

Economic Development And Entrepreneurship: A Critical Review From A Socio-Cultural Perspective

I Putu Tirta Agung Setiawan*

Centre of Eastern Indonesia Studies, Universitas Kristen Satya Wacana, Salatiga, Indonesia.

Abstract

The aim of this paper is to briefly explain and analyse the association between entrepreneurship and development theories. It will trace through a literature review, from a socio-cultural perspective, the developments of entrepreneurship theories and will critically engage with the use of Schumpeter's ideas on entrepreneurship, as the main engine of economic development. It will describe the experience as well as the political context of entrepreneurship in developing countries. It will also put forward several issues in relations to the development of the study of entrepreneurship in those countries, using Indonesia as a case study. In the end, the paper concludes that a cultural study which links Western theories of development and entrepreneurship with the unique cultural realities, mainly on how they interact and shape entrepreneurial activities, which exist only in developing countries, is important.

Keywords

Schumpeter, Development, Entrepreneurship, Developing Countries, Culture

*Corresponding author. Email: tirta.agung@jangkang.org

Introduction

In the past six decades, numerous schools of thought, equipped with various development theories, have joined the global 'war' against a disease called poverty. The different approaches are in conflict, each defends their preferred path of economic system, social perspectives, or their hidden political agendas. Hence, the global 'war' against poverty has replaced old dictators with new ones. It has even promoted corrupt leaders, such as Soeharto, to be the hero of his country, crowned as the country's 'Father of Development' (Tarling, 2002). From the left to the right, from classic to neoclassic, from Marxists to Keynesians, from the old to the neo liberalists, from the outspoken international dependence revolutionist to the 'capitalistic' neoclassical free-market revolutionist, all have made attempts to explain the causes and cure the disease, but they keep on surviving.

Various ambitious efforts have also been made to integrate the partialities of many theories to achieve a universal development model, yet, without any luck (for a comprehensive review on this particular matter please refers to Parsons & Smesler, 1956; Landes, 2000; Parsons, Shils & Smelser, 2001). Poverty, according to many neo classical theorists that currently are dominating economics as a discipline, is a universal economic phenomenon that occurs under certain conditions. It is considered as a typical condition of all third world nations, whose economies have been shaped by a similar history of colonisation. They, according to Nohlen and Nuscheler (1993, pp. 56-57), believe that this single cause of colonization is more than enough to explain incidents of poverty across the globe, and thus, conclude that the cure as well can be packed into a 'universal' formula that is 'applicable' to every developing country in the world. Examples of such mono-causal theories are the linear stages of growth models proposed by

Rostow (1990), Harrod (1939), and Domar (1957); the structural change theories of Lewis (1954) and Chenery & Elkington (1979); and the exogenous growth models suggested by Solow (1956) and Swan (1956). These single-cause theories have been widely criticized. The second president of the World Bank, for example, argues that development programs need to be tailored to the unique conditions of each case (Black, 1961, p. 21),:

I am afraid that much of the reason of this misdirected search [for a singular development model] stems from the blinding success of the Marshall Plan [in post-war Europe]. Without detracting from that unique achievement, I am compelled to say that it bears almost no comparison to the present problem [in newly independent countries]; in fact, it is useful only as a contrast The governments participating in the Marshall Plan shared a common heritage and a common clearly defined predicament.

Since the end of World War II, economic development as a sub-discipline of economics has indeed experienced many periodic changes in its leading archetype. These changes have implications for the development models that seek to 'enhance' economic policies in developing countries worldwide. Changes in the dominant economic paradigm have lead to different stipulations for how a government should handle their economy, how they should intervene in the market, and what kind of intervention is appropriate in order to 'sustain' their country's economy.

As explained by Adelman (2001), the above changes occurs primarily because development studies as a sub-discipline of economics learns from its mistakes, enlarging its empirical and theoretical knowledge based upon either unambiguous

real world successes or noticeable real world failures. Global institutional transformation, rapid technological improvement, and the dynamic of the development process within various developing countries have raised new issues which in turn serve as foundations for the emergence of new theoretical or empirical perspectives.

Yet, as different streams in economics rise to power or faded away, their ideologies persist. Economics is a diverse discipline and this diversity remains whether or not the various schools of thought are popular or unpopular. As observed by Myrdal (1975), the political element in the development of economic theory tends to opportunistically condition intellectuality, and so does scientific work. Besides providing new prisms in reconstructing or deconstructing old theories as well as policy prescriptions, this ideological shift is introduced by each stream, which has risen to power and become dominant within the field of economics, also holds an important key in determining the culture used by the discipline in perceiving, structuring, and incorporating changes into theories or models. The aims of this review is to briefly explain and analyse the association between entrepreneurship and development theories by tracing through a literature review, from a socio-cultural perspective to the developments of entrepreneurship theories.

Economics Development And Entrepreneurship

Schumpeter (2002, 2003) was perhaps the first economist who used the term 'economic development', even before Harry Truman politically introduced it in his inaugural speech, to explain the changes and the dynamic of economic process. Indeed, economics at his time did not deal with dynamic phenomena, and therefore, theories that might explain the process of economic development had not yet been recognised. Schumpeter believes

that the economy ". . . does not grow into higher forms by itself" (Schumpeter, 2003, p. 75). Static theory, according to Schumpeter, overlooked the increase in population, capital growth, technological development, organizational transformation, and consumer preferences, which substitute important factors of economic.

In his *Theorie der Wirtschaftlichen Entwicklung*, originally published in 1911, Schumpeter (2002) successfully pictures a dynamic model of economy that distinguishes two types of changes, namely 'development' and 'adaptation'. Development deals with changes from within the economic domain, or in his own words, ". . . changes in economic life that are not forced upon it from without, but arise by its own initiative from within" (Schumpeter, 2002, p. 145). Development involves the transfer of capital from old business to a new one by utilising established method of production to create innovative approaches. For Schumpeter, adaptations the opposite of development relates more to changes that are not "qualitatively new", such as growth in population or growth in wealth (Schumpeter, 2002, pp. 405-406).

Adaptation, considered by Schumpeter, occurs because of a static process, a process that has no change at all, or an automatic change that is fuelled by outside forces of the economy. Schumpeter deemed the characteristic of humanity as static. While people are always eager to earn extra money and work very hard in what they do, they only act within given limits and never do anything radically new (Schumpeter, 2002, pp. 111). If change happens, Schumpeter argues, it is only because something has happened outside the economy, and for their survival, they have to adapt. He believes this static behaviour is caused by static social environment that inclines to react negatively on something that is deviant in nature (the sociological factor) and the resistance to new things felt individually

by the economic actors themselves (the psychological factor).

