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National Cultures and Human Development Index

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Abstract

This paper explores the relationships between basic cultural characteristics of countries and some economic indexes. As cultural characteristics, the data from The Global Leadership and Organizational Behavior Effectiveness Research Program (GLOBE) about the 9 cultural dimensions for 60 countries were used. Two facets of cultural dimensions were measured: the perceptions of actual practices and the perceptions of preferred values. On the other hand, the data about different economic indexes were taken from archival sources such as Human Development Report. Results show that some cultural practices and preferences are related to the development of countries as measured by Human Development Index (HDI). The implications of these results are discussed.

Keywords: national culture, artifacts, Human Development Index

Introduction

The relationship between culture and economics is complex and dialectical. Cultures contribute to the nature of economic activity while economic activity is a part of culture generation and innovation processes. On the most general level, culture includes all material and spiritual products of mankind. Culture is usually used by social scientists to refer to a set of parameters of collectivities that differentiate the collectivities from each other in meaningful ways (House, Hanges, Javidan, Dorfman, & Gupta, 2004). Collectivities thus differentiated are regarded as distinct cultures. Two kinds of collectivities are of special interest for economics. The first one is the country level which is the subject of inquiry of macroeconomics. Countries are important economic entities because on this level important rules of games (institutions and legal rules) are formulated which regulate the activities of all subjects living in a certain territory. The concept of culture can help us understand the informal rules that additionally influence the behavior of economic subjects. It can explain the influence of tradition,

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effectiveness and changes in the formal system. On this level, there is an important impact on economics by the political system. The next kind of collectivities pertains to the level of organizations or corporations. These collectivities develop their own cultures that reflect partly the national culture and partly the type of business, local context and characteristics of people in that organization. The research of organizational culture has flourished in the last two decades. Recent conceptualizations and methodology can help us gain better understanding of cultures on the national level which is the topic of the presented research.

To understand the culture on the national level the slightly modified Schein's definition is enlightening (1985, p. 9): "*National* culture can be defined as the pattern of basic assumptions - invented, discovered or developed by a given group as it learns to cope with its problems of external adaptation and internal integration - that has worked well enough to be considered valid and, therefore, to be taught to new members as a correct way to perceive, think, and feel in relation to those problems". All above characteristics of culture are relevant for an economic system as well. It reminds us that economy was invented to cope with problems of external adaptation and internal integration.

In addition, Schein proposes that culture manifests itself in many different ways. On the concrete level the culture is expressed in material artifacts and forms of behavior, on abstract level in attitudes, values and basic assumptions. All these levels are relevant to economy as well. The sciences of economics and politics are based on some basic assumptions often called ideology (e.g. free market, social justice). These assumptions are often unconscious and considered as granted. Research activity is necessary to discover and articulate these basic assumptions. For this purpose other manifestations of culture that are more accessible to empirical research should be investigated. These manifestations appear on the level of artifacts (cultural products), behavior (rituals) and beliefs (attitudes, myths).

When researching culture, sociology and psychology focus mostly on basic assumptions and beliefs whereas economy deals with aggregates data based on economic behavior and products. For the economic life a special attention is paid to different economic indexes that are constructed on the base of summarized information about some relevant artifacts (i.e. production records, financial performances, export and import, information about other resources etc.) and economic behavior (saving, consumption etc.). The construction of these indexes reflects basic assumptions about what is relevant for the regulation of the economic life. The relationship between these different manifestations of culture is a topic worth to be investigated.

The purpose of this paper is to get an insight into relationships between general indicators of societal culture and some indicators of economic performance of society.

Method

Data for this study were taken from two sources. First, as general indicators of societal cultures, the results of Global Leadership and Organizational Effectiveness (GLOBE) Research Program were utilized. The GLOBE social entity is a network of 170 social scientists and management scholars from 61 cultures throughout the world, working in a coordinated long-term effort to examine the interrelationships between societal culture, organizational culture and practices, and organizational leadership (House et al, 1999).

