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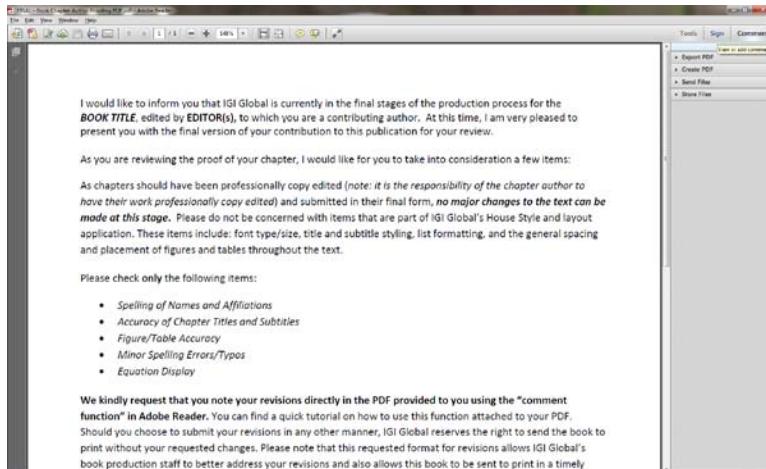
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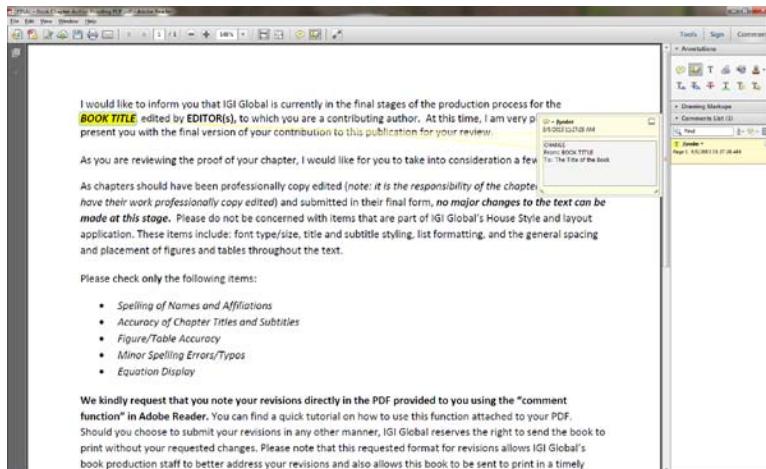
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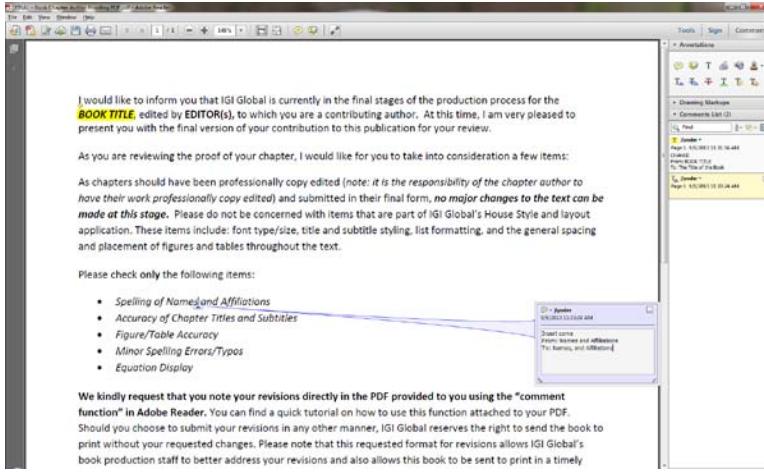
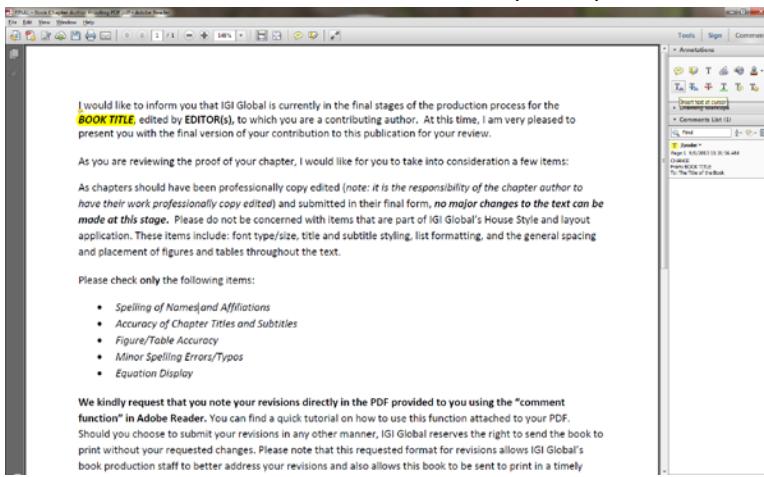
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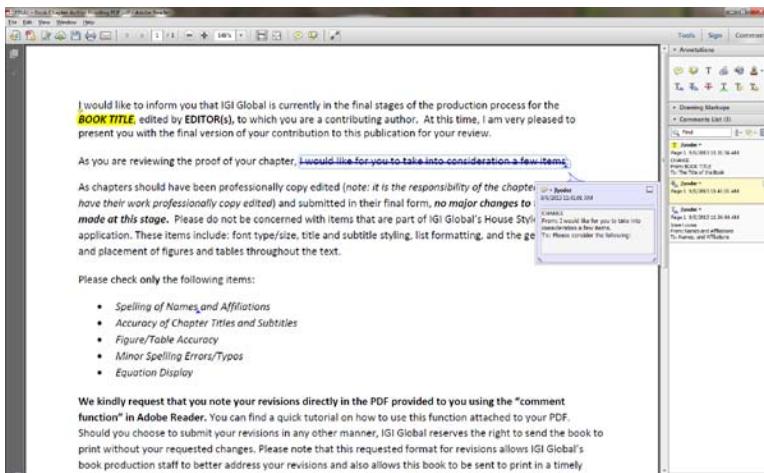
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Nationalism, Cultural Indoctrination, and Economic Prosperity in the Digital Age

Bryan Christiansen
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The main premise of this chapter is that state actions are crucial for economic development and those actions are partly shaped by the culture. Because some cultures are more conducive to development, it is engaged with the question: “Would it be possible to direct cultural change to serve economic development?” Since culture is a subject-object relationship, it might be possible to direct cultural change and consequently build up a developmental state. This chapter particularly focuses on the defining characteristics of a developmental state. In addition to the three characteristics recognized in the literature (relative autonomy, capacity, and embeddedness), four others are identified which are essential for a state to become developmental and remain so. These are: legitimacy of the state, integration of the society, socio-political stability, and motivation for economic development. The Korean developmental state is taken as a case study and investigated under this new light.

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In furthering the discussion on the linkage between economic development and culture, this chapter attempts to answer the question, “Can culture be modified to advance economic growth?” and uses Singapore as a case in point. It traces the country’s restructuring of cultural values to foster economic growth and development, which allowed Singapore to grow from a small island state with a sagging economy and no natural resources to one of the most respected and widely recognized developmental models of the modern era. This study shows that social controls can help newly developing countries in creating political stability and social cohesion that allows for rapid economic development. However, the side effects of such measures lead to the creation of a compliant society that lacks creativity and innovation, is risk averse in entrepreneurial activity, and is prone to talent depletion.

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Shefali Virkar, University of Oxford, UK

This chapter explores the claim that the continuous globalisation of the media industry is leading unrelentingly towards a hegemony of global cultural homogeneity. Through a discussion of the phenomenon that is globalisation, and the theoretical background against which the cultural effects of the global media might be studied, the chapter critically examines the role of global commercial broadcasting in the creation of a so-called global culture and in the engendering of global cultural convergence. The past three decades have witnessed an explosion in the size and number of Transnational Corporations (TNCs), while advances in science and technology have revolutionised the way in which people around the world think, work, collaborate, and share information. The expansive growth in the size and number of TNCs and the rapid proliferation of the Internet and its associated technologies has led in recent times to profound changes in the global mass media industry.

