

# The social status of entrepreneurs: An analysis of informal and formal institutional determinants

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## Abstract

The social status of entrepreneurs, which measures the degree to which a country admires entrepreneurs and values their social contribution to society, varies significantly across countries. In some economies, such as the United States, entrepreneurs are seen as cultural heroes, whereas in others, particularly in many European countries, their status is less favorable. In this paper, we provide theoretical elaboration and empirical evidence to support the idea that informal institutions, such as uncertainty avoidance and collectivism, play a crucial role in determining social status. Additionally, formal institutions, like market freedom and government size, establish certain boundaries for these relationships. We analyze a sample of 105 countries that participated in the GEM project between 2003 and 2020. Our results indicate that entrepreneurs enjoy a higher social status in societies characterized by low uncertainty avoidance and a more collectivist orientation. Furthermore, these relationships are contingent upon the formal rules and regulations of the country.

## KEYWORDS

entrepreneurship; social status, GEM, institutional theory, national culture

## INTRODUCTION

In today's world, entrepreneurs have gained significant popularity across numerous countries (Aldrich & Yang, 2012; Bosma et al., 2021). Both theoretical and empirical literature emphasize that entrepreneurship fosters innovation, generates employment opportunities, intensifies competition, and enhances productivity through technological advancements (Acs et al., 2008; Wennekers & Thurik, 1999). This, in turn, has a profound impact on economic growth and development (Colovic & Schruoffenegger, 2021; Martínez Dy, 2020; Minniti, 2008). Consequently, it is widely acknowledged that the entrepreneurial role is essential to the well-being of society, potentially elevating the social status of entrepreneurs (Aldrich & Yang, 2012). This social status can be defined as the degree to which a country's residents admire entrepreneurs and value their social contribution to society (Busenitz et al., 2000; Urbano & Álvarez, 2014; Valdez & Richardson, 2013).

However, there is significant variation in the social status of entrepreneurs among different countries (Etzioni, 1987). In the United States, entrepreneurs are celebrated as cultural heroes (Malach-Pines et al., 2005), whereas their social status in Europe is less favorable. In fact, the Entrepreneurship 2020 Action Plan of the European Commission recognizes this situation as one of its main objectives is to enhance their social status. This document underscores that entrepreneurship is not highly regarded as a career choice in Europe, and it is uncommon to see "entrepreneur" ranked among the most desirable occupations. In contrast, in the United States, entrepreneurs are genuine role models, widely acknowledged by the media and institutions (Baker et al., 1997), with the potential to inspire others (Bosma et al., 2010). Consequently, they enjoy one of the highest social status among occupations. The GEM project has supplied empirical evidence regarding this situation for the past two decades (Bosma et al., 2021; Reynolds et al., 2005). On average during this period, within the European

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Union, only 58% of the population considers starting a business as a desirable career choice, 69% hold a high opinion of successful entrepreneurs, and 52% regularly come across stories about successful businesses in public media. These percentages rise to 64%, 71%, and 70%, respectively, in the Anglo-Saxon context. Notably, there is considerable empirical variability in social status, both among European countries (Anderson et al., 2009) and in studies focusing on only a select few countries (Malach-Pines et al., 2005; Praag, 2009). This cross-national variance suggests that certain country-specific conditions influence the social status of entrepreneurs.

The literature on occupational status posits that every profession possesses a certain level of status (Fershtman & Weiss, 1993; Treiman, 1977), contingent upon a range of factors (Van Praag, 2009). These factors encompass the profession's contribution to public welfare (the extent to which a profession is perceived as vital to the overall well-being of society), the requisite education or training, and the average income, among other considerations. However, individual perspectives and circumstances can vary significantly across countries, leading to divergent perceptions and, consequently, variations in social status. For instance, in some countries, the role of entrepreneurs is deemed crucial for economic advancement, whereas in others, it is viewed as less significant because similar functions can be fulfilled by the public sector (Kibler et al., 2018).

Within the context of social status variation among different countries, institutional theory emerges as an apt framework for this study. It aids in comprehending the governing structures shaped by rules, values, and cultural significance that influence individuals' behaviors and preferences within a given country (North, 1990; Stenholm et al., 2013). Institutions essentially represent the "rules of the game" that establish the parameters within which people can interact, and they serve as criteria for assessing whether entrepreneurial conduct falls within these boundaries (O'Neil & Ucbasaran, 2016; Renko et al., 2021). Consequently, institutions can help elucidate why the social status of entrepreneurs varies from one country to another.

Initially, we delve into the concept that a society's beliefs and values are pivotal determinants of social status, as the perception of the entrepreneurial role can differ, leading to either enhanced or diminished status within different societies. These beliefs and values are represented through informal institutions or culture (Barthélemy, 2020; Chowdhury et al., 2019; North, 1990). The underlying premise is that a culture that fosters entrepreneurship (characterized by more pro-entrepreneurial values) would result in greater social recognition and legitimization of entrepreneurs (Krueger et al., 2013). However, informal institutions only measure one side of a more complex context, in which formal institutions also play an important role (Estrin et al., 2013; Stephan et al., 2015).

Building upon this notion, rather than examining the isolated impact of culture on social status, we contend that informal and formal institutions interplay to shape the perception of entrepreneurs (Stephan et al., 2015; Yang et al., 2020). Drawing from signaling theory, we posit that formal institutions send a signal to all individuals regarding the role of entrepreneurs, complementing the influence of informal institutions. If entrepreneurs have the freedom to design and organize their activities (Audretsch et al., 2019; Dau & Cuervo-Cazurra, 2014; McMullen et al., 2008), formal institutions communicate the idea that entrepreneurship should be encouraged and supported due to its positive impact on societal well-being (Dau et al., 2020). This strengthens the beneficial effect of a supportive culture on social status (or mitigates the detrimental effect of an unsupportive one). Conversely, if entrepreneurs are constrained by legal regulations and subjected to onerous administrative procedures, their portrayal suffers. Consequently, the positive impact of a welcoming entrepreneurial culture on social status diminishes, resulting in a less favorable social status.

The primary objective of this paper is to examine the impact of informal institutions on the social status of entrepreneurs, with an emphasis on how this influence is contingent upon formal institutions. Our contribution to this field is two-fold. Firstly, we introduce the concept of social status into the entrepreneurship literature, utilizing a concept and theoretical framework that have been extensively explored in sociological studies. Traditionally, the notion of the social status of entrepreneurs has been encompassed within broader categories, such as the normative pillar of institutions (Scott, 1995). Similarly, it is closely linked to the concept of social legitimization of entrepreneurial activity. However, unlike the latter, the social status of entrepreneurs pertains specifically to the individuals who lead new businesses. It delineates the relative status of entrepreneurs in comparison to other professions, which in turn influences individuals' inclinations towards entrepreneurship and their decisions to pursue it.

Secondly, we present an alternative approach to understanding the variability in the social status of entrepreneurs through institutional theory. The literature on occupational status has traditionally analyzed the factors that influence social status within a particular country, mainly focusing on factors like the average income associated with an occupation, the required education, and societal perceptions of its social contribution. Although these factors are present in most countries, the institutional context (Dahlmans et al., 2023; North, 1990) shapes people's perceptions of them and consequently affects the social status of entrepreneurs. Informal and formal institutions interact to create a perception of the entrepreneur, leading to either an enhanced or diminished social status. By employing institutional theory as a novel approach, we can extend the traditional analysis of occupational social status to a wide range of countries. Consequently, our study explains why entrepreneurs are more valued in certain contexts.

## LITERATURE REVIEW

### The social status of entrepreneurs

The sociologist Max Weber (1964, 1988) was the pioneer in introducing the concept of status into academic literature, and its influence goes beyond the field of sociology and management. To illustrate this, and following Weber, Encyclopedia Britannica defines social status as “the relative rank that an individual holds, with attendant rights, duties, and lifestyle, in a social hierarchy based upon honor or prestige” (Weber, 1988). Weber’s contributions to understanding the social status of entrepreneurs, as highlighted by Swedberg (1998), are twofold. Firstly, Weber delves into the significant shift in the perception of entrepreneurship that occurred in the Western world following the Reformation. He traces the transformation from a stance of hostility towards entrepreneurship to one of acceptance and active promotion. Secondly, Weber examines how Protestantism played a role in fostering a positive attitude towards wealth acquisition and labor, factors that facilitated the change in perception of entrepreneurs. As noted by Swedberg (2000), social status plays an institutional role as it shapes how people appraise entrepreneurship. He elucidates how the shift in the dominant economic and political ideology during the 1980s, moving from Keynesianism to a pro-market ideology, has been instrumental in elevating the social status of entrepreneurs.

In line with this perspective, sociological literature asserts that every profession holds a specific social status (Hodge, 1981; Treiman, 1977). This concept revolves around the consensus-driven evaluation of a job’s inherent value, encompassing the attractiveness of an occupation in relation to its socioeconomic rewards. This social status significantly shapes individuals’ preferences when selecting a profession, as those who opt for a profession with a favorable social status garner a significant psychological reward within their societies (Weiss & Fershtman, 1998).

