shane (1992) conducted a cross-national study of the rate of innovation in 33 countries. His findings showed that per capita rate of innovation was lower in countries that had a high score of UAI, while higher innovation was reflected in countries that had a lower score in UAI, for example Sweden. Therefore:

Hypothesis: Risk and uncertainty avoidance does affect entrepreneurship and business formation activities

5. Methodology

This study was administered through a randomly selected sample from a population of Lithuanians regardless of their current country of residence. Questionnaires sent through a link online to targeted respondents were used to collect the data. According to Leary (1995), there are advantages in using a questionnaire vs. an interview methodology. While questionnaires are less expensive and easier to administer than personal interviews, they allow confidentiality to be assured to respondents. Robson (1993) indicates that mailed surveys are extremely efficient at providing information in a relatively brief time period at low cost to the researcher.

5.1. Sampling method

This study employed a random sampling method where questionnaires were distributed to various individuals through social media such as Facebook, Google Plus, personal email addresses and shared through local entrepreneurship forums frequented by Lithuanians. The access to the questionnaire was a link that respondents could easily click and answer the questionnaire in less than three minutes. All respondents received the same instructions on the questionnaire in English. To filter out respondents that were not Lithuanians, one question in the questionnaire requested to know the nationality of the respondent.

The sample consisted of 54 male respondents and 48 female respondents. There was no case of a larger number of one gender compared to the other gender, which would have called for randomly discarding respondents to achieve a balanced distribution (Bond, 2004). The crucial criteria for respondents requested by Hofstede (2001) are therefore satisfied. The survey was carried out in July 2014 when 500 survey requests were sent through a Survey Monkey web link. The target group

of respondents were Lithuanians living in Lithuania or outside Lithuania. By the beginning of August 2014, 102 complete responses from Lithuanians were received out of 500 sent out.

This study was run randomly in the general population to include the young generation (youth) and the older generation so as to get a clear picture, regardless of age, the various views of Lithuanians with regards to how their cultural values affects entrepreneurship. It is argued by some authors that students are one of the best available sample groups to future in surveys (Schwartz, 1994). Mockaitis (2002) wrote that youth are a good reflection on the direction a national culture is taking, as they are less influenced by past histories and cultures of their surroundings. However, it is argued that in transitioning states, the use of youth as a sample in studies should be limited as this sample group does not give the true nature of the surroundings due to influences youth have from social media and international exposure.

The 102 Lithuanian respondents in this survey were selected randomly from towns, cities and countries in various places as long as they are Lithuanians by nationality. Respondents were randomly selected regardless of their exposure to foreign cultures that may have influenced their decision making when it comes to tolerance to risk and uncertainty at a period of engaging in entrepreneurship and entrepreneurial decisions.

5.2. Data collection and analysis method

The method used to collect data in this survey is the questionnaire method. A modified version of the Value Survey Model 1994 (VSM94) questionnaire was used in this survey as the instrument of study. The VSM94 is based on the original questionnaire developed by Hofstede for the IMB research in 1980 and was made possible for replication by researchers and surveyors for future surveys and cultural studies. The original VSM94 questionnaire was developed with 26 questions of which 6 are demographic in nature. To make the questionnaire relevant for the purpose of studying how uncertainty avoidance impacts entrepreneurship among Lithuanians, only questions or items from the original VSM94 questionnaire that were structured to survey uncertainty avoidance in a culture were chosen and modified. The modified questionnaire for this survey contains 8 items of which 3 items are demographic in nature.

Hofstede (2001) suggested it is necessary to carefully match samples and illustrate the demographic questions that includes age and gender. The VSM94 questionnaire recorded the respondents exclusively by age groups, for example, the age under 20, 20-29, 30-39 years and so on. This classification makes the calculation of the mean age and using it for comparison among the respondents to be meaningful. To measure instances of risk and uncertainty avoidance, we included four questions which probed the respondents to mention how nervous they become when thinking about the future. To precisely measure engagement of respondents in entrepreneurship activities, it is

important to know whether respondents are engaged in entrepreneurship or are looking forward to venture in entrepreneurial activities, hence a question was included to probe business formation engagement or willingness thereof.

The questionnaire consisted of 8 statements of which question 1 (Q1) to question 4 (Q4) is testing risk intolerance or uncertainty avoidance in the sample and Q5 is meant to examine whether the responds are willing to start their own businesses. From Q1 to Q4, the questionnaire used the 5-point Likert scale where respondents were asked to strongly agree or strongly disagree with the statements. In this case, a respondent who strongly agrees with a given statement indicated 1 as a response and 5 when a respondent strongly disagrees. A response of 1 can be interpreted as a respondent is avoiding uncertainty and will probably indicate 1 in Q5 as a way to say the respondent is not interested in starting a business. English language is used in the questionnaire because the targeted sample group of respondents was well conversant with English.