Human action is illogical, and for that reason, Schumpeter rejects the concept of the 'rational economic man', since it is only appropriate for a static economy not for economic development. Development instead needs 'deviant' people who are equipped with various new ideas, as well as the ability to convert those ideas into actions. He repeatedly denotes and describes, in his chapter two of *Theorie der Wirtschaftlichen Entwicklung*, this kind of individual as the 'man of action'¹ who does not accept reality as it is and is willing to fight against any oddness or obstacles. Schumpeter then identifies this person as the entrepreneur, and characterizes him not as an inventor, but instead as an innovator who introduces "new ways of using existing means" or "factors of production" (Schumpeter, 2002, p. 409). The entrepreneur's talent, as noted by Schumpeter, consists of abilities to think and do something intuitively rather than rationally, and a good entrepreneur always chooses the right intuitive choice. In short, entrepreneurs for Schumpeter are the true agents of economic development; and development will cease to exist without them (Schumpeter, 2003, p. 76). These entrepreneurs creatively destroy the static economic equilibrium, to create a new one.

During the 1960s, as noted by Adelman (2001), economists and policy makers began to recognise Schumpeter's vision in relation to economic development. This was due to serious limitations on the absorption of foreign development assistance found in many developing countries, which led to a failure in inducing sufficient rapid growth in many privately, owned and managed industries. There were simply not enough potential entrepreneurs willing and able to undertake development projects in developing countries. This situation gave a path to the

¹ What Schumpeter means as the "man of action" is literally a man, as in his eyes, an entrepreneur is always a 'he' (Swedberg, 2006).

re-emergence of the Schumpeterian school of economic development that studied the social origins of entrepreneurship. It also influenced the new socio-cultural school of economic development headed by McClelland (1961) and Hagen (1962) who analysed the socio-cultural and psychological barriers of entrepreneurship among developing countries, particularly in relation to the differences of entrepreneurial traits among different cultures.

Both schools argues that governments should foster the development of entrepreneurship by subsidising private investment in order to artificially increase the rate of return, by generating joint ventures with the private sectors, and finally, by sponsoring various curricula of entrepreneurship channelled through their education systems. These arguments lead to the establishment of the International Finance Corporation within the World Bank Group to finance private entrepreneurial activity in developing countries. Numerous aid programs have also started to route their funds into various education programs specifically dedicated to the preparation of potential entrepreneurs and policymakers in those countries. The World Bank even at that time, in 1955, created its own institute committed to teach economics and management named the Economic Development Institute. It was renamed as the World Bank Institute (WBI)² in 2000.

Starting from the next section, I will map out, from a socio-cultural perspective, the theoretical developments of

²Not like when it was first established, WBI activities are currently adapted to the individual needs of each developing country. The WBI Governance Program will first develop a wide set of governance and anti-corruption indicators of each of those countries, and afterwards, the Knowledge for Development (W4D) program will evaluate each country's preparedness for the knowledge era. From these assessments, specific action plans are developed on a country-by-country basis. For further detail, please refer to http://siteresources.worldbank.org/WBI/Resources/wbi_brochure08-5.pdf.

entrepreneurship through several streams of thought. As a result, a battle line will be drawn on the map, which is between those, mostly economists, who are in favour of institutional factors and incentives as their explanation for entrepreneurship and economic development, and those who come from various discipline in social science including economics, which use culture as the foothold of analysis. In a section that follows, I will also discuss questions that come up due to several frictions between the supporters of culture, concerning the position and the role of culture toward entrepreneurship and economic development.

The Advent Of Socio-Cultural Entrepreneurship Study

Entrepreneurial activity is probably as old as human history itself, yet before Schumpeter's time, it was Cantillon (1931), through his *Essai Sur la Nature du Commerce en Général*, who primarily introduced entrepreneurship as a concept to the scientific community (Swedberg, 2000; Landstrom & Benner, 2010). Since then, the studies of the role of entrepreneurs and entrepreneurship have become increasingly prevalent within the field of economics. However, comprehensive socio-cultural studies³ did not receive serious attention until the dawn of the twentieth century (Landstrom, 2005a, 2005b; Swedberg, 2000, 2006), and two seminal authors mainly fuelled this escalation of interest (Macdonald, 1965; Thornton, 1999; Brouwer, 2002; Carr, 2003; Swedberg, 2009; Lalonde, 2010). The first was Tocqueville (2003) with his ideas on the importance of institutional and socio-cultural factors in analysing the degree of

entrepreneurial activity of a given society, and the second was Weber (1930) with his thesis on the significance of value systems in explaining entrepreneurial behaviour.

Tocqueville (2003) observed, in his 1831 journey, that the United States was a place where work was highly valued and industriousness was an ethic. He also witnessed how Americans enthusiastically pursued money, an opposing condition compared to Europe at that time. According to him, the poor in Europe had no hope for prosperity and wealth, no matter how hard they worked, and the rich upper class worsened the situation, giving bad influence to the poor, suggested that it was ludicrous to obtain wealth (Ondracek, Bertsch & Saeed, 2011).

On the other hand, Weber (1930), through his well-known *The Protestant Ethic and the Spirit of Capitalism* published in 1905, theorizes that Capitalism and its agent, the entrepreneur, is the consequence of the belief system of particular Protestant sects, especially Calvinism. He argues that, Calvinism with its doctrine of double predestination had unintentionally provided beneficial economic consequences. Weber believes that self-confidence and worldly success are signals of God's favour and salvation for Calvinists instead (Milner, 1970). Compared to Tocqueville's *Democracy in America*, *The Protestant Ethic and the Spirit of Capitalism* of Weber clearly links culture (manifested as religion), entrepreneurship, and economic development, and hence, it has served as a foothold for subsequent socio-cultural study on entrepreneurship as well as economic development.

The theoretical work of Schumpeter also sets culture as a determinant of entrepreneurship. In his famous *Capitalism, Socialism, and Democracy*, Schumpeter (2006, p. 132) notes that the main function of the entrepreneur in economic development is to bring innovation forward through carrying out new combinations. In the same page, he

³ Stewart (1991) even suggested that anthropological studies on entrepreneurship started to flourish after the Second World War, and thus, placing it as merely a post-war phenomenon. Those studies reached its peak through the 70s and were largely divided into two main interest focuses, namely on social change and economic development.

also lists five types of what he meant as new combinations, which are by (1) introducing new good or quality; (2) introducing new methods of production; (3) opening a new market; (4) searching a new source of supply of new materials or parts; and (5) carrying out new organization of any industry. Schumpeter (1983) believes that innovation itself depends on the rate of profit, and most importantly, the social climate. According to Higgins (1968, p. 94),

Schumpeter's concept of the "social climate," a complex phenomenon reflecting the whole social, political, and socio-psychological atmosphere within which entrepreneurs must operate. It would include the social values of a particular country at a particular time, the class structure, the educational system, and the like. It would certainly include the attitude of society toward business success, and the nature and extent of the prestige and other social rewards, apart from profits, which accompany business success in the society.

