

Chapter 7

Born to Enterprise? Entrepreneurial Intent Among Icelanders



Entrepreneurial attitudes have been found to be important because they express the population's general feelings toward entrepreneurs and entrepreneurship
Ács, Szerb, & Lloyd (2018)

Abstract In recent years, researchers and political figures have increasingly focused on entrepreneurship, emphasizing its role on economic and social growth and development, as well they have discussed how entrepreneurs can improve economies and people's lives by creating jobs, developing new solutions to problems, and creating technology that improves efficiency. In light of this discourse, this chapter covers the case of Iceland that is a matter of great relevance to the cultural characteristics as well as the economic turmoil that took place in the late 2008.

Keywords Entrepreneurial intent · Entrepreneurship · Iceland

7.1 The Bigger Picture

It has been argued that the entrepreneur is sensitive to his environment, being therefore affected by the cultural context of his country. Although individuals with entrepreneurial characteristics may emerge in all societies and cultures, there are some personal features that might be more easily cultivated and frequently displayed as a function of the particular local cultural characteristics of the individual's environment. While the entrepreneur likely possesses certain innate characteristics, he is nevertheless the product of his economic, institutional, and cultural environment (Brancu et al. 2012). Although the importance of sociocultural factors in entrepreneurial decision-making is considered both by multiple studies (Shinnar et

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al. 2012; Thornton et al. 2011; Drakopoulou Dodd and Anderson 2007; Busenitz and Lau 1996; Shane 1992, 1993, 1995) and by international organizations such as the European Union (EU) (European Commission 2004, 2006), measuring how socio-cultural factors influence entrepreneurial potential is quite difficult. In this sense, culture is defined as a software of the mind, as a collective mental programming (Hofstede et al. 2010), and as a set of values and norms that shape individuals' perceptions about the world and life. This programming is exerted through a lifelong learning process that starts in childhood.

Specific studies have analyzed the question of cultural implications for entrepreneurship. Some have studied to what extent the entrepreneurs' motivations are related to national culture (Ozgen 2012; Shinnar et al. 2012; Gupta et al. 2004; Hayton et al. 2002; Mitchell et al. 2000; Mueller and Thomas 2001; Steensma et al. 2000; McGrath et al. 1992). The conclusions indicate that different cultural contexts do indeed influence the needs that support entrepreneurial behavior. Also, national cultural characteristics can support and/or create higher or lower potential entrepreneurs. Some authors consider it difficult to even conceive of studying or understanding entrepreneurship without considering a more interdisciplinary approach that accounts for individual entrepreneurs' culture (Bayad and Bourguiba 2006; Audet et al. 2005; Gartner 1989).

The national culture is a factor that can influence individuals' motivations, values, and beliefs and through them the entrepreneurial potential. An extensive study by Hofstede et al. (2004) examined the relationship between entrepreneurship and economic factors and cultural and personal variables (level of dissatisfaction), indicating the presence of a relationship between cultural variables and entrepreneurial intent. A more detailed discussion on national culture and entrepreneurship is available in the work by Hayton et al. (2002) who have conducted a synthesis of the empirical studies on this topic. Most of the studies use Hofstede's (1980) model as an analysis framework. The research based on this model (Del Junco and Brás-dos-Santos 2009; Hofstede et al. 2004; Hayton et al. 2002; Mueller and Thomas 2001) indicates that some cultural variables, like high levels of individualism and masculinity, may be associated with a higher propensity toward entrepreneurship. The results of Hofstede et al. (2004) study indicate a link between cultural variables and entrepreneurial intention, especially in relatively poor Western economies, characterized by a large power distance, by low individualism, and often by strong uncertainty avoidance. Mueller and Thomas (2001) conclude that cultural values such as individualism and uncertainty avoidance are significantly related to traits such as internal locus of control, risk-taking, and innovativeness, which are associated with entrepreneurship. Hayton et al. (2002) argue that high individualism, high masculinity, low uncertainty avoidance, and low-power distance are conducive to entrepreneurship. As for Del Junco and Brás-dos-Santos' (2009) study, they underscore that there is an impact of a country's cultural and social values on entrepreneurs' values. At the same time, the authors provide evidence that many EU entrepreneurs show similar values, regardless of their country of origin.

7.2 Icelandic Entrepreneurial Intent as Means for Economic Resilience

It was in October 2008 that Iceland was hit hard by the global financial crisis and the three of the main Icelandic banks were defaulted and the banking collapse was considered the largest experience relative to the size of the economy. The collapse led to significant political unrest and economic depression (Jónsson and Sigurgeirsson 2016). A nation that, according to Moody's has a triple-A rating, now needed a bailout from the International Monetary Fund. At the same time, many organizations declared bankruptcy, and many people lost their jobs and were forced to find new ways to make ends meet and provide for themselves and their families. Many individuals used the opportunity to attend university, while great many others seized the opportunity to start their own businesses.