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In today's globalized business world, intercultural effectiveness is crucial to a firm's survival. Cultural intelligence, CQ, is a four-dimensional construct that helps one to understand how the individual cultural beliefs and values influence motivations and behaviors (Ang & Van Dyne., 2009). CQ is related to the three aspects of intercultural effectiveness that include cultural judgment and decision making, cultural adaptation, and task performance (Ang et al., 2007). CQ plays an important role in the areas of global leadership (Van Dyne & Ang, 2006), achievement of managers (Rahimi et al., 2011), global strategic alliances, cross-cultural communications, negotiations, multinational teams (Early & Gibson, 2002), culturally diverse domestic teams, overseas work assignments (Bhaskar-Shrinivas, 2005; Lee & Sukco, 2010; Ramalu et al., 2012), global business competencies, and organizational effectiveness in the global marketplace (Creque, 2011). CQ is also relevant in establishing global identity in culturally diverse virtual teams (Adair et al., 2013).

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Gloria Garcia, University of Tokyo, Japan & ICADE Business School, Spain

Although people from several countries may share some universal values, they also have different cultural values. The differences in cultural values generally produce different ways of thinking and acting that can cause misunderstandings and disappointments in business communication. Therefore, the willingness to understand in depth others' cultures is necessary for doing international business. Japan is an important country and thus the author explains in-depth the specific cultural values that are important in the international business between Japanese and non-Japanese people. This chapter is based on a broader research conducted in Japan and focused on the unique characteristics of Japan's cultural values, social norms, and business customs. Thus, it presents the specific cultural values coming from the Japanese philosophical and cultural traditions, examines their influence in the Japanese international business, and emphasizes the importance of understanding them in depth for doing business successfully in Japan.

Chapter 6

Potential and Pitfalls of Ethnic Marketing in Financial Services in Belgium: An Interdisciplinary Research Agenda..... 128

Joyce Koeman, KU Leuven, Belgium

David Bassens, Vrije Universiteit Brussel, Belgium

Access to financial services constitutes an important prerequisite for participation in increasingly financialized societies and economies; however, financial exclusion remains commonplace among socio-economically weaker groups. In this chapter, the authors examine the role financial institutions could play in bridging such socio-ethnic divides in the context of Brussels as a commercial opportunity arises for institutions that are willing and able to cater, for instance through Islamic modes of finance, to relatively underserved Muslim communities. The chapter integrates and mirrors ethnic marketing literature and recent debates in geography about financial inclusion to discuss the obvious tensions that further financialization of economically weaker and culturally marginalized groups in society brings along. Doing so, the authors identify key societal trends at the interface of ethnic marketing and the propagation of “alternative” forms of finance and conclude with suggestions for an interdisciplinary research agenda.

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The Socializing Role of Expatriate Online Platforms..... 153

Julie Emontspool, University of Southern Denmark, Denmark

This chapter discusses the role of Information and Communication Technologies (ICTs) in expatriates' secondary socialization into new consumption environments. On the basis of the qualitative study of a question and answer platform directed at expatriates in Brussels, this chapter differentiates between market orientation and socialization practices online. It shows how processes of market simplification, market guidance, and market manipulation co-exist both in expatriates' orientation and socialization in the new consumption context. The findings of this study firstly provide insights into the consequences of those online interactions for nationalism, where digital tools may in fact reduce expatriates' cosmopolitanism. Secondly, the study shows collaborative knowledge construction on those platforms creates new forms of market adaptation.

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Ben Tran, Alliant International University, USA

The purpose of this chapter is to analyze the history of technology and its founding purposes. The evolution of technology resulted in the creation and development of assistive technology. The impact of interactivity of human-computer interfaces on independence, employment, and organizations is analyzed and addressed in relations to disabilities. The utilization of assistive technology, in the disabled community, as well as in relations to the independence of the disabled are covered via the paradigms of assistive technology trainer and job developer for the disabled in the United States of America—capital of technology—Google, Yahoo, Microsoft, Cisco Systems—and capital of assistive technology.

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Culture-Based Creativity in the Regional Strategy of Development: Is Russia in Game? 203

Oxana Karnaukhova, Southern Federal University, Russia

In the knowledge-based society, economic growth depends on the implementation of new ideas. Creative people, creative industries, and creative economies are considered as the crucial drivers of the economic prosperity and change management. This chapter analyzes regional specificity of Russia in creation and support of creativity within social and economic development, using the Global Entrepreneurship Monitor, Impact Report, and the G20 Entrepreneurship Barometer. Using data from Inglehardt's World Values Survey, the analysis of cultural assignments in the decision-making in Russia will continue compared to diverse European practices. It will be a valuable basis for further exploration of collision between global economic systems, demands for creativity and innovation, internal Russian institutional and societal resources for support/rejection of innovation, and culturally indoctrinated behavioral patterns of young researchers and intellectual entrepreneurs, articulated as drivers of the new economy.

Chapter 10

Creativity with Institutionalization: Cooperatives as an Alternative Way of Starting a Creative Business – Cases from Finland 222

Riitta Kemppainen-Koivisto, University of Lapland, Finland

Katta Siltavirta., University of Lapland, Finland

Rauno Rusko, University of Lapland, Finland

Seppo Särkkä, University of Lapland, Finland

Typically, creativity and institutionalism are not closely related. However, when talking about cooperatives (or co-ops), the authors introduce, in addition to the paradoxical tension between institutionalism and creativity, perspectives and cases in which institutionalism is a channel for creative production. People often associate cooperatives with institutional characteristics because of their collective manifestations in history, such as agricultural or financial cooperatives. Furthermore, co-ops typically consist of several entrepreneurs working under the same “umbrella” organization. However, according to the outcomes of the chapter, cooperatives could also be a source of, or at least a channel for, contemporary creativity. In this chapter, the authors introduce Finnish cases in which the planners and designers of creative industries have established cooperatives successfully. These cooperatives have already created sustainable paths in their business activities to provide younger and youthful entrepreneurs with business possibilities and at least modest profitability. They also consider neo-cooperatives and light cooperatives, which provide services to cooperatives and allow them to focus on their main area of creating and innovating new business. Creativity cannot flow if there is no time or will to secure large investments and financing, or if the marketing and brand-building are problematic and the decision-making slow. Cooperatives could provide a suitable arena for innovative and creative business if there is a will to change and renew the idea of cooperative institutions, law, and practice.

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Gender and Water: The Indian Context 242

Mononita Kundu Das, National Law University Jodhpur, India

Rituparna Das, National Law University Jodhpur, India

This chapter examines the welfare implication of wage revisions for two Indian unorganized sector female workers with opposite preference patterns for income and leisure in drought-prone zone. The female workers here face a gender-based wage gap and the inconveniences caused by water shortage adversely affect their effective incomes since females are the major users of water in the family. This chapter also makes a couple of recommendations for policymakers and legislators. It experiments with alternative utility functions in neoclassical microeconomic behavioural model framework.

Chapter 12

Religious Social Movements and Economic Welfare in Modern Turkey 258

Cemile Zehra Körögülu, Gümüşhane University, Turkey

Muhammet Ali Körögülu, Gümüşhane University, Turkey

In all societies, there have been some movements that point out social, political, economic, ideological, or moral problems or aim at partial or complete change. This chapter discusses the new meanings attributed to the concept of social movements in the postmodern era. A theoretical framework is proposed to understand the nature of social movements since the 1960s and to demonstrate their differences from classical movements. Turkey provides a particularly rich context with high potential for social movements, both with secular and religious aspirations. Religious social movements have shown quite a tense relationship with the state throughout the history of the republic; yet, they have gained power and prosperity through evolving liberal economic policies since the 1980s. Therefore, resource mobilization and new social movement paradigms are used in this chapter to explain Turkey's religious social movements today.

