Working Paper

Culture and development: a review of literature

The continuing tension between modern standards and local contexts

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Contents

Abstract

Multiple and often competing conceptualizations of culture have offered development thinking both a framework and a vocabulary for distinguishing one group of people from another in terms of their differing systems of meaning, patterns of behaviour, or levels of technology. They have also offered different visions of the relationship between culture and development. However, while these various perspectives diverge on many issues, they also share a common position. They show a persistent difficulty in grasping the articulation between the role of culture (suspected of bringing back "tradition") and individual autonomy (seen as a condition for a "modern society"). This articulation is critical for the conception of effective development strategies. In this literature review, we "take stock" of the way culture has been conceptualized in development thinking, recognizing and examining the different ways in which culture is said to affect development. Throughout, we will emphasise the need for development thinking to break away from the tradition/modernity dichotomy if more effective policies are to be designed and implemented.

Introduction

The effect of culture on development has been a subject of interest for a long time. It is increasingly acknowledged that culture matters as much as economics or politics to the process of development, but some confusion remains about precisely how it matters. The absence of collective agreement on the meaning of the terms "culture" and "development" undermine attempts to shape a clear framework for understanding the effect of culture on development processes.[1] The concepts of culture and development may mean different things to different actors, and like the issues they seek to clarify, they have been subject to various controversies. Consequently, over the past 50 years the relationship between "culture" and "economic development" has been, and can be viewed variously as, causal, correlative or relatively autonomous.

This paper does not claim to be exhaustive. It offers some critical considerations on this theme.[2] Taking into account the fact that there is no single approach concerning the role of culture on development, we seek to examine the work of some key thinkers in order to shed light on the different ways in which culture has been considered, and the different underlying assumptions about culture that have been taken into consideration by development strategies. Thus, our focus is on whether—and how—culture matters. What are the different connections by which different culture-defining assumptions can influence diverse aspects of development?

We start, **in Part 1**, by critically examining how both modernization theory (section 1) and its critics (section 2) have shaped the framework within which culture has been deployed and debated in development thinking. We will highlight how the tradition/modernity dichotomy has polarized views, leading to opposing conceptions of culture as either a positive instrument for development or an obstacle to overcome. Then, after considering new ways of thinking about development and culture that have emerged within the context of globalization, we will attempt to analyze the extent to which they have challenged earlier models associated with the tradition/modernity framework (section 3).

As an illustration of these general considerations, we will emphasise **in Part 2** how culture is said to affect economic performance through its ability to create and manage institutions (section 1), through the creation of social networks (section 2) and through its impact on organizations (section 3). In fact, as globalization drives rapid changes in the nature of the business and organizational environment, development thinking is urged to provide the insights that can facilitate both an understanding of the role of culture in economic performance and meaningful cross-cultural comparisons. After tracing the connections that are found between culture and economic performance, we will highlight the persistent difficulty in reconciling what is considered part of tradition and culture and the universalistic assumptions underlying the economic literature's approach to development issues.

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[1] Even when agreement is achieved, the terms are so general that they become tautological or lose all applicability.

[2] Surveys of economic development thinking can be found in Ray (1998), Basu (1997) and Haggis and Schech (2000).

1. An everlasting controversy: the relationship between culture and development

1.1 Culture, modernization and development

In the 1950s and the 1960s, the role of culture in development received considerable attention within development studies that were dominated by modernization theory. One influential study was Talcott Parsons' formulation of five sets of pattern variables, which provided a simple binary model distinguishing between modern and traditional societies. The intellectual portrayal of modernization was a political and economic proposition coming to the forefront following World War II. It equated the intellectual, cultural and technological advances of the victorious nations as something that needed to be emulated by the "poorer, less civilized" peoples of the world. Samuel Huntington (1971: 285), one of the proponents of modernization theory, pointed out that the concepts of modernity and tradition were central to post-war modernization theory:

> "These categories were, of course, the latest manifestations of a Great Dichotomy between more primitive and more advanced societies which has been a common feature of Western social thought for the past one hundred years."

The project of "modernity" began with the enlightenment philosophers. By the mid-nineteenth century, the enlightenment shift from a religious to a secular view of human history had become entrenched in scientific models of human evolution, which fostered a definition of culture as the process of social development. Against a background of European technological and industrial advancement and imperial expansion and aggrandizement, the idea of culture as social development drew on scientific models of human evolution to describe a hierarchy of cultural development across societies and social groups.

Bauman (1973: 35) defined culture as "a self-contained system of traits which distinguishes one community from another". This perspective views culture as a relatively stable, homogenous, internally consistent system of attitudes and values. This understanding of culture assumes that the world consists of separate societies. Each society has its own distinctive culture, which is an integrated totality, radically different from others. It places western European societies at the pinnacle of cultural achievement and social development, ranking other societies at various "stages" of development down to the lowest level of the "primitive" (Schech and Haggis, 2000). The differences between modern and traditional societies were explained in terms of deeply embedded cultural traits. Thus, the traditional traits of third-world societies were thought to dissolve through contact with modernity.

The transition process from tradition to modernity was the core theme of 19th-century sociology. The fundamental concepts of sociology formulated by Weber (1922) and Tönnies (1887) invented the analytical distinction between *gemeinschaft* (community) and gesellschaft (society) as a way of considering different forms of social integration.[3] These distinctions have largely been retained. "Society"

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[3] Durkheim's notion that there are two different kinds of bonds between people, mechanical solidarity *(solidarité mécanique)* and organic solidarity *(solidarité organique)*, is a similar line of reasoning (Durkheim, 1893).

generally refers to groups held together through anonymous, rule-bound, more transparent formal contracts and universalistic principles. "Community" is conventionally used to refer to forms of collective life in which people are tied together through tradition, interpersonal contacts and informal relationships.

The model of society associated with the modernity project focuses on the autonomy of the individual. Individuals are supposed to defend and maximize their personals interests by being freely involved in contractual relationships and by setting up structures that govern their actions. In contrast, the second model supposes that tradition governs individuals, by ruling their perceptions of the world, their values and their actions. From this perspective, traditional traits were held to be unfavourable to the expansion of the formal, distanced, rule-bound, transparent social linkages necessary for achieving a successful market economy and industrial society (Weber, 1922).

Seen from this second perspective, the difference between developed and so-called "underdeveloped" countries is simply that the former have already travelled a historical path that the latter will eventually follow (Rostow, 1960). One of the best-known historical definitions of development is as a succession of stages through which all countries and regions must inevitably pass. "Development" is viewed as a single model defined by the values of "Western" societies, and it is based on the assumption that the political-economic instruments used to promote economic growth are sufficient for any country to achieve development. This argument tends to assume that culture, viewed as the "essence" of a society, rather than institutions or structural conditions, is responsible for the failure to develop, and that Western cultural values are superior to those of other societies.

Consequently, development theorists took for granted that economic development proceeds along a single straight, unambiguous line, from traditional to modern. Modernization theory, which was particularly popular in American social science in the early post-war period, tended to regard contemporary Western societies as models to which developing countries should aspire. Authors such as W. Arthur Lewis and David C. McClelland argued that less-

developed societies displayed cultural characteristics that constituted obstacles to development. They argued that contact with modern societies would accelerate progress in stagnant, traditional societies. The underlying assumption was that the "underdeveloped" countries had to shed their own traditions and become westernized. Policymakers should promote the modern cultural traits that would enable modernization to take place. A study by McClelland (1964) suggested that stronger achievement motivation could be instilled in individuals both through non-authoritarian socialization within the family and through Western-style education. Banfield (1958) focused on questions of cooperation and contrasted cultures that favoured more or less cooperative attitudes. The implication is that modernization must lead to the destruction of the traditions that constitute the essence of developing societies.

Along with this framework, economists characterized modern society as consisting of optimistic, self-interested, calculative individuals, for whom modern culture provides a framework to act freely and respond to market incentives. Thus, the idea of culture as a form of collective thinking, usually seen as fixed and pertaining to a particular group or nation, is presented as a barrier to rational economic calculation. However, many societies resisted the identification of modernity with the West. Economists started encountering poor people in the so-called "Third World" who were not interested in greater prosperity. They were surprised that their intended beneficiaries met their offers of economic development with indifference; they met poor people who did not want to have new opportunities and who resisted change. A favourite explanation for economic backwardness used to be an affliction called "cultural inertia". Culture here is the enemy: a voice from the past that inhibits societies from functioning in the modern world. In Huntington's "clash of civilizations" hypothesis, poverty and low rates of growth are deeply affected by adverse rules and norms that reduce incentives for mobility and investment (Huntington, 1998). The challenge for development is then to reform culture by inculcating a more growth-and mobility-oriented perspective through education or other means of transforming "bad cultures".

This perspective was recently exemplified by Francis

Fukuyama (1995). In his book, *Trust: the social virtues and the creation of prosperity*, he contrasts cultures favourable to trust and cultures favourable to distrust. In the same way, Harrison and Huntington (2000) argue that traditional cultures are unsuited to market-oriented development and are thus fundamentally hampered in their pursuit of growth. Here again, culture is conceived of as producing mentalities and attitudes that condition individual behaviour in ways that create obstacles to economic growth.[4] A variant of this notion, most prominently associated with Max Weber, postulates that it is the content of religious beliefs that is essential to economic development through its impact on behaviour.[5] From this perspective, religions could be classified according to their acceptance or rejection of the World: if acceptance, the presence or absence of tension toward the world; if rejection, whether they fostered an orientation of transformation, adaptation or escape from the given world (Eisenstadt, 1968). For example, Guizo, Sapienza and Zingales (2002) characterize Islam as being negatively associated with "attitudes that are conducive to growth", and among adherents to the world's major religions, Muslims as being the most "anti-market".[6]

To summarize, the modernization approach assumes that Third World cultures are a barrier to modernization. In order to experience progress, people in developing countries were urged to embrace modern culture, which is by definition Western. What is puzzling here is that, on the one hand, many studies tend to relate culture to tradition and argue that the cultural traditions of non-western societies must change due to the impact of development, which is conceived in terms of a universal modernity. On the other hand, however, this universal modernity clearly has its cultural roots in the European enlightenment and therefore easily slips into the concept of the West or westernization, even if it is not expressly identified in these terms.

In addition, we note that the main focus of the modernist perspective is to seek a causal relationship between culture and development — avoiding the difficult task of identifying and analysing the intricate historical and structural interconnections between the many factors that influence development. Some authors argue that economic development brings pervasive cultural change. Others claim that cultural values are an enduring and autonomous influence on society. In both perspectives, culture is seen as a single-factor explanation of the success or failure of the development process. This leads to the conclusion that we can use a country's culture when it favours economic development, but ignore or repress it when it is deemed to be an obstacle. This leads to an instrumentalist and essentialist approach to the relationship between culture and development.

1.2 Culture and the critics of the modernization theory of development

The first critiques of the modernization theory of development drew on dependency theory, post-colonial studies and the deconstructionist school. The main criticism was that modernization theory had seriously neglected factors external to societies, such as colonialism and imperialism, as well as newer forms of economic and political domination. In this section, we will argue that valuable as this work has been in revealing the ideological premises of modernization theory, it leaves little room to think constructively about how culture matters in development.

The rise of neo-Marxist doctrines like dependency theory pointed to the structure of the world economy as the source of underdevelopment. Vigorously rejecting modernization theory, they emphasized the extent to which rich countries exploited poor countries, locking them into positions of powerlessness and structural dependence. They highlighted relations between "centre" and "periphery", arguing that

[4] This perspective led to the perception of "Confucianism" as unsuited for a dynamic industrial economy at the beginning of the 20th century, and to the opposite claim that industrial and economic progress, as currently illustrated by the performance of East Asia, is in large part the result of Confucian ethics.