Nevertheless, despite of our discussion above, we should also understand that "[to] economics, or at least the version of economics that became dominant in the twentieth century [the neoclassic economics], culture is a very strange animal indeed" (Beugelsdijk & Maseland, 2011, p. 15). Out of the three authors who pioneer the socio-cultural study on entrepreneurship, only Schumpeter who is widely considered as an economist and sociologist, whereas the other two, particularly Weber⁴, are only regarded as

⁴This is something that is undeniably paradoxical. Swedberg (1996) notes that although Weber himself, along with his colleagues, considered him as an economist, later generations, such as Talcott Parsons, introduce him as a sociologist instead. Even Blaug (1986, p. 872), in his second edition of *Who's Who in Economics*, writes that Weber is "... one of the major figures in sociology", not economics. It seems that neoclassical economics as

sociologists. Economics undeniably positions culture outside the realm of its instrumental design, since according to the discipline, culture is inherited and given to individuals (Sahlins, 1976). If we search through history, this situation takes its root from the 'father' of economics and Capitalism himself.

Smith's (1981a) famous 'inquiry into the nature' and the "... natural course of things" (p. 348) have indeed led to the renunciation of culture in the new discipline he has established. The materiality and the habits to provision or accumulate matters are seen as supra cultural structure for the classical and most neoclassical theories of economic thought. This presupposition is highly reflected through the term of 'homo economicus' or the rational economic man, who is, according to most economists, the true agent of economics and is characterised as an individual with an innate rationality. Likewise, Marxism, as an 'antithesis' of Capitalism, also regards culture a priori within their historical materialism (Zein-Elabdin, 1998). Consequently, almost all school of thoughts⁵ in economics discounts culture, whilst purporting that various achievements on economic development attained by the west since the Industrial Revolution take place as merely a

the dominant stream, which claims the power to control anything that belongs to economics or not, has cast Weber out from economics because perhaps according to it, his broad and historical approaches are more sociological than economical in nature (Swedberg, 1996). The development of economics and sociology as separate disciplines has indeed been described as a turf war, particularly before they separated thinkers such as Max Weber, Karl Marx, Émile Durkheim as sociologists.

⁵An exception has to be made here for the institutional school. Intuitionist economists consider culture as one of their two main philosophical foundations beside technology, although they still leave the economic man 'rational' self in place, and therefore foreclose the possibility of any other cultural concept or sensibility. For a substantial discussion on institutionalism, please refer to Mayhew (1987) and Hodgson (2000; 2007).

representation of their natural or historical norm (Zein-Elabdin, 1998).

The main goal of economics through its supra cultural structure is to establish what is to be believed as the universal principles of behaviour (e.g. McClelland, 1961). Culture is a limitation for this ambition, as it constitutes worldviews, which implies that there are various ways of perceiving reality, resulting in various logics of behaviour. This opposition of culture places socio-cultural study of either entrepreneurship or development to be shared within various disciplines, although it does not always follow the debates and theoretical developments, within the social science, including economics, positioning them as interdisciplinary topics.

Culture: Questions For The Supporters

In the early 1960s, development economists started to realise that there was something missing within the development theories, and it was not just institutional but more to the actors themselves (agency in nature). To remedy the muddled situation, Higgins (1968, p.105) put a case in his book by stating that in or currently developing countries “[t]he lack of adequate entrepreneurship is one of the most frequently cited obstacles to take-off”. He suggests that economists should return to Schumpeter’s *Theorie der Wirtschaftlichen Entwicklung* in order to understand that:

. . . [although it] appears true that the relatively small entrepreneurial group in [developing countries] frequently consists of a deviant class[such as] the Chinese in Southeast Asia, the Hindus in East Bengal, the Jews in Libya, the Indians in Africa, and so on[,] . . . [it] also raises doubts about the possibilities of successful development in [such] countries which *start* with a climate inimical

to entrepreneurship” (Higgins, 1968, p.105).

As previously noted by Adelman (2001), this position provides the opportunity for the resurrection of various socio-cultural entrepreneurship studies. As a result, the battle lines have been clearly drawn by the latter half of the 20th century until now. The battle is about the attribution of entrepreneurial action and economic development between those, mostly economists, who are in favour of institutional factors and incentives as their explanation, and those who come from various disciplines in the social sciences including economics, and use culture as their foothold of analysis. Nonetheless, frictions also exist between the supporters of culture and I will discuss it in the following subsections.

Only Western Culture Values Work

As I have discussed earlier, the opposition of the deviant characteristic of a Schumpeterian entrepreneur is without any doubt “. . . stronger in primitive stages of culture than others” (Schumpeter, 1983, p. 155). At this point, Schumpeter is right, as stated by Black⁶ (1961, p. 27):

All we know for certain is that once people become conscious of the possibility of economic development in their society, entrepreneurs start appearing What is true of entrepreneurship is broadly true of all the requisites for economic growth. As more people become conscious of the possibility of a better material life through a different use of their time, energy, and savings, there will be more

⁶ The notions of better and productive environment, such as noted by Black above, are in fact culturally framed. It point to an idea of modernity introduced by Western culture in order to break the traditional culture of a particular community by providing surreal opportunities for choice, which eventually carries risks and anxieties.

productive work and more productive savings.

Many early societies indeed valued work as something that belonged to the lower class of the society, and therefore, the innovative entrepreneur was deviant for their social structure. The ancient Indians and in many ancient Indianised kingdoms, for example, put the working class or the *shudras* at the very bottom of their caste system, followed by the *vaishyas* who engaged in trade and commerce. The ancient Greeks sneered at crafts and overlooked artisans as well. This can be seen through the Greek-rooted word of '*banausic*', a pejorative term related to earning a living (Landes, 2000). Both ancient Rome and China also considered people who were engaged in productive activity and commercial activity as disgraceful (Baumol, 2004).

Schumpeter believes that for the development of entrepreneurship and the economic development that follows, a culture must first value work. Before the Industrial Revolution took place or before work was valued by many European enlightenment philosophers and political economist, such as Smith (1981a; 1981b; 2002), Marx (1886), or Mill (1999), economic growth were estimated to be approximately zero⁷. This figure change drastically in the 18th century England, where the country's GDP (Gross Domestic Product) per capita was estimated to have grown to 20%–30% and "[i]n the 19th century, this figure rose, perhaps tenfold, to some 200%" (Baumol, 2004, p. 317). Whilst in the 20th century United States and despite of the great depression, the country's overall GDP per capita

⁷ Work and the value of work was in fact a philosophical topic that was warmly discussed and debated by many European classical economists of the 19th century. It took its root from Smith's famous 'diamond-water paradox' and ended with two revolutions, the marginal utility that fuels the main assumption used by neoclassical economics and historical materialism as the foundation of Marxism (Setiawan, 2007).

conservatively estimated to have risen to about 700%.