Chapter 13

Cultural Indoctrination: A Theoretical Framework 280

Bryan Christiansen, PryMarke, LLC, USA

The purpose of this chapter is to examine the potential influence of Cultural Indoctrination (CI) on organizations today in an era of global hypercompetition. It is axiomatic that one of the fundamental realities of contemporary globalism is most organizations today must be able to function successfully across cultural (and national) boundaries to sustain a competitive advantage and remain profitable over time. Achieving this goal requires management to appreciate and understand the key factors affecting global business today. However, none of these factors considers in-depth the vastly underresearched area CI we all experience from birth. This chapter examines the following factors involved in cultural indoctrination: Child Development, Cultural Intelligence, Education, Institutionalization, Nationalism and Patriotism, Religion, Self-Efficacy, Social Capital, and Values Orientation Theory (VOT). It is from these factors that a conceptual model is developed for potential future application in management theory and practice.

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This chapter introduces the role of cultural dynamics in the digital age, thus explaining the theoretical and practical concepts of organizational culture, cultural values and belief systems, material culture and artifacts, language and communication systems, cultural interpenetration, deterritorialization, cultural pluralism, and hybridization; the categorization of cultural dimensions; and the application of cultural dynamics in the modern business world. Cultural influences are changing dramatically as cultures are no longer dependent on local resources to formulate their characteristic tastes, preferences, and behavior and are increasingly linked across vast geographic distances by modern communication media. Membership in a culture adapts to new cultural contexts while transporting elements of one culture to another. As membership in a culture becomes increasingly transitional, unique elements are less clearly demarcated or distinctive. Understanding the role of cultural dynamics in the digital age will significantly enhance organizational performance and achieve business goals in global business environments.

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Preface

Life was never meant to be difficult, we just make it that way so that it fits into societies and our indoctrinated concept of what things should be like. - Steven Redhead

Nationalism is undoubtedly on the rise in the second decade of the 21st century. One poignant example can be found in the current strife in the Ukraine between the national government forces and pro-Russian separatists. Within that conflict, there have even been two self-proclaimed areas called the Lugansk People's Republic (LPR) and the Donetsk People's Republic (DPR) in the eastern part of the Ukraine. Of course, the Russian annexation of the Crimea serves as an additional example of nationalistic events which are unfolding elsewhere in the world. Such examples include the division of the former Sudan in Africa, the multinational claim over the Spratly Islands in the South China Sea (which has been the cause of violent turmoil recently), and the Arab Spring during this decade.

These events raise two very critical questions for the reader to consider:

1. Can these conflicts and their resulting situations provide truly sustainable new states over the long-term given the effects of contemporary globalism on national economies and prosperity everywhere?
2. What have been the real “root causes” of these nationalistic fervors?

We attempt to provide some answers to these questions in this book, if not at the very least provide some serious “food-for-thought” for future study. We believe the concept of Cultural Indoctrination (CI) is the real foundation of nationalism, and this new field is covered in the following pages. The reader should note we are aware of the contested terminology regarding the term indoctrination.

Chapter 1 is an extensive case study examining the culture of development and the developmental capacity of states with Korea as the focus of the chapter. This chapter particularly focuses on the defining characteristics of a developmental state. In addition to the three characteristics recognized in the literature (relative autonomy, capacity, and embeddedness), four others are identified which are essential for a state to become developmental and remain so. These are legitimacy of the state, integration of the society, socio-political stability, and motivation for economic development. The Korean developmental state is taken as a case study and investigated under this new light.

Chapter 2 is a case study on Singapore showing that social controls can help newly developing countries in creating political stability and social cohesion that allows for rapid economic development. However, the side effects of such measures lead to the creation of a compliant society that lacks creativity and innovation, is risk averse in entrepreneurial activity, and is prone to talent depletion. This chapter attempts to answer the question: “Can culture be modified to advance economic growth?”

Chapter 3 explores the claim that the continuous globalisation of the media industry is leading unrelentingly towards a hegemony of global cultural homogeneity. Through a discussion of the phenomenon that is globalisation, and the theoretical background against which the cultural effects of the global media might be studied, the chapter critically examines the role of global commercial broadcasting in the creation of a so-called global culture and in the engendering of global cultural convergence. The past three decades have witnessed an explosion in the size and number of Transnational Corporations (TNCs), while advances in science and technology have revolutionised the way in which people around the world think, work, collaborate, and share information. The expansive growth in the size and number of TNCs and the rapid proliferation of the Internet and its associated technologies has led in recent times to profound changes in the global mass media industry.

Chapter 4 discusses the impact of cultural intelligence (CQ) on global business. CQ is a four-dimensional construct that helps one to understand how the individual cultural beliefs and values, influence motivations and behaviors. CQ is related to the three aspects of intercultural effectiveness that include cultural judgment and decision making, cultural adaptation, and task performance. CQ plays an important role in the areas of global leadership, achievement of managers, global strategic alliances, cross-cultural communications, negotiations, multinational teams, culturally- diverse domestic teams, overseas work assignments, global business competencies, and organizational effectiveness in the global marketplace. CQ is also relevant in establishing global identity in culturally diverse virtual teams.

Chapter 5 explores Japanese cultural traditions and their effect on international business. This chapter is based on a broad research that aimed to explain the Japanese way of acting in international business through their cultural values and to show that these Japanese-specific cultural values come from their philosophical and religious traditions. Therefore, it focuses on the unique characteristics of Japan's cultural values, social norms, and business customs. This chapter focuses on two aspects. The first is to present the specific cultural values coming from Japanese cultural traditions, more specifically the Japanese philosophical and cultural traditions. The second is to examine the influence of cultural values in the Japanese international business and emphasize the importance of understanding them in depth for doing business successfully in Japan.

Chapter 6 covers the potential and pitfalls of ethnic marketing in the financial services industry in Belgium. The chapter integrates and mirrors ethnic marketing literature and recent debates in geography about financial inclusion to discuss the obvious tensions that further financialization of economically weaker and culturally marginalized groups in society brings along. In doing so, the authors identify key societal trends at the interface of ethnic marketing and the propagation of "alternative" forms of finance and conclude with suggestions for an interdisciplinary research agenda.

Chapter 7 discusses the role of Information and Communication Technologies (ICTs) in expatriates' secondary socialization into new consumption environments. On the basis of a qualitative study of a question and answer platform directed at expatriates in Brussels, this chapter differentiates between market orientation and socialization practices online. It shows how processes of market simplification, market guidance, and market manipulation co-exist both in expatriates' orientation and socialization in the new consumption context. The findings of this study lead firstly to discussing the consequences of those online interactions for nationalism, where digital tools may in fact reduce expatriates' cosmopolitanism. Secondly, the study shows how the collaborative knowledge construction on those platforms creates new forms of market adaptation.

Chapter 8 analyzes the history of technology and its founding purposes. The evolution of technology resulted in the creation and development of assistive technology. The impact of interactivity of human-computer interfaces on independence, employment, and organizations is analyzed and addressed in relations to disabilities. The utilization of assistive technology in the disabled community, as well as in relations to the independence of the disabled, are covered via the paradigms of assistive technology trainer and job developer for the disabled in the USA: the capital of technology and capital of assistive technology.

Chapter 9 analyzes the regional specificity of Russia in creation and support of creativity within social and economic development, using the Global Entrepreneurship Monitor, Impact Report, and the G20 Entrepreneurship Barometer. Using data from Inglehardt's World Values Survey, the analysis of cultural assignments in the decision making in Russia will continue compared to diverse European practices. It will be a valuable basis for further exploration of collision between global economic systems, demands for creativity and innovation, internal Russian institutional and societal resources for support/rejection of innovation, and culturally indoctrinated behavioral patterns of young researchers and intellectual entrepreneurs, articulated as drivers of the new economy.