[5] Weber's thesis on the particular suitability of the Calvinist ethic to capitalism is often evoked, incorrectly, as the distinguished progenitor of this perspective. Weber, in his celebrated *Protestant Ethic and the Spirit of Capitalism* (1930), was not outlining a causal relationship between Calvinism and capitalism, but merely demonstrating that historically there was an "elective affinity" between them.

[6] The basic argument is that Islam preaches fatalism, which is inimical to growth. See Said (1979), Kuran (1997) and Rodinson (1973).

the blocking of development in the latter was the fruit of imperialism in the former. The developed status of these first-world countries was, therefore, structurally linked to the underdevelopment of the Third World. This analysis implied an unequal distribution of power between the industrialized centre of the global economy and its underdeveloped periphery (Larrain, 1989; Amin, 1979; Wallerstein, 1979). It follows that the direction and definition of development are seen as objects of political struggle.

Culture was conceptually pushed aside as development thinking came to be strongly influenced, if not dominated, by structuralism, Marxism and dependency theory. These analyses focused on economic processes and structure rather than on political, social and cultural processes. Culture is seen as a diversion from the supposedly real processes of "domination" in the contemporary world; or even worse, it is simply a deliberate obfuscation of these processes. In terms of "development", however, the objective remains the same: "achieving progress", even though the interpretation of what is needed to reach this desirable state is different. In fact, regardless of whether it is couched in terms of capitalism or socialism, what is being advocated is the importance of a structural transformation to achieve development. In this regard, Marxist or socialist critiques would not dispute the importance of industrialisation and urbanisation as manifestations of progress.

Another important critique of modernization theory is formulated by post-colonial studies. These argue that the dominance of the modernisation perspective in development thinking serves colonial domination, rather than merely being a theoretical mistake. Defining culture as "a system of control", post-colonial theory revealed the ways in which a politics of representation, formed within European/Western thought in the era of colonialism and empire, continues to inform contemporary Western writing and thinking about the Third World, replicating the stereotypes and power relations of colonialism. For an example, Ferguson (1990), Escobar (1995) and Said (1979) apply techniques of deconstruction, in the tradition of Michel Foucault, to study development as a cultural system, focusing in particular on how economists shaped the modernization perspectives that have dominated development thinking since the 1950s.

This dominance is considered to be an aspect of neo-colonialism, whereby Western ideologies and interests have created a "mechanism of control" that led to the "creation" of the Third World. Economists, and through them the IMF and World Bank, are considered the primary culprits in constructing a development discourse that sustains the distinction between the "West" and the "Third Word", which had emerged during the colonial era. In the words of Homi Bhaba, the strategic function of such narratives is the "creation of a space for subject peoples through the production of knowledge in terms of which surveillance is exercised" (Babha, 1990: 75). In such a perspective, the idea of culture associated with an "ideological system" can only be indicted for masking the phenomenon of domination behind a false unanimity.

Stuart Hall's 1992 formulation "the West and the rest" is probably the best-known articulation of this definition of culture applied to global inequality. Hall's phrase captures a distinctive way of conceiving the power imbalance between developing countries and the affluent industrialized societies of Western Europe and North America. He describes this relationship in terms of a pervasive system that represents the non-West as inferior to the West and underpins the political economy of underdevelopment. The West's self-depiction becomes the norm by which "the rest" are identified. In development studies, the West becomes the model to be emulated by Third World societies. This kind of approach to "the rest" is held responsible for creating and extending existing "macro" inequalities between rich and poor countries, and "micro" inequalities between westernized and indigenous groups within poorer countries (Mundimbe, 1980; Bessis, 2001).

Demonstrating how development discourse powerfully constructs the "Third World" as the object of development, Escobar, Hall and others argue for a "post-development" discourse that would inform a different politics of global inequality — one that builds on and recognizes the diversity and intrinsic worth of the "local" and actively resists the hegemonic Western authority embedded in contemporary notions and the practice of development. However, it is not clear how the development that Third World countries should strive for differs from capitalist

development. In fact, by characterizing development as a unitary construct of power/knowledge, this line of thinking fails to explain the alternative models of development that have emerged over the past decades. Correspondingly, how is it possible to conceive of the effect of cultural characteristics on development if culture is associated with an "ideological system" that only expresses the interests of dominant groups?[7]

To sum up, the critics of modernization have argued that development is not only an amalgam of the process of change, but also a system of knowledge and power that produces and justifies these processes. Furthermore, they have mapped out the extent to which culture is deeply embedded in visions of development and revealed the ideological premises of modernization theory. However, we can argue that modernization's critics are using the same concept of bounded culture by interpreting development processes not only as the western imposition of capitalism on the "Third World", but also as cultural imperialism, irrevocably destroying indigenous cultures and identities. Therefore, it appears that little progress has been made in

overcoming the dichotomy of tradition/modernity. The binary opposition drawn in development discourse between the global/local and modern/traditional is simply reversed: the local and the traditional become the valued authentic counterweight to a Western modernity seen purely in negative terms. This radical critique of development discourse has the great merit of challenging the superiority of Western values, but it leaves little room for accommodating empirical evidence of the coexistence of "modern" and "traditional" traits in many developing countries, as well as in Western countries.

We can conclude that despite constant post-war efforts to decipher the development process, it appears that little progress has been made. Many theories have been proposed (some leading directly to policy), but very few developing countries have succeeded in breaking the bonds of underdevelopment. The ambiguities in the definition of culture and the implicit assumptions about culture and development models led to a cultural blind alley, rather than culturally sensitive development policies and programs.

1.3 Globalization and the revival of culture in development thinking

The revival of interest in culture and economic development has been a consequence of globalization as well as the observation of the so-called "East Asian Miracle". East Asia's economic development has put to the test many of the assumptions underpinning development thinking. This success has challenged beliefs that high rates of economic growth and standards of living could be "realisable only within the framework of Occidental civilization" (Hefner, 1998: 1). It questioned the universality of the modernity project. As Rist (1997: 138) points out, the "theoretical sequence of modernization is replaced with a multiplicity of new practices that spring forth at the crossroads of history and cultures." People are reworking their perceptions of other cultures as part of a major shift in relations between nations, regional cultures, and cultural, ethnic and religious groups. The binary models of modern/traditional, or core/periphery, collapse when confronted by the new patterns of interaction generated by globalization. Modernity

becomes fluid and multiple rather than a coherent, singular endpoint — whether cast in terms of westernization or hegemonic capitalism. Thus, globalization as a process and as a model of social change has challenged many of the key concepts of existing development theories, whether of the modernization or dependency schools.

We will first seek to trace the way that the globalization process has reshaped the understanding of culture, as well as the building of a new framework for development thinking. Then, we will conclude the section by analysing the extent to which these new ways of thinking have overcome the

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[7] For example, today Muslims are considered relatively poor, both in terms of the per capita GDP of Moslem countries compared to the global average and in terms of international differences (Kuran, 1997). To explain this phenomenon, there is then an active debate between those who ascribe this state of affairs to Islam itself (Lewis 2002) and those who lay the blame at the feet of Western imperialism (Rodinson, 1973). Consequently, there is no room to think constructively about how Islamic references may interfere with "objective" constraints, such as Western economic and political domination, in impacting economic performance.

deterministic view of the relationship between culture and development.

Globalization is calling into question conventional ways of viewing culture. As interdependencies become more complex, and simultaneously more diverse between and within nations, as well as between and within organizations, the challenge is to seek the most appropriate way of conceptualizing this new social construct. In fact, the fluidities of global cultural flows undermine the concept of culture as a distinct, discrete and bounded entity — whether conceived of as local, regional, national or global. Instead, "culture" is more accurately conceived as complex and multidirectional cultural interactions and re-combinations, weaving the local and global together in myriad patterns and configurations.

Thus, the most important development in the anthropological understanding of culture is the recognition that the boundaries of cultural systems are leaky, and that traffic and osmosis are the norm, not the exception. This trend of thought underpins some analyses of the cultural dimensions of globalization that have emphasised mixture, heterogeneity, diversity and plurality as critical features of culture in the era of globalization (Robertson, 1992). This implies that, for example, national cultures, corporate cultures or professional cultures are seen as symbolic practices that only come into existence in relation to, and in contrast with, other cultural communities. The people whose social interaction makes up these constructs of nation and organization draw on past cultural experience in order to create a new cultural understanding that enables them to make sense of, and live in, a world in which frequent and often wrenching change is commonplace.

In other words, people's constructions of cultural identity and their social organizations of meaning are contextual.[8] In this new intellectual context called "post-modernism", which pays attention to the fluidity of everything, a perpetual renegotiation of significance is singled out for attention, and the idea of national culture is pronounced "dead". Consequently, it appears that a culture-based understanding is no longer a static, pre-existing condition that can be seen as exerting a simple causal influence on action. It is itself a fundamentally constructed phenomenon that arises

and is sustained or adjusted through social interaction.

More precisely, within an emergent dynamic approach to the conceptualization of culture, culture is seen as being made up of relations, rather than as a stable system of form and substance (Haastrup, 1996). This leads to a greater acknowledgment of relational interdependence between social context and the contributions of individuals to social and cultural transformation. Through this conceptualizing of culture, the aim is to balance views that privilege either social determinism or individual autonomy in understanding cultural processes. This suggests that culture is reproduced and transformed not through social determinism but in a constant interaction between the individual's actions and the social world, as meanings are negotiated and as these meanings change through individuals.

As Giddens (1984) points out, the resulting meaning systems are the outcome of individual and patterned social interaction. Such a perspective attempts to reconcile inherited social structures, which at a certain period of time determine the way individuals construct their own perceptions of the social world and react to it, while simultaneously emphasising the role of individuals who make use of the patterns of thinking and action provided by these structures. According to Giddens, through this implementation individuals guarantee the social reproduction of these structures, but simultaneously, they also create innovations that cause the structures to evolve over time.

Along these lines, Mary Douglas (1986, 2004) highlights the role played by the diversity of classifications in social relations, as well as the role of individuals in using this social framework. She suggests that people actively select/build their identities, as well as their social relations, from available cultural elements: "Individuals, when they select from among natural analogies those that they believe in, select at the same time their allies and their enemies as well as the scheme of their future social relations". (1986: 99)

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[8] Since individuals are seen as simultaneous carriers of several cultural identities, depending on the issue at hand, a different cultural identity may become salient at a given moment. The conceptualization of culture as associated with "identity" helped to emphasize "cultural change" and the role of individuals in this process. For further discussion, see Abou (1981).

Douglas (2004) quotes Bliss (1993): "People are not simply individuals. They live socially and their views, their values, and even their beliefs, as well as their abilities, are formed and sustained within social groupings, families and communities…Perhaps the consideration of life style offers an alternative to the methodological individualism that has been held to be a weakness of orthodox social science". She recognizes that individuals are fundamentally socially embedded beings and are limited in their ability to influence broad trends in behaviour. At the same time, she presents a method by which groups can be categorized and characterized in order to understand the nature of social interactions that provide for more effective individual agency[9].

How does this new approach to culture affect development thinking?