In the entrepreneurship literature, the concept of social status has traditionally been encompassed within broader constructs, such as the normative pillar of institutions (Scott, 1995; Stephan et al., 2015). This normative pillar refers to social norms and values that define what is appropriate or expected in a given context (Li, 2018; Urbano & Álvarez, 2014). Consequently, some societies cultivate norms that actively facilitate and endorse entrepreneurship, whereas others dissuade it by imposing various obstacles. The normative dimension is indicative of the overall respect and regard for entrepreneurs and whether people view entrepreneurship as an appealing career choice (Busenitz et al., 2000). A closely related concept is that of social legitimation. In entrepreneurship research, Etzioni (1987) elucidates that legitimation, which can span from highly supportive to vehemently opposed, constitutes a pivotal determinant of the level of entrepreneurship in a given society. Similar to social status, it serves as a wellspring of psychological reward,

stemming from the respect and admiration of society (Weiss et al., 2019). Krueger et al. (2013) explain that the entrepreneurial career is more valued and socially recognized in cultures where entrepreneurship is legitimized.

In this paper, we introduce the concept of entrepreneurs’ social status to enrich this discourse, as it offers interesting analytical nuances. Informal institutions and the normative dimension of institutions do not explicitly assess the social status or prestige of individuals leading businesses; instead, they primarily focus on the population’s attitudes toward entrepreneurial activities in a general sense. Similarly, comparing the concepts of social legitimation and social status reveals two key distinctions. Firstly, social legitimation pertains to entrepreneurial activities at large, whereas the social status of entrepreneurs is specific to the individuals who run new businesses. Secondly, social legitimation is formed independently of other societal factors (i.e., it can be either positive or negative in absolute terms), whereas the social status of an occupation is determined in relation to other occupations (i.e., it can be good or bad in relative terms).

On the one hand, it is argued that entrepreneurs play a pivotal role in job creation and innovation, leading to an enhancement in individual well-being (Minniti, 2008). On the other hand, certain negative traits associated with entrepreneurs, such as an excessive need for control, mistrust of their employees, and strong egos (Kets de Vries, 1977, 1985), as well as adverse externalities of entrepreneurial activities, like environmental impact and worker exploitation (Meek et al., 2010), are emphasized. Consequently, individuals employ a wide range of terms to describe entrepreneurs. Some are positive, such as “engines of economic growth,” “leaders,” or “innovators,” whereas others are negative, like “predators,” “exploiters,” or “selfish.” Anderson et al. (2009) observed that these terms were present in each country they studied, albeit with varying prevalence. Hence, the construction of entrepreneurs’ social status is sensitive to both time and place. Consequently, social status is an institution that cannot emerge independently of the social contexts in which it evolves (Anderson et al., 2009). The comprehension of entrepreneurship, the attributions ascribed to it, and the social status of entrepreneurs can fluctuate significantly in diverse social environments.

### The importance of institutional theory to explain the social status of entrepreneurs

Institutional theory has played a pivotal role in the entrepreneurship literature. As previously discussed, it serves as an apt framework for elucidating the social status of entrepreneurs because it provides insights into the governing structures of a society, encompassing rules, values, and cultural connotations. More precisely, our argument posits that a country’s institutions exert a significant influence on how people perceive the factors that impact the social

status of an occupation, such as its contribution to public welfare or the required education. Individuals hold diverse perceptions of entrepreneurs, and we contend that the institutional context profoundly shapes these perspectives, consequently affecting the social status of entrepreneurs.

Informal institutions, often referred to as culture, encompass a society's beliefs, values, and social norms (North, 1990; Thornton, 2004). Culture, as defined by Hofstede (1980), is "the collective programming of the mind which distinguishes the members of one human group from another ... (and) includes systems of values" (p. 25). Informal institutions, representing the foundational value systems of a society, mold the development of specific personality traits and inspire individuals within that society to engage in behaviors that may differ from those prevalent in other societies (Dheer, 2017; Stephan et al., 2015). Within the extensive domain of informal institutions, two prominent dimensions—uncertainty avoidance and individualism versus collectivism—hold particular relevance in entrepreneurship research (Hueso et al., 2020; Li & Zahra, 2012; Mueller & Thomas, 2000). These dimensions have been linked to entrepreneurial traits such as risk tolerance and innovation (Shane, 1992, 1993; Taylor & Wilson, 2012). It is posited that societies characterized by greater risk tolerance and individualism exhibit a higher prevalence of entrepreneurial values (Krueger et al., 2013). Consequently, a larger proportion of individuals within these societies demonstrate psychological traits and attitudes associated with entrepreneurship. Therefore, our analysis will focus on these dimensions.

However, the perspective of new institutionalism (Meyer & Rowan, 1977; Scott, 2008) offers an approach to studying institutions that places emphasis on how both formal and informal rules, whether enabling or constraining, impact the behavior of individuals and groups. In recent times, institutional research within the field of entrepreneurship has underlined the necessity of a

comprehensive analysis that considers both formal and informal rules simultaneously (Puffer et al., 2010; Stephan & Uhlander, 2010; Williams & Vorley, 2015). Our point of departure is the recognition that informal institutions wield the most substantial influence on social status. Nevertheless, we contend that this influence may be contingent upon formal institutions, which play a role in either reinforcing or diminishing social status.

Formal institutions encompass political, legal, and economic rules designed to regulate individual behavior (North, 1990). Previous research has established their influence on individuals' incentives for entrepreneurship, ultimately shaping entrepreneurial activity levels (Acs et al., 2008; Amorós et al., 2019; Valdez & Richardson, 2013). Drawing upon signaling theory (Spence, 1973), we contend that formal institutions communicate a signal to society, affecting perceptions of the role of entrepreneurs (Kibler et al., 2018), and consequently, their social status. When formal institutions grant entrepreneurs substantial freedom in their actions (Dau et al., 2020; Dau & Cuervo-Cazurra, 2014; McMullen et al., 2008), they convey support for facilitating entrepreneurial endeavors, positively impacting social status. Conversely, if regulations and bureaucratic procedures hinder entrepreneurial activities, it signals a need for control to curb undesirable behaviors, thereby adversely affecting their status. Evaluating the economic freedom entrepreneurs possess becomes crucial in analyzing the signal conveyed by formal institutions. This signal is also perceived by the country's populace, influencing the interplay between informal institutions and social status. Economic freedom encompasses dimensions that fall into two main categories (Aidis et al., 2012; Dau & Cuervo-Cazurra, 2014; Meyer et al., 2009). The first category, *market freedom*, relates to market efficiency, whereas the second, referred to as *size of government*, encompasses fiscal freedom and freedom from

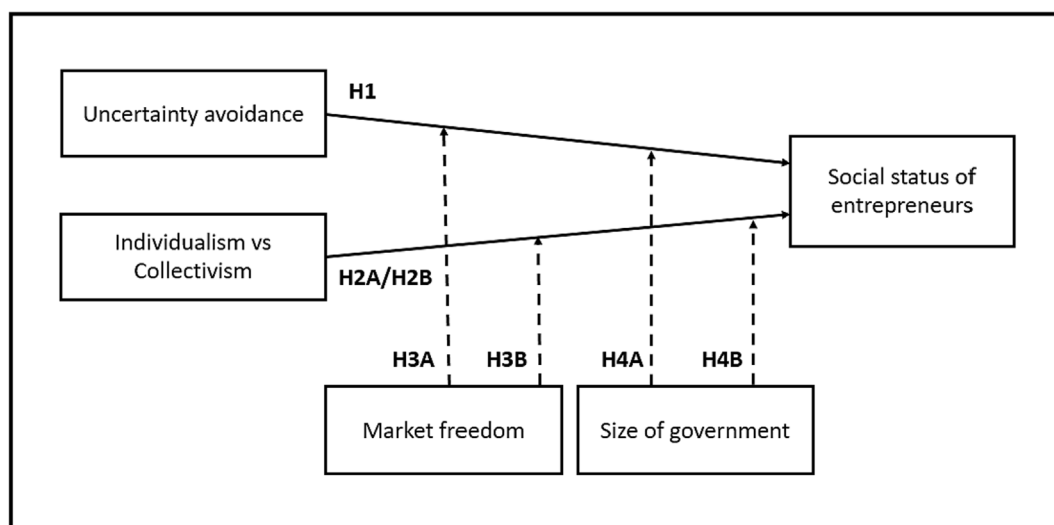


FIGURE 1 Theoretical framework

government, serving as proxies for the public sector's relative weight in the economy.

We propose that the two informal institutions (uncertainty avoidance and individualism/collectivism) primarily shape the social status of entrepreneurs, whereas the two formal institutions (market freedom and government size) moderate the relationship between informal institutions and social status. This theoretical framework is illustrated in Figure 1.