In a study by Kelley et al. (2011), Iceland was categorized as an innovation-driven country. The study compared 59 national economies, and Iceland scored among the highest in relation to perceived opportunities, perceived capabilities, perceived entrepreneurship as a good career choice, and perceived high status to successful entrepreneurs. Finally, Iceland also scored among the lowest on fear of failure and stood out along with Belgium as having a high number of entrepreneurs who had international customers. Although this report was favorable to the Icelandic entrepreneurial environment, a report published 2 years later by the McKinsey and Company (2012) made the recommendation for Iceland to look for new ways to increase economic growth and support entrepreneurship even further. After the McKinsey report was issued, a few initiatives were taken on behalf of the Icelandic government to encourage and support entrepreneurship. For example, in 2016 special program and initiative was put in place with 22 defined measures such as to decrease the bureaucracy in relation to establish a new company, making the establishment of a new company less expensive along with tax cuts and incentives (Frumkvöðlar 2016).

Starting from the premise that innovative spirit is a prerequisite for entrepreneurship, the EU created the Innovation Union Scoreboard (IUS) that gives a comparative assessment of innovation performance of the EU Member States and the relative strengths and weaknesses of their research and innovation systems. Although Iceland is not a member of the EU, it is a member of the European Free Trade Association (EFTA) along with Lichtenstein, Norway, and Switzerland and, as a result, is included in the report. The Innovation Union Scoreboard measures the quality of national human resources, research systems, innovation-friendly environment, finance and support, firm investors, innovators, linkages, intellectual assets, employment impact, and finally sales impact. Switzerland was ranked the highest on the indicator of strong innovator, followed by Sweden, Denmark, Finland, the Netherlands, and the United Kingdom; Iceland tied for eighth place with Germany on this dimension. However, when looking at the subindex innovation-friendly environment, Iceland scores on top of the chart followed by Denmark, Sweden, Norway, and Finland. Another indicator is the Global Entrepreneurship Index (GEI) by Ács et al. (2018). It gives an overall GEI score for 137 countries. The index summarizes the contextual characteristics of entrepreneurship

Table 7.1 Position of Iceland in Global Entrepreneurship Index (GEI)

Country	GEI 2018 lower limit	GEI 2018 upper limit	GEI 2018	Rank 2018	GEI rank 2017
United States	77.5	89.7	83.6	1	1
Switzerland	72.5	88.4	80.4	2	2
Canada	73.9	84.6	79.2	3	3
United Kingdom	73.6	81.9	77.8	4	8
Australia	69.0	82.0	75.5	5	7
Denmark	64.8	83.8	74.3	6	5
Iceland	63.6	84.7	74.2	7	6
Ireland	66.8	80.6	73.7	8	9
Sweden	67.1	79.1	73.1	9	4
France	59.9	77.1	68.5	10	13

Source: GEI Report (2017)

and measures 14 components that support an entrepreneurial ecosystem. The components are opportunity perception, startup skills, risk acceptance, networking, cultural support, technology absorption, human capital, competition, product innovation, process innovation, high growth, internationalization, and finally risk capital. When looking at the GEI for Iceland, the results show that Iceland is among the top ten countries in the 2018 report, similar to the previous years. As can be seen from Table 7.1, the United States ranks first, while Iceland is an impressive 7 of the 137 nations.

When looking at more specific attributes within the ranking, one measure is entrepreneurial attitudes. This attribute is defined as the general attitude of a country's population toward recognizing opportunities, knowing entrepreneurs personally, attaching high status to entrepreneurs, accepting the risks associated with business startup, and having the skills to successfully launch businesses. As can be seen from Table 7.2, Iceland is in the top rank followed by the United States, Australia, Finland, Canada, and other countries.

Entrepreneurial attitudes have been found to be important because they express the population's general feelings toward entrepreneurs and entrepreneurship. The benchmarks are to (1) recognize valuable business opportunities, (2) have the necessary skills to exploit these opportunities, (3) attach high status and respect entrepreneurs, (4) handle startup risk, and (5) know entrepreneurs personally (i.e., have a network or role models). Moreover, these people are considered to be able to provide cultural support, financial resources, and networking potential to those who are already entrepreneurs or want to start a business (Ács et al. 2018).