A new way of thinking about culture emerged from anthropology. It suggests that culture, as a cement of "social organization", can be harnessed for positive social and economic transformation, particularly through the ways in which power relations and individual agency work within a society. By positioning a group within the social hierarchy, culture provides the means for high status groups to maintain their superior position, whereas for those at the low end, it can limit aspirations, create discrimination and block mobility. Culture is, therefore, fundamentally linked to the perpetuation of inequality. Thus, the new debate in development thinking attempts to respond to the following question: "How can interactions between diverse cultures within a society be managed in a manner that allows for more individual agency?" The challenge is to help the "poor" produce a cultural consensus that best advances their own collective long-term interests in matters of wealth, equality and dignity.

In fact, the recognition that societies consist of different groups, often structured in hierarchies with unequal social and cultural capital, as conceptualized by Bourdieu (1986), suggests that mechanisms of inter-group exchange and deliberation need to be set up in a manner that changes the terms of recognition. It implies that development interventions need to be shaped in ways that recognize the relative disempowerment of weaker or subordinate groups in cultural, economic and political terms, especially when they address problems of inequality and empowerment. Enhancing the accumulation of capital in a society and the maximization of material well-being are no longer the sole preconditions for development. Creating an enabling environment to move toward a culturally equitable form of development through social transformation becomes one of the priorities of the development agenda.[10] This approach involves understanding how context matters in ways that are conditioned by such inequalities and the need to design public action that fosters greater "equality of agency" with respect to social hierarchies. Rao and Walton (2004) label this a shift from "equality of opportunity" to "equality of agency".[11]

As culture is perceived as influencing individual aspirations, as well as the coordination of collective action, the challenge is to redress power inequalities and dominant discriminatory norms in favour of the marginalised. Therefore, it is widely acknowledged that development efforts should no longer focus solely on economic growth and poverty alleviation. Other important goals include democracy, human rights, employment, literacy, health and justice (Rodrik, 1999; Sen, 1999). These goals are seen as crucial for supporting positive social and economic transformation. In this light, it is worth emphasising that the linkage between culture and development no longer refers to chance historical processes that emerge over time, but rather to the result of conscious efforts that seek specific social transformations.

Along with this type of reasoning, Appadurai (2000) argues that building the "capacity to aspire" in subordinate groups is a direct implication of a cultural perspective. The capacity to aspire is a forward-looking cultural capacity that is unequally distributed, with the rich having a greater capacity than the poor. Equalizing the capacity to aspire, and changing the terms of recognition, involves creating an enabling

[9] The debate surrounding the influence of structure and agency on human thought and behaviour is one of the central issues in sociology. In this context, "agency" refers to the capacity of individual humans to act independently and to make their own free choices. "Structure" refers to factors such as social class, religion, gender, ethnicity, customs etc., which seem to limit or influence the opportunities that individuals have.

[10] See the critique contained in the 2006 World Development Report, Equity and Development.

[11] A survey of the new ways of thinking about culture and development can be found in Rao and Walton (2004).

environment to provide the poor with the tools and the voice to navigate their way out of poverty. This may require the development of rituals that help support social agency, such as participatory budgeting, and the identification of key agents that can facilitate the process of connecting the poor to policymakers. In the same vein, other scholars focus on the individual — on understanding people's "true preferences" in the case of Kuran (2004) and on freeing individuals from the yoke of oppressive elites in the case of Abraham and Platteau (2004) — to ensure "equality of agency". Similarly, Sen (1999, 2000) argues that there is no particular "compulsion" either to preserve disappearing lifestyles or to adopt the newest fashion from abroad, but there is a need for people to be able to take part in these social decisions. Thus, great importance is given to elementary capabilities, such as reading and writing through basic education, being well-informed and well-briefed through a free media, and having realistic chances of participating freely through elections, referenda and the exercise of civil rights.

To sum up, enabling development does not require any import of "appropriate" norms and attitudes, as other cultural approaches to development have claimed (Harrison and Huntington, 2000). Culture as a cement of social organization calls instead for deliberative political institutions that contain checks and balances, guaranteeing the corporation of all social groups into public decision-making. One particular proposal has gained ground: development projects should aim to transform social relations in which lack of trust and cooperation, as well as faltering institutions, bar individuals from leading the lives they deem worthwhile. This, at a minimum, requires full adherence to human rights and democratic procedures (Douglas, 2004).

However, a question remains: to what extent has this new line of thinking challenged earlier models?

As was noted above, the most important shift in thinking on culture and development is the attempt to reconcile the recognition of the existence of social structures with the rehabilitation of the role of individuals in shaping their destiny. This approach to culture consciously downplays the understanding of culture as "essence" in order to focus explicitly on individuals embodying a unique combination of personal, cultural and social experiences. Therefore, if at first sight the tradition/modernity dichotomy is overcome, the emphasis put on the importance of "individual agency" is intimately rooted in the modernity project. Individuals should be ultimately autonomous and free to set up structures that govern their actions. The new emergent framework, by considering culture as an ingredient of social organization, not only allows for social transformation but also seeks implicitly — in accordance with the modernity project — to do away with the supposedly static and negative role associated with tradition. As Sen (1999) points out, the ultimate test is the freedom of the citizens to exercise free agency and choose in an informed and participatory way. It is the only way to overcome the conflict between tradition and modernity.

> "The pointer to any real conflict between the preservation of tradition and the advantages of modernity calls for participatory resolution, not for unilateral rejection of modernity in favour of tradition by political rulers, religious authorities or anthropological admirers of the legacy of the past". (Sen, 1999).

Along these lines, the argument advocating that development strategies should not focus solely on poverty alleviation but also on freeing poor people from traditional hierarchies, informs us on the way modern societies see developing countries, as well as themselves. The hidden assumption remains the same: development should help developing countries get access to modernity. The only difference is that modernity in this new framework is expressed in political, as well as economic, terms.

On the other hand, taking into account that the critics of modernization theory radically questioned the superiority of Western values, a question remains: what criteria are to be employed in supporting the "empowerment" of the weak: French ones, British ones or American ones? Similarly, we can ask who has the authority to decide whether a particular social practice is offensive or not, since one person's offensive practice may be another's sacred belief. There are always disagreements on such issues, and any disruption of a social equilibrium is likely to result in conflict, hardship and social and economic costs. Besides, if the goal is "equality of agency", who will be able to determine if, and

when, this is achieved? The same objective situation can be interpreted by one culture as "equal" and by another as completely "alienating". "Equality of agency" is difficult to achieve, and each culture has its own myths to manage unequal situations. If we have to change the terms of recognition in a given society, what kind of alternatives shall we choose?

To conclude, globalization led to a new conceptualization of culture that tends to consider culture as a "malleable fact". From this perspective, any cultural continuity over very long periods of time seems harmful to development because it presupposes an absence of any kind of cultural learning or social transformation. In accordance with the modernity project that prioritises individual autonomy, any kind of continuity is implicitly compromising the achievement of progress. Thus, although the traditional/modern dichotomy

is radically criticized at a national level, it is replicated in the ways development thinking conceives of the challenge of managing diverse cultures and different social hierarchies within a given society. More precisely, this dichotomy is replicated by the prioritization of "individual agency" and "social transformation" over the cultural continuity that supposedly blocks progress. Empirically, however, we find evidence of both massive cultural change and the persistence of distinctive cultural traditions. Even though it is widely acknowledged that culture is malleable, dynamic and adaptable, we still need a better understanding of how the heterogeneity of values or social groups in a given society is articulated with more stable guiding principles and more durable cultural references. Acknowledging and understanding the interdependence between the culture and individual agency cannot be advanced without a clear conception of these relations.

2.   Culture and economic performance: can we break away from the best practices mainstream discourse?

Development thinking is particularly challenged by globalization to seek the most appropriate ways of conceptualizing the role of culture in economic growth. In the following section, we will shed light on some of the ways culture has been taken into account in work that examines the different challenges posed by economic performance. Our interest lies in the nature and form of the connections found between culture and economic performance, and how these illustrate the critical reflections presented above. In particular, we will focus on how culture is said to affect economic performance through the ability to create and manage institutions, through the creation of social networks and through its impact on management.

2.1   Culture and institutions

One of the most important challenges facing development economists is to understand the sources of persistent differences between rich and poor countries. Chronic differences in economic performance have existed throughout history, and they exist across countries today. In the 1990s, there was a growing interest in how institutions explain contrasts in economic performance across countries. "Governance reform" has come into prominence in recent years, and the academic literature on institutions and development has exploded. Today, even the World Bank and the IMF, which used to privilege orthodox economic theory tools, have come round to emphasising the role of "institutions" in economic development. For example, the International Monetary Fund (IMF) put great emphasis on reforming corporate governance institutions and bankruptcy laws during the 1997 Asian crisis, while two recent annual reports from the World Bank (2002; 2005) focus on institutional development. Nevertheless, development policy has tended to focus on formal institutions, paying much less attention to the informal institutions that shape what North calls the "informal constraints":

"Institutions are the humanly devised constraints that structure political, economic and social interaction. They consist of both informal constraints (sanctions, taboos, customs, traditions, and codes of conduct), and formal rules (constitutions, laws, property rights). Throughout history, institutions have been devised by human beings to create order and reduce uncertainty in exchange. Together with the standard constraints of economics they define the choice set and therefore determine transaction and production costs and hence the profitability and feasibility of engaging in economic activity." (North, 1991: 97).

According to North, the sources of contrasting economic performance lie within the institutional structures of society that define incentives for saving, investment, production and trade. Institutions refer not only to the formal private and public sector organizations and rules that influence how agents interact, but also to the relatively stable collective routines, habits or conventions observable in all economies. These kinds of institutions vary greatly among countries and have a significant impact on economic performance. While orthodox economists often seek to give rational, maximizing accounts of the origins of institutions, institutional economists as a group are much more aware of the importance of history, culture, tradition and other so-called "path dependent" factors in shaping economic behaviour. This section describes the way culture has been integrated

into the institutional economics framework to explain economic performance. It also considers the extent to which the conceptualization of culture as part of institutional constraints advances our understanding of the relationship between culture and economic development.

Work in institutional economics, associated in particular with Douglass North, has the great merit of integrating the tools of economic, historical and cultural analysis. The analysis operates within the rational choice framework but manages to reconcile anthropological observations with economics (North, 1990). North's special contribution is to map the whole social system and focus on the informal constraints imposed on the choices made by individuals. However, we will argue that North's interest with institutions and the context within which markets operate still ends up with a dichotomy between "modern" economic relations and the "cultures" that obstruct rational economic activity.

North defines culture as "communities of common ideologies and a common set of rules that all believe in" (North, 1987: 421). He treats culture as a robustly practical way of life that responds to changes in prices and costs, drawing the economic system along with it (North, 1998). Culture mobilizes individuals and turns them into a community with shared norms and values. It does this by setting constraints on behaviour.[12] Individuals make choices on the basis of their mental models. These values are acquired through experience that is "local" to a particular environment and which therefore also varies widely across environments. Consequently, there is an immense variation in "mental models" and perceptions of the way the world works (North, 1994). This diversity of experiences and learning has produced increasingly differentiated societies and civilizations with very different degrees of success in solving fundamental economic problems and "efficient" institutions.

There is increasing recognition in this literature that high-quality institutions can take a multitude of forms, and that economic convergence need not necessarily entail convergence in institutional forms (North, 1994; Freeman, 2000; Rodrik, 2003; Meisel, 2004). There is no "one best way" to secure economic success. As an illustration, Japan, the United States and Europe have managed to generate

roughly similar levels of wealth for their citizens, but the prevailing rules of the game are very different in Japanese-style and American-style capitalism (Rodrik, 2003). Even within Europe, there are large differences in the institutional arrangements (De Rozario, 2006). The implication is that transferring the formal political and economic rules of successful Western market economies to the developing countries is not a sufficient condition for good economic performance (North, 1994).