The instruments for measuring culture in this project were constructed based on the work of Hofstede (1980, 1991), Triandis (1995), Kluckhohn and Strodtbeck (1961) and McClelland (1985) and included the following cultural dimensions:

1. Power distance refers to the extent to which a collective maintains inequality among its members by stratifying individuals and groups with respect to power, authority, and prestige (sample item: "Followers are [should be] expected to obey their leaders without question").
2. Family collectivism refers to the extent to which members of a society take pride in their membership in small groups such as their family and circle of close friends, and the organizations and units in which they are employed (sample item: "Employees feel [should feel] great loyalty toward this organization").
3. Collectivism refers to the degree to which individuals are encouraged by societal institutions to be integrated into broader entities. In more collectivist societies, harmony and cooperation are paramount whereas in more individualistic countries, autonomy and individual freedom are more stressed (sample item: "Leaders encourage [should encourage] group loyalty even if individual goals suffer").
4. Uncertainty avoidance refers to the extent to which members of a collective seek orderliness, consistency, and structure to cover situations in their daily lives. It reflects society's reliance on social norms and procedures to alleviate the unpredictability of future events (sample item: "Most people lead [should lead] highly structured lives with few unexpected events").
5. Future orientation refers to the extent to which individuals engage in future-oriented behaviors such as delaying gratification, planning, and investing in the future (sample item: "More people live [should live] for the present rather than for the future", scored inversely).
6. Gender egalitarianism refers to the degree to which a collective minimizes gender inequality (sample item: "Boys are encouraged [should be encouraged] more than girls to attain a higher education", scored inversely).

7. Assertiveness refers to the degree to which individuals are assertive, confrontational, and aggressive in their relationships with others (sample item: "People are [should be] generally dominant in their relationships with each other").
8. Humane orientation refers to the degree to which a collective encourages and rewards individuals for being fair, altruistic, generous, caring, and kind to others (sample item: "People are generally [should be generally] very tolerant of mistakes").
9. Performance orientation refers to the degree to which a collective encourages and rewards group members for performance improvement and excellence (sample item: "Students are encouraged [should be encouraged] to strive for continuously improved performance").

Two aspects of each of the above dimensions were measured: societal values (39 "should be" items) and societal practices (39 "as it is" items). The alpha reliabilities of all 18 scales range from .56 to .88 (Hanges & Dickson, 2004).

Research (Dorfman, Hanges, & Brodbeck, 2004; Gupta, Hanges, & Dorfman, 2002) has shown that 60 cultures included in the GLOBE project can be clustered into following 11 clusters: two Anglo cultures (European and outside Europe), Latin Europe, Nordic Europe, Germanic Europe, Eastern Europe, Latin America, Indigenous Africa, Arabic Cultures, Southern Asia and Confucian Asia. This information about clustering was also used for analysis in this paper.

As a second source of data for this study, among many economic indicators we chose the Human Development Index (HDI) which was developed by the United Nations Development Programme, launched in l990. HDI integrates information about the GDP index, educational level index and life expectancy index of respective countries. The data about HDI are published yearly (Human Development Reports, 2012). The relative positions of countries on HDI change very slowly (correlations between successive years are over .90).

This analysis is based on the data from 60 countries from which we can find respective information about the national culture and HDI. About 15,000 middle managers from 61 countries participated in the GLOBE study of culture (House et al., 2004).

Results and Discussion

The relationships between indicators of national culture and Human Development Index 2010 are presented in the Table 1.

At first sight we can see a different structure of correlations of practices and values with HDI. When interpreting these correlations we must take into account that HDI is expressed in ranks (higher ranks mean lower development). Therefore, positive correlations indicate that the respective practice or value is associated with

lower developmental position on HDI. The results indicate that practices in countries with lower HDI (poor) tend to be characterized by higher Family collectivism, higher Humane Orientation, higher Power Distance on the one hand and lower Uncertainty Avoidance, lower Gender Egalitarianism and lower Future Orientation on the other hand. Practices in higher HDI (rich) are related to reverse positions on the above dimensions. On the other hand, the values of countries with lower HDI emphasize high Uncertainty Avoidance, high Future Orientation, low Gender Egalitarianism, and lower Collectivism. The reverse seems to be true for countries with higher HDI. The above interpretation is, of course, simplistic. It does not take into account the intercorrelations between 18 cultural manifestations. To get additional insight two multiple correlational analysis were performed. Multiple correlation of HDI with societal practice is .71, with societal values .71. Both are statistically highly significant. Hierarchical multiple analysis with both sets increases to R=.78, but this increase is statistically not significant. Taking into account significant beta weights in both equations the above relationships with HDI could be described more parsimoniously. HDI of undeveloped countries is related to practices of higher Family Collectivism and higher Humane Orientation on the one hand, and high values of Uncertainty Avoidance on the other hand. Reverse practices and values are characteristic for more developed countries.