## HYPOTHESES

### Informal institutions and the social status of entrepreneurs

Our analysis will focus on two dimensions of informal institutions: uncertainty avoidance and individualism versus collectivism. *Uncertainty avoidance* expresses the degree to which members of a society feel discomfort in the face of uncertainty and ambiguity (Barthélemy, 2020; Hofstede, 2001). The central question here concerns how a society deals with the inherent unpredictability of the future, particularly in the context of entrepreneurial activities. Societies characterized by strong uncertainty avoidance uphold strict belief systems and exhibit limited tolerance for unconventional behavior and ideas. Conversely, societies with weak uncertainty avoidance adopt a more relaxed attitude, where practicality often takes precedence over principles, and uncertain situations are viewed more positively (Li & Zahra, 2012).

In societies with high uncertainty avoidance, individuals engaged in risky endeavors, such as entrepreneurs, are often perceived as unconventional and face limited appreciation. Rather than recognizing their role in bearing the risks associated with economic activities, these societies tend to hold a negative view of entrepreneurs, which subsequently impacts their social status. Furthermore, innovative entrepreneurs who undertake riskier ventures may face even greater skepticism (Mueller & Thomas, 2000). Consequently, innovation is not highly valued in such societies, and entrepreneurs with prior failures may be especially stigmatized, as their actions are considered excessively risky (Klimas et al., 2021). In these settings, the term "risk-taker" carries a negative connotation, and individuals displaying more conservative behavior in stable jobs, whether in the private sector or government, tend to receive more respect than entrepreneurs.

In contrast, countries characterized by low uncertainty avoidance (i.e., greater risk tolerance) generally hold a more favorable view of uncertain situations (De Meyer, 1991). Entrepreneurs, who assume the risk of creating jobs and wealth, are highly regarded for their vital contributions to the country's well-being. Such societies often exhibit higher levels of competitiveness, creativity, and innovation (Hofstede, 1980). Consequently,

innovative entrepreneurs receive even greater appreciation because they enhance people's quality of life by introducing new and superior products and services at more favorable prices. Entrepreneurs are perceived as leaders crucial to society's welfare (Colovic & Schruoffenegger, 2021) and may even serve as role models who inspire others (Bosma et al., 2010). The elevated status of select entrepreneurs can positively influence the entire profession, further enhancing the social status of entrepreneurs. Similarly, entrepreneurs who experience failure are not as severely penalized for their risk-taking, as their failures are viewed as valuable learning experiences (Koellinger, 2008). Based on these considerations, we propose the following hypothesis:

**Hypothesis 1.** *Uncertainty avoidance has a negative influence on the social status of entrepreneurs.*

The second selected dimension is the degree of individualism versus collectivism within a society (Hofstede, 1980; Malach-Pines et al., 2005). This dimension serves as a fundamental descriptor of people's behaviors and attitudes (Li & Zahra, 2012; Mickiewicz et al., 2016) and exists as a continuum, with individualism and collectivism residing at opposing ends (Hofstede, 2001). Individualism can be defined as a preference for a social framework in which individuals are expected to primarily care for themselves and their immediate families, with individuals being motivated by personal rewards (Triandis, 1993). Conversely, collectivism represents a preference for a societal framework in which individuals are viewed as part of a larger group from birth, and their orientation leans more toward collective rewards (Hueso et al., 2020; Triandis, 1993).

Individualism has been associated with entrepreneurship because some of the traits commonly attributed to entrepreneurs align with an individualist orientation. These traits include autonomy, independence, high motivation for achievement, a need for control, an internal locus of control, and a propensity for risk-taking (Malach-Pines et al., 2005; Taylor & Wilson, 2012). In individualist societies, independent individuals who pursue individual achievements, such as entrepreneurs, are highly regarded, and their attitudes are positively valued. Business values like self-sufficiency and independent action are also promoted, which is why people who exhibit these behaviors are admired and encouraged (Shane, 1993). Similarly, entrepreneurs who experience failure are not typically heavily penalized because they have ventured to be independent and autonomous, qualities highly prized in individualist societies (Mueller & Thomas, 2000).

In contrast, in a collectivist society, public opinion tends to favor individuals who prioritize the well-being of society as a whole. Although it is acknowledged that entrepreneurs contribute to societal wealth and prosperity

by creating new jobs (McMullen et al., 2008; Wennekers & Thurik, 1999), their primary goal is often perceived as individual profit. Entrepreneurial characteristics like independence, autonomy, and competitiveness are generally less well-received in such societies (Mueller & Thomas, 2000). In collectivist cultures, decisions are frequently made based on the collective good rather than individual desires or needs, which may conflict with the behavior of entrepreneurs. In these cultures, an individual's success is often seen as a collective achievement rather than the result of the individual's personal effort and ingenuity. This can lead to a lack of recognition and appreciation for the entrepreneurial contribution, potentially negatively impacting their social status.

**Hypothesis 2a.** *Individualism has a positive influence on the social status of entrepreneurs.*

However, the aforementioned reasoning is based on the Anglo-Saxon concept of entrepreneurship, which portrays the entrepreneur as an individualistic figure, highly competitive and success-oriented, battling alone against market forces. This concept is inherently limiting because entrepreneurship extends far beyond this portrayal. Recent research underscores that entrepreneurship is seen as a solution to various social problems, including poverty (Alvarez & Barney, 2014; Kimmitt et al., 2020), unemployment (Doering & Wry, 2022), inequality (Conroy et al., 2021; Xie et al., 2022), and climate change (Bernal et al., 2022), all of which impact the social status of entrepreneurs. This new conception, along with other factors we will discuss, may establish a positive link between collectivism and the social status of entrepreneurs.

First, it is worth noting that a significant majority of businesses are founded by teams rather than by individuals (Lazar et al., 2020; Pinzón et al., 2022), and many new ventures require collaboration with other economic players. Entrepreneurship is inherently a social activity that necessitates cooperation with strangers and the development of trust-based relationships (Tiessen, 1997). Collectivist societies tend to be richer in social capital, which facilitates the establishment of such relationships. These arguments have been used to connect entrepreneurial activity with collectivism.

These ideas can also be applied to argue that collectivism has a positive relationship with the social status of entrepreneurs. In a collectivist culture, individuals place a higher value on those, like entrepreneurs, who engage with a wide range of people (Colovic & Schruoffeneger, 2021; Sedeh et al., 2021). Unlike the Anglo-Saxon perspective, where the entrepreneur is often perceived as pursuing solely personal interests, a collectivist society can emphasize that entrepreneurship is not a zero-sum game. When entrepreneurs conduct their activities, other economic agents also benefit from these

exchanges: employees earn salaries, suppliers provide goods, and the government collects taxes to maintain the welfare state (Kibler et al., 2018). Consequently, a collectivist culture may highlight the positive contribution of entrepreneurs to the common good, leading to an elevated social status for entrepreneurs.

Second, social entrepreneurship is gaining popularity worldwide (Bosma et al., 2021). This type of business, which combines running a sustainable enterprise with pursuing social goals (Estrin et al., 2013; Kibler et al., 2018), is clearly beneficial to society at large. Social entrepreneurship has the potential to address numerous social issues (e.g., inequality, poverty, or climate change), making it a highly esteemed activity in collectivist countries. This line of reasoning leads us to propose the following hypothesis:

**Hypothesis 2b.** *Collectivism has a positive influence on the social status of entrepreneurs.*

## The moderating role of formal institutions

*Market freedom* can be defined as “the degree to which a market economy is in place, where the central components are voluntary exchange, free competition, and protection of persons and property” (Gwartney & Lawson, 2002, p. 5). Greater market freedom allows entrepreneurs to better organize their production processes with less interference from public authorities (Boudreaux et al., 2019; Dau et al., 2020). In general, when public authorities grant more freedom to entrepreneurs, they convey a sense of trust in their work. For instance, if the administrative procedures entrepreneurs must navigate are costly, formal institutions send a message that entrepreneurs are not reliable and need close control to prevent undesirable behaviors. In contrast, when administrative formalities are minimal, and the process of starting a business is straightforward (Bowen & De Clercq, 2008; Loi et al., 2023), it implies that entrepreneurs do not require as much oversight because they are considered trustworthy. All of these functions are facilitated when the government grants them more freedom to operate (Boudreaux et al., 2019; Dau & Cuervo-Cazurra, 2014). Therefore, the signal conveyed by market freedom is quite favorable for the social status of entrepreneurs.

In a context characterized by high uncertainty avoidance, as we explained earlier, entrepreneurs do not enjoy a positive social status because the traits of being “risk-takers” and “idea creators” are not generally well-regarded (Li & Zahra, 2012). However, this cultural dimension interacts with varying levels of market freedom, which sends signals of trust or distrust in their work (Spence, 1973). Both signals influence people's perceptions of the role played by entrepreneurs in their society. Low market freedom amplifies the negative image of

entrepreneurs and subjects them to strict control by formal regulations to mitigate undesirable behaviors (Audretsch et al., 2019). Entrepreneurs are required to provide detailed justifications to authorities for their actions. In this specific context, the social status of entrepreneurs will be particularly low. Conversely, in a context of high uncertainty avoidance, a greater degree of market freedom can upgrade this unfavorable social status. Both signals, whereas conflicting (Stephan et al., 2015), will interact to improve the perception of entrepreneurs. Although people may still hold a negative view of entrepreneurs, market freedom will convey the idea that they are trustworthy individuals, enhancing the way they are perceived and ultimately elevating their position in the occupational status hierarchy.