Yet, a question remains: if the starting point is that an admixture of rules, norms and enforcement characteristics determines economic performance, how are we to account for the evolution of institutions that create an environment for growth?

According to North, the complexity of the institutional environment increased as human beings became increasingly interdependent, and more complex institutional structures were necessary to capture the potential gains from trade. Such evolution required society to develop institutions that allow for anonymous, impersonal exchange across time and space. Thus far, the argument is similar to that of modernisation theory. Institutions create the conditions for the impersonal exchanges typical of modern society. For North, the flexibility of Western political and economic institutions have substituted for the traditional role of the family, insured against the new insecurities affecting individuals, and dealt with the externalities, environmental as well as social, that accompany this economic transformation. He postulates that for successful reform, it is essential to change both institutions and belief systems, since it is the mental models of the actors that will shape choices (North,1994).

While formal rules can be changed overnight, informal rules change only gradually. Hence, North argues that the evolution of norms of behaviour that will support and legitimize new rules is a lengthy process, and it is by the development

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[12] To refer to institutional constraints, North sometimes prefers to use the word "ideology", perhaps unwisely, because it suggests too much the fashionable, over-intellectualized idea of culture to which he does not subscribe in the least (Kuper, 1999).

of the rule of law and the protection of civil and political freedoms that developing countries can achieve long-term economic growth. More recently, North et al. (2004) distinguish between modern societies marked by an "open social order" founded on laws and impersonal relations and societies based on a "limited-access social order" based on interpersonal ties. The key to comprehending modern social development is understanding the transition from limited to open-access social orders: in other words, the movement towards the formalization of rules.

Regarding the issue of the relationship between culture and economic development, the perspective described above calls for two comments:

First, these arguments reveal an inherent conflict between culture and development. For North, the coordination problems confronting any poor country can be explained by the fact that the incentives structure works so that community interests outweigh those of the individual (North, 1990). The underlying assumption is that communitarian forms of order, represented by the label "culture", often lead to rent-seeking, non-transparent behaviour, which is prone to being overwhelmed by principal-agent problems that frustrate the individual members of groups, while allowing small groups with passionately held views to have undue influence over large, less-passionate majorities. These properties, economic historians and political economists then argue, lead to sclerosis and lower levels of economic growth than would be possible if market institutions predominated (North, 1981; Olson, 1965; Moe, 1987).

So, in order to develop from poverty to wealth an economy needs to obtain the benefits of scale, and in doing so it must weaken culture. Since cultural constraints protect trust and confidence in the future, and since development needs to develop impersonal and anonymous exchange, a sinister trade-off has appeared. The attempt of the "new institutional economics" to integrate culture within economic analysis arrives at the same old-fashioned view as the other approaches. It assumes that traditional culture is a dead hand that blocks development, and it ends up reproducing the tradition/modernity dichotomy. It brings us back to the previous view that only two cultures count. One is the entre-

preneurial culture — individualist, progressive and modern, almost a non-culture since it is based strictly on individual rational choice. The other is corporatist and traditional, supposedly an irrational impediment to economic growth (Douglas, 2004). This displays once again an unspoken scepticism about any such putative social glue. North's interest in the context within which markets operate still ends up with a dichotomy between modern economic relations and the "cultures" that obstruct rational economic activity.

Second, we agree with Rodrik (2003) and Chang (2003) that this perspective has led to an overemphasis on the role of institutions, such as property rights and the rule of law in enforcing the roles of competition and exit, and as a consequence has confined the role of culture to being a constraint on development. Institutions merely reinforce the market and economic rationality. Similarly, in the world of development agencies, it is argued that because many developing and transition economies lack a clearly defined and secure private property rights system, "good" policies based on "correct" theories recommended by development economists have failed to work. In other words, the institutional argument is being mobilised to suggest that the development policies and theories were never wrong. They failed to work only because the countries implementing them did not have the right institutions for the "right" policies to work.

In this regard, d'Iribarne (2003) emphasizes that the importance given to the "enforcement of property rights" as a critical ingredient for building good institutions able to achieve economic development is far from reflecting a "universal" criterion. He shows that this framework is rooted in the specific American conception of a "well-ordered society", which links the idea of freedom to property.[13] He suggests that there are different ways to resolve collective action problems. Each society develops its own ways of collective problem-solving that both build its governing institutions and affect individual incentives.

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[13] This point will be developed in the next section.

In spite of increasing recognition in the economic literature that there are different high-quality institutional models, this literature does not tell us clearly whether diversity merely reflects efficient solutions to different problems derived from different starting points, or whether there are many equally efficient institutions that can be applied to solve the same problem. In addition, the empirical research on national institutions has generally focused only on the protection of property rights and the rule of law, narrowing the spectrum of the comparison and hindering an explanation of what is happening in the real world (Rodrik, 2003; Storper, 2004).

Correspondingly, Berckowitz et al. (2003) find that countries that developed their formal legal orders internally, adapted imported codes to local conditions or had familiarity with foreign codes, ended up with much better legal systems than those that simply transplanted formal legal orders from abroad. Thus, there is no need to replicate the Western-style institutional system from scratch; it may be possible to work with such institutions as are available and build on them.[14]

In this section ("Culture and institutions"), we have reviewed some of the key theoretical issues involved in developing a good understanding of the relationship between culture, institutions and economic development. The failure to overcome the dichotomy of tradition/modernity, the excessive focus on property-rights institutions and the failure to build a sophisticated theory of institutional change have been pointed out as the major problems in the currently dominant literature on institutions and economic development. We can break away from the so-called best practices prevalent in the mainstream discourse only if we understand the complexity of the relationship between individual agency and cultural continuity in institutional change. Only when we accept the existence of different cultural/institutional "traditions" across societies can we begin to understand that what people believe and do matters in a real sense. An approach that is less focused on the superiority of any particular institutional model and more cognizant of the context-specificity of desirable institutional arrangements is needed. Instead of focusing only on "big institutions", work toward gradual improvements in institutions or small institutional practices may help to show exactly how positive institutional arrangements are promoted or blocked. Such an approach may help to open up a new way of looking at institutional reforms.

2.2   Culture and social networks

There is today a debate as to whether large-scale, rational, bureaucratic principles, along with the individualization, ephemerality and mobility they seem to call forth, have not gone too far, weakening forms of community necessary for social order (Putnam, 2000; Etzioni, 1996). This type of reasoning has also become centrally involved with questions of economic development. It seeks to integrate the potentially positive effects of community with the modern economy. It refers to communities, and hence cultures, as means for improving the functioning of labour markets, generating entrepreneurship and organizing the provision of the public goods that alleviate both private and state burdens in the creation of prosperity and social integration. Similarly, success in small-firm based industrial clusters or districts, ranging from the most famous case of Italy to examples drawn from Taiwan, Brazil and China, are said to depend critically on the existence of communities that regulate complex inter-firm and firm-worker relationships through shared norms, reputation effects and mutually aligned expectations. In other words, some constraints on behaviour and some common values can greatly reduce transaction costs and make business more efficient.

In the Asian context, certain social networks that span countries are said to have played an important role in facilitating trade and deep trans-national integration. In Europe, Dei Ottati (1994) defines the "social environment of the ideal-type industrial district" in terms of a common culture, frequent face-to-face relations and "norms of reciprocity

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[14] For a discussion on the transferability of legal systems, see Kleinfeld (2006).

accompanied by relevant social sanctions". Values and social relations in the community are considered functional aspects of the economic performance of local enterprises. Social networks propagate information on job opportunities, relative prices and a host of other economic matters. In the 1990s, the World Bank experimented with so-called 'micro-lending' projects that seek to use social networks to extend very small retail loans to poor customers in Africa and other regions. The success of micro-lending depends on adequate information about creditworthiness that is best captured through informal rather than formal information channels (Fukuyama, 2001).

In the same vein, the organizational and management literature has explained the success of inter-firm relation-ships in terms of the position of the cooperating partners in a network of relationships (Nohria and Eccles, 1992). For example, the economic success of the automobile and the electronics industry in Japan has been explained by the establishment of close and long-term oriented external relationships (Sako, 1992). Inter-firm networks of actors reduce the necessity of contractual commitments through the emergence of trust. As Granovetter (1985) has argued, the ability of social networks to enhance eco-nomic development is strongly related to the building of trust. Actors trust each other because of their common cultural background, shared values and strong reputation effects. These stem from dense interpersonal networks. This notion can also be found in many other empirical studies of regional economic development (Becattini and Sforzi, 2002).

This literature draws attention to the communities in which enterprises are embedded and to the socio-cultural ties that facilitate trust. It challenges the rational choice assumption underlying utilitarian analysis and moves to centre stage the issue of trust and culture in economic development. The question is, to what extent does culture influence the func-tioning of social networks and their ability to produce trust-worthy relationships? The section below outlines the ambi-guity concerning the way culture is said to affect the emer-gence of trust as an output of social networks and an impor-tant ingredient in economic performance.

Trust as a result of shared values

The concept of trust has traditionally been taken to signify and represent a coordinating mechanism based on shared moral values and norms supporting collective co-operation. Casson (1997: 118) defines trust as "a warranted belief" that someone else will honour his/her obligations, not mere-ly because of material incentives but also out of moral com-mitment. From this perspective, trust is offered to indivi-duals and/or to organizations through the assumption that they will conform to standards of behaviour that characteri-ze the community: honour, devotion, solidarity, etc. For example, Ouchi (1981) suggests that clan membership is a basis for trust. It determines the members' behaviour. Fukuyama (1995) views trust as the expectation of regular, honest and cooperative behaviour based on commonly shared norms and values. Trust is associated with the capacity to cooperate in a spontaneous way on the basis of shared values, rather than on the basis of formal rules.

Zucker (1986) defines such a set of shared, "taken for gran-ted" expectations as part of a "world known in common" among certain members of society. Consequently, national differences in values, social context and institutions will have a significant impact on levels of relational quality. Many researchers have mentioned the high trust widely acknowledged to be prevalent in Japanese business socie-ty as compared to low trust in the United States (Ouchi, 1981). Even though trust is built in different ways, its esta-blishment relies upon the societal norms and values that guide people's behaviour and beliefs (Hofstede, 1980). Since each culture's "collective programming" results in dif-ferent norms and values, the processes trustors resort to in order to decide whether, and whom, to trust may be heavi-ly dependent upon a society's culture.[15]

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[15] The differing impact of cultural values on networks of social relations is the basis for the concept of social capital. One of the most important headings under which the issue of cultu-re and development has been discussed in the 1980s and 1990s has been that of "social capi-tal" (Putnam, 1993). Social capital consists of the norms or values shared by a group of people that promote cooperation and trust among them. This, like physical and human capital, is a source of wealth.

This conception of trust is based on a deterministic view of culture understood as those customary beliefs and values that ethnic, religious and social groups transmit fairly unchanged from generation to generation. This view of culture leads to an ambivalence in the understanding of the role of social networks in economic performance. Some scholars suggest that social networks are one of the ways that market failures can be efficiently overcome in developing countries, as well as in modern economies, and they come to the conclusion that networked entrepreneurialism is often superior to bureaucracies (Stiglitz, 1994; Piore and Sabel, 1984). At the same time, one frequently hears criticism of "crony capitalism" in Asia. Family based production networks — certainly a form of cronyism — work well in Taiwan and are often cited as one aspect of the "good communitarian" structures found in the Third Italy region, but they are deplored when they become clannish, as in the Mezzogiorno (Gambetta, 1988; Leonardi, 1995).