Ondracek et al. (2011) argues that economic development is undeniably impossible if a culture only values wealth but devalues productive works, those who work, and their entrepreneurs who do those productive works. In many societies, particularly after the Industrial Revolution took place, the appreciation of work is an upshot of various political and social revolutions, where the influence of such event spreads rapidly throughout each society. The Communist Revolutions in Russia and China help the resurgence of a pro-work culture. They have swept away to some extent the ancient deep-rooted attitudes and the affectation against productive work. In the Western part of Europe, the French Revolution saw a reordering of society, cleaning up the old spoiled aristocracy.

Compared to the west (the European and North American), Baumol (2004, p. 318) believes that what is missing from the economy of various developing countries is un-doubtedly ". . . the productive entrepreneur, working under the incentives to innovate that derive from the powerful mechanism of the competitive market". In the same paragraph, he also puts a note that for the west:

. . . entrepreneur has not only become respectable, but has also assumed the attributes of a hero, although, as in all subtle tales about heroes, with a mixed and not altogether unsullied character (Baumol, 2004, p. 318).

This argument⁸, however, puts forward questions on its reliability, since it

⁸The theoretical foundation underpinning such argument is usually based on the modernization theory, first suggested by Walt Rostow. This theory believes that development occurs in stages. It positions Western countries, as the most developed, at the top of those stages, which is characterised by Rostow (1990) as 'take-off', while the rest of the world is at the lower stages. The goal of this theory is to describe how developing countries will

possesses "...a sulfuric odor of race and inheritance, an air of immutability" (Landes, 2000, p. 2). Does culture, in many developing countries and in its real life context, impede the development of entrepreneurship, and thus, hamper economic development? Do those developing countries need such revolutionary movement experience by France, Russia, or China, in order to recalibrate their culture and to accommodate the so-called 'Western' entrepreneurial culture?

National versus Local

It is only in the last four decades, when for the first time in 1980 Hofstede introduced his famous model of cultural dimension based on national culture, and the relationship between culture and entrepreneurship is empirically studied. Many academics consider the work made by Hofstede as the most famous systematic attempt to study culture and cultural differences. His *Culture's Consequence* is inspired by Inglehart's (1977) research on data collected from the World Values Survey that places culture and cultural changes as the key intervening variables between institutional processes and economic development. He aims to measure cultural difference between nations by utilizing national culture. His work is based on the largest survey of work value at IBM subsidiaries that was held twice, in 1963 and in 1967 respectively, comprising of 116,000 questionnaires, from which over 60,000 people responded from over 40 countries (Hofstede, 1984).

In addition to Hofstede, there is also a wide range of cross-national empirical studies conducted by various other researchers (for a complete catalogue of these studies and their measurement tools, see Taras, 2008), such as: Lynn (1991) who studied different national attitudes to competitiveness and

eventually reach the level achieved by Western countries by mean of economic modernization.

money; McGrath, Macmillan, and Scheinberg (1992) who examined cultural values shared by entrepreneurs across the globe; or Tan (2002) who studied the impact of culture and national context on entrepreneurs and non-entrepreneurs. Nevertheless, compared to those researchers, Hofstede's research has a more remarkable effect on academics and practitioners (Jones, 2007).

Hofstede is the most cited Dutch author and the ninth most cited European author according to the Social Science Citation Index made in 2001 (Powell, 2006). Since his first publication in 1980, Hofstede's influence has become so pervasive that it was successively developed so many offshoots. Even those who reject his theory or conclusions must at least acknowledge his work. His model is taught in classrooms and has been instrumental in the implementation of various social contexts, including cross-cultural issues of entrepreneurship (Verheul, Wennekers, Audretsch & Thurik, 2002; Dawson & Young, 2003; Jones, 2007). Many researchers⁹ take up his pioneering study of character based on a huge amount of data enthusiastically and it has been accepted and adopted quickly within academic and organizational environment ever since (Hayton, George & Zahra, 2002).

Hofstede defines culture as "... a collective programming of the mind which distinguishes the members of one group or category of people from another" (Hofstede, Hofstede & Minkov, 2010, p. 6) and places value in the core of his onion model of culture, which, according to him, holds a critical feature that distinguishes one culture from another (Hofstede, 1984, p. 18). In regard to cultural change, he believes that the shifting of modern world will only affect the level of practices, not

⁹ Baskerville (2003) argues that Hofstede's influences never reached areas in the mainstream social science, particularly anthropology and sociology, but rather remained in areas such as psychology, behavioural science, organizational studies, and management.

values. Overall, through his cross-cultural studies, he identifies six main dimensions of cultural values, which he claims to affect human thinking, organizations, and institutions in predictable ways. Those dimensions are power distance, uncertainty avoidance, individualism, masculinity, long-term orientation, and indulgence versus restraint. Although dimensions are "... hypothetical construct[s] [and] ... not directly accessible to observation" (Levitin, 1973, p. 492), Hofstede et al. (2010, p. 31) argue that they are the "... aspect of a culture that can be measured relative to other culture".

However, by assuming that there is a large degree of homogeneity within nation states as opposed to large differences between nation states, and by considering that national culture is a common component of a wider culture that contains both its global and sub national constituents (Hofstede, 1984, p. 29), Hofstede and his supporters overlook cultural differences between regions within countries (Basu & Altinay, 2002; McSweeney, 2002; Busenitz, Gomez & Spencer, 2000; Didero, Gareis, Marques & Ratzke, 2008). He also tends to ignore the importance and variations of the community (Dorfman & Howell, 1988; Lindell & Arvonen, 1996; Smith, 1998_a). In fact, in a highly centralized country, cultural systems that exist locally still dominantly influence grassroots community's way of life (Pieterse, 2001; Goodman, 2004; Doring, 2005; Richerson & Boyd, 2005).

Local culture serves as the community's primary standard entry requirement for its members to acquire. In other words, compared to Hofstede's 'common component' of national culture, the dynamics of culture that exist locally have a greater impact on an individual. Moreover, the evolution of local cultures and their interactions with supporting national policies have also been a key determinant of success that encourages entrepreneurship activities locally (Pieterse, 2001; Shiller, 2005). Hence,

aspects contained in a local cultural system along with all of its supporting attributes prevailing building a dynamic atmosphere that fosters entrepreneurship (Roberts, 1991; Todorovic & McNaughton, 2007).