The reason why entrepreneurial intent and entrepreneurial environment are so important to Iceland is that they represent the first step of the entrepreneurial process. In general, the literature studying this aspect of entrepreneurship focuses on analyzing the motivations and personal characteristics of individuals. Seen as an activity that generates innovation, employment, and long-term growth, entrepreneurship is considered as one of the solutions to economic and social problems by governments (Thornton et al. 2011). Creating new companies through private initiative or the

Table 7.2 Entrepreneurial attitudes subindex and pillar values for the first 25 countries, 2018^a

Country	Attitudes subindex	Opportunity perception	Startup skills	Risk acceptance	Networking	Cultural support
Iceland	82.3	0.947	1.000	0.917	1.000	0.633
United States	80.0	0.864	1.000	0.969	0.569	0.816
Australia	79.2	0.947	1.000	0.717	0.698	0.782
Finland	79.0	0.954	0.986	0.782	0.833	0.885
Canada	77.9 77.4	0.981	0.795	0.708	0.626	0.975
Netherlands	77.4	0.898	0.887	0.877	0.800	1.000
United Kingdom	73.6	0.810	0.573	0.876	0.619	0.928
Denmark	71.9	1.000	0.690	0.748	0.634	0.918
Sweden	71.1	1.000	0.472	0.704	0.740	0.896
Chile	70.3	0.821	0.903	1.000	0.709	0.628
Switzerland	69.5	0.776	0.719	0.879	0.533	0.673
Hong Kong	69.4	1.000	0.581	0.610	1.000	0.680
Austria	67.3	0.780	0.953	0.672	0.552	0.683
Ireland	67.2	0.766	0.966	0.801	0.390	0.780
Norway	66.1	1.000	0.540	0.999	0.473	1.000
Israel	63.3	0.738	0.598	0.481	1.000	0.738
France	61.4	0.502	0.558	0.751	0.673	0.641
Germany	61.1	0.775	0.627	0.657	0.380	0.842
Estonia	57.6	0.896	0.800	0.622	0.493	0.563
Korea	55.6	0.457	0.774	0.905	0.765	0.272
Slovenia	54.4	0.349	1.000	0.843	0.331	0.504
Taiwan	54.0	0.517	0.526	0.587	0.664	0.580
Belgium	53.8	0.679	0.677	0.559	0.349	0.568
Saudi Arabia	53.6	0.611	0.933	0.436	1.000	0.477
Spain	51.3	0.407	0.807	0.692	0.640	0.339

^aPillar values are the normalized pillar scores and after the average pillar correction

Source: GEI Report (2017)

development of so-called self-employment means alternative ways of reducing current unemployment rates that were caused by the 2008 global financial and economic crisis. These are some reasons why entrepreneurship has become an increasingly important issue.

7.3 Concluding Remarks

As discussed in the outline of cultural setting presented in previous chapters, Iceland has been argued to score low on power distance, high on individualism, low on masculinity, and medium on uncertainty avoidance and long-term orientation (Guðmundsdóttir et al. 2015). Iceland's language and culture today primarily stem from its early Scandinavian roots, as well as from some traces of Celtic influence. Today, Iceland is a dynamic society with a growing international presence and increased tourist inflow as the country has been discovered for its beautiful nature and amiable people. It is a well-developed democracy with a consumer economy based on fishing as well as tourism, aluminum smelting, and information technology (Statistics Iceland 2016). Icelandic culture has been found to place great emphasis on egalitarianism in general, as equality of socioeconomic status, equality of the sexes, equality of opportunity, and equality of socioeconomic conditions are all considered important values. Respect for authority in business context seems moderate, and the need for autonomy and individual freedom is highly regarded. A solid work ethic has been found among Icelanders; the workweek is among the longest in the world and the vital role of work in obtaining individual achievements (Ólafsson 2003). Icelanders have also been found to react positively and even optimistically to adverse nature comprising the "action poet" psyche of the nation and the "fisherman mentality" (Eyjolfssdóttir and Smith 1996). Icelanders have been found more tolerant of uncertainty than many other nations because of the ever-changing weather, earthquakes, and volcanic eruptions. Thus, Icelanders are considered to be very flexible and positive regarding abrupt changes in the workplace. Entrepreneurship has blossomed ever since Iceland's independence, but many entrepreneurs have either been insufficiently cautious or overestimated their abilities to manage a business of their own (Sigurlaugsson 1993). However, Iceland has gained experience and high ranks on global indexes compared to other countries. It can therefore be concluded that the cultural environment supports entrepreneurial intent as entrepreneurs are seen as a favorable role to take on where people can demonstrate their independence and are not afraid to take risks. Such a tendency and advancement, along with successful regional and global leadership cases, presented in the next chapters of this book, open up new possibilities for growing entrepreneurship and internationalization.

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