Chapter 10 investigates creativity with institutionalization by examining cooperatives in Finland as an alternative way to start a creative business. Typically, creativity and institutionalism are not closely related. People associate cooperatives with institutionalism because of their collective manifestations in history, such as agricultural or financial cooperatives. Often cooperatives consist of several entrepreneurs working under the same "umbrella" organization. In introducing Finnish cases, the planners and designers of creative industries have established cooperatives successfully, which were created for sustainable paths and to provide youthful entrepreneurs with business possibilities and modest profitability. Contemporary neo-cooperatives allow cooperatives to focus on their main area of creating and innovating new business. Creativity cannot flow without time or will to secure large investments and financing, or if the marketing and brand-building are problematic and the decision making slow. Additionally, cooperatives could provide a suitable arena for innovative and creative business.

Chapter 11 examines the role of gender and water within the Indian context. This chapter examines the welfare implication of wage revisions for two Indian unorganized sector female workers with opposite preference patterns for income and leisure in a drought-prone zone. The female workers here face gender-based wage gap and the inconveniences caused by water shortage adversely affect their effective incomes since females are the major users of water in the family. This chapter also makes a couple of recommendations for policymakers and legislators. It experiments with alternative utility functions in a neoclassical, microeconomic behavioural model framework.

Chapter 12 investigates the religious social movements and economic welfare in Turkey. In all societies, there have been some movements which highlight social, political, economic, ideological, or moral problems or aim at partial or complete change. This chapter discusses the new meanings attributed to the concept of social movements in the postmodern era. A theoretical framework is proposed to understand the nature of social movements since the 1960s and to demonstrate their differences from classical movements. Turkey provides a particularly rich context with high potential for social movements, both with secular and religious aspirations. Religious social movements have shown quite a tense relationship with the state throughout the history of the republic; yet, they have gained power and prosperity through evolving liberal economic policies since the 1980s. Therefore, resource mobilization and new social movement paradigms are used to explain Turkey's religious social movements today.

Chapter 13 provides a theoretical framework for cultural indoctrination. The purpose of this chapter is to examine the potential influence of Cultural Indoctrination (CI) on organizations today in an era of global hypercompetition. It is axiomatic that one of the fundamental realities of contemporary globalism is most organizations today must be able to function successfully across cultural (and national) boundaries to sustain a competitive advantage and remain profitable over time. Achieving this goal requires management to appreciate and understand the key factors affecting global business today. This chapter examines the following factors involved in cultural indoctrination: Child Development, Cultural Intelligence, Education, Institutionalization, Nationalism and Patriotism, Religion, Self-Efficacy, Social Capital, and Values Orientation Theory (VOT). It is from these factors that a conceptual model is developed for potential future application in management theory and practice.

Chapter 14 completes the book by introducing the role of cultural dynamics in the digital age, thus explaining the theoretical and practical concepts of organizational culture, cultural values and belief systems, material culture and artifacts, language and communication systems, cultural interpenetration, deterritorialization, cultural pluralism, and hybridization; the categorization of cultural dimensions; and the application of cultural dynamics in the modern business world. Cultural influences are changing dramatically as cultures are no longer dependent on local resources to formulate their characteristic tastes, preferences, and behavior and are increasingly linked across vast geographic distances by modern communication media. Membership in a culture adapts to new cultural contexts while transporting elements of one culture to another. As membership in a culture becomes increasingly transitional, unique elements are less clearly demarcated or distinctive. Understanding the role of cultural dynamics in the digital age will significantly enhance the organizational performance and achieve business goals in the global business environments.

Albert Einstein (n.d.) once said that “Nationalism is an infantile disease. It is the measles of mankind.” Considering that statement and the theme of this book, the reader should understand how the world can no longer continue the status quo regarding interaction both individually and nationally in order to be sustainable in this century. One merely needs to read newspaper or television news headlines today for support of this statement.

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Chapter 1

Culture of Development and Developmental Capacity of States: The Korean Case

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ABSTRACT

The main premise of this chapter is that state actions are crucial for economic development and those actions are partly shaped by the culture. Because some cultures are more conducive to development, it is engaged with the question: “Would it be possible to direct cultural change to serve economic development?” Since culture is a subject-object relationship, it might be possible to direct cultural change and consequently build up a developmental state. This chapter particularly focuses on the defining characteristics of a developmental state. In addition to the three characteristics recognized in the literature (relative autonomy, capacity, and embeddedness), four others are identified which are essential for a state to become developmental and remain so. These are: legitimacy of the state, integration of the society, socio-political stability, and motivation for economic development. The Korean developmental state is taken as a case study and investigated under this new light.

Economic development resembles a Poker game in some respects. It is possible that you may develop rapidly even with the bad cards at hand, if you manage to learn how to play with them.

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1. INTRODUCTION¹

The respective roles of the state and the market in the development process have been a constant issue of debate particularly after the great depression of 1929 which showed clearly that the price was too high when the market was left to the realm of the ‘invisible hand’. The consequence was that the predominant approach to economic policy in the 1950s and 1960s assigned the state a substantial role in repairing market failures. However, the forces of orthodoxy regrouped and by the second half of the 1970s, if not earlier, the mainstream of thinking about development policy had decisively shifted towards a neoclassical view of ‘the appropriate’ roles of markets and states. There has been a downgrading of the state in both popular media and academic literature for more than three decades. The end result is that there is considerable scepticism about the importance of states on economy all over the world today. The premise of the currently dominant economic view, neoliberalism (or market fundamentalism), is that markets, not states, are the most suitable way to organize political-economic systems. State interventions, as Jomo and Gomez (2000, p. 274) clarify, ‘are said to have created economic rents, thus encouraging wasteful rent-seeking activity (often involving corruption) and other inefficient economic conduct’.

However, the truth of the matter is quite different. As Wade (2007, p. 310) stresses, ‘[n]ational business needs the state to help boost its competitiveness in the face of established producers elsewhere’. To achieve high growth rate, there should be high return sectors. But such sectors, in general, have no relationship with developing countries. If a developing country does not possess those sectors but wishes to catch up with advanced countries, it is left with no choice but to enter those high return sectors. In other words, such a country must deny extant hierarchy of comparative advantage and transform the present economy to build up new comparative advantages. The developmental state model, put forward by

several studies, was based on approaches and public policies that have proven successful in Northeast Asian countries. Several scholars have documented that one of the main reasons behind rapid economic transformation of Japan, South Korea, and Taiwan (and more recently China) has been the well-directed pro-active intervention of the state in the industry. These high-performing economies did not for the most part rely on free trade during the period of their rapid growth. Instead, the success of these economies was based on effective intervention of ‘developmental states’ in these countries. The beneficial role of state interventions in the East Asian context has been so obvious that even the World Bank, one of the prominent advocates of the neoliberal view, was obliged to admit this by releasing a book named *The East Asian Miracle*. The East Asian model preserved its attractiveness despite the fact that some East Asian countries found themselves during 1997 – 1998 in one of the worst financial and economic crises ever. For some, this period was the end result of developmental states which brought about corruption and moral hazard.² However, history proved this interpretation was very much biased. What happened was, indeed, just a short interruption rather than a watershed trend-break in East Asian economic development.

A developmental state is the most likely candidate for boosting an economy beyond the narrow logic of private investment and thereby improving its position in the international division of labour. Such states achieve their goals not by taking on the tasks of development themselves, but also by shaping the capabilities of society and the market to do so. From the starting position that it is the developmental state which is best positioned to coordinate and prioritise rapid economic development, this chapter focuses on the underlying dynamics of such states and the complexities underpinning their emergence and durability. In doing so, the goal is to discover the circumstances under which a state can effectively promote rapid economic development.