**Hypothesis 3a.** *The negative relationship between uncertainty avoidance and the social status of entrepreneurs becomes less pronounced in countries with high market freedom.*

Regarding individualism versus collectivism, we have argued that their relationship with social status is not entirely straightforward, and we have provided theoretical arguments that could support the positive influence of both individualism and collectivism. Regardless of the specific relationship, we believe that the favorable image of entrepreneurs in either an individualist or collectivist society is further strengthened in a context of high market freedom. Entrepreneurs play a crucial role in enhancing the overall well-being of society by creating jobs and generating positive externalities for other economic actors. This role is supported by legal regulations and procedures (Chowdhury et al., 2019; Dau et al., 2020), which convey the perception that entrepreneurs are reliable individuals. Both positive perceptions are mutually reinforced, leading to improved views of the entrepreneurial figure. Therefore, the positive association between individualism or collectivism and the social status of entrepreneurs will be more pronounced in a context characterized by high market freedom.

**Hypothesis 3b.** *The positive relationship between individualism/collectivism and the social status of entrepreneurs becomes more pronounced in countries with high market freedom.*

The second dimension we will examine is *government size* (Chowdhury et al., 2019). A large government indicates that public authorities play an active role in the economy, engaging in various sectors. Conversely, a small government suggests that its economic involvement is limited to providing essential infrastructure, regulations, law enforcement, public goods, and maintaining law and order (Dau & Cuervo-Cazurra, 2014). In a context with a large

government, it gives the impression that certain economic activities are better handled by the public sector, which primarily aims to enhance public welfare. Consequently, initiating a business becomes challenging because a significant portion of the economy is under government control (Aidis et al., 2012). In such a scenario, the social status of entrepreneurs tends to be lower. Conversely, when the government is small, formal institutions signal that private enterprises are more efficient at seizing business opportunities (Dau et al., 2020; McMullen et al., 2008). The underlying idea is that entrepreneurs, driven by the pursuit of private profit, contribute to the overall welfare by offering optimal collective solutions (Dau & Cuervo-Cazurra, 2014). In this context, the positive attributes of entrepreneurs are accentuated, leading to an improved social status for them.

In a context characterized by high uncertainty avoidance, individuals who engage in risky activities and introduce innovative ideas into the economy are not highly regarded, resulting in a lower social status for entrepreneurs. However, this cultural dimension may coexist with different government sizes (Aidis et al., 2012). A small government conveys the message that the public sector should provide only essential services, whereas the private sector, driven by entrepreneurs, plays a pivotal role in delivering goods and services to society. The overarching narrative here is that entrepreneurs are indispensable for economic performance (Anderson et al., 2009). Even though high uncertainty avoidance negatively impacts the social status of entrepreneurs, the presence of a small government sends a conflicting message, mitigating the extent of their unfavorable social status. The situation changes when the government is large because it suggests that the public sector is more adept at handling certain economic activities than the private sector. In such a scenario, entrepreneurs are perceived as unconventional risk-takers who are not integral to economic growth, further diminishing their social status. Both notions negatively influence people's perceptions of the utility of entrepreneurs, resulting in a lower social status.

**Hypothesis 4a.** *The negative relationship between uncertainty avoidance and the social status of entrepreneurs becomes more pronounced in countries with a large government.*

We have discussed that entrepreneurs may enjoy a better social status both in individualist and collectivist countries. Nevertheless, it is essential to consider that the cultural dimension of individualism/collectivism can exist within countries with varying government sizes (Aidis et al., 2012). This factor also significantly influences individuals' perceptions. The favorable image of entrepreneurs in individualist or collectivist countries can be further reinforced when the government is small. In such a context, entrepreneurs assume a pivotal role because

individuals recognize their contributions to the society. People perceive that entrepreneurial activities significantly impact the well-being of everyone, particularly in the absence of an extensive government presence. Entrepreneurs are seen as the primary suppliers of goods and services, and their role is highly valued (Kibler et al., 2014; Krueger et al., 2013). Conversely, in a context with a large government responsible for providing numerous goods and services to the population, the positive image of entrepreneurs may diminish. In such situations, the public sector is perceived as fulfilling many of these essential roles, and the significance of entrepreneurial contributions may be downplayed.

**Hypothesis 4b.** *The positive relationship between individualism/collectivism and the social status of entrepreneurs becomes less pronounced in countries with a large government.*

## DATA AND METHODOLOGY

### Sample

Our hypotheses are tested using a sample of 105 countries that have participated in the GEM project between 2003 and 2020 and for which we have information on all the necessary variables. The final sample is a non-balanced panel (some countries participated in the project just a few years and others intermittently) with 822 observations. One of the primary objectives of the GEM project is to harmonize data on different dimensions related to entrepreneurial activity (Reynolds et al., 2005). One of them is the social status of entrepreneurs. Thus, our sample is made up of a set of countries around the world with a common methodology, which allows us to make comparisons (Aparicio et al., 2021; Fuentelsaz et al., 2022; Yang et al., 2020). GEM data are especially valuable in our study because they include a large number of countries, which allows us to see the impact of the institutional context. Further information about our sample is provided later.

### Variables

#### Dependent variable

The GEM survey includes some questions related to social status, which is the core variable of our study. Respondents are asked whether they agree with the following three statements: (1) in my country, those successful at starting a new business have a high level of status and respect; (2) in my country, most people consider starting a business as a desirable career choice; and (3) in my country, you will often see stories in the public media about successful new businesses. From the

individual answers to these three items, we can estimate the percentage of individuals in a country (1) who assign a good status to entrepreneurs, (2) who believe that starting a business is a desirable career choice, and (3) who assess that they often see stories in the public media about entrepreneurs. These three items have been previously used in entrepreneurship research to measure the normative pillar of institutions (Stenholm et al., 2013; Urbano & Álvarez, 2014; Valdez & Richardson, 2013) or the social desirability of entrepreneurship (Stephan & Uhlander, 2010). The first and second items are clearly related to social status, and the third takes into account whether this situation is publicly visible through public media (Aldrich & Yang, 2012; Radu and Redien-Collet, 2009). As the Entrepreneurship 2020 Action Plan of the European Commission explains, an important element to improve entrepreneurial status is a change in the practical and positive communication about entrepreneurs' achievements, highlighting the role of public media. Our dependent variable, called *social status*, is an average of the percentages of the three items.

#### Independent variables

We use two of the dimensions of informal institutions proposed by Hofstede (1980): *uncertainty avoidance*, which measures the degree to which members of a society feel uncomfortable with uncertainty and ambiguity, and *collectivism*<sup>1</sup> (vs. individualism), which measures the degree to which individuals are integrated into larger groups. For formal institutions, we use the information provided by the Heritage Foundation and, more specifically, data from the Index of Economic Freedom, which has been previously used by the literature to proxy formal institutions (Amorós et al., 2019; Dau & Cuervo-Cazurra, 2014; Fuentelsaz et al., 2015; McMullen et al., 2008; Meyer et al., 2009; Valdez & Richardson, 2013). The index is calculated for 10 different dimensions.<sup>2</sup> The index ranges between 0 and 100 (a higher value of the index is associated with more freedom for entrepreneurs). These dimensions can be split into two categories<sup>3</sup> (Aidis et al., 2012). The first, *market freedom*, includes measures that are directly related to the performance and efficiency of the markets (the first eight dimensions mentioned above). The second, *size of government*,<sup>4</sup> is related to the weight of the public sector in the economy and includes fiscal freedom and government spending.

<sup>1</sup>We have recoded this variable, with the result that a high value of this variable coincides with collectivist societies and a low value with individualist societies.

<sup>2</sup>Business freedom, trade freedom, monetary freedom, investment freedom, financial freedom, property rights protection, freedom from corruption, labor freedom, fiscal freedom, and government spending.

<sup>3</sup>*Market freedom* has a Cronbach's alpha of 0.89 and *size of government* one of 0.72.

<sup>4</sup>We have recoded this variable, with the result that a high value of this variable coincides with a large government (repressed context) and a low value with a small government (free context).



## Control variables

The model includes several control variables that may influence the social status of entrepreneurs at the country level. First, we introduce the variable *business activity*, which measures the percentage of individuals in a country who are entrepreneurs of a new venture or an established company. We expect that, in countries with more entrepreneurs, social status will be greater. Second, we include four variables that assess the aggregate perceptions of the population of a country about different issues related to entrepreneurial activity. Previous research has found that these perceptions have a strong influence on entrepreneurial activity, so we expect that they can also have an impact on social status. The variable *good*

*opportunities* approaches the percentage of individuals who see good opportunities to start a firm in their country; *ties with entrepreneurs* measures the percentage of individuals who personally know someone who started a business in the past 2 years; *perceived capabilities* is the percentage of the population believed to have the required skills and knowledge to start a business; and *fear of failure* measures the percentage of individuals who indicate that fear of failure would prevent them from setting up a business.