Failure stories in the economic development literature share this ambivalence. For some scholars, social networks can hinder economic development. According to Platteau (2007), strong ethnicity has prevented the modern state from becoming established in Africa during the post-independence period, thereby creating a perverted path of non-development. Similarly, Knorringa (1996) argues that in the footwear cluster of Agra (India) the economic divisions between producers and traders were heightened by the distinct social castes to which they belonged. While the producers were largely backward-caste Hindus and poor Muslims, the traders were higher-caste Hindus (banias) and rich Muslims. Knorringa suggests that the antagonistic exchange relationship between producers and traders was reinforced by the distrust and social contempt that the two castes had for each other, thereby weakening the prospects for cooperation.

Trust: a calculative process

Most economic theory, whether in mainstream or Marxist variants, regards social ties as obstacles to the building of effective economic relations. Along with this type of reasoning, some authors strain to find the perfectly rational character of participation in networks and governance, even if they acknowledge the role of social networks in economic performance. They deny that these networks could be, at least in part, dependent on group membership or that the participants could be socially "embedded" in ways important to the functioning of these groups.

These authors view the development of trust as basically a calculative process (e.g. Buckley and Casson, 1988). Individuals are described as opportunistic and seeking to maximize self-interest. According to these behavioural assumptions, trust is established through a calculative process, whereby one party calculates the costs and/or rewards of another party cheating or cooperating in a relationship. For Dasgupta (1988), "Trusting another implicitly means that the probability that he will perform an action that it is beneficial or at least not detrimental to us is high enough for us to consider engaging in some form of coordination with him." From this perspective, there is no need to make assumptions about a partner's values and beliefs to understand how he/she behaves. The assumptions of rationality and opportunism are sufficient to explain the essence of this relationship – "trust" is given when the structure of returns to the "other" make defection unattractive. When the structure of returns to both sides to transaction favours cooperation, there is "trust".

Williamson (1993) employs a calculative conceptualisation of trust. He recognises that "socialization and social approvals and sanctions are also pertinent", but he goes beyond that calculative process of trust only to the extent that he sets the probabilistic calculus in an undetermined social context. The social norms of trusting behaviour are reduced to a sum of agents who all interact on a purely calculative basis. Social norms are useful, but they are best substituted by economic rationality. In fact, trust as it is conceived of in social science, i.e. the conformity to social standards of behaviour, is difficult to reconcile with a vision of modern society as consisting of self-interested, calculative individuals. Trust can enhance economic performance only if it is built on a community of "interests", which is distinct from a community of values based on a spontaneous adherence to the same group. Once again, it appears difficult to reconcile between "social norms" implicitly considered as part of "tradition" and the pure coordination of "individual interests"

underlying the way that the literature considers the economic development issue.

However, another line of thinking suggests a third route based upon trust construction through interaction. Trust is achieved through communication events involving all actors in the negotiation of shared meanings and the development of rituals and practices that establish shared values, norms and beliefs (Das and Teng, 1998). Under this alternative view, belonging to the same community is not a prerequisite for the emergence of trust. Such an approach tries to accommodate the influence of social norms in the building of trust but maintains actors' autonomy in the shaping of trusting relationships. Actors are freely involved in building trustworthy relationships and jointly set up norms to govern their actions through an interaction process. Firms learn to trust each other over time. They experience the fact that a partner does not take advantage of dependencies or constructively solves small conflicts. As Humphrey and Schmitz argue:

> "This is the distinctive feature of relationships based on trust: the risks taken expose the agent to possible losses which are greater than the advantage being sought. In Luhmann's words, 'trust is only possible in a situation where the possible damage is greater than the advantage you seek' (Luhmann, 1988: 98). The reason for accepting this extra risk is the grounded belief that the partner will not behave opportunistically." (Humphrey and Schmitz 1998)

This past-oriented aspect of trust, then allows for a future-oriented one. A common future creates trust through the overriding consideration that partners are going to meet again (Luhmann, 1979). Firms expecting to interact again in the future will place initial trust in the partner, because they assume that the other will not abuse their trust and jeopardize future interactions. These processes are well illustrated by Menkhoff's discussion of the development of trust-based relations among Chinese traders in Singapore (1992). To start a business in Singapore involves establishing credibility. Menkhoff describes how new traders have to slowly build up a track record of trustworthiness through repeat transactions.

Nevertheless, such strategies of trust construction have

their limitations. Fafchamps (1996) argues that trust, or working with known associates, may be an effective way of operating in a difficult environment, but it is a second-best solution, narrowing the range of transactions and limiting economic opportunities. Using case studies of manufacturing and trading firms, he shows that compliance with contractual obligations is mostly motivated by the desire to preserve personalized relationships based on mutual trust. However, the absence of reputation mechanisms limits the extent of network construction.

Recent research on industrial clusters in developing countries confirms that social ties are an important basis for trust and sanctions but suggests that their importance diminishes as clusters grow (Humphrey and Schmitz, 1998; Schmitz, 1999). Schmitz (1999) shows that socio-cultural bonds facilitate trust, but their influence lessens over time as they are eroded by increasing differentiation within the community and the key role of outsiders. The new ties are based on conscious investment in inter-firm relationships, and extended trust relies increasingly on economic and technical performance irrespective of social identity. More than that, the ability of clusters to make a shift from a characteristic-based trust to a process-based trust is seen as critical to their ability to compete in a global market.[16] Yet, the question of whether culture is a factor in the ability to make this shift remains open.

In one of the most explicit efforts along these lines, Fukuyama (1995) argues that low-trust, highly communitarian societies are less likely to generate successful large enterprises than are high-trust societies, and low-trust societies typically have lower long-term rates of growth than do high-trust ones. Intriguingly, Fukuyama holds that capacities for direct, spontaneous or informal association of persons facilitate the establishment of large-scale, transparent and bureaucratic forms of economic life, such as the large corporation.

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[16] Zucker (1986) makes a useful distinction between characteristic-based trust and process-based trust. In the first case, trust is based on the characteristics of the business partner, such as family, ethnic or other attributes. The second kind of trust is derived from the process of doing business directly with X or knowledge of X's dealings with others (reputation).

This alternative approach to trust tries to accommodate the influence of "social norms" by suggesting rather than the two forms of coordination being mutually incompatible, the one is a precondition for the other. The underlying assumption is that economic performance, in conformity with the modernization project, requires less emotional trust in known and familiar persons but more system-trust predicated on the ways in which modern institutions present themselves.[17] This displays the implicit persistence of the utilitarian rational choice assumption as a prerequisite in achieving economic progress. As an illustration, Luhmann (1988) advocates that the conversion towards system-trust is part of the great "civilizing" processes towards greater social differentiation and societal complexity.

This section ("Culture and social networks") has highlighted the increasing recognition of the importance of culture as a set of "social norms" that can be used to enhance economic performance, and it describes the different ways in which social networks are said to affect economic development. At the same time, this section emphasizes the difficulty of grasping the articulation between the role of social relations (suspected of bringing back "tradition") and individual autonomy (as a condition of a "modern society") in identifying the role of social networks in economic performance. Thus, the dichotomy of tradition/modernity leads to the perception of the two forms of coordination as juxtaposed and, at best, as substitutes for each other. As a consequence, it becomes difficult to understand the critical association needed to enhance economic performance, as well as to explain the differences seen among economic institutions across countries.

2.3   Culture and management

The work of Harbison and Myers (1959) and Farmer and Richman (1965) stimulated a sizeable body of research centered on the relationship between management and economic development, and comparisons between systems of management (Nath, 1986). In these early studies, culture per se was not a research issue. This work was strongly multi-disciplinary in orientation, especially that of Farmer and Richman (1965), who included educational/cultural, sociological/cultural, political/legal and economic variables in their model. The research was premised on the convergence hypothesis of socioeconomic development.[18] It predicted the "convergence of cultures, as well as applicable management principles and practices, throughout the industrial world" even if "this type of universal convergence is likely to take decades, generations and even centuries in some extreme cases" (Farmer and Richman, 1965: 394). In other words, it echoed the approach of modernization theory.

These authors emphasized that the application of scientific thinking to industrial technology would elicit predictable consequences everywhere: a pattern of rational administration to maximize the productivity of machines and personnel; a labour force committed to an industrial way of life; a division of labour based on technical and managerial skills that inevitably arises within functionally related groups; and the development of a rational worldview among people exposed to applied scientific knowledge. The patterns first appear in economic institutions and later spread to related institutions. The application of management principles would not only enhance economic growth but also would help to foster democracy. While traditional cultures may temporarily impede these changes, eventually tradition must yield to the logic of industry. At the same time, academic management research was primarily a Western and, to a large degree, a U.S. enterprise (Boyacigiller and Adler, 1991). It was a time of great enthusiasm for the American

[17] Luhmann (1973: 23) distinguishes between different forms of everyday trust (including personal trust) and system trust as a more impersonal form. The functioning of all complex political or economic institutions, government bureaucracies or monetary systems, depends directly upon system trust and, at least in part, on trust generated in the more intimate and cognitively accessible contexts of each human being's everyday life.

[18] In its simplest version, the convergence hypothesis states that industry would spread rapidly throughout the world, breaking down traditional loyalties and quickly producing committed industrial workers in the large enterprises, cities and government bureaucracies. Though different elites (dynastic, middle-class, revolutionary intellectuals, colonial administrators and nationalist leaders) would direct the industrialization of developing countries, the "logic", or the demands, of industrialization would require them increasingly to share decision-making with workers, managers, scientists and others. A pattern of pluralistic industrialism would arise, and as multiparty rule-building replaced revolutionary movements and ideologies, the world would become more homogenous, prosperous and perhaps more democratic (Kerr et al., 1960).

management model. These factors led to an implicit universalism in much of organization science. The unspoken assumption was that the American model was not the product of a particular culture, but rather the very expression of a universal rationality applicable across cultural boundaries.

However, globalization and the relatively rapid growth of transitional economies has, in general, created a burgeoning interest in understanding the management practices of various countries in their own context and within their own frame of reference. As the locus of industrial energy shifted from the United States towards Japan and the newly developing Asian countries, attention focused on the issue of competitiveness. In the United States, as in many other countries, this meant a preoccupation with Japan. The assumption that a unique Japanese culture was contributing to the success of Japanese industrial organizations underlay this preoccupation (Drucker, 1971; Ouchi, 1981; Pascale and Athos, 1981). This trend prompted unprecedented interest among management scholars and practitioners in the influence of national cultures on management practices and the consequences for economic performance.

The central question addressed in this section is the following: to what extent does the management literature, in particular that devoted to cross-national comparative research, challenge the one "best practice" based approach to understanding the relationship between culture, management and economic development?

Culture as a set of values and attitudes

Hofstede's seminal book, *Culture's Consequences* (1980), with its focus on a readily accessible set of universal dimensions from which measures of culture can be derived, was the precursor to cross-national comparative research that seeks to understand the link between cultural values and managerial attitudes and behaviours.[19] Defining culture as "the collective programming of the mind which distinguishes members of one human group from another" (1980), Hofstede initially found four "universal categories of culture" around which programming occurs. The now well-known

dimensions are individualism-collectivism, power-distance, uncertainty avoidance, and femininity-masculinity. The dimension of Confucian dynamism was added later, developed in a subsequent study with Michael Bond and his Chinese colleagues (*Chinese Culture Connection*, 1987). These universal dimensions of culture "describe basic problems of humanity with which every society has to cope; and the variation of country scores along these dimensions shows that different societies do cope with these problems in different ways" (Hofstede, 1980: 313).