As will be covered in detail later, even the most comprehensive theoretical studies of developmental states (e.g., Johnson, 1982; Amsden, 1989; Wade, 1990; Evans, 1989, 1995; Chang, 1994; Weiss, 1998, 2003; Kohli, 1999, 2004; Riain, 2000; Chibber, 2003; Beeson, 2004; Park, 2013) do not fully consider the underlying dynamics which underpin the emergence and durability of developmental states. So far, developmental state studies are incomplete and sometimes even contain misleading elucidation of state-society links. The theoretical analysis in the extant literature focuses on the three features of the developmental state: relative autonomy, capacity, and embeddedness. Although these three features are necessary for a state to be considered developmental, they are not sufficient. The purpose of this chapter is to fill this gap through recognising the importance of four additional characteristics:

1. Legitimacy of the state,
2. Integration of the society,
3. Motivation for economic development, and
4. Socio-political stability.

The chapter argues that any analysis, which aims to understand how a state becomes developmental and remains as such, needs to recognise the importance of all these seven features together. Omission of these features in an analysis may lead to misunderstandings about the underlying dynamics of developmental states. It needs to be highlighted that even the best known developmental states possess these features only in a certain extent and deficiencies in these features do not necessarily prevent a state to be called as developmental. However, unless these seven features are sufficiently available, we cannot expect such states become developmental and remain so.

The remainder of the chapter is organized as follows: Section Two reviews the relevant literature and identifies the role of the state in fostering economic development. The following section looks at the relationship between culture and development.

Section Four takes the issue of developmental state concept as a theoretical instrument and identifies its components in detail. It is here that four new characteristics of developmental states are introduced and its underlying dynamics explained. Section Five takes South Korea (hereafter Korea) as a case study and evaluates its developmental state according to seven features identified in the previous section. The final section summarises the main findings of the chapter.

2. THE ROLE OF THE STATE IN FOSTERING ECONOMIC DEVELOPMENT

The role of the state in the capitalist economy has been one of the most controversial issues in economics since the birth of the discipline. Scholars and policymakers have long acknowledged that both the state and market are key agents of economic development, but they disagree on the relative importance of each and its relationship to the other. As Woo (1990, p. 404) indicates, both Keynesian economics and development economics were born out as a rejection of the neo-classical view that it is generally not possible to improve upon the market outcome. While Keynesian economics was hailed as the replacement to neo-classical economics in the study of advanced capitalist countries, development economics was hailed as the replacement for neo-classical economics in the study of underdeveloped countries.

The strength of development economics has been its identification of key market failures in the domestic and international spheres and its emphasis on the role of capital accumulation and manufacturing industry in the development process. However, the early development economics approach embodied a rather naïve understanding of the state and political process which led to the incorrect presumption that the state has unlimited capacity to intervene effectively in the economic system, and state action designed to correct market

failures will always lead to benevolent, socially optimal outcomes. The early approaches also neglected the role of the market and the benefits of competition in the development process (Öniş, 1995). The neoliberal resurgence in development theory exploited some of these key weaknesses. The strong emphasis on the state's and the political ruler's inability and/or unwillingness to support societal development may function as an important correction in relation to the conceptions of narrow economic theories concerning a rational state which, under the right guidance from the economists, can and will opt for effective development-promoting policies (Martinussen, 1997). In attempting to draw attention to the costs of state intervention and rent-seeking behaviour, however, neoliberals have developed a totally negative view of state intervention for the economic development process. Neoliberals believed that individuals and groups comprising the state pursue their own interests even if these clash with those of the vast majority of the society. This view is pessimistic about politicians' willingness to resist the temptation to misuse economic powers, and still more pessimistic about the ability of states to detect opportunities which private entrepreneurs have missed. Neoliberals see government failure as pervasive and argue for rapid and comprehensive liberalisation as the only strategy that can simultaneously produce export orientation and avoid the inefficiencies of subsidy and protection.

The late 1960s and early 1970s saw a downgrading of the role of the state in both developed and developing countries. Chang (2006, p. 13) stresses that, '[i]n this revival of the old doctrine of laissez-faire, the early post-war consensus that capitalism has to be "tamed" in order to be saved from itself has been overturned, and the virtues of the "invisible hand" are endlessly praised.' Consequently, developing countries have come under unprecedented pressure to integrate into the world economy and reduce state intervention and the need for a special economics of development was denied (Wade, 1990, p. 8). The neo-classical

assault on Keynesian economics has been so successful that its practitioners now prefer to be called activist macroeconomists instead. The neo-classical assault on development economics has been even more successful. 'What began as an alternative paradigm is now usually regarded as an applied branch of neo-classical economics' (Woo, 1990, p. 404).

According to neo-liberal argument, 'within states, governments should disengage from management of the domestic economy, deregulate, privatize state-owned enterprises, and eliminate social welfare programs to promote fiscal austerity. Likewise, in the international arena there are calls for reductions of tariff barriers, the opening of capital markets, and a liberalization of restrictions on foreign investment, as well as new incentives to attract such investment. The overall thrust is a generalized and enhanced reliance on market mechanisms and on the private sector, supposedly in the service of upgrading national competitiveness. This became the hegemonic ideology of the centers of the world economic and political system'³ (Jenness, Smith, & Stepan-Norris, 2007, p. vii).

However, State-centric theorists have corrected the historical record regarding the newly industrialising economies by documenting the extent of state intervention in these countries and by demonstrating that their success was not simply the result of removing economic distortions or promoting exports. Several studies on the experience of East Asian countries, for example, have demonstrated that selective interventions by a state bureaucracy using a combination of direct intervention and price instruments almost certainly produced an industrial structure more geared to the long-term needs of economic development than market-led forces could have achieved. Strategic industrial policy, involving targeting of key growth sectors on infant industry grounds, has been a central factor in the economic success of these countries (Shapiro, 1994; Lall, 1996). Especially as a result of research conducted on East Asia, the

neo-liberal approach is no longer automatically accepted, both in the theoretical debates and in the management of international development co-operation. In a World Bank publication, for example, it is acknowledged that ‘...markets and governments are complementary...’ and ‘...the state is central to economic and social development...’ although this role is ‘...not as a direct provider of growth but as a partner, catalyst, and facilitator...’ (WB, 1997, p. 3). As these quotations imply, a more balanced approach has emerged between the state-managed and the market-led model – a compromise that has set the agenda for the international debate and development efforts since the 1990s (Erdoğdu, 1999).

Under the impetus of work done both in political science and in the new institutional economics, the new state theories in the tradition of Gerschenkron (1962) have paid more attention to the differences, especially between the East Asian and the African states. They emphasise that developing country states are very different with respect to their societal basis, their institutional form and their mode of functioning. Or as Evans (1995, p. 11) suggests, ‘...states are not generic. They vary dramatically in their internal structures and relations to society. Different kinds of state structures create different capacities for action. Structures define the range of roles that the state is capable of playing. Outcomes depend both on whether the roles fit the context and how well they are executed.’ A unifying theme of these approaches is that market forces alone will not lead to successful economic outcomes. Some argue that strong states are required both to usurp the market’s role in resource allocation and to ignore standard indicators of static comparative advantage and efficiency.

Johnson, for example, has studied the Japanese state with a view to identifying the structures and institutional prerequisites that have contributed to ensuring the country’s economic ‘miracle’. Johnson (1982) argued that the experience of late industrialization in Japan was qualitatively differ-

ent from the earlier experiences of England and other Western European nations, the USA, and Latin American nations in two significant ways:

1. Japan’s economic development was a much more rapid process compared to its predecessors, and
2. Japan’s economic development was led by a powerful developmental state.