Magala (2004) also heavily criticizes Hofstede's theoretical framework by denoting it as an in-built western bias. He concludes that all of Hofstede's cultural dimensions are highly influenced by western perspectives because only western scientists conduct the entire research process (particularly the empirical data gathering and processing). If there was at all any local cultures containing dimension, which were 'salient' for individuals to identify but 'invisible' to those unacquainted with the local community's 'tacit knowledge', or 'nonlinear' with the six dimensions, they were unnoticed or were labelled as aspects within the six dimensions, not as independent factors.

Child and Kieser (1977, p.2) admit that the boundaries in which culture is shared are problematic, thus according to them "... it may make as much sense to refer to a class or regional culture as to a national culture". McSweeney (2002) argues that the limited characterization of culture in Hofstede's work, its confinement within the territory of states, and its methodological flaws mean that it restricts, rather than enhances, the understanding of particularities. As a result, a researcher, who wants to understand the national culture of a particular country, first needs to recognise the rich and diverse mixtures of its local practices and institution, rather than assuming their 'homogeneity'. This is why I argue that searches for culture-fit models, which provide understanding on how cultural variables explain the effect of different practices in different cultures within its local context, are desirable.

The Agent of Cultural Change¹⁰

In the previous subsections, we have discussed how culture supports an environment that fosters entrepreneurship, and thus, facilitates economic development. Nevertheless, does culture at all times have to take the lead? For economic development to be set in motion, is it always culture first, then entrepreneurship? Is the relationship between culture, entrepreneurship, and economic development constantly one-way and linear in nature? If it is true that those entrepreneurs are deviant in nature, as Schumpeter characterised them, can this deviation act as the catalyst of cultural changes that may well create a better environment for entrepreneurship, and eventually, enhance economic development? In this subsection, I will discuss the relationship between culture and entrepreneurship on the other way around.

The interaction between culture and entrepreneurship is indeed not one-way in nature (Verheul et al., 2002; Steyaert & Hjorth, 2006). Beside it is one of the elements orientating further actions, in reality, culture itself is still the product of actions (Parsons, 1949; Kluckhohn & Kelly, 1945; Kroeber & Kluckhohn, 1952; Hodgetts, Luthans & Doh, 2005; During, 2005). Therefore, this condition places culture as a subject of both repulsive and attractive forces of change. Innovations as well as inventions change community's social structures and affect culture

¹⁰ Although in social science, the terms 'cultural change' and 'social change' are often used interchangeably, in this research, I will go along with Landis' (1935) classification to differentiate both terms. Thus hereinafter, 'cultural change' will refer to all of the changes in norms, values, beliefs, ideologies, social collectives, statuses, and roles within a particular community, while 'social change' will represent changes in the patterns of interaction as well as the population composition (age, sex, vitality, mobility, etc.) of that community.

internally (Wagner, 1981). They produce changes within a community by modifying social dynamics, which facilitate creative actions in promoting new cultural models. Subsequently, these social shifts will stimulate ideological modifications and other types of cultural changes (O'Neil, 2006). Besides, in order to survive, a culture always needs to be re-acceded and re-integrated under the consensus of the community where it belongs to (Parsons et al., 2001). This is where entrepreneurship, through its entrepreneurs who were previously shaped by culture, can take a critical role in driving cultural changes.

As I have mentioned before, for Schumpeter the function of entrepreneurs through their innovations is to:

... reform or revolutionize the pattern of production by exploiting an invention or, more generally, an untried technological possibility for producing a new commodity or producing an old one in a new way, by opening up a new source of supply of materials or a new outlet for products, by reorganizing an industry and so on (Schumpeter, 2006, p. 132).

Here, entrepreneurs act as promoters of change from 'within' the economic domain that imagines new solutions. As the true agents of economic development, they endogenously (in an economic sense) destroy old ways and replace them with new ones (Schumpeter, 1983; 2002, 2003, 2006). They are fully equipped with various new ideas, as well as the ability to convert those ideas into successful innovations and inventions in order to adjust inferior creations as a whole or in part (for examples see: Kirzner, 1973; Leff, 1979; Baumol, 2004; Heberer, 1999; Boettke & Coyne, 2003; Coyne & Boettke, 2009).

Although mostly motivated by profit, the introduction of new products usually brings along with it an influence, positive or negative, toward altering the society and

eventually triggers social and cultural change, as noted by Schumpeter (2006) below:

Railroad construction in its earlier stages, electrical power production before the First World War, steam and steel, the motorcar, colonial ventures afford spectacular instances of a large genus which comprises innumerable humbler ones—down to such things as making a success of a particular kind of sausage or toothbrush. This kind of activity is primarily responsible for the recurrent “prosperities” that revolutionize the economic organism and the recurrent “recessions” that are due to the dis-equilibrating impact of the new products or methods. (p. 132)

Schumpeter (2002, 2003) furthermore points out that entrepreneurship might also produce rather unique consequences for the society. We can use famous philanthropists and their large private foundations, such as Rockefeller, Ford, or Carnegie, as a straightforward example of this uniqueness.

Those entrepreneurs, because of their wealth, acquire a high social position in society and use this condition to amend socio-cultural structures according to their personal view by means of their philanthropic acts, arguing that change is needed for the advancement of humanity in general. For instance, one of Carnegie's grandest philanthropic gestures was when he offered the people of the Philippines \$20 million in 1889 to help them buy their independence from Spain and spare themselves from American imperialism (Bishop & Green, 2008). Through their scholarship programs, Ford Foundation as well as many other foundations in developed countries is also responsible for the transfer of Western culture to many

developing countries.¹¹ Likewise, Warner Brothers, Walt Disney, and many other companies that are working in the film industries in Europe or the United States are also responsible for such cultural transfer and the rise of consumerism in those countries. However, beside all of the controversies surrounding their activities, overall I believe that these entrepreneurs do not only create new products or even new business models, but they have also undeniably triggered cultural changes worldwide, been pressing forward those kinds of changes, and been doing so consciously in many cases.

¹¹Mubyarto (2004) was convinced that the scholarships given by various foundations, as well as by the governments of developed countries since the 1960s, are the core that causes the economic mess in Indonesia. He maintains that it is due to foreign generosity, Indonesian economists, who at that time were lucky enough to receive free education abroad, were instead blinded and enchanted by the great knowledge and values system so proudly held by the Westerners, and they furthermore came to be little what is their own. In his own word, Mubyarto (2004, p. 22) stated:

Sebagian besar dosen Ilmu Ekonomi kita yang belajar di Amerika mulai awal tahun enam puluhan, baik di UC-Berkeley, UW-Madison, maupun di universitas - universitas lain di Eropa Barat, hampir semuanya memperoleh beasiswa dari yayasan – yayasan atau dari pemerintah Amerika. Akibatnya jelas kebanyakan dari mereka menjadi silau terhadap kehebatan ilmu yang mereka peroleh termasuk sistem nilai yang dianggap lebih baik dan lebih modern ketimbang sistem nilai di Indonesia.