The author Huettinger (2008) modified the VSM94 to include an item in the questionnaire that was meant to find out how long a respondent has lived abroad. And according to Hambrick et al. (1998), a respondent may be less representative for their nationality if they have lived abroad for over a decade. This means that a respondent may have been affected by new cultures, which gives an individual lasting effect on their attitudes. I disregarded international exposure for the respondents in this study so as to note the difference that occurs when the respondents are both locally based with no international exposure and those with international experience. Non-Lithuanians were generally excluded by placing in the questionnaire an item that required a mention of the respondent’s nationality.

6. Results analysis

6.1. Result Presentation

Table I below summarize sample characteristics of 102 Lithuanians who responded to the survey.

Table I: Sample Characteristics

Number of respondents (N) = 102	
Gender	<i>No.</i>
Male	54
Female	48
Age	
Under 20	12
20-29	51
30-39	20
40-49	13
Above 50	6

The largest age group of respondents is young Lithuanians between the ages of 20 to 29 while the lowest number of respondents were those over 50 years of age. The survey had 54 male respondents and 48 female respondents where 51 of these respondents were in the 20-29 age group range

Table II: Descriptive Statistics

Questions	Mean	Standard Deviation	Skew
Uncertainty Avoidance items			
Q1	2,62	1,26	0,52
Q2	2,90	1,23	0,42
Q3	3,14	1,34	-0,06
Q4	3,35	1,29	-0,30
Willingness to start a business item			
Q5	2,95	1,30	0,34

Table II above provides an overview of the descriptive statistics which includes mean, standard deviation and skew. Standard deviation and probability of skew are calculated to measure how normally distributed the data is. Mean respondents in Q1 and Q2 express degree of avoiding uncertainty while the mean response on business formation Q5 was expressing that the mean respondents were undecided when it comes to business formation. 35 respondents agree in Q1 that they feel nervous when thinking about the future while 35 others agree with Q2 that friends, family or other unpredictable situations in life prevent them from engaging in a new activity such as a new career or a new business. However, majority of the respondents want to start a business as asked in Q5. When asked how they feel about starting a business without full knowledge of the business, 20 respondents strongly disagree but 29 respondents agree to this statement. On average, respondents in this survey expressed instances of uncertainty avoidance expressed in statements Q1 to Q4.

Table III: Pearson Correlation among items

	Uncertainty Avoidance				Starting a business
	Q1	Q2	Q3	Q4	Q5
Q1	1,00				
Q2	0,2311	1,00			
Q3	0,1016	0,2598	1,00		
Q4	-0,0379	0,1648	0,1029	1,00	
Q5	-0,0176	-0,0525	0,0209	0,1162	1,00

Pearson correlation

Table III shows correlation between variables. As seen above, the correlation between uncertainty avoidance items (Q1 to Q4) to business formation is very low and insignificant. This shows that as business formation increases or decreases, uncertainty avoidance has no impact on the changes. This insignificant correlation does not support the hypothesis in this study that uncertainty avoidance impacts business formation.

The results of this survey have the following limitations:

(1) Over 80% of the respondents are below the age of 40. This shows how unequally distributed the respondents were and it may have effects on results. This is not only the largest group of respondents in this survey but also a generation that did not directly experience the communism of the Soviet era, hence their mindset is different from older generations or those who grew up in the Soviet era. Lithuania was once in transition from experiences of the Soviet communism and its aftermaths. The sample group in this study is likely to consist of three different generations of respondents. The first being the elderly ones born before the inter-war period or the Second World War, the second being from a generation that has grown up in the Soviet era, and the third which is the youngest, consists of those who never actually experienced communism, except for a few traces of its aftermath. It can be true to assume that the sample of respondents consists of a diverse group that does not share similar values, norms or beliefs and therefore respondents differ in their tolerance towards ambiguity or uncertainty.

(2) Questions in this survey related situations of uncertainty avoidance among Lithuanians. Most studies measure all four cultural dimensions of Power Distance, Individualism-Collectivism, Masculinity-Femininity, and Uncertainty Avoidance (Hofstede, 2005). Therefore, because this study picked one cultural dimension of Uncertainty Avoidance in finding out what impacts it has on

business formation, the scores of other earlier cultural dimension studies cannot be directly compared with findings in this study.