Johnson credits Japan’s success to its ‘plan-rational’ state, which took an active role in industrialisation and was concerned with strategic outcomes, in contrast to a ‘market-rational’ state’s concern with rules of the game and traditional notions of efficient resource allocation. Following Johnson’s work, neo-statist political scientists and development economists emphasised the importance of a particular kind of state – a developmental state (Minns, 2001, p. 1026). The developmental state term designates not just state interference with the economy, but a type of policy directed to the contribution to the emergence of economic growth and new perspective economic sectors or clusters (e.g. high-tech sectors, by using corresponding policy instruments) (Woo-Cumings, 1999). In this sense the developmental state is contrasted not only to the predatory state, or the weak state, but also to the regulatory state, which does focus on various types of economic regulation via its agencies, but does not possess the ambition to accelerate specifically economic growth and to make corresponding choices (Terk, 2014, p. 13).

Following Johnson’s lead, others have utilized the concept of the developmental state as a key institution for economic development. These studies argued that the developmental state governs the market, as in South Korea and Taiwan (Amsden, 1989; Wade, 1990); often distorts market signals (e.g., price) (Amsden, 1989), as in Korea and other East Asian newly industrializing countries (NICs); attains rapid economic development through learning (Amsden, 1989); and invests human and material resources toward economic

development. What these studies shared in common with the institutional approach was that they focused on ‘institutions’ as key to understanding certain social phenomena (Kim, 2007, p. 314).

Amsden, Wade, and others challenged prevailing orthodoxy about the reasons for East Asia’s success that it was not the result of free markets but of state intervention and industrial policy (Shapiro, & Moreno-Brid, 2014, p. 193). ‘Catching up’, ‘leap-frogging’, and ‘learning’ were key concepts of their transformation. There was a focus on the institutions that enabled these nations to attain such rapid growth. However, these studies often erroneously assumed that state-building was also quick and rapid. Indeed, as some recent studies⁴ revealed, state-building is a long and incremental process.

3. THE RELATIONSHIP BETWEEN CULTURE AND DEVELOPMENT

Some of the most intractable problems associated with economic development include the whole range of social attitudes and organisations that can be called as culture. Culture is the characteristics of a particular group of people that transmitted from one generation to another. It is defined by everything from religion, traditions, social habits, language, cuisine, music and arts. Hoebel (1966, p. 16) describes culture as ‘an integrated system of learned behavior patterns which are characteristic of the members of a society and which are not a result of biological inheritance’.

As Chang (2008, p. 185) indicates, some forms of behaviour or culture are more helpful for economic development than others and countries with a culture that produces more pro-developmental forms of behaviour is likely to do better than others economically. Probably the great sociologist Max Weber is the first author who wrote about the effect of culture on economy.

In his book, *The Protestant Ethic and the Spirit of Capitalism*, Weber wrote that capitalism

in Northern Europe evolved when the Protestant (particularly Calvinist) ethic influenced large numbers of people to engage in work in the secular world, developing their own enterprises and engaging in trade and the accumulation of wealth for investment. In other words, the Protestant work ethic was an important force behind the unplanned and uncoordinated mass action that influenced the development of capitalism. According to him, the East Asian people were far from such an ethic. Therefore, Weber did not expect much from that part of the world. Interestingly, however, East Asia achieved the most dramatic economic transformation that have ever occurred in human history. Therefore, this anecdote hints that relationship between the culture and economic progress is very complex and requires very careful analysis to reveal its secrets.

According to Szostak (2009, p. 244), perhaps the most prominent economic historians is Landes who has stressed the role of culture on economy. Landes identified values highly conducive to economic development as thrift, honesty, tolerance, and hard work. Although there appears to be no problem here, the quote by Szostak regarding Landes is obviously an extremity. He says, ‘[i]f we learn anything from the history of economic development, it is that culture makes all the difference’. As explained in the previous paragraph, this would be the denial of the historical realities. In the East Asian case, Confucian is mused to be widely seen as a major obstacle to economic growth since it lacked the stress on individualism of Protestantism. After the East Asian miracle, however, some commentators swiftly switched side and argued that Confucianism was, indeed, the secret ingredient behind the success there.

Obviously, culture is a very complex and important issue. We need to understand its true complexity and importance in economic development. The position of this chapter is that not only does culture influence economy, culture is also influenced by the economy. Chang (2008, p. 200) makes the important point that, ‘[t]hough culture

and economic development influence each other, the causality is far stronger from the latter to the former; economic development to a large extent creates a culture that it needs. Changes in economic structure change the way people live and interact with one another, which, in turn, changes the way they understand the world and behave ... many of the behavioural traits that are supposed to 'explain' economic development (e.g., hard work, time keeping, frugality) are actually its consequences, rather than its causes.'

This chapter recognizes that it is a possibility to promote certain aspects of a culture and demote some others. In this way, it might be possible to benefit even from 'the worst culture' in development process. But for that to occur, the state needs to be active in promoting the positive aspects and demote negative aspects of the culture in question. Indeed, it can be argued that this was precisely the practice in the East Asian case, which obviously worked quite well. Therefore, the main question that this chapter aims to find an answer is: 'How can the values highly conducive to economic development be promoted and the values that hinders economic growth be demoted?'

Evans, Rueschemeyer, and Skocpol (1985, p. 253) suggest that 'states influence the meanings and methods of politics for all groups and classes in society. Social cleavages and interests are not, as received wisdom too often implies, primordial givens that affect the state through politics "from without." Rather, the organisational arrangements of states, the existing patterns of state intervention in economic and social life, and policies already in place all influence the social interests pursued in politics. Some potential group identities are activated while others are not. Some lines of social conflict are politicised while others are not. Some demands are pressed while others are not imagined or are considered inappropriate given the kind of state structure and established policies with which social actors must deal. In turn, these political realities partially affected by the

state feedback to affect future struggles over state structures and policies'.

Similarly, researchers such as Gellner (1983) and Hobsbawm (1991) see ethnicity and nationality as phenomena which are socially and ideologically constructed, and perhaps even politically manipulated by elites fighting for control over resources and privileges. According to this concept, language, religion, and territorial affinity only acquire their special importance if and when they are used as a basis for awareness creation and social mobilisation. Collective identities are, in other words, what people make of them. They are in no way pre-given, primordial identities; on the contrary, they are feelings of community and solidarity which have evolved in social processes and are therefore context-dependent. Expressed differently, collective identities like ethnicity and nationalism are ideological constructions of the relationships between the state, civil society and individual actors. Hobsbawm (1991), in this connection, stresses that ethnic and national communities typically base their unity on creative history writing, which contains a good deal of inventions and imaginings with added notions of common cultural inheritance, common heroes, common norms, customs, and so on.

As Tsunoyama (1980, p. 13) suggests, 'the enrichment and strengthening of the country' and 'the encouragement of productive industries' were national slogans in the period after the Meiji Restoration in Japan. In order to achieve its national purpose, the Meiji Government played an active role as a promoter of modern industries and also as a regulator of private business activities. The coincidence of both business and state interests lead to the formation of so-called, 'Japan Inc., Ltd.' Fukui (1992) argues that systematic indoctrination of youth into the Shintoist Emperor Cult and Confucianist beliefs in state loyalty helped to promote national harmony and unity in Japan. Shinto became the state religion and was used to promote allegiance to the state; public pronouncements extolled the Confucian virtues of unity,

family loyalty, and moral conduct. Mass public education inculcated these values, as children were taught to be ‘loyal, co-operative, and industrious, as well as literate and able workers in the service of the state’. Nationalist values were guaranteed by strict state controls over curriculum and materials at the primary and secondary school levels, designed to assure appropriate ‘moral education’. Youth groups and other organisations were formed with a similar intent.

According to Chang (2008, p. 201-2), ‘culture can be deliberately changed – through economic policies, institution building and ideological campaigns’. He says that very often what seemed like an eternal national character can change within a couple of decades if there are sufficient supporting changes in the underlying economic structure and institutions.⁵ He emphasizes, however, that a ‘cultural revolution’ will not develop unless there are complementary changes in the underlying economic structures and institutions. He also warns that we must not forget culture cannot be reinvented at will – the failure to create the ‘new man’ under communism is a good proof of that. Therefore, the cultural ‘reformer’ still has to work with existing cultural attitudes and symbols.