The translated version:

Most of our lecturers in Economics who studied in America since the early sixties, such as at UC-Berkeley, UW-Madison, or at other universities in western Europe, almost all received scholarships from American foundations or the American government. As a result, of course the majority of them became blinded by the greatness of the knowledge that they received, including the value system, which they considered to be better and more modern than the value system in Indonesia.

SME and Entrepreneurship In Developing Countries

What is the nature of entrepreneurship in developing countries? From here onwards, I will trace and describe the reality faced by many developing countries in regards to entrepreneurship. This section will serve as a starting point, arguing that the type of entrepreneurship in these countries is characterised by SMEs (Small and Medium-sized Enterprises). I will then discuss specific issues in relation to the development of the study of entrepreneurship in such countries, using Indonesia as a case study.

Most academics agree nowadays, that economies discouraging SMEs are likely to discourage newer dynamic industries from putting down the roots they may otherwise do (Berry, 2007). Zimmerer and Scarborough (1994) even predicted in their book that the 21st century would dawn with the greatest number of small businesses ever. Their prediction turns out to be true so far and, over the past two decades, many governments have identified the encouragement of new SMEs as a significant component of economic strategies for job creation and wealth accumulation (Holmund & Kock, 1998; Kuratko & Hodgetts, 1995; Hodgetts & Kuratko, 1995; Birley & Westhead, 1989). Still, these achievements would be impossible without the presence of Birch (1979).

In the mid-1970s, Birch received a grant from the Economic Development Administration of the United States to study how the movement of enterprises across state boundaries initiate employment growth. He found and reported that inter-state movement of enterprises was a minor part of the overall job changes, and that 82% of the new jobs created came from SMEs (Birch, 1979). Birch's systematic studies and empirical results give SMEs a place on the research map. His report not only opens up the research field, but also receives

considerable attention from politicians and media, which place a spotlight on the situation and the importance of SME (Landstrom, 2005b, p. 160).

If we speak about entrepreneurship in developing countries, the term SME will automatically rise up to the surface, as most social scientists outside the field of economics use both terms synonymously and interchangeably to describe business activities that include the formal and informal sectors. A vivid example of this state of affairs is Turner's (2003) book *Indonesia's Small Entrepreneurs*. Turner interchangeably uses the term 'entrepreneurship' with 'small business', and loosely defines the 'entrepreneur' as a 'small business owner'. Indonesians even use the word '*kapitalis*' (capitalist) and '*pengusaha*' (businessman) as the synonyms for '*wirusahawan*' (entrepreneur). This is very different compared to the definition used in economics or the study of entrepreneurship. A famous example of this can be seen in one of Gartner's (1989) papers that discusses how entrepreneurship and entrepreneurs should be defined.

Indeed a clear distinction, such as that insisted by many scholars within the field of economics, is very difficult to be achieved because the major share of enterprises in developing countries is small in terms of assets and many of them operate informally using family labour. For example, Fafchamps (2001) finds that market intermediation in Africa is characterized by an excess of small traders that employ fewer than ten employees or family helpers, a case that resembles Turner's (2003) as well as Dahles and Bras' (1999) findings in Indonesia. Due to their abundance, the World Bank has instead focused on SMEs in its effort to target entrepreneurship-in developing countries (Ayyagari, Beck & Demirgüç-Kunt, 2003). Even though I would suggest that SMEs are not necessarily entrepreneurial in nature, here I support Gartner's (1989) vision that realizes

entrepreneurial start-ups as a subset of SMEs. Schumpeter (1947, p. 151) once also observed that to "... see the phenomenon even in the humblest levels of the business world is quite essential though it may be difficult to find the humble entrepreneurs historically".

SMEs definitely hold the added allure of being a key component of a wider economic development and poverty alleviation in many developing countries (Kotey & Meredith, 1997). They provide an avenue for entrepreneurship (Littunen, 2000), where their growth in these countries is often used as an indicator of entrepreneurial development. As previously mentioned, SMEs tend to dominate their corporate communities, at least in terms of enterprise registrations, if not always in terms of aggregate size. Furthermore, since they are labour-intensive, most scholars agree that SMEs are a major and sustainable generator of employment, as well as income for their citizens working outside the public sector (Banerjee & Duflo, 2007). For example, in Cambodia, Laos, and Nepal, SMEs represent the vast bulk of the corporate sector, accounting for approximately 99% of all firms, over 70% of total employment, and more than 50% of GDP output (Freeman, Abonyi & Supapol, 2009).

Additionally, SMEs in developing countries also serve as a useful bridge between the informal economy of family enterprise and the formalized corporate sector, balancing development among regions (Kotey & Meredith, 1997). They act as inter-industrial linkages or as supporting industries producing components and parts for large enterprises (LEs), via market mechanisms, subcontracting systems, or other forms of production relationships. SMEs are in general much more self-sufficient and independent, because they finance their operations overwhelmingly from the personal savings of the proprietors, supplemented by gifts or loans from relatives, from local informal

moneylenders, traders, input suppliers, or payments in advance from consumers (Tambunan, 2008).

However beside all of the recognitions given to them, SMEs are "... one of those things that are recognized when seen but difficult to define" (Gore, Murray & Richardson, 1992, p. 115). Up until today, there is no single, uniformly acceptable definition of SME (Storey, 1994), because it varies significantly in line with the scale of the economy concerned, the degree of development, and the economic structures that are present (Castel-Branco, 2003). Early definitions of SME were often quite vague. The dominant principle behind those definitions, such as adopted by the US (Small Business Mobilization Act of 1942 and Small Business Act of 1953) or the UK (1971 Bolton Committee's Definition), was on defining a disadvantaged enterprise that need to be supported in terms of market share or bargaining power (Schizas, 2010). Nevertheless, because small business policy has often provided direct and indirect subsidies to businesses identified as sufficiently 'small' (Levine, 2005), definitions have gradually shifted towards more objective sized thresholds. Currently, almost all definitions of SME adopted by governments worldwide employ a small number of variables accepted as proxies for size. Yet, what is included or excluded among those variables is ultimately a political decision, even though technical arguments for different treatments abound.