Third, we have also included three control variables at the country level that assess some important dimensions of the economic development of the country by employing data from the World Bank Indicators of the World Bank. *GDP* per capita is used to proxy the level of

**TABLE 1** Description of variables.

Variable		Source	Description
Dependent variable	Social status	GEM	Percentage of individuals of a country that assesses that the social status of entrepreneurs is good in their country (following previous explanations)
Explanatory variables	Uncertainty avoidance	Hofstede	Degree to which members of a society feel uncomfortable with uncertainty and ambiguity (a high value indicates higher uncertainty avoidance)
	Collectivism	Hofstede	Degree to which individuals of a society are integrated into larger groups (a high value indicates a more collectivist society)
Moderating variables	Market freedom	IEF	Average of eight dimensions of the IEF related to the efficiency of markets (following previous explanations)
	Size of government	IEF	Average of two dimensions of the IEF (fiscal freedom and government spending)
Control variables	Business activity	GEM	Percentage of individuals in a country who are entrepreneurs of a new venture or an established company
	Good opportunities	GEM	Percentage of 18–64 population who see good opportunities to start a firm in the area where they live
	Ties with entrepreneurs	GEM	Percentage of 18–64 population who personally know someone who started a business in the past 2 years
	Perceived capabilities	GEM	Percentage of 18–64 population who believe to have the required skills and knowledge to start a business
	Fear of failure	GEM	Percentage of 18–64 population with positive perceived opportunities who indicate that fear of failure would prevent them from setting up a business
	GDP per capita	WBI	GDP per capita (in current US dollars)
	GDP growth	WBI	Annual percentage growth rate of GDP at market prices based on constant local currency
Educational level	WBI	General government expenditure on education (current, capital, and transfers) as a percentage of GDP	

Abbreviations: GEM, Global Entrepreneurship Monitor; IEF, Index of Economic Freedom of the Heritage Foundation; WBI, World Bank Indicators.

economic development, which has been related to the country's level of entrepreneurship and to the entrepreneurial profile (Aparicio et al., 2021; Yang et al., 2020). *GDP growth* is included to take into account the economic situation of the country and is defined like the growth rate of GDP at market prices based on the constant local currency. Finally, we include the variable *educational level*, which measures the general government expenditure on education as a percentage of GDP. It approaches how important the educational process is for a country. Table 1 summarizes all the variables included in the analysis.

## Data analysis

Tables 2 and 3 describe some characteristics of the sample of countries included in our analysis, specifying which is the social status of entrepreneurs in each (average of the three items previously mentioned). First, we divide the countries following the classification of the Global Competitiveness Report, which identifies three groups depending on their level of development (factor-driven, efficiency-driven, and innovation-driven economies). Table 2 shows that our sample is made up of countries in the three stages of development, although the average number of observations of developing countries is substantially smaller because most of these countries have only participated in the GEM project for a limited number of years. We can see that the higher the development of the country, the lower the social status of entrepreneurs. Table 3 divides the sample by geographical area.

With this division, it is possible to see some differences between areas with the same degree of development. North America and the European Union are both in the group of innovative economies, but the social status of their entrepreneurs is very different (69% and 59%, respectively). Within Europe, the differences are also important: for example, European Union countries have a smaller average than the other countries of Europe (59% and 63%, respectively). As global results, we see that Sub-Saharan Africa is the region with the highest

**TABLE 4** Descriptive statistics.

Variables	Mean	Std. dev.	Min.	Max
1. Social status	65.14	10.40	10.06	96.22
2. Business activity	19.33	11.02	2.91	75.29
3. Good opportunities	42.61	16.71	2.85	90.49
4. Ties with entrepreneurs	41.40	12.80	11.72	88.1
5. Perceived capabilities	49.80	15.56	8.65	91.91
6. Fear of failure	38.57	9.82	11.82	72.35
7. GDP per capita	24,144	22,199	254	123,679
8. GDP growth	2.66	3.56	14.25	9.63
9. Educational level	4.65	1.28	1.15	9.63
10. Uncertainty avoidance	67.25	22.07	8	100
11. Collectivism	54.76	23.59	9	94
12. Market freedom	66.46	12.92	29.51	92.59
13. Size of government	35.36	17.01	6.75	84
<i>N</i> = 822 (105 countries)				

**TABLE 2** Positive social status by degree of development.

Degree of development	Positive social status	Number of countries	Obs.
Factor-driven economies	72	24	90
Efficiency-driven economies	67	49	369
Innovation-driven economies	62	32	363
Whole sample	<b>65</b>	<b>105</b>	<b>822</b>

**TABLE 3** Positive social status by geographical area.

Geographical area	Positive social status	Number of countries	Obs.
Sub-Saharan Africa	75	14	49
Middle East and North Africa	72	17	90
Latin America and the Caribbean	69	20	165
North America	69	2	25
Asia and Oceania	66	18	128
Europe non-European Union	63	8	73
European Union	59	26	292
Whole sample	<b>65</b>	<b>105</b>	<b>822</b>

**TABLE 5** Correlation matrix.

	1	2	3	4	5	6	7	8	9	10	11	12	13
1. Social status	1												
2. Business activity	0.47	1											
3. Good opportunities	0.55	0.47	1										
4. Ties with entrepreneurs	0.40	0.42	0.52	1									
5. Perceived capabilities	0.55	0.62	0.58	0.53	1								
6. Fear of failure	-0.13	-0.17	-0.26	-0.12	-0.23	1							
7. GDP per capita	-0.26	-0.38	-0.06	-0.25	-0.37	0.09	1						
8. GDP growth	0.18	0.15	0.21	0.06	0.00	-0.22	-0.17	1					
9. Educational level	-0.09	-0.17	0.12	0.01	-0.06	-0.07	0.32	-0.18	1				
10. Uncertainty avoidance	-0.21	-0.06	-0.22	-0.13	0.02	0.20	-0.21	-0.14	-0.19	1			
11. Collectivism	0.32	0.45	0.16	0.29	0.38	-0.11	-0.61	0.20	-0.42	0.28	1		
12. Market freedom	-0.28	-0.38	-0.10	-0.28	-0.36	0.07	0.72	-0.16	0.37	-0.22	-0.61	1	
13. Size of government	-0.40	-0.43	-0.23	-0.28	-0.40	0.21	0.51	-0.25	0.51	0.04	-0.63	0.49	1

*N* = 822 (105 countries)

score in the social status (75%), followed by the Middle East and North Africa (72%). Latin America and the Caribbean, North America, and Asia are in intermediate positions, and European countries are at the bottom.

Tables 4 and 5 present the descriptive statistics and correlations of the variables used in the analysis. Our dependent variable, the social status of entrepreneurs, has an average of 65; that is, 65% of the respondents consider that entrepreneurs have a good social status. Institutional variables show a reasonable range of variation, which is a necessary condition for our analysis. Uncertainty avoidance ranges from 8 to 100, and collectivism from 9 to 94, which means that the countries in the sample differ substantially in their cultural profiles. Concerning formal institutional variables, the sample shows an average score of 66 for market freedom and 35 for size of government. These values range from 29 (associated with a repressive context) to 92 (maximum freedom to do business) in the variable market freedom and from 7 (maximum freedom) to 84 (repressive context) in the variable size of government. The four institutional variables are z-standardized across the sample of countries because they were collected from different sources (the Hofstede and the Heritage Foundation databases).

The correlation matrix is shown in Table 5. We have calculated the variance inflation factors (VIFs) that show that our models could have multicollinearity problems if all the variables are included in the same regression. Some VIFs are above 2.5, which may be a cause for concern. For instance, collectivism and market freedom have a correlation of  $-0.61$ , and collectivism and size of government have a correlation of  $-0.63$ . If we include all the variables in the same regression, the precision of the estimated coefficients of the correlated variables may be reduced, and some variables that would normally be

statistically relevant may lose their significance (Gujarati, 2004). For this reason, we are going to introduce sequentially the different institutions of our theoretical model.

## RESULTS

### Main results

Table 6 presents the coefficients of random-effects estimates. Fixed effect and random effect are the most common alternatives to control unobservable heterogeneity. The selection between these two alternatives is based on the Hausman test. Nevertheless, a preference for fixed effects would prevent the estimation of constant variables over time. This is the case of the two most important explanatory variables in our model (*uncertainty avoidance* and *collectivism*). Cultural dimensions tend to be stable over time, and some of them do not show any time variation. Under these circumstances, it is arguable that the random-effects model is the best alternative (Holmes et al., 2013). In addition, in all the cases we have considered, robust errors to autocorrelation and the Breusch–Pagan test show that there is no heteroskedasticity in the models.