Chang also suggests that culture can be changed deliberately through persuasion. However, he warns that preaching hard work will not be very effective in changing people’s work habits in a society without enough jobs. Similarly, telling people that disparaging the engineering profession is wrong will not make many young people choose to pursue it as a career in a society with little industry. Chang emphasizes that changes in attitudes need to be supported by economic activities, institutions and policies. Ideological persuasion is important but not, by itself, enough in changing culture. He gives co-operation and loyalty trait in Japan as an example and claims that those traits came about only because Japanese workers were given institutions such as lifetime employment and company welfare schemes.

When Korea began its industrialization drive in the 1960s, the government attempted to persuade people to abandon the traditional Confucian disdain for the industrial professions since the country needed more engineers and scientists. But with few decent engineering jobs, not many bright young people wanted to become engineers. Therefore, the government increased funding and the number of places in university for engineering and science departments, while doing the reverse (in relative terms) in humanities departments. In the 1960s, there were only 0.6 engineering and science graduates for every humanities graduate, but the ratio became one-to-one by the early 1980s. Of course, the policy work ultimately because the economy was industrializing fast and, as a result, there were more and more well-paying jobs for engineers and scientists. It was due to the combination of ideological exhortation, educational policy and industrialization – and not just promotion of ‘progressive values and attitudes’ – that Korea has come to boast one of the best-trained armies of engineers in the world (Chang, 2008, p. 200).

According to Castells (1992, p. 57), when the societal project respects the broader parameters of social order (although not necessarily the specific social structure) and aims at a fundamental transformation of the economic order (regardless of the interests or desires of the civil society), we are in the presence of what is called the developmental state. The historical expression of such a societal project generally takes the form of the building or rebuilding of national identity, affirming the national presence of a given society or a given culture in the world, although not necessarily coinciding with the territorial limits under the control of the developmental state.

Some recent studies reveals there is a much longer and often arduous process of state-building before a state can produce successful economic development. For instance, using a cross-national quantitative analysis, Chanda and Puttermann (2005) explore how pre-industrial development helped predict the post-World War II and post-

colonial development. Their studies show that old countries with a longer history of state-like organizations lead to much more rapid economic development in the contemporary era compared to newer countries. Cumings (2005) traces the foundations of South Korea's developmental state to the centuries-old system of civil service and recruitment by merit dating back to even before the Chosôn Dynasty (1392–1910) and the Japanese Colonial period (1910–1945). These long predate 1961, which is considered to be the watershed year for South Korea's march toward rapid industrialization.

4. A THEORETICAL PERSPECTIVE: THE LEVEL OF THE DEVELOPMENTAL CAPACITY OF STATES

Peter Evans (1989, 1992, 1995) is one of the theorists who, on the basis of empirical studies, has identified a typology of different states. He distinguished between three main forms:

1. Predatory,
2. Intermediate, and
3. Developmental.

The predatory state is characterised by an incoherent and inefficient state administration which has very little capacity to promote economic and social development. The predatory state is, moreover, controlled by a small political power elite, possibly an autocratic ruler who uses the state and its resources to promote his own narrow interests. Evans takes Zaire as a prototype of this form of state. At the other end of the spectrum, Evans places the developmental state, a state characterised by a well-developed coherent bureaucracy, resembling Max Weber's ideal-type bureaucracy. Empowered by strong internal networks and a homogenous administrative culture, this state has considerable capacity to

perform all the functions assigned to it, ranging from security policies to economic policies. The developmental state further has a considerable degree of autonomy vis-à-vis both the political power elite and the economic interest groups in the society. This does not mean that the state is insulated completely from these groups and the rest of the society.

On the contrary, the developmental state features many close connections with the most important private interest groups, especially big business corporations, but there is a clear division of labour. The political power elite dominate long-term strategic decision-making, but leave implementation to the state bureaucracy which may formulate more specific guidelines for economic activities, but without interfering directly in the day-to-day operations of the private corporations. Korea is referred to as a prototype of a developmental state. Between these two extreme forms, Evans places – with Brazil and India as examples – many intermediate developing country states, which have built up a certain administrative capacity. These administrations have occasionally, and in certain respects, achieved positions independent of the political power elite and the economic interest groups. The internal structures of these states remain fragmented, divided and unstable but they perform significantly better than the predatory states (Evans, 1995). Although these conceptions and propositions offer important insights, they still fail to articulate fully the interaction between the economic and political spheres. Moreover, they do not fully consider underlying dynamics of developmental states, complexities underpinning their emergence and durability. The following sub-sections will tackle this challenge.

The state often mediates between the outside world and the nation, and state capacities are usually built through the interaction of internal and external conditions. It should be noted that external conditions (particularly regional and international power balances) are extremely important not only to understand emergence and evolution of

developmental states but also the limits of a particular state's capacity. As Pempel (1999, p. 147) suggests, economic options are highly contingent on the broader external arena within which any industrialising nation's leaders operate. Importance of external conditions in determining state capacity will be elaborated later. The first focus below will be on the internal conditions.

The state is not a consistent, monolithic, or coherent actor. It is, indeed, a variable entity with blurred boundaries between itself and society. States are a form of social relations which themselves are a reflection of the changing relationship between classes in any given society. As the relations between classes in society change, so do the nature and role of the states. In this sense, all states and institutional arrangements are contingent, rather than fixed, and subject to change. In orthodox Marxist analysis, the state is seen as an instrument of domination used by the ruling classes over subordinate classes. Poulantzas, within the Marxist tradition, has recognised that the state is a lot more than an entity that concentrates and exercises class power located outside its apparatuses. According to Poulantzas (1978), the state is a product of conflicting interests and power struggles between social classes and other social forces. Thus, a certain state may acquire 'autonomy' from society, if no class is powerful enough to impose its will on the state. This approach made it possible to understand why certain states can act 'relatively autonomous' from their societal forces and become developmental. As Jomo (1997) indicates, it is now generally agreed that the efficacy and success of industrial policy in Northeast Asia was not simply determined by existing business interests. The ability of states to independently make economic policy has enabled them to create and allocate rents to induce investments in state-chosen priority areas. The prospect of securing further rents has ensured that rents have been invested in line with industrial targets set by the state.

Early theoretical studies (e.g., see Johnson, 1982; Evans, 1985; Rueschemeyer & Evans, 1985; Sandbrook, 1986) focused on two features of such states:

1. Relative autonomy, and
2. Administrative capacity.

However, as Evans (1989) has indicated, autonomy and capacity do not necessarily lead to a developmental state. Indeed, the result can be quite the opposite and it is possible that an autonomous state be predatory. Thus, Evans discovered another feature of developmental states, 'embeddedness' and suggested that the transformative capacity of a state require a combination of corporate coherence and external connectedness, to which he gave the name 'embedded autonomy'. This has been a very important contribution and has clearly enriched our understanding of developmental states in a substantial way. However, Evans and other theoreticians were overly optimistic to expect discovering this additional feature would enough to solve developmental state puzzle, and they failed to recognise that some other features are, indeed, necessary for having a developmental state along with ensuring its durability.

This chapter identifies these additional features as legitimacy of the state, integration of the society, motivation for economic development, and socio-political stability. These features are related not only to the state, but also to the society and the geopolitics. Every country has these four and previously mentioned three other features in differing degrees and their importance tends to change in different periods of time. The extent to which they emerge, as well as the mode, the manner and the extent of their interaction with one another, determines the level of developmental capacity of a particular state in a particular period. These seven features (see Table 1 for their components) can crucially affect the success of making and implementing of developmental policies in an economy.