A vast literature on a wide array of topics based on these dimensions has evolved (Hampden-Turner and Trompenaars, 1996; Clegg and Redding, 1990; Whitley, 1999). This framework has facilitated the relatively straightforward inclusion of cultural variables into cross-national research in other management-related fields. For example, a dimensions-based framework informs research in economics with regard to economic growth. Franke, Hofstede and Bond (1991) showed that cultural values, measured from Western and Eastern perspectives, are factors in economic performance that explain more than half the cross-national variance in economic growth over two periods for samples of 18 and 20 nations. Performance seems facilitated by "Confucian dynamism" stressing thrift, perseverance, and hierarchical relatedness, but not traditions impeding innovation. Cultural "individualism" seems a liability, while the propensity for work in cohesive groups is an asset for economic performance.

This literature has the great merit of showing that all societies have "culture" and of challenging the one, best-practice based approach. Nevertheless, the conceptual framework presented in *Culture's Consequences* has not escaped criticism. Two critical factors continue to afflict the majority of research from this cross-national comparative perspective: the use of the nation state as a surrogate for culture, and the assumption that national culture expresses itself as a

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[19] Hofstede grounded his research on an extensive literature review, including the values orientation work of Kluckhohn (1951) and Kroeber and Parsons (1958), and on one of the largest databases ever analyzed (attitude surveys of 116,000 IBM employees).

single, given and immutable characteristic expressed in individuals. This view of culture tends to entail blindness in regard to social variations, diversity and power relations within a nation or an organization, or between nations and organizations. Furthermore, many local case studies within different countries contradict the coherence of cultural dimensions (Tayeb, 2001; d'Iribarne, 1997).

Other critics within the context of globalization move away from the assumption that culture and nation-state are synonymous (Lenartowicz and Roth, 2001). They advocate that the changing nature of the business and organizational environment makes different demands on the type of international cross-cultural management research that is undertaken. Thus, the study of cultural complexity in the management field becomes contextually sensitive, with qualitative case studies focusing on organizational actors' interpretations, identity constructions and sense-making processes (Soderberg et al., 2002; Weick, 1995). As we noted above in Section 1.3, national specificities are considered in this new emergent intellectual framework implicitly as traditional, and they are seen simply as hang-overs from earlier periods.

The question here is: to what extent does this literature have an impact on development thinking?

Scholars who focus on management in developing countries are divided into two camps, which can be characterized as the organizational theorists and the culturalists. The former hold that the theoretical principles underlying and explaining organizational behaviour are universal. The culturalists argue that management practices in developing countries are rooted in local cultural values. However, we can note that when it comes to formulating recommendations for modernizing the functioning of firms in these countries, the gap between these two camps is not as large as it might at first appear (Leonard, 1987). Both continue to advocate the best practice, or "one best way", approach.

Organizational scholars (Austin, 1990; Jaeger and Kanungo, 1990; Kiggundu, 1989; Womack et al., 1990) continue to take a one best-practice based approach, and even if some of them acknowledge the importance of cultu-

re, they do not consider it of prime interest. They argue that only Western management techniques may be able to improve performance in developing countries.[20] The "culturalists" see the character of organizations within these countries as rooted in their larger political and social structures and come very close to saying that the organizations are unreformable. From this perspective, culture is an obstacle to modernization, and it is seen as self-evident that the persistent "traditional" aspects of life in such countries could only be obstacles to efficient production; it seemed obvious that such efficiency could be based only on the "rational" aspects of the organization.

However, many examples show that adopting the "best-management practices" is not sufficient for improving economic performance in developing countries. The management tools proposed by experts do not have the desired effects; they are often abandoned after the experts leave. Furthermore, when some companies record substantial technical and financial successes,[21] the majority of observers, whose concern is seeing the developing countries become part of globalization, see in these cases only the results of universal methods. Few ask themselves about the concrete aspects that explain these singular successes and their effective achievement. This makes it impossible to distinguish what in so-called universal management methods is actually universal from what in fact reflects the unique features of the particular context in which they came into being.

Culture as a framework of meaning

Philippe d'Iribarne (1989) has directly challenged the one best-practice approach by showing that there are different management models within the so-called "developed countries", which are largely an expression of different conceptions of interpersonal and social relations with all

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[20] The strongest exponent of the applicability of Western management techniques cited by Leonard 1986 is the example presented by Cornelius Dzakpasu. Dzakpasu cites the case of an African public company that was near bankruptcy and was rescued through the use of such methods. He states explicitly, though, this was feasible because the company was an "enclave", i.e., it could be cut off from its environment. He does not tell how such isolation was achieved.

[21] *L'Afrique des entreprises*, by Agence française de Développement, La Documentation française, 1998.

their political and moral dimensions. Using an ethnographic approach, he showed that when the life of a U.S factory is observed closely, the organizational model that is a reference point throughout the world can be seen to be a local product. It reflects a political ideal that corresponds to the notion of a society based on contracts freely entered into by equals (Tocqueville, 1835). This contractual ideal is associated with a great mistrust of the arbitrariness of power and a great faith in recourse to objectivity as a means of avoiding this arbitrariness. One finds its traces in the efforts made to organize working relations in the form of contracts that define as precisely as possible the rights and obligations of the parties, whether it be for the relations between a superior and his subordinate, the relations between supplier and client departments, or in unionised companies, the relations between corporation and union (Foner, 1998).

Similarly, d'Iribarne explains that one finds in France another vision of the right way to live and work together. When the French speak of their work, the omnipresent reference point is the rights and duties associated to a specific position one holds in society, and to the rank associated to this position. When speaking of hierarchical relationships, as well as relationships with customers, the French refer to what seems normal to do in conformity with the customs of the 'métier' (profession) that one holds. Without any reference to instructions from superiors or to a "contract", these traditions define how to recognize a "good" way of working, what is "normal" to do, and what an individual cannot stoop to if one is a production engineer, a lathe operator, accountant or in some other calling. This can usefully be regarded as reflecting a society whose functioning is governed by a conception of freedom, quite different from the English or German conceptions, attached to rights specific to a given social position (Tocqueville, 1856; Montesquieu, 1748). Such a conception is already evident in medieval France (Bloch, 1939).

From this perspective, culture is not defined as a set of values and attitudes shared by a group. National cultures do influence economic behaviour, but they do so by serving as a frame of reference that provides a framework of meaning (d'Iribarne, 2007). Culture is essentially seen as a reference system that enables actors to make sense of their own actions and of the world in which they live (Geertz, 1985). All cultures provide references to denote, classify, identify, evaluate, connect and order. They establish criteria for distinguishing good from evil — the legitimate from the illegitimate. If the existence of such oppositions seems universal, the form they take differs considerably across societies. In every society, a specific network (constellation) of real or mythical figures and narratives (real or in the form of fables) highlights the principles of classification through which society can be seen to be made up of separate groups. Words are associated to these classifications such as impurity in India, witchcraft in Cameroon, the loss of freedom in the USA, dishonour in Algeria. They provide interpretative systems that give meaning to the problems of existence, presenting them as elements in a given configuration that shapes the relationship between individual autonomy and collective order.

In every country that has preserved its unity beyond the vicissitudes of history, one finds largely convergent conceptions of what a well-ordered society is. These conceptions do not merely influence the political institutions that govern the society as a whole. They even leave their imprint on the functioning of each specific organization. They underlie the way members of organisations, belonging to a specific society give meaning to what they live daily: the hierarchical functioning of the organisation, with its procedures for decentralization, control and evaluation of performances; cooperation among the different departments, decision-making and the management of conflicts; the organisation of relationship with customers, the quality procedures, the setting up of codes of conduct, etc. They provide references according to which actors interpret situations and events, the taken-for-granted assumptions that form the basis for their judgment, and the categories they employ to describe their daily reality. Thus, words such as "partnership", "cooperation" or "contract" may appear to be evident and clear but may, in fact, have different meanings from one culture to another. The meanings given to such words influence people's behaviour and expectations (Yousfi, 2006). In this sense, culture is a stable framework that shapes the way actors or social groups within a given society negotiate their social interaction. One can find consensus or

contradictions between actors within the same society, but the negotiation game is framed and legitimated by the same guidelines.

Within the so-called "developed world", one can find evidence of differences in management practices linked to different conceptions of the relations between the individual and society (d'Iribarne *et al*., 1998; Debony, 2003; De Rozario, 2006). These conceptions make the tradition/modernity dichotomy totally obsolete and lead within firms to different ways of making sense of a difficulty, collaboration, a sanction or a failure. Such characteristics are difficult to replicate elsewhere because of their embeddedness in a national culture. However, unlike industrialized countries, the developing countries have not developed indigenous management traditions. Therefore, the challenge is how to balance general organizational theory and the local context in deciding how best to improve management practices.

In this regard, d'Iribarne (2007) show that companies — whether subsidiaries of multinational groups or local companies — that succeeded in implementing imported management tools have sought to benefit from local cultures rather than suppress them. One of the most important success factors of these firms is their ability to develop a high quality of co-operation that is in contrast to common managerial practices in developing countries. They implemented working methods that respected locally accepted behaviours, allowing people to feel comfortable in their work.

An illustration of the success of imported management techniques in developing countries is provided by the example of the Cameroon Electric Company (CEC) (Henry, 1991).[22] At the time of the first diagnosis, CEC, like many sub-Saharan African companies, was suffering from excessive centralization. Highly personalized relationships were pervasive in the company, and everybody tended to constantly look at each other and to care much more about relative than absolute position. Many accounts of everyday life in CEC thus stressed the constant harassment of successful individuals by envious and jealous members of the kinship group or the community. Behind such a resistance, also encountered in other sub-Saharan countries, was the

fear that assertion of successful individuals would introduce a competitive spirit within the community that would sooner or later undermine its social cohesiveness (Platteau, 2007). Consequently, the CEC employees who were involved in a social network outside the enterprise were very used to pursuing informal and personal goals rather than the collective ones that were formally proclaimed.

The repeated intervention of experts had changed nothing, reinforcing the ideas held by some about the inability of "African cultures" to adapt to business practices. However, the decision by the director to have all company procedures drawn up in a very detailed way, which was a priori surprising, with respect to the difficulties that needed to be resolved, did produce the long-awaited improvements. At first sight, one could argue that the introduction of these procedures brings some objectivity into relationships and helps employees escape social pressures. From this perspective, the success of this reform could only confirm the "universal" principle of bureaucratic impersonality as the best way to combat favouritism (Crozier, 1964).

To explain exactly what happened, Henry (1991, 2007) highlighted that beyond their universal appearance, the formalization of the procedures led to a greater accountability of the Cameroonian members of the company because the procedures have been reinterpreted positively according to the local frame of meaning. He showed that the relationships between employees within the Company are described in terms of individual avidity and hidden loyalties, or positively in terms of daily "mutual aid" between "friends". "Malice" and "jealousy", as well as "nastiness", are in fact the darker side of "mutual aid" and "kindness". These terms, often used in the account of the Cameroonian interviewees, form oppositions that give meaning to social relationships. Employees at CEC used this set of interlinked categories to assess and interpret their work relationships.

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[22] At the time, the Electric Company employed 3,500 people. It had very high-level managers and technicians, some of whom had degrees from international colleges and universities. Several missions took place between 1988 and 1994, at the joint request of the company and Agence Française de Développement.