Indonesia As A Case Study

Annotating the above discussions on the position and the role of culture to entrepreneurship and economic development, as well as the characteristics of entrepreneurship in many developing countries, I argue that not considering the complexity of local cultural contexts will hinder attempts to understand the development process and entrepreneurship in those countries. Similarly, I choose Indonesia as a case study for this paper

because of the country's cultural diversities, the composition of its indigenous population, as well as the problems that it faces, outlined below.

Indonesia and Its Diversity

Indonesia, as the most culturally diverse country in the world, has numerous indigenous populations, separated into various distinct ethnic groups. While in some colonialized countries indigenous people are minorities in their own motherland, in Indonesia they represent the vast majority of the population. This is why we have to trace back through history in order to describe clearly the concept of indigenous people in Indonesia (Koentjaraningrat, 1984).

From the year 1844 until 1942, through the *Regeringsreglement* 1854 article 109, the Dutch divided citizenship of the Dutch East Indies (currently Indonesia) into three social classes. The *Europeanen* (Europeans) was designated the highest of the three groups, followed by the *Vreemde Oosterlingen* (Foreign Orientals which consisted of mostly Chinese, Indian, and some Arabians), and the *Inlanders* who stood at the very bottom of these groups (native-indigenous). After declaring its independence, Indonesia recognizes only two types of citizenships, the *warga negara* Indonesia (Indonesian) and the *Warga Negara Asing* (foreigner) (Diamantina, 2007). Until now, *warga negara* Indonesia consists of the indigenous people (the *Inlanders*) and the former *Europeanen* as well as *Vreemde Oosterlingen* along with their descendants who have chosen the Indonesian citizenship.

Since the colonial period, the indigenous people (*Inlanders*) themselves use the term '*pribumi*' to distinguish them to the '*non-pribumi*', those whose ancestors originated from other races or countries (*Europeanen* and *Vreemde Oosterlingen*) (Swasono, 1997). Divided into 1,128 distinct ethnic groups (Tobing, 2010), they further differentiate themselves mainly based upon

ancestry and residency of particular places that they culturally proclaim as their land of origin. This differentiation is reflected in the existence of 746 different ethnic languages or *Bahasa Daerah* (Yuliawati, 2008) and informally legislate each *pribumi* ethnic group its 'local status' as the 'local community' attached to a certain areas in Indonesia, where they retain their ancestral graves and main cultural practices.

Hence, the concept of indigenous community and local community are interchangeable, as for Indonesians, they have the same meaning. This condition defines the concept of local culture in Indonesia and raises the term of '*orang*' (here: 'a people', but also 'a person'). Indonesians use *orang* to refer to an indigenous community and their inherited culture, tied as the local community and local culture of a particular area. For instance, *orang Bali* (Balinese) and their inherited culture represent the local community and local culture of Bali, or *orang Sunda* (Sundanese) and their inherited culture represent the local community and local culture of West Java.

Referring to the above situation, multicultural interaction and acculturation among these ethnic groups are a compulsory requirement for the country's sustainability. Therefore, from the declaration of its independence, Indonesia has been trying to strengthen its culture, unfortunately, by imposing a national culture in the name of national unity and integrity through centralized political structure, leadership, legislation, and education (Schefold, 1998; Suparlan, 2000). Nevertheless, up until today, its expansion has never able to replace local cultures. Even under Soeharto's centralized regime, local cultures still dominated the lives of those *pribumi* ethnic groups (Budianta, 2004).

This is not surprising as the older generations of each group customarily nurture the younger generation according to the value and mores of their own

ethnicity, culture, and tradition (Winarto, 2006; Azra, 2010). In fact, the regional autonomy law, first introduced in 1999, has reaffirmed the significance of local culture, and consequently, supported many *pribumi*'s increasing eagerness in wishing for and talking about 'local wisdom' possessed by their local cultures and traditions. They believe that each local culture has its own genius that is instrumental for maintaining their country's socio-cultural stability and harmony.

SMEs and Entrepreneurship Studies in Indonesia

In terms of their economic activity, many people in Indonesia, as in other developing countries, depend on informal entrepreneurial activities for subsistence. As a result, entrepreneurship is largely manifested in the form of various SMEs. According to the Indonesian Parliamentary Act No. 20 (2008), Small and Medium-sized Enterprise includes all businesses having a net worth of more than 50 million Rupiah up to a maximum of 10 billion Rupiah excluding land or other building of business premises, with an annual sales turnover between 300 million Rupiah and 50 billion Rupiah. Meanwhile, the country's official statistical body, the Indonesian Central Bureau of Statistics (BPS-*Badan Pusat Statistik*) has its own opinion that is more focused on labour quantity, and defines SMEs as all business entities that employ between five and 100 employees (Rahmana, 2009).

Historically, SMEs play the main role in the household economy of the country's population as a generator of primary or secondary sources of income for many families. SMEs in Indonesia are regionally dispersed and are mostly located in rural areas. According to BPS (2009), in 2008 the majority of Indonesian SMEs operated in agriculture (including forestry and animal husbandry, 52.48%), trading and hospitality (28.1%), production (6.32%), service (4.25%), and transportation (6.25%) sectors of the economy. They

employed approximately 94 million people (97.15% of the total number of national employment) and contributed 55.67% of Indonesia's real Gross Domestic Product (GDP). Until 2009, the number of SMEs in Indonesia grew to roughly 52.76 million units or approximately 99.99% of all business units (DEPKOP, 2010). This shows how deeply Indonesia relies on the entrepreneurship of its SMEs' for maintaining economic growth, enhancing income distribution at the rural and regional level, as well as reducing unemployment.

Yet, the country's awareness of the importance of entrepreneurship studies is not primarily because of the abundant number of SMEs but due to their pivotal role in sustaining the country's economy during the 1997 Asian Financial Crisis. Before this crisis, discussion and research on entrepreneurship in Indonesia were extremely limited¹². Literature such as *The Achieving Society* of McClelland (1961) and *The Practice of Entrepreneurship* of Meredith, Nelson, and Neck (1982) were translated into *Bahasa Indonesia* more than a decade after they were first published in English, in 1987 and 1996 respectively. Indeed, both texts are still used as primary textbooks for entrepreneurship courses in the country. The oldest comprehensive account on entrepreneurship and its relationship with cultural attributes in Indonesia was written by Clifford Geertz in his 'Peddlers and Princess', which consists of a closely observed case study

¹² An internet search made through the 'Discovery' search engine, with 'books' as the type of source, on 'Indonesia', 'entrepreneurship', and 'culture' only reveals three results. Only one out of the three was written by an Indonesian, Nurcholish Majid (1989), and was published in 1989. The title of the book is *Urbanism in Islam and Indonesian indigenous entrepreneurship* and it is actually a research report on urbanism in Islam. While the other two were written by Western academics, and were published after the Asian Financial Crisis took place. The first is Sarah Turner's *Indonesia's Small Entrepreneurs* which was published in 2003, and the second is *Tourism and Small Entrepreneurs* by Heidi Dahles and Karin Bras which was published in 1999.

examining cultural factors of economic development through an examination of entrepreneurs in Kediri (East Java) and Tabanan (Bali). Geertz published his work in 1963, which was then translated to *Bahasa Indonesia* in 1973.