Culture of Development and Developmental Capacity of States

Table 1. Components of developmental states

Legitimacy of the State	Relative Autonomy of the State
<ul style="list-style-type: none"> • Perceived benevolence of state rulers. • Commitment to indiscriminate application of laws and rules. • Providing the feeling of security and pride. • Commitment to equitable income distribution and fair distribution of welfare improvements. • Ensuring of equal opportunities for the citizens. • High level of administrative capacity. • Application of inclusive policies. 	<ul style="list-style-type: none"> • Strong state. • Weak interest groups. • External threats to independence and tense geopolitics. • Perceived legitimacy of state rulers. • Indiscriminate application of laws and rules. • Equitable income distribution and fairly shared welfare improvements. • Equal opportunities for the citizens. • High level of administrative capacity.
Administrative Capacity of the State	Integration of the Society
<ul style="list-style-type: none"> • Merit-based recruitment. • Competitive salaries. • Coherent bureaucratic machinery. • Internal promotion and career stability. • Organisationally consistent career ladders. • Long-term career rewards. • Respect for state officialdom. • Legitimacy of state rulers. • Embeddedness of the state and society. 	<ul style="list-style-type: none"> • Perception of living in a fair society. • Perceived legitimacy of state rulers. • Indiscriminate application of laws and rules. • Equitable income distribution and fairly shared welfare improvements. • Equal opportunities for the citizens. • Embeddedness of the state and society. • Institutionalised channels for negotiations. • External threats to independence and tense geopolitics. • Ideological affinity. • Religious affinity. • Racial affinity.
Embeddedness of the State and Society	Motivation for Economic Development
<ul style="list-style-type: none"> • Integration of the society. • Co-operative public-private links. • Institutionalised channels for negotiations. • Equitable income distribution and fairly shared welfare improvements. • Perceived legitimacy of state rulers. • Stable bureaucratic structure. • Socio-political stability. 	<ul style="list-style-type: none"> • External threats to independence and tense geopolitics. • Lack of natural resources and technology. • National pride. • Integration of the society. • Perceived legitimacy of state rulers. • Equitable income distribution and fairly shared welfare improvements. • Indiscriminate application of laws and rules. • Equal opportunities for the citizens. • Co-operative public-private links. • Socio-political stability.
Socio-Political Stability	
<ul style="list-style-type: none"> • Perception of living in a fair society. • Perceived legitimacy of state rulers. • Indiscriminate application of laws and rules. • Equitable income distribution and fairly shared welfare improvements. • Equal opportunities for the citizens. • Integration of the society. • External threats to independence and tense geopolitics. • Strong state. 	

First of all, in order for state rulers to pursue developmental policies successfully, their goals need to be perceived by the society as legitimate. If state rulers are not perceived as legitimate and do not apply ‘legitimate policies’, state actions are likely to face disregard or outright opposition

from the society which might lead to ineffective results. Second, there must be sufficient integration in the society for the state to be able to mobilise the society for rapid economic development. If there is little integration of the society, conflicts that arise might lead to negative repercussions or

even to a civil war. Obviously, it would be almost impossible to follow effective developmental policies under such circumstances.

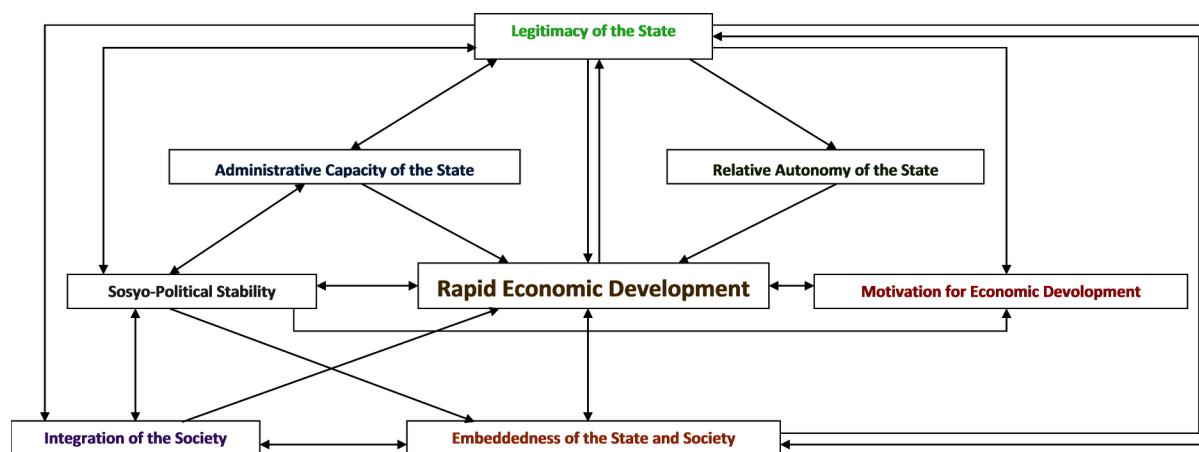
Third, as Rueschemeyer and Evans (1985, p. 49) indicate, ‘the state must acquire a certain degree of “relative autonomy” from the dominant class in order to promote economic transformation effectively’. Certain autonomy is necessary not only to formulate collective goals but to implement them as well. Fourth, the state must have enough administrative capacity to make and implement economic decisions. When such administrative capacity is lacking, even if the correct policy choice is made by chance, satisfactory results might not be achieved because of bad implementation of the policies. Fifth, as Evans (1989) highlights, states need to be not merely sufficiently autonomous to formulate their own goals, but also sufficiently embedded in particular industrial networks to implement them. There must be ‘a concrete set of social ties which bind the state to society and provide institutionalised channels for the continual negotiation and re-negotiation of goals and policies’ (Evans, 1992, p. 162).

These linkages provide the relevant agencies with a vital mechanism for acquiring adequate information and for co-ordinating agreement with the private sector over the content and imple-

mentation of policy (Weiss, 1998, p. 55). Sixth, there must be sufficient motivation for economic development. If there is not enough incentive or requirement, it is unlikely that a country will push for economic development. This is because of the fact that development requires sacrifices from today for tomorrow, which can hardly be popular in a society at large. Finally, a substantial degree of socio-political stability is needed to implement developmental policies effectively. Otherwise, political turmoil leads to uncertainties and diverts attention from economic development to the issues of conflict. Such a situation makes it very difficult to carry out coherent development policies and uncertainties cause unwillingness in the private sector to make investments.

The above mentioned seven features of developmental states are interrelated (see Figure 1 for the interaction between the seven characteristics of developmental states) and their availability determines the level of a particular state’s developmental capacity. The interactions between these seven features of developmental states are as follows: First of all, it is much easier to overcome conflicts and establish consensus for common goals in a society with a legitimate state than with an illegitimate one. When the state is perceived legitimate by the society, welfare improvements

Figure 1. Interaction between seven characteristics of developmental state



rather than conflicts take the priority and available resources can be mobilised for rapid economic development. Thus, legitimacy of the state is instrumental to achieve socio-political stability. Socio-political stability, on the other hand, provides a fertile ground for welfare improvements in a society. First of all, the state can apply long term policies for economic development when there is social-political stability. In the meantime, entrepreneurs may choose to make long-term investments rather than looking for short-term speculative opportunities, since it becomes less risky to do so.

Second, when there is socio-political stability, it is more likely that career rewards of public servants depend on their achievements rather than on ‘nepotism’. Merit-based career rewards increase the state capacity and therefore the effectiveness of state interventions. Moreover, if a stable bureaucratic structure is constructed, it becomes easier to establish regularised ties between public and private sectors. If welfare improvements are fairly shared within the society, rapid economic development and socio-political stability become legitimating factors for state actions.⁶ Therefore, a virtuous circle is created.

Legitimacy of the state is also a factor which increases embeddedness of the state and society. Co-operative links between public and private sectors develop naturally when the state bureaucrats are perceived benevolent competent and act fairly. When such embeddedness is achieved, it is likely that legitimacy of the state is further enhanced because of the co-operative atmosphere that is created. Further legitimacy of the public servants increases the capacity of the state through increased credibility of state actions. Administrative capacity of the state, in turn, enhances legitimacy of the state. Furthermore, legitimacy of state bureaucrats offers them