Table 1. *Correlations between Cultural Dimensions and HDI2010*

Cultural dimensions	Cultural Manifestations			
	Practices *r*	β	Values *r*	β
Performance Orientation	-.09	-.15	.15	.07
Humane Orientation	.36**	.33*	-.03	-.08
Family Collectivism	.60**	.54**	.17	-.16
Future Orientation	-.26*	-.06	.46**	.16
Gender Egalitarianism	-.28*	-.19	-.38**	-.09
Collectivism	-.10	-.16	.29*	.03
Assertiveness	.01	.09	.10	.00
Power Distance	.31*	-.12	.10	.04
Uncertainty Avoidance	-.38**	.08	.68**	.56**
Multiple Correlation R		.71**		.71**

*p<.05, **p<.01.

Taking into account that our analysis uses countries as the units of analysis the obtained results could have implications for politics of the governments. The HDI is an economic indicator that deserves attention from politics. We suppose that implicit reference to cultural practices and values are included in political programs of parties as well. From the presented results we can speculate about the possible ways the countries can increase their HDI. While economists will emphasize the increase of GDP, the HDI reminds us of the importance of human capital aspects of

development (education, health). Our results indicate that many times the cultural factors could be obstacles for economic programs. For example, the practices of Family Collectivism and Power Distance in less developed countries could hinder the reforms focused on improvements of quality of life or prevent corruption. On the other hand, economic development might have negative consequences, destroy family collectivism and introduce more uncertainty avoidance. To manage the balance between these possibilities a sound policy based on the understanding of culture and tradition is necessary. In addition, the data about countries' specific (emic) data should be taken into account. As an example of how cultural characteristics of Slovenian society influenced the political behaviors in recent years we refer to Svetlik (2012). He argues that the proposed retirement reform was denied because of high Uncertainty Avoidance values of voters. From his essay it is clear that the statistical analysis presented above needs to be complemented with observed facts and narratives, to have an impact on public and policy makers. But such an interpretation could be ideologically biased.

Additional insight into the relationship between indicators of national culture and HDI can be gained through observing the variations of HDI between culturally homogeneous clusters based on the analysis of the above mentioned cultural dimensions (Dorfman et al., 2004). Differences between HDI mean ranks of clusters are statistically significant ($F(10,46)=10.77$, $p<.001$, $\eta^2=.70$.) From Table 2 follows that HDI is relatively high in five clusters that include all highly developed countries. Lowest HDI is characteristic for countries of Sub-Sahara Africa cluster. Low standing on HDI is also evident in Eastern Europe, Latin America and Southern Asia. Using the above correlational findings we can also infer respective cultural characteristics in these clusters. On the other hand, the results in Table 2 remind us that many determinants of culture are not properly included in HDI (climate, language, common history etc.).

Table 2. *Differences in HDI2010 between 11 Cultural Clusters*

Cultural clusters	Countries *N*	HDI2010 Mean rank	*SD*
Anglo (Outside Europe)	4	7.25	7.59
Nordic Europe	3	11.33	4.73
Germanic Europe	3	12.67	4.16
Anglo Europe	2	15.00	7.07
Latin Europe	6	19.00	6.54
Confucian Asia	5	35.60	36.20
Eastern Europe	8	60.38	26.31
Latin America	10	72.60	29.81
Middle East	5	81.60	42.68
Southern Asia	6	88.67	27.78
Sub-Sahara Africa	5	128.60	20.94
Total	57	56.40	43.34

Results and implications presented above should be taken with some reservation.

Our result shows that HDI is definitely related to some configurations of cultural practices and values. The question of how to understand the role of these cultural manifestations in the context of broader determinants of societal prosperity remains open. Several critical remarks deserve mentioning:

- Our results are of correlational nature. The causal relations remain unclear. Those relations are very important for speculation about practical implications especially in relation to political ideologies.
- The HDI implicates the economic prosperity but it does not tell the whole story. Some authors (Desai, 1995) argue that HDI is related to the degree of environmental exploitation. Other authors suggest that HDI that takes into account only countries' mean values of GDP, longevity and education should be adjusted with information about inequalities regarding these components (Hicks, 1997).
- The data about cultural characteristics of countries are derived from responses of middle managers in respective countries and their views are certainly not shared with other parts of population.

On the other hand, we are convinced that extending such analysis with the consideration of other economic indicators could give interesting findings that would help understand the economic behavior of people in the country context.

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