(3) It should be noted that the study involved a random sample of respondents that includes Lithuanians that have had contact with non-Lithuanians or have resided abroad. The respondents were not limited to Lithuanians that have had less contact with other cultures. As a result, the outcome of this study may be culturally biased such that respondents' level of uncertainty avoidance may be of a different nature, either too low or too high depending on the level of contact with international cultures other than Lithuanian. Therefore, this study is not expected to have a score that represents or which can be compared to scores of other cultural dimension researchers.

(4) The study used a very small sample of 102 Lithuanians. Unfortunately this small sample may not be sufficient to make a conclusion of the population of Lithuanians living in the country and abroad. Furthermore, there was no item in the questionnaire that probed in which country there respondents were residing currently. Due to a small sample used, the results may be biased when it comes to drawing a conclusion.

6.2. Interpretation of results

To measure how uncertainty avoidance (Q1 to Q4) affects entrepreneurship and business formation (Q5), a regression analysis is used:

Table IV: Regression analysis

		Effects of uncertainty avoidance on business formation		
		<i>Coefficients</i>	<i>Standard error</i>	<i>P-Value</i>
	Intercept	2,67819	0,54002	0,0000030
	Q1	0,00324	0,10719	0,9759279
Uncertainty Avoidance	Q2	-0,08623	0,11400	0,4512218
	Q3	0,02784	0,10115	0,7837094
	Q4	0,12741	0,10292	0,2187244

A linear regression analysis was used to test the hypothesis as whether uncertainty avoidance impacts or affects the willingness of Lithuanians to engage in business formation. On this regression analysis, business formation (entrepreneurship) denoted by Q5 was the dependent variable (y-axis) while Q1 to Q4 denoting uncertainty avoidance were independent variables (x-axis). The results of the linear regression analysis are summarized in Table IV above. The above results do not

provide support for the hypothesis in this study. The results show uncertainty avoidance does not affect business formation. The above results show large, insignificant p-values of which changes in uncertainty avoidance has insignificant changes to influence business formation. Furthermore, the regression coefficients show a very insignificant mean change in business formation caused by any change in uncertainty avoidance.

7. Discussion

Table V: Entrepreneurial attitudes and perceptions of 3 European economies in 2013

	Perceived opportunities	Fear of failure	of Entrepreneurial intentions	Entrepreneurship as a good career choice
Belgium	31,5	46,6	7,8	54,8
Lithuania	28,7	41,7	22,4	68,6
Sweden	64,4	36,6	9,5	52,0

The table above summarizes a study by the Global Entrepreneurship Monitor (GEM) in 2013 which is part of a global report showing percentages of the entrepreneurial attitudes and perceptions of Belgium, Lithuania and Sweden in 2013. Using summary findings of Belgium, Lithuania and Sweden which have high, medium and low risk tolerance respectively as a component of cultural orientation towards uncertainty avoidance according to Hofstede (2001), Belgians population that fearing risk is 46% and the Swedish population that fears risk is 36%. The GEM study above further summarizes that Lithuanians are risk intolerant with 41% of the respondents in the GEM study fearing failure and 68.6% of the respondents willingly choose entrepreneurship as a career choice. The report on Lithuanians fearing risk but still willing to engage in entrepreneurship confirms that fearing failure (uncertainty avoidance) does not affect the willingness of Lithuanians to be entrepreneurs.

According to the GEM 2013 Global Report, 22.4% of Lithuanian respondents have the intension of starting a business within the next three years while only 9.5% of Swedish respondents have such intensions. Furthermore, 41.7% of Lithuanians fear the failure that may occur when starting a new business while only 36.6% of Swedes surveyed fear failure. The GEM 2013 Global report does confirm the degree of risk avoidance that Lithuania has towards entrepreneurship or business formation. Lithuania as a nation has come a long way from the Soviet era to a period where its citizens

are free to start their own ventures, and can live and work in the European Union. On the other hand, the nation still maintains its own set of norms and belief systems that only Lithuanians can understand. Studies on the cultural dimensions with regards to uncertainty avoidance or risk intolerance can assist the new generation to understand how much support they can get when they are looking to establishing innovative start-up companies.

Comparing Belgium, Lithuania and Sweden

These three countries are among the countries in the Hofstede’s cultural survey and have different uncertainty avoidance scores.