We estimate six models: Model 1 includes only control variables, Model 2 adds the effect of informal institutions, Models 3a and 3b include the direct effect of market freedom as well as the two moderations of this variable, and Models 4a and 4b introduce the direct effect of size of government as well as its two moderations. For each model, we provide different goodness-of-fit indicators:  $R^2$  within (variability in the social status over time in the same country),  $R^2$  between (variability

TABLE 6 Results for the social status of entrepreneurs (Models 1, 2, 3a, 3b, 4a, and 4b).

Social status	Model 1		Model 2		Model 3a	
Constant	37.67 <sup>***</sup>	(3.760)	37.97 <sup>***</sup>	(3.71)	39.44 <sup>***</sup>	(3.93)
<b>Control variables</b>						
Business activity	-0.020	(0.092)	-0.045	(0.059)	-0.055	(0.058)
Good opportunities	0.174 <sup>***</sup>	(0.031)	0.172 <sup>***</sup>	(0.030)	0.175 <sup>***</sup>	(0.029)
Ties with entrepreneurs	-0.031	(0.048)	-0.036	(0.048)	-0.040	(0.048)
Perceived capabilities	0.295 <sup>***</sup>	(0.054)	0.288 <sup>***</sup>	(0.054)	0.286 <sup>***</sup>	(0.054)
Fear of failure	0.203 <sup>***</sup>	(0.047)	0.212 <sup>***</sup>	(0.046)	0.218 <sup>***</sup>	(0.045)
GDP per capita	-1.868 <sup>**</sup>	(0.601)	-1.510 <sup>*</sup>	(0.681)	-0.928	(0.881)
GDP growth	0.701 <sup>*</sup>	(0.296)	0.620 <sup>*</sup>	(0.294)	0.481	(0.304)
Educational level	-1.120 <sup>§</sup>	(0.604)	-0.976	(0.609)	-0.924	(0.606)
<b>Explanatory variables</b>						
Uncertainty avoidance			-2.308 <sup>***</sup>	(0.578)	-2.304 <sup>**</sup>	(0.742)
Collectivism			2.160 <sup>**</sup>	(0.719)	1.022	(0.900)
<b>Moderating variables</b>						
Market freedom					-2.423 <sup>*</sup>	(0.965)
Size of government						
<b>Interaction effects</b>						
Market freedom <sup>*</sup> Uncertainty avoidance					1.742 <sup>**</sup>	(0.672)
Market freedom <sup>*</sup> Collectivism						
Size of government <sup>*</sup> Uncertainty avoidance						
Size of government <sup>*</sup> Collectivism						
Number of observations	822		822		822	
Number of countries	105		105		105	
R <sup>2</sup> within	27.98%		28.06%		29.37%	
R <sup>2</sup> between	38.06%		45.81%		48.39%	
R <sup>2</sup> overall	36.45%		43.27%		45.82%	
Wald chi-squared	106.45 <sup>***</sup>		214.65 <sup>***</sup>		236.48 <sup>***</sup>	
Social status	Model 3b		Model 4a		Model 4b	
Constant	39.03 <sup>***</sup>	(4.038)	38.24 <sup>***</sup>	(3.834)	37.78 <sup>***</sup>	(4.159)
<b>Control variables</b>						
Business activity	-0.059	(0.059)	-0.042	(0.059)	-0.043	(0.059)
Good opportunities	0.175 <sup>***</sup>	(0.029)	0.170 <sup>***</sup>	(0.030)	0.171 <sup>***</sup>	(0.030)
Ties with entrepreneurs	-0.040	(0.048)	-0.038	(0.048)	-0.037	(0.048)
Perceived capabilities	0.285 <sup>***</sup>	(0.054)	0.286 <sup>***</sup>	(0.055)	0.287 <sup>***</sup>	(0.055)
Fear of failure	0.219 <sup>***</sup>	(0.046)	0.215 <sup>***</sup>	(0.047)	0.214 <sup>***</sup>	(0.047)
GDP per capita	-0.895	(0.852)	-1.477 <sup>*</sup>	(0.693)	-1.460 <sup>*</sup>	(0.692)
GDP growth	0.469	(0.302)	0.617 <sup>*</sup>	(0.297)	0.629 <sup>*</sup>	(0.299)
Educational level	-0.942	(0.613)	-0.898	(0.650)	-0.834	(0.658)
<b>Explanatory variables</b>						
Uncertainty avoidance	-2.368 <sup>***</sup>	(0.563)	-2.185 <sup>***</sup>	(0.610)	-2.156 <sup>***</sup>	(0.609)
Collectivism	1.552	(1.297)	1.895 <sup>*</sup>	(0.799)	2.340	(1.609)
<b>Moderating variables</b>						
Market freedom	-2.454 <sup>**</sup>	(0.890)				
Size of government			-2.137 <sup>**</sup>	(0.812)	-2.241 <sup>**</sup>	(0.860)
<b>Interaction effects</b>						
Market freedom <sup>*</sup> Uncertainty avoidance						
Market freedom <sup>*</sup> Collectivism	0.592	(0.831)				

TABLE 6 (Continued)

Social status	Model 3b	Model 4a	Model 4b
Size of government*Uncertainty avoidance		-1.155* (0.522)	
Size of government*Collectivism			-0.014 (0.034)
Number of observations	822	822	822
Number of countries	105	105	105
R <sup>2</sup> within	29.31%	28.16%	28.06%
R <sup>2</sup> between	48.18%	48.11%	48.08%
R <sup>2</sup> overall	45.69%	45.52%	45.24%
Wald chi-squared	234.67***	231.51***	228.59***

Note: Standard errors in parentheses.

§ $p < 0.10$ , \* $p < 0.05$ , \*\* $p < 0.01$ , and \*\*\* $p < 0.001$ .

between countries),  $R^2$  overall (average of the two previous indicators), and Wald chi-squared (overall significance of the variables included in the analysis). The  $R^2$  and the Wald chi-squared show that the explanatory power of the models with the interaction effects is better.

Regarding control variables, *business activity* is not significant, suggesting that it is not a relevant variable in our analysis. Being a country with more entrepreneurs does not contribute to having a better social status. *Good opportunities* have a positive and significant effect ( $p < 0.001$ ), which indicates that in contexts with good entrepreneurial opportunities, entrepreneurs have a better social status than the rest of the population. *Ties with entrepreneurs* is not significant, showing that knowing more entrepreneurs at an aggregate level does not imply a better entrepreneurial status. *Perceived capabilities* have a positive and significant effect ( $p < 0.001$ ), suggesting that entrepreneurs in societies with more people who perceive to have the skills to create a new venture have a better social status. Likewise, *fear of failure* is positive and significant ( $p < 0.001$ ), showing that entrepreneurs enjoy better social status in contexts where people feel that fear of failure is an important barrier to setting up a new venture. *GDP* per capita has a negative and significant effect in the majority of our models ( $p < 0.05$ ), suggesting that the degree of development of a country negatively affects the social status, as we have indicated in the analysis of the sample. In the same vein, *GDP growth* is positive and significant ( $p < 0.05$  in Models 1 and 4 and  $p < 0.10$  in Model 2). Finally, *educational level* is only negative and significant in model 1.

Concerning informal institutions, *uncertainty avoidance* presents, as expected, a negative and significant effect in all the models ( $p < 0.001$ ), which corroborates Hypothesis 1: Societies with higher uncertainty avoidance have a worse status of entrepreneurs. The variable *collectivism* has a positive and significant effect in the majority of the models ( $p < 0.01$  in Model 2 and  $p < 0.05$  in Model 4a), rejecting Hypothesis 2a and accepting Hypothesis 2b: Entrepreneurs have a higher social status in collectivist countries.

Regarding the moderating effects of formal institutions, we should look at Models 3 and 4, which sequentially introduce the different interaction effects (Table 6). In Model 3a, the interaction term between *market freedom* and *uncertainty avoidance* is positive and significant ( $p < 0.01$ ), confirming Hypothesis 3a. Market freedom positively moderates the negative relationship between uncertainty avoidance and social status; that is, greater market freedom weakens this relationship. In other words, even if the effect of uncertainty avoidance is negative in all contexts, when the market freedom is high, its influence is substantially smaller. In model 3b, the interaction term between *market freedom* and *collectivism* is positive but not significant, rejecting Hypothesis 3b. Model 4a introduces the interaction effect between *size of government* and *uncertainty avoidance*. This coefficient is negative and significant ( $p < 0.05$ ), which corroborates Hypothesis 4a. The size of government negatively moderates the negative relationship between uncertainty avoidance and social status; that is, a bigger government strengthens this relationship. Finally, model 4b includes the interaction term between *size of government* and *collectivism*. Contrary to our expectations, it is not significant, so we do not find support for Hypothesis 4b.

## Robustness checks

We performed different robustness checks to strengthen our results. The first one has to do with the use of the different items provided by the GEM project to measure the concept of social status (entrepreneurship as a desirable career choice, social status, and media attention, following previous explanations). The results present some differences in relation to those presented in the preceding section. For *entrepreneurship as a desirable career choice*, only Hypothesis 2b is accepted; for *social status* Hypotheses 1, 3a, and 4a are accepted; and for *media attention*, Hypotheses 1, 2b, 3a, and 4a are corroborated (the same ones as for our main model). These results show that the concept of social status may have different dimensions,

but we understand that our main dependent variable is a better measure because it incorporates how desirable entrepreneurship is as a career choice and its visibility in the public media.