Correspondingly, the detailed written procedures were successfully implemented because they focused not only on elementary tasks but also on how to behave. They implicitly responded to the anxieties related to these rationales: bad faith, malice, hidden envy, sentimentalism. In fact, by assiduously following the instructions, the Cameroonian employees could escape the pressure from friends and avoid making subjective concessions. At the same time, they could provide visible signs of their attachment to standards of "good behaviour" as proof of their "good intentions".[23] Moreover, the respect of the detailed procedures along with their control, did recreate within the company a propensity for ritual that is fairly characteristic of African societies. The sense of ritual leaves room for the expression of personal feelings while limiting their excess.

Far from making a trade-off between "social ties" and "rational organization", the implementation of the procedures at CEC succeeded because it echoed the way in which Cameroonian employees interpreted social ties. One can find the same procedures everywhere, but the way people give meaning to them may vary from one country to another, leading to different framings of their roles.[24] This case challenges those for whom it is self-evident that "traditional aspects" of culture can be nothing more than obstacles to "efficient" production. It shows that culture is not a backdrop on which universal tools can be placed. It is the "terrain", "the grammar" that should be used for constructing and/or implementing them.

Similarly, Yousfi's (2005) study of Poulina, a successful Tunisian company,[25] showed that although it used the American management model, its management practices reveal that local adaptations of these techniques had been introduced over the years. These adaptations are, interestingly, not in contrast to local cultural practices, but rather built on them. Indeed, it appears that the essential aspects of the imported management tools (e.g. formalisation, regulation, objectives and performance) are re-interpreted within the local cultural context and consequently well-accepted.

Management principles are not followed as rules, even if they constitute strict procedures. An executive officer explained:

"There are two things in the procedure, explains an employee. A **procedure is a law**. First, there is the technical aspect of the law. A law must be respected but one should consider the procedure not only in its disciplinary sense. A procedure has also an **educational aspect**. We control with a procedure to help employees, to accompany them and to free them from the 'arbitrary' power of management."

The procedures were perceived as strong guiding principles for managers' actions, which allow flexibility and enable employees to reconcile them with the Tunisian relational context. An employee commented: "Poulina is an organic group which function like a *great family* with written rules." The management techniques are re-interpreted in connection with cultural metaphors present in the Tunisian culture (e.g. the craftsman as an independent entrepreneur, or the code of honour). By using the metaphor of the craftsman, employees respond to strict regulations, but in autonomous ways. Though they are in a relationship of subordination, they preserve their "dignity" and independence via the strategies they adopt to respond to the strict rules. An executive officer explained:

"To work for the others is considered degrading in Tunisia.[26] As soon as a person starts to succeed in his work, he is pushed by his circle to work for his own account. The term 'zoufri', from the word 'ouvrier'[27] means thug in Tunisian dialect (...). That's why I think the craftsman is happier than a worker. The procedures help people to save their honour: they are working with autonomy like craftsmen, they are engaged, responsible, they do not have a 'boss' who controls them and who dictates to them what they have to do. At the same time, they can lose their 'honour' if they do not achieve the written objectives."

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23 "Good intentions" is the expression used by the Cameroonian interviewees to comment on the role of procedures.

24 It is worth noting that according to Michel Crozier's own analyses, the real role of rules in the functioning of the "monopole" hardly fits with its description in the French context. In addition, he extended his analysis beyond the universal role of "impersonal rules" in regulating power relationships to the kind of bureaucratic system that can develop within a given culture (1964: 167). His analysis led to his main cultural finding: in the French context, the fear of face-to-face communication requires impersonal mediation to avoid confrontation with those in authority.

25 This successful company of over 70 subsidiaries (circa 6,000 employees) differs from other Tunisian companies by its use of strict regulations and employee appraisal based on control and regulation systems directly inspired by the American management model.

26 The metaphor of slavery is often used to describe a situation of subordination.

27 The French word for "worker".

The ways employees talk about the management practices of the company indicate that they make sense of them using the local Tunisian culture, not the meanings usually associated with these management practices in, for instance, Western Europe or the USA. The craftsman example or the metaphor of the family were mobilized by the employees as recognizable social organization models existing in the Tunisian context to make sense of the imported tools.[28] The main lesson derived from these examples is that culture can therefore be seen as a resource for providing local and legitimate meanings to management techniques, as long as they can be re-interpreted in conformity with the local framework of meaning.

This section has described how culture is said to affect management and consequently economic growth. Most of the contemporary streams of research involved with improving the functioning of organizations in developing countries tend to stress the need for the transfer of the best-management practices. They look at culture as "something to which behaviours can be causally attributed", basing their investigations on the determination of a scale of attitudes rather than on ethnographic studies (Hofstede, 1980). We have considered the limits of both visions. They are based on the assumption that replicating Western management, associated to the idea of

modernity, in developing countries is the best means for enhancing firms' competitiveness. These assumptions are not universally valid in any society, but their applicability is even more limited in Africa than in the West. Furthermore, we have shown how the conceptualisation of culture provided by d'Iribarne offers a fruitful way of understanding how general organizational theory can best engage with the local context to improve management practices in developing countries. Once culture is perceived as a producer of meaning, the temptation to attribute mechanical effects to it, or to disregard its influence on development actions, disappears. The goal is not to know how those from a certain culture are supposed to act, whatever the circumstances, in conformance with the attitudes with which they have been inculcated. One the contrary, the focus shifts to the way that attitudes and behaviours change according to circumstances and to the meanings granted to events and situations. It is mostly by giving a specific meaning to management techniques and also to development policies that culture comes into play. It is in such a framework that one goes progressively from what is purely a matter of structure to what is purely a matter of agency.

Yet, what are the implications of this discussion on culture and management for the relationship between culture and development in general?

2.4 Changing the perspective on culture and development

In this literature review, we have put the accent on the widely held view in development thinking that culture is associated with attitudes and mentality. This conception of culture has historically polarized views: culture is seen either as a positive instrument, or as an obstacle to development. In reaction to these "culturalist" approaches to development, an opposite current of thought has sharply rejected any kind of cultural explanation, whether in regard to business performance or economic development.[29] According to this current, since businesses or economies perform unevenly in the same cultural environment, culture is not a factor: there are simply good and bad universal ways of managing and building institutions that are more or less favourable to eco-

nomic performance. What is rejected here is a conception of culture that sees culture as directly or automatically responsible for creating co-operative attitudes. Having quite rightly denounced this magical vision of the effects of culture (Bayart, 2006; Womack *et al*., 1990), the authors ultimately

[28] The interviews were conducted in Arabic and in French. The managers interviewed in this study used French and universal management vocabulary to describe the functioning of their group, but when it came to commentary on how concretely they implemented the "American model", they switched instantly to Arabic and provided us with different insights.

[29] Bayart (1996) suggests that the subject to investigate is "history" and not "culture". He criticises the use of "culture" as a means of hiding the "true problems" that are only, and above all, "political". It is worth pointing out that this line of thinking is particularly strong in France. In this regard, Debray (2006) argues that scepticism towards the idea of "culture" is rooted in the universalism of "the Enlightenment philosophy". As an illustration, there is no equivalent to the field of "cultural studies" in France.

fail to detach themselves from it. As a result, while their own data clearly show that there are considerable variations between the countries that they study, they fail to see how culture intervenes. Culture does intervene not by producing stereotyped behaviour, but by influencing the way in which the power relationships, management practices and the institutions they promote are received and implemented.

In place of this polarised debate between the partisans of culture and universal standards, we have shown that some authors argue that it is the specific nature of the interrelations between the "universal" and the "local" that matters. In fact, with the rise of globalization, there is increasing recognition that effective development is a blend of universal processes and specific local issues. Different forms of connection and interrelation have been investigated in many different fields of development, including the means used to manage social inequalities within different societies, the influence of social networks and the impact of institutions in enhancing economic performance. Yet, we have emphasized that valuable as this work has been in advancing our way of conceiving how culture matters for development, ambiguities remain with respect to how to conceive of the linkage between cultural continuity and change, between individual autonomy and collective order, and the relative preponderance of the universal and the local. The question that still remains open for debate is: how does one really break away from the framework associated with the tradition/modernity dichotomy in development thinking?

In this respect, the way culture is said to affect management echoes the difficulty of reconciling what is considered part of tradition with the universal assumption underlying the way the literature considers development issues. At the same time, the existence of successful firms in emergent countries, which appear as small islands of modernity, efficiency and good governance, leads us to question the way that linkages between culture and development issues have been considered in development thinking. In fact, looking at the firm as a sub polity, part and parcel of an encompassing society rather than as a profit-maximizing "black box", offers a remarkable laboratory for studying the relationship between forms of governance and cultural context. Studying the functioning of the firm can help us to renew our

perspective on the relationship between culture and development.

The issue then becomes: what lessons can be learned from the existence of successful companies in emergent countries? Do such examples mean that these countries can be modernised despite their culture, by fighting against it or simply by importing the so-called "universal" standards developed in the West? Or, on the contrary, do they show that there is good in each culture, even in terms of governance, and that these countries can be modernised by leveraging their culture?

In this section, drawing upon d'Iribarne's conceptualisation of culture discussed previously, we will seek to analyse how best the universal standards of international institutions can respond to the local context in order to devise more effective development policies. First, we will seek to show how this alternative approach enables an escape from the fatalistic vision embedded in the tradition/modernity dichotomy. Then, we will analyze how this approach articulates social change and cultural continuity, as well as diversity and homogeneity, within the same society in order to improve our understanding of development challenges.

Escaping the tradition/modernity dichotomy

As we noted above, the investigations by d'Iribarne and his colleagues show that managerial behaviour in developing countries provides useful insights for development advisors who may be tempted to recommend standard administrative reforms as the remedy for the shortcomings of current approaches to development. The investigations show that while successful firms in "developing" countries were affected and transformed by the acquisition of new "universal" tools, they remained profoundly "traditional" in the way these tools were actually given meaning and interpreted. At a very abstract level, there is barely a difference in different contexts. The same principles are found in Cameroon, Morocco or France. To motivate people, no matter where they are or what their culture might be, one must treat them well, respect them, give them responsibility, listen and inform them, give just rewards for their efforts, promote the feeling that they belong to a remarkable team and permit

them to trust each other. However, the empirical cases discussed above show that these general principles are implemented practically in specific contexts and adapted to them. When deciding how people should be evaluated and rewarded, what emphasis should be given to individual or group contribution, whether to do this formally or informally, reformers had to take into account the specific contexts in which change was being implemented.[30]

These cases highlight the fact that it was not simply a matter of juxtaposing, or compromising between, the modern and the traditional, but creating an intimate union between them. It was as if the most modern business standards were being given substance through the intermediary of local cultural forms. Because these standards had taken on meaning based on local conceptions of "authority", "cooperation", "decision", etc., employees adhered to them and implemented them efficiently. These "modern" standards thus became an effective vehicle for the organization's success, because the "modern" was reinterpreted effectively within the local scheme of reference. In each case, the company transformed the way it operated by leveraging elements of the local culture.

In development thinking, this way of combining the traditional with the modern and the universal is somewhat foreign to those who normally contrast these two categories. Development theory is currently struggling to find suitable points of articulation between the universal and the local. Debates continue to rage between a majority that defends the universal nature of good development principles and those who emphasise their local character. The two theories are simultaneously correct and inadequate. On a highly abstract level, there are certainly a considerable number of governance principles that have universal scope, whether this involves exercising authority, mobilising people, business ethics or reforming institutions. Yet, once we return to the concrete realm of action and implementation, the local level must be taken into account. Certain confusions arise, however, given that development theorists tend to conflate these two levels.