Table V: Results of Uncertainty Avoidance indexes scores according to Hofstede and Huettinger

	Belgium	Lithuania	Sweden
Huettinger (2008)	-	59	23
Hofstede (2001)	94	65	29
Index score	High	Medium	Low

Table V above shows previous studies on the level of uncertainty avoidance in Lithuania, Belgium and Sweden. These previous studies have been summarized to compare uncertainty avoidance levels of Belgium, Lithuania, and Sweden. Huettinger (2008) studied cultural dimensions for Sweden and Lithuania and found an index scores of 59 for Lithuania and 23 for Sweden, meaning that Swedes can tolerate a high amounts of risk. Hofstede (2001) found a score of 65 which still lies in the medium level of uncertainty avoidance for Lithuania.

When the 102 respondents in this study were asked how often they feel nervous about the unknown future on a scale of 1 to 5, 1 being strongly agree and 5 being strongly disagree, 55 respondents agreed to always and usually getting nervous. 45 respondents also agreed to have incurred hindrance when planning to engage in starting a new business and 41 of the respondents agree that it is not possible to start a business without full knowledge of what is happening in a particular industry. These responses show signs of risk intolerance among Lithuanians who took part in the study. This is a sign towards the conclusion that risk intolerance is related to the culture of avoiding risk among Lithuanians. When respondents were asked if rules and regulations should be followed strictly and never to be broken at any given circumstance, not even when breaking the rules can save the company, 26 respondents agreed to this statement while 48 respondents disagreed, which

means they can somehow take the risk of saving a company even by braking rules. This response is contrary to a risk intolerant individual.

Researchers may interpret cultural findings by basing them on the history of a country. Since coming out of the Soviet era, Lithuania has gone through a lot of changes and uncertain moments. To minimize uncertainty, formation of rules and regulations which must be followed is a key step to minimize uncertainty. The formation of many rules and regulations is for the purpose of controlling social behavior because rate of modernization is high, with many young Lithuanians living, studying and working in foreign countries.

This study proves how the culture of uncertainty avoidance is not impacting the rate at which businesses are formed in Lithuania. There is a deep interaction between, culture of a nation, entrepreneurship activities and the economy, whereby an economy surrounded by a culture that has high tolerance for risk can invest in research and development for the future development of its industries. Sweden is an example of that nation with a high tolerance for risk and uncertainty.

Majority of respondents from the GEM 2013 report in EU countries of France, Sweden, Netherlands, Spain, United Kingdom, Italy and Belgium have no intensions of starting a business. The percentage of respondents in the above-mentioned countries willing to engage in entrepreneurship is only 7% to 12.6%. On the other hand, EU nations of Slovakia, Romania, Poland, Latvia, Lithuania and Croatia have 16% to 22.7% of its respondents with intensions to engage in entrepreneurship in the next three years.

With 22.4% of Lithuanians willing to start businesses in the near future, 68.6% of Lithuanians prefer entrepreneurship as a career option although 41.75% fear failure. When entrepreneurial cultures are categorized, Lithuania falls into the Eastern European category where there are more opportunities for growth in entrepreneurship but with lower incomes prevailing. The motives for starting a new venture may range from social status to availability of a good opportunity, although there is need to get political support from the government in terms of setting rules and regulations that act as guidelines to support various industries.

According to a report on Lithuania by the Global Entrepreneurship Monitor (GEM, 2012), it revealed Lithuania as a country of young entrepreneurs who are open to new ideas and can easily embrace risk. The respondents in this survey fall within the age group (18 to 64) researched by the Global Entrepreneurship Monitor (GEM) in 2012. The GEM survey of Lithuania's entrepreneurship showed that 25% of people between the ages of 18 to 64 started their own business, while 21% of the same age group started businesses for others, and 24% indicated to having a plan to start a business in the next three years.

8. Conclusion

This study set out to examine whether uncertainty avoidance affects the willingness to start or not start a business among Lithuanians. 102 Lithuanians were asked, on a scale of 1 to 5, to strongly agree to disagree with situations that requires them to take risk or avoid risk. Lastly, the respondents were asked if they are willing to start a business or not given the amount of risk they are willing to take. The hypothesis was, uncertainty avoiding respondents will not be willing to start a business, while those who seem to be risk tolerant will be willing to start a business. Results showed no relationship between responses, such that those risk intolerant respondents have a very small influence that could determine whether the respondent who accept risk will start a business and vice versa.

Lithuania has proved to be a nation that has an entrepreneurship culture among its people and regardless on the said uncertainty avoidance culture, startup companies and the entrepreneurship community continues to grow supported by the government and organizations such as Enterprise Lithuania. Every year Enterprise Lithuania hosts an event called Startup Lithuania. This year in 2015 where 5 startup companies emerged as some of the most promising, it clearly confirms that regardless of uncertainties and risk intolerance, young Lithuanians will continue to be engaged in business formation. Startup companies such as Getjar, Mobofree, TransferGo, Dragis, Batcrab and startup accelerators such as StartupHighway, and Barclays Accelerator continue to expand over the years in Lithuania (Mancas, 2015). The studies previous conducted show that Lithuanians are open to new ideas when starting new businesses, investing in new products and services, but at the same time Lithuanians look out for high risk and try to minimize it through making and following a set of rules or guidelines.