Our second robustness test aims to delve into the analysis of the relationship between the dimensions of individualism/collectivism and social status (Table 7). In our theoretical model, we have proposed two competing hypotheses because we believe there are arguments supporting a positive relationship between these opposing dimensions of informal institutions and the status of entrepreneurs. However, our empirical analysis reveals a positive relationship between collectivism and status. Nevertheless, when we differentiate between developed and developing countries in our sample, certain nuances become apparent. Specifically, when we examine the data from developed countries, a higher level of individualism correlates with higher social status. This result contrasts with the findings from analyzing developing countries, suggesting that a comprehensive understanding of this cultural dimension should consider the country's level of development. Although the overall empirical analysis indicates a negative relationship between individualism and social status, the behavior exhibited by developing and developed countries differs significantly, thereby lending support to some of the arguments we presented in the development of Hypothesis 2a.

Our third robustness test is focused on analyzing the cross-sectional variation in our study. It can be argued that the main variables that we use are time-invariant (social status, uncertainty avoidance, and collectivism), what would make that our results would be driven by blowing up the sample via repeated measurements (for each country at different points of time). For this reason, we re-estimate our models with a simple cross-sectional

regression taking country means. The results of our estimations are quite similar to the main ones, showing that our main relationships are robust.

Our fourth robustness test is related to the measure we use to approach informal institutions. Although the cultural indices of Hofstede have been used in hundreds of studies, including a large number published in recent years (e.g., Beugelsdijk et al., 2017), some researchers challenge these measures (Dheer et al., 2019; Taras et al., 2012), whereas others argue that they are based on a project from the 1970s and that the cultural profile of countries has since changed. Taras et al. (2012) carried out a meta-analysis offering an updated set of national cultural scores along the dimensions of Hofstede's cultural framework. These data come from 451 empirical studies representing over 2000 samples, comprising over half a million individuals from 49 countries and regions. We retest our models with these data, employing updated measures of uncertainty avoidance and individualism versus collectivism. The results are similar to our main results.

Furthermore, we also perform a robustness check with other cultural databases, such as Schwartz values data and the GLOBE project values (Barthélemy, 2020). Although the two databases are not similar and follow a different methodology, they have some measures that are closely linked with Hofstede's dimensions. The Schwartz database has a dimension related to collectivism, labeled *autonomy*. It measures a context where individuals have control over their choices as opposed to having to consider others and shared rules. Given that this database does not have any measure of uncertainty avoidance, in this robustness test we can only check Hypotheses 2a, 2b, 3b, and 4b. Only Hypothesis 2b is accepted. The GLOBE project distinguishes between the cultural dimensions of practices (what it is) and values (what should be). Our research is focused on how institutions impact people's perceptions that influence the social status of entrepreneurs, and we think that this effect is more pronounced if we focus on values, which better assess the deepest belief of the society. This project has a dimension called *uncertainty avoidance* (the extent to which a society should rely on social norms, rules, and procedures to alleviate the unpredictability of future events) and another called *institutional collectivism* (the degree to which organizational and societal institutional practices should encourage and reward collective distribution of resources and collective action). Hypotheses 1, 3a, 3b, 4a, and 4b are now supported, whereas Hypotheses 2a and 2b are not (the hypotheses related to the direct effect of individualism/collectivism).

## DISCUSSION AND CONCLUSIONS

The primary aim of this paper is to evaluate how institutions affect entrepreneurs' social status, contributing to a

**TABLE 7** Social status and individualism in different geographical areas.

Geographical area	Positive social status	Individualism (Hofstede)
<b>Developed regions</b>		
Anglo-Saxon countries	67	86
Northern Europe	63	71
Central Europe	60	67
South Europe	60	49
Eastern Europe	58	45
Japan	46	45
<b>Developing regions</b>		
Sub-Saharan Africa	77	28
Middle East	76	35
North Africa	71	39
Caribbean	71	20
Latin America	68	23
Asia	68	22

better comprehension of its variations among countries. We seek to understand why entrepreneurs are celebrated as cultural heroes in specific contexts (Aldrich & Yang, 2012; Malach-Pines et al., 2005) while having a less favorable social status in others.

## Discussion of results

Our data reveals significant variations in the social status of entrepreneurs across countries and regions. Notably, a pattern emerges: the more developed a country, the lower the social status of entrepreneurs. In developed nations where job opportunities abound, the significance of the entrepreneurial role diminishes, negatively impacting their social status. Nevertheless, even within developed countries, substantial variability exists; certain regions hold entrepreneurs in higher esteem than others (see appendix for details).

Regarding informal institutions, the literature usually considers uncertainty avoidance and individualism versus collectivism as the two cultural values most closely linked to entrepreneurship (Li & Zahra, 2012; Mueller & Thomas, 2000; Stephan & Pathak, 2016). However, the connection between these dimensions and entrepreneurial status remains untested. As posited in our theory section, uncertainty avoidance is expected to exert a negative influence on the social status. Societies characterized by high uncertainty avoidance tend to favor individuals displaying conservative behaviors and stable employment, whereas entrepreneurs, who embrace risk, receive less favorable evaluations. Our findings align with this rationale.

Regarding individualism/collectivism, we have formulated two opposing hypotheses based on compelling theoretical arguments. On one hand, individualist societies highly value traits like independence, autonomy, and competitiveness, positively impacting the social status of entrepreneurs. Conversely, in collectivist societies, individuals who engage with diverse groups, such as entrepreneurs, and exhibit a concern for the broader community are esteemed (Kibler et al., 2018). Our findings indicate that a more collectivist society indeed has a positive influence on entrepreneurial status. Although it is commonly assumed that individualism fosters the creation of new ventures (Dheer, 2017), entrepreneurship often entails extensive interactions with various economic stakeholders, generating numerous positive externalities that enhance societal well-being. Consequently, a collectivist culture can accentuate the constructive contributions of entrepreneurs, leading to an improved social status for them. This result consistently holds in the majority of our robustness checks. However, our second robustness test unveils that the impact of this dimension may vary based on a country's level of development. In developed countries, we observe a positive influence of individualism on social status, suggesting that the interpretation and

implications of the individualism/collectivism dimension may diverge across countries at different stages of development.

It is worth noting that the connections between these cultural dimensions and social status are not consistent across various formal institutional contexts (Dau et al., 2020; Stephan et al., 2015). In our theoretical framework, we posited that market freedom would positively moderate the adverse link between uncertainty avoidance and social status (Hypothesis 3a). In contexts with high uncertainty, entrepreneurs typically face a less favorable perception. However, significant market freedom conveys that entrepreneurs are reliable individuals whose contributions should be promoted, thereby enhancing their image. Consequently, market freedom partly contributes to improving the social status of entrepreneurs. Conversely, in settings with an extensive government presence, the combination of high uncertainty avoidance and the perception of entrepreneurs as risk-takers who provide less essential contributions due to a well-functioning public sector significantly harms their social status. In such cases, the social status of entrepreneurs is notably low compared to other professions. Thus, the size of government negatively moderates the relationship between uncertainty avoidance and social status (Hypothesis 4a).

In our theoretical framework, we also suggested that the relationship between individualism/collectivism and social status would likely be moderated by the same two formal institutions, based on similar reasoning. However, our empirical results do not support these moderating effects. One possible explanation for this contradictory evidence is that the influence of the individualism versus collectivism dimension is inherently conflicted, and as a result, its moderation effects are also conflicting.

## Theoretical contributions

Traditional sociological literature has often confined the examination of occupational and entrepreneurial status to a limited number of countries, delving into the factors that influence the esteem attached to different professions. Examples of such studies include Van Praag (2009), which utilized a student sample in the Netherlands; Malach-Pines et al. (2005), who analyzed three countries (Israel, the United States, and Hungary); and Anderson et al. (2009), who explored the perceptions of entrepreneurs in five European countries.

Our first theoretical contribution is the introduction of the concept of entrepreneurs' social status into the management literature. Weber was a pioneer in incorporating social status into the discourse, emphasizing the significant shift in attitudes towards entrepreneurship that occurred in the Western world following the Reformation. Countries have transformed their perspectives on entrepreneurs, emphasizing their positive contributions to

society. Weber drew a contrast between entrepreneurs and bureaucrats, explaining that as society evolves, bureaucracy gains increasing importance both within businesses and at the state level. In essence, in a capitalist society, the economic sector serves as a counterbalance to the political sector (Swedberg, 2000). Weber argued that entrepreneurs are the individuals within the economy who can keep bureaucracy in check. Indeed, our findings demonstrate that government size negatively impacts social status and also negatively moderates the relationships between other informal institutions and social status.