Furthermore, entrepreneurship in Indonesia is in reality still regarded to be under the domain of economics, not as an interdisciplinary study. The situation is also getting worse since the country implemented the Act No. 14 (2005) on Teachers and Lectures. According to the act, the degree for all academics in Indonesia must be in line with their scientific discipline in order to receive their full professorship. For instance, an academic who dreams of becoming a professor and who is graduated with the title of *Sarjana Ekonomi* (a graduate degree in economics), must also have a master and doctoral degree from the same discipline, in order to be approved by the Directorate General of Higher Education. (S) he will automatically be discounted, if her/his master or doctoral degree is in another discipline from her/his graduate degree. An alternative is to retake a graduate degree that is in line with her/his postgraduate degree. Indeed, scientific knowledge in Indonesia is strongly partitioned, and as a result, interdisciplinary studies, such as on entrepreneurship, are viewed as useless and inexplicable.

This lack of research and discussion allows no other alternatives for academics in Indonesia but to uncritically accept various Western entrepreneurial indices or models as irrefutable (e.g. Nursjanti & Sulganef, 2008; Purnomo, 2009; Suryana, 2006; Winarningsih, 2006; Handayani, 2007; Atmanti, 2005; Ciputra, 2008). These academics encourage the Indonesian government to foster the development of entrepreneurship by sponsoring an 'entrepreneurial culture' (see Presidential Instruction No. 4, 1995; Winarningsih, 2006; Atmanti, 2005; Ciputra, 2008), which is modelled on various

characteristics of entrepreneurship identified by prominent non-Indonesian scholars around the world. For many Indonesian entrepreneurship scholars, local culture is regarded as a hindrance for entrepreneurial activity insofar as it is incompatible with the Western cultural underpinnings of entrepreneurship, as they know it from textbooks¹³. From their point of view, local culture is incapable of assisting entrepreneurs to gain the key entrepreneurial qualities such as Lambing and Kuehl's (2000) initiative, self-confidence, self-determination, and high tolerance for ambiguity and failure; Hyrsky's (2001) innovativeness and creativity; Littunen's (2000) ability to learn; Deakins' (1996) needs for achievement; Mazzarol, Volery, Doss, and Thein's (1999) locus control; Bridge, O'Neill and Crome's (1998) autonomy and independence; or Brockhaus' (1980) risk-taking propensities to gain profits.

This state of affairs contradicts the enthusiasm of many Indonesians, discussed in the previous subsection, in preserving the existence of their local culture. From this scenario, the need arises to conduct empirical studies of entrepreneurship as it operates within Indonesian cultural contexts. Such research may indirectly support the argument on the significance of specific local cultures discussed previously.

Conclusion

While the phenomenon and the role of entrepreneurship in the economy have been widely studied in developed countries, studies of entrepreneurship in developing countries, such as Indonesia, are still

¹³ It is indeed a fact that economists in Indonesia are poor in thought especially in terms of original ideas (Setiawan, 2007).

Indonesian economists are the pride and joy of their country, from those who claim or are claimed to be critical as well as the most radical, those who are labelled conservative economists, all clearly and openly mere catalysts of knowledge.

under-represented (Bhide, 2000). Indeed, Lingelbach, De La Vina, and Asel (2005, p. 7) claim that, “Entrepreneurship in developing countries is the most understudied important global economic phenomenon today”. The presence of mainstream development theories and neoclassical theories of entrepreneurship in those countries has exacerbated this situation. They maintain their own narrow view in promoting the universality and superiority of their Western model (Kayed, 2006). Both have failed to make a real contribution to the developmental aspirations of people in developing countries because their assumptions often ignore cultural, environmental, technological, and structural differences found between the developed and developing countries. Even when regarded as a universal category within economics, entrepreneurship should be understood as the country-specific experiences. Moreover, during the course of the twentieth century, globalization has marginalized local people around the world. Rapid shifts in economic forces, advances in technology, and social acculturation imposed by the dominant ‘ruling culture’, under the false premise of its being a ‘common culture’, have had many negative effects and cause them to suffer greatly.

For these reasons, Studies on the degree of cohesion that remains and the desire among many indigenous people to (re)build their communities on traditionally and culturally grounded foundations are important (Reuter, 1999; 2003; 2010; Anderson, 2002; Peredo, Anderson, Honig & Dana, 2004). They can be used as a bridge that links Western theories, on either development or entrepreneurship, with the unique cultural realities that exist in developing countries, whilst serving as the foothold also to overcome the deficiencies of normative Western approaches prescribed and promoted by many consultants, various educational systems, as well as numerous training systems in those countries. However, such

studies should not only be regarded merely as a simple exercise in analysing the existence of outliers in the global world-system. They should also comprise of efforts in providing the empirical foundation for the kind of comparative analysis that alone will lead to generalizable theories of entrepreneurship and development across cultures. Such an analysis would rest on much firmer foundations than previous theories, which simply assume the universality of economic western models. This kind of study is also critical as it can contribute to a broader project in building a genuinely cross-cultural “world economics” theory that would be adaptable to many settings including, but not exclusive to, indigenous communities.

Notes on contributor

I Putu Tirta Agung Setiawan is the Community Research Coordinator of Jangkang Research Institute and an Associate Researcher at the Centre of Eastern Indonesia Studies, Universitas Kristen Satya Wacana. He also had an extensive experience working in partnership research projects with the Australian and Indonesian Community-based Management Systems project through the Australian Cooperative Research Centre for National Plant Biosecurity. Agung was graduated with a Bachelor degree in Economics, majoring in Development Studies, and is currently studying for his Doctoral degree in Asian Studies at the University of Melbourne’s Asia Institute, under the supervision of Prof. Thomas Reuter and Dr Dina Bowman. His PhD research studies the relational nature between culture’s attributes and entrepreneurship that exists locally within Indonesia, as well as how they mutually affect one another in their local settings. His research seeks to understand the relationship between culture and entrepreneurship by describing and analysing local Indonesian entrepreneurs’ social actions through the

form of various cultural mental constructions experienced by the entrepreneurs', from their own perspective. Agung is interested in topics related to entrepreneurship, culture, gender, and development studies.

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