Advancing principles with universal scope, experts justify what are no more than expressions of the specific cultures

in which these reforms have been conceived. As we discussed above, the importance given to the "enforcement of property rights" as a critical ingredient to build good institutions able to achieve economic development is far from reflecting a "universal" criterion. It is rooted in a specific American conception of a "well-ordered society" linking the idea of freedom to property. Similarly, the need to assess people's work in order to reward them is a universal principle, but its implementation may vary. While in the United States performance assessment is ultimately about achieving specific results, in Jordan the criterion would be the extent to which people "tried to do their best" rather than the outcomes of these efforts (Yousfi 2007). In France, the basis for any kind of evaluation refers to the rights and duties associated to a specific position.

The issue is not whether people share the same values, or whether they can be expected to act in a manner consistent with a certain "universal rationality". Those who implement development policies in developing countries have to interpret the actions and attitudes of individuals and organizations that operate in contexts quite different from their own. They have to cooperate with groups that have different interpretations of the proposed universal "reforms", different methods of achieving them and different perceptions of their advisors' behaviour.

So, the exercise that experts engage in when they try to implement policies that are more or less evident within their own culture is transformed when it involves a confrontation between two cultures. Thus, knowledge about cultural differences in perceiving the role of the "universal principles" of governance is indispensable. Learning about the interpretation by different cultures of supposedly universal principles may allow development institutions to understand just how

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[30] A survey of clients' perceptions of Agence Française de Développement (AFD) programs in eight countries showed that different meanings given to words such as "partnership", "cooperation", "evaluation", "decision" led to different expectations from AFD and different interpretations of its actions (d'Iribarne, 2007)

much "universal" development recipes owe to their cultural roots, with subsequent policy adjustments. An adaptive process that allows people with very different backgrounds to interpret correctly what others are doing would be very useful.

In order to clearly break away from the fruitless tradition/modernity dichotomy, it is important to distinguish the universal from the incidental in such practices. It is necessary to change the way in which development thinking conceives of the relationship between the tools and the people who use them. In addition, some practices are transferable even though they have a different meaning.[31] The task for development thinking is not to focus on the tools and disregard the people, but rather to look at how the use of tools is integrated into the context of meanings, and hence the cultural world, of those putting them to work. Indigenous studies as well as cross-cultural comparisons can thus contribute to an enhanced understanding of both universals and ways in which these universals find locally distinctive expression.

Social transformation, diversity and cultural continuity

One of the issues raised in this literature review is that the persistence of the tradition/modernity framework has undermined our understanding of how social transformation and diversity in a given society are articulated with more stable guidelines and more durable reference points.

In fact, within one and the same culture, attitudes vary greatly. It is not just that individuals with a wide variety of attitudes are to be found, which no one would doubt. It is, more radically, that the same individual can have sharply contrasting attitudes according to the circumstances. For example, Americans are commonly described as individualists, as if this were a characteristic of American culture. Yet, this individualism is in fact quite unevenly developed depending on what spheres of life are being considered. For example, the community's control over each member's loyalty to its ethical norms is much more accepted in the United States than in Europe. We can find evidence of these differences in both political and economic spheres. It makes no sense to say that Americans are less individualistic than the French, or that the Chinese are more collec-

tivist than the British. Such broad statements have no more meaning than statements of the exact opposite. In every society, one can find evidence of individualism and collectivism, but the combination of the two aspects varies (d'Iribarne, 1997).

If culture is seen as a "universe of meaning", then this implies that one would seek to understand the interpretation that culture proposes for particular events and situations. The issue is not to try to find out how individuals from a specific culture are supposed to act in all circumstances in compliance with inculcated attitudes. On the contrary, the focus will be on the fact that they change their attitudes and behaviours according to the meaning they give to particular events and situations. All cultures establish criteria by which individuals denote, classify, identify, evaluate, connect and order.[32] They define the principles of classification through which society is viewed as being made up of separate groups. They provide interpretative systems that give meaning to the problems of existence, presenting them as elements that shape the relationship between individual autonomy and collective order.

Far from imposing roles on each individual from which he or she cannot escape, culture influences the particular direction of the strategies adopted by each social group as it defends both its interests and its convictions. There are neither purely "natural" interests nor a universal rationality existing independently of the meanings attached to whatever is at stake. In the French case, the importance that French culture has persistently accorded to the distinction between what is noble and what is common (even though the definition of what is noble and what is common has varied considerably in the course of history) has led to a certain structuring of interests. The persistent role of honour

[31] The total-quality management approach, which was originally Japanese, was effectively implemented in many contexts but interpreted and adapted in different ways.

[32] One can find a similar approach in Bayart (1996: 115), even though he rejects the concept of culture and speaks of essential "repertories" *(repertoires essentiels)* of actions that are historically constituted and mixed.

is linked to the continuing relevance of this distinction. This cultural continuity does not prevent the social transformations that occur successively in the same country from being different in many respects. It reflects the fact that the frames of reference within these social changes have taken on meaning are much more stable than the changes themselves.

Therefore, the question is not whether or not developing countries should change their culture to promote progress but rather: what is the framework of meaning in each society that initiates an effective social transformation, which does not compromise the locally shared conception of a "good" relationship between individual autonomy and the collective order? Everywhere one finds a combination of representations and practices that helps to manage these contradictions. The historical references, the metaphors or the narratives, which give mea-

ning to the instruments enabling members of a group to exercise their role while framing their actions and preventing misuse, do not change radically when passing from one domain to another in societal life or when initiating a reform process.

The examples cited above show that successful transformations depend on giving a positive sense to problem-ridden situations by assimilating them to situations that, in the framework of meaning within the given society, echo positive experiences. It is a matter of organising practices in such a way that the transformation process authentically echoes the local legitimate conception of a well-ordered society. It is this kind of work that makes it possible to see beyond the resistance encountered in developing countries towards imported reforms and to identify the resources offered by each culture for the implementation of effective development strategies.

Conclusion

This literature review has identified the many ways in which culture has been considered in development thinking. We have distinguished many perspectives, each with a relatively distinct interpretation of the concept of culture. Throughout, we have stressed how modernization theory, by establishing the tradition/modernity dichotomy, has had a big impact on the framework in which culture has been deployed and debated in development thinking. The result is that culture has been seen either as a positive instrument or as an obstacle to development. For more than a century, culture has been viewed as a pervasive determinant of psychological traits, mentalities and attitudes, which in turn condition the way people behave and confine them to the realm of tradition. On the other hand, development has always been seen in terms of trade-off between cultural traditions and access to progress, which is conceived of in terms of a "universal modernity". Thus, it is hardly a surprise that culture was often seen as opposed to development, as tradition is opposed to modernity, and habit to rationality.

Following this, we argued that many streams of research have offered different ways of overcoming the deterministic relationship between culture and development. However, we emphasised that these various lines of thought have one thing in common: they have difficulty in grasping the articulation between the role of culture — suspected of bringing back "tradition" — and individual autonomy as a condition of a "modern society". In fact, in these different conceptualizations of culture, variously referred to as "ideology", "informal institutions", "informal rules", "lifestyles", "consensus ideology", the concept of culture is closely related to the idea of social order (d'Iribarne, 2007). This social order, whether inherited or imposed by the dominant group, is suspect because its stable and normative aspects are thought to downplay the creativity of individuals and to hinder development.

When culture is seen as produced essentially by the actors, development occurs as a result of the creation of an enabling environment through which social structure is transformed. Any continuity over very long periods of time seems inimical to development because it presupposes an absence of any kind of cultural learning or social transformation. When culture is seen as a set of values and attitudes, development works by calling into question traditional cultures and enabling the emergence of a modern mentality. It is evident that this perspective offers no basis for long-term stability. It assumes away phenomena capable of engendering continuities. Any kind of continuity would downplay individual autonomy and compromise the achievement of progress.

This review has emphasised the persistence of the tradition/modernity framework, which leads to the view that developing countries must shed their traditional structures to access modernity. However, empirically we find evidence of both massive cultural change and the persistence of distinctive cultural traditions even within "developed countries". Similarly, many scholars have argued that so-called "modern societies" are themselves embedded in specific cultures, even though their institutions are following "universal" principles. They show that the existence of such cultural continuity does not prevent a succession of forms of social organization in the same country that are different from each other in many respects. Therefore, the challenge for development thinking is still to improve our understanding of how the heterogeneity of values or the transformation of social organization in a given society is articulated with more durable frames of reference. One possible way to overcome this impasse is to recognize the "constructedness" of culture and to pay more attention to how universal principles are understood and interpreted in local contexts.

In the words of Lévi-Strauss (1958): "In all cases there is something that is retained and that historical observation can gradually uncover, through a sort of filtration process that allows what might be called the lexicographical content of institutions and customs to pass through, leaving behind only the structural elements."

Having traced the predominance of the dichotomy of tradition/modernity through the time, and viewed them from a number of perspectives, what are the lessons that we can drive from this literature review? This essay leads us to change the way we look at the relationship between culture and development in two important ways.

First, the new insights presented in this literature review recognize that the connection between culture and economic development is not causal but multiple and complex. It is widely acknowledged that the importance of culture cannot be instantly translated into ready-made theories of cultural causation. What is needed is not the privileging of culture as a variable that works on its own, but the integration of culture into a wider picture in which culture is seen as intimately connected to different aspects of development issues. Culture must be seen as an element that shapes the means of the development process, as well as its goals.

In fact, culture does not only impact social relations but also the functioning of formal institutions and management techniques. For instance, for scholars studying the issues of inequality and poverty, such as Mary Douglass or Amartya Sen, the question is how interactions between diverse cultures within a society need to be managed democratically and in a manner that allows for free and fair debate. For d'Iribarne, the question is how to shape institutions that take into account in each society legitimate ways of behaving with authority, decision-making, managing inequality, etc. This is the way that culture affects the process of building appropriate institutions.

Second, the challenge for the development thinking is how to adapt "best practices" to the diversity of cultural contexts. The task proposed is complicated by the fact that the star-

ting points for each society's conception of a well-ordered society are different. Meanwhile, the ending points, in terms of the precise articulation between what is achievable and what corresponds to the desires of each society, show considerable variation. "Universal" or "modern" standards of aid donors and those who receive the aid are culturally embedded. The objectives of reformers and the programmes of action they adopt do not exist independently of the way in which they see the world. Their actions take on meaning, in their own eyes and in those of the people they have to rally to their cause, within a given structure of meanings. By referring to the fundamental principles of that structure, they make the changes they advocate appear sensible, and in so doing they help to ensure the survival of those principles.

This does not lead to complete relativism; it does help place the lessons from certain valuable cultural theories into a more grounded and realistic sociological framework. There is an urgent need to evolve an innovative development discourse underpinned by solid comparative methods and not by simple analogies. We cannot continue to read the history of the South through the history of the North. We can only break away from the so-called best practices so prevalent in the mainstream discourse if we understand the complexity of the relationship between individual agency and cultural continuity in institutional change. Only when we accept the existence of different cultural "traditions" across societies can we begin to understand that what people believe and do matter in the real sense, and then effectively adapt universal standards to local contexts. An approach that is less focused on the superiority of any particular model and more cognizant of the context-specificity of desirable reforms is needed. Work on gradual improvements in institutions or in small institutional practices may help toward seeing exactly and concretely how beneficial institutional arrangements are promoted or held back, and how universal standards can be adapted to the local contexts. Such an approach may help to open up a new way of looking more realistically and more effectively at development challenges.

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