The concept of social status has traditionally been encompassed within informal institutions (North, 1990), specifically falling under the normative pillar (Scott, 1995). Informal institutions encompass the behaviors, values, and beliefs within a society (North, 1990), whereas the normative pillar pertains to social norms and values that delineate acceptable or expected behavior (Scott, 1995). However, these typologies are broad and all-encompassing. Previous research has explored how institutional theory elucidates the social legitimization of entrepreneurial activity, a concept closely linked to social status. It has also examined how a culture supportive of entrepreneurship impacts entrepreneurial endeavors (Stephan & Uhlander, 2010). Our work builds upon this research trajectory by delineating how institutions influence social status. Rather than concentrating solely on the legitimization of overall entrepreneurial activity, we focus on the social status of individuals engaged in new businesses. We contend that the social status of entrepreneurs plays a pivotal role in the entrepreneurial process and merits independent consideration. The social status associated with a profession shapes individuals' preferences and serves as a crucial explanatory factor in their decision to pursue entrepreneurship. Our study encompasses a diverse range of countries in the analysis of entrepreneurs' social status, thereby contributing to a deeper comprehension of the variations in entrepreneurial rates across nations.

Our second theoretical contribution offers an alternative approach to understanding the variability in entrepreneurs' social status, employing one of the most widely used frameworks in entrepreneurship and management literature: institutional theory (Audretsch et al., 2019; Renko et al., 2021). This approach allows us to extend the examination of entrepreneurs' social status to a diverse array of countries. As we have elaborated, existing literature on occupational status has scrutinized the array of factors impacting social status within a specific country (Parker & Van Praag, 2010). Although these factors hold value across societies, individuals' perceptions of them differ. Concerning entrepreneurs, some countries view their role as vital for economic progress, whereas others do not, influencing their social status. Institutional theory emerges as a fitting framework for this study because it elucidates how societal values shape individual behaviors and preferences. Institutions influence

incentives, leading to the prevalence of certain behaviors in specific countries. In our paper, we build upon this theory, asserting that institutions also mold people's opinions and perceptions, thereby impacting the social status of a profession. Instead of an isolated examination of formal and informal institutions, we investigate how these two types of institutions interact to construct the image of an entrepreneur (Stephan et al., 2015). We have observed that the effects of uncertainty avoidance and collectivism on social status vary among countries, contingent upon formal institutions that signal a comprehensive view of social status.

## Implications for policy makers, managers, and entrepreneurs

From a public policy perspective, analyzing the social status of entrepreneurs holds significant implications, as sociological literature has demonstrated how a profession's social status affects individuals' preferences for pursuing that occupation (Fershtman & Weiss, 1993). An improvement in social status can result in a higher percentage of the population expressing interest in becoming entrepreneurs. Given the acknowledged positive externalities associated with entrepreneurship, such as innovation and wealth creation, public authorities should actively promote new ventures (Audretsch et al., 2019). A more profound understanding of the mechanisms governing the factors influencing social status can thus facilitate economic growth. This perspective is underscored by the European Commission's Entrepreneurship 2020 Action Plan, and our research endeavors to contribute to this vital discourse. One of the most common policy recommendations emerging from entrepreneurship research is the enhancement of institutional quality. It is posited that a well-designed institutional framework fosters the establishment of new ventures (Dau et al., 2020). Our study underscores the pivotal role of institutions by revealing that a favorable institutional context not only stimulates entrepreneurship but also enhances the social status of entrepreneurs. It is crucial to note that public authorities can adjust certain formal institutions in the short to medium term (Dau et al., 2020), whereas modifying informal institutions typically necessitates a longer period and generational changes, as explained by Mickiewicz et al. (2016). Specifically, Dau et al. (2020) emphasize that pro-market reforms encompass elements such as trade liberalization, privatization, deregulation, fiscal reform, and property rights protection. Nonetheless, our research emphasizes that the influence of informal institutions on social status is contingent on formal institutions. Therefore, alterations in formal rules and procedures can indeed have a positive impact on the social status of entrepreneurs.

Our analysis also carries substantial managerial implications. When the social status of entrepreneurship



within a society is elevated, the appeal of pursuing an entrepreneurial career often outweighs that of traditional employment. Managers must be cognizant of this dynamic and work to provide superior working conditions to retain their top talent. However, managers can also leverage this situation as an opportunity. By aligning these improved working conditions with entrepreneurial traits such as independence, autonomy, and innovation opportunities, an organizational environment fostering intrapreneurship can flourish. Recognizing that social status is intricately linked to the institutional framework, managers should strive to gain a comprehensive understanding of the institutional landscape, particularly in diverse markets where their business operates. For instance, when contemplating expansion into international markets with varying formal and informal institutions compared to their home country, a thorough analysis of the host country's institutions becomes imperative, as they can significantly impact decision-making processes and the company's future success.

Finally, our research holds important implications for both current and prospective entrepreneurs. When individuals contemplate their future careers, they consider various factors, such as income, required education or training, work–life balance, and even the social status associated with their chosen profession. Our study underscores the significance of this last dimension in the decision to become an entrepreneur. Depending on the interplay of formal and informal institutions, some countries recognize the pivotal role of entrepreneurs in driving economic growth, whereas others diminish its importance, affecting the associated social status. In contexts where the social status of entrepreneurs is high, even if other aspects like income and work–life balance are less favorable, there will still be considerable interest in establishing new businesses.

### Limitations and future research

Our work comes with several limitations that are important to acknowledge. First, our measure of social status relies on responses provided by the GEM project, which only offers dichotomous responses. This approach presents two primary limitations: (1) It lacks explicit information about the relative status of entrepreneurs in comparison to other occupations, and (2) it only considers successful entrepreneurs, excluding those who attempted but failed to launch a new business. Although our measure's strength lies in its simplicity and widespread adoption, allowing us to include a broad range of countries in our sample, it would be beneficial to develop a more comprehensive measure that better captures the multifaceted nature of entrepreneurial status. Second, our analysis is grounded in institutional theory (Boudreaux et al., 2019; North, 1990). Although this approach offers the advantage of encompassing a wide

array of countries, we have not factored in certain variables that could also influence the status of an occupation. These variables include mean salary, education level, the moral dimension of a job, and the balance between work and leisure (Treiman, 1977). A more in-depth exploration of these dimensions could enhance the robustness and comprehensiveness of our findings.

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### DATA AVAILABILITY STATEMENT

The data that support the findings of this study are available from the corresponding author upon reasonable request.

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**APPENDIX: PERCENTAGE OF POSITIVE SOCIAL STATUS BY COUNTRIES INCLUDED IN THE SAMPLE**

<b>North America</b>	<b>69</b>	<b>The Balkans</b>	<b>61</b>	<b>Latin America</b>	<b>68</b>	<b>Sub-Sah. Africa</b>	<b>77</b>
Canada	71	Macedonia	66	Brazil	78	Togo	87
United States	67	Slovenia	64	Peru	76	Ghana	86
		Serbia	60	Guatemala	74	Uganda	85
<b>Northern Europe</b>	<b>63</b>	Croatia	55	Colombia	73	Ethiopia	80
Iceland	69			Ecuador	71	Sudan	78
Ireland	67	<b>Eastern Europe</b>	<b>58</b>	Venezuela	69	Burkina Faso	78
Norway	65	Romania	65	Costa Rica	68	Botswana	77
Finland	65	Belarus	64	Chile	67	Nigeria	77
United Kingdom	62	Latvia	62	Bolivia	67	Namibia	77
Sweden	61	Russia	59	Argentina	67	Madagascar	75
Denmark	55	Bulgaria	57	El Salvador	65	Angola	74
		Lithuania	57	Panama	60	Zambia	72
<b>Central Europe</b>	<b>59</b>	Slovakia	56	Uruguay	60	South Africa	68
Netherlands	70	Estonia	55	Mexico	54	Cameroon	63
Poland	61	Hungary	49				
Germany	60			<b>Caribbean</b>	<b>71</b>	<b>Asia</b>	<b>68</b>
Austria	60	<b>Middle East</b>	<b>76</b>	Dominican Rep.	81	Philippines	81
Czech Republic	59	Yemen	96	Jamaica	80	Thailand	79
Switzerland	58	Oman	84	Trinidad & Tob.	73	Kazakhstan	76
France	57	Saudi Arabia	79	Suriname	73	Indonesia	76
Luxembourg	55	Armenia	79	Barbados	60	Vietnam	75
Belgium	52	Syria	78	Belize	57	Bangladesh	74
		U. Arab Emirates	77			China	74
<b>South Europe</b>	<b>60</b>	Lebanon	76	<b>Oceania</b>	<b>66</b>	Pakistan	70
Portugal	64	Qatar	76	Tonga	74	Hong Kong	63
Cyprus	64	Jordan	75	New Zealand	69	South Korea	63
Italy	58	Turkey	70	Australia	64	Malaysia	61
Greece	58	Georgia	68	Vanuatu	56	Singapore	60
Spain	54	Iran	64			India	58
		Israel	64	<b>North Africa</b>	<b>71</b>	Japan	46
				Tunisia	78		
				Egypt	76		
				Morocco	68		
				Algeria	64		