An advice to new investors who would wish to invest or start a business in Lithuania is that they should note the culture of avoiding risk among the people of Lithuania. And for a successful entrepreneurship experience in Lithuania, an investor should understand that risk or uncertainty situation can be tolerated at medium level in Lithuania. As the economy of the country continues to grow, with Lithuania having moved from a poor economy to an economic level of increased incomes for the citizens, it is evident that tolerance to risk and uncertainty will continue to decline overtime although it does not affect the willingness of Lithuanians to start businesses.

As for young and ambitious entrepreneurs in Lithuania, especially those already exposed to risk-tolerant cultures like Sweden, their level of innovativeness and entrepreneurship has a higher chance of surpassing other Lithuanians who have never been to other countries. Since cultural changes do occur over time, Lithuania is heading towards becoming a very entrepreneurial, innovative country, with high tolerance for risk and uncertainty. In the next five to ten years, Lithuania will obviously become a developed country. With economic development, there is a great future for

the government to start investing in research and development on various industries. Research and development reduces the chances of risky investment especially when the outcome or functionality of a certain product or service has been tested and verified before more money is invested. As an entrepreneurial country with a culture that has medium tolerance for risk and uncertainty situation and a low population of 3 million people, there is room to develop entrepreneurship in Lithuania.

9. Recommendations for future research

The implications of my survey are wide and therefore further studies in a similar topic can be conducted to examine same factors of uncertainty avoidance influencing entrepreneurship by expanding the sample to a large number of respondents, limiting the amount of respondents to only those who live or have been living in Lithuania within the last 2 years, and including more items in the questionnaire whereby a respondent can explain why they responded the way they did. A further study on this same area can focus also focus on surveying only students or only business owners to limit the amount of people who are completely uninterested in the process of business formation. This study has made me realize that uncertainty avoidance of risk intolerance can be a factor which is personal and not to be generalized to a greater population or a country because each individual responds differently when faced with an ambiguous situation.

Logically, cultural beliefs and norms influence entrepreneurial behaviors of an individual or a group of people with a similar background of shared beliefs. The possibility of international exposure leading to changing cultural mindset should be explored by having a similar set of questions in a survey that are asked to two groups of a similar background whereby one group has had no exposure to new cultures while another has been exposed to a mixture of cultures for more than three years. Because cultural beliefs change overtime due to exposure, a young and well-traveled generation will perceive risk taking differently than a conserved individual who have never had exposure to other cultures for a considerable period of time.

Further future studies can also explore the influence that culture has in motivating individuals or groups on their willingness to engage in entrepreneurship when faced with risky decision-making strategies. Studies can be conducted at an individual level within a culture that tends to avoid risk (Belgium with an index score of 94), a culture that moderately accepts risk (Lithuania with an index score of 65) and a culture that has high tolerance for risk (Sweden with an index score of 29), all scores by Hofstede (www.geert-hofstede.com) to see if uncertainty avoidance across these countries with different risk tolerance levels does influence the type of business an individual starts. Results from these surveys can be a good tool for understanding uncertainty avoidance levels of national cultures and their relationship to developing risky entrepreneurial ventures when investing in innovations of unknown outcomes of success.

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APPENDIX - Questionnaire

To what extent do you agree or disagree with each of the following statements? (Please circle one answer in each line across):

1 = strongly agree 2 = agree 3 = unsure 4 = disagree 5 = strongly disagree

1. Sometimes I feel nervous or tense when thinking about the future of my studies/business/job/employment?

2. Family, friends or life situations prevent me from starting a new business or a new career?

3. One cannot start a new business without having full knowledge of all rules and regulations in the industry that clients and partners may need to know in the new business

4. Rules and regulations in a start-up company or any business should not be broken - not even when breaking the rules will be good for the company

5. Do you want to start a business?

- 1. I do not ever want to start a business**
- 2. I do not want to start a business now**
- 3. I am unsure if I want to start a business**
- 4. I am thinking of starting a business**
- 5. I want to start a business**

6. How old are you?

- 1. Under 20**
- 2. 20-29**
- 3. 30-39**
- 4. 40-49**
- 5. Above 50**

7. Are you:

- 1. Male**
- 2. Female**

8. What is your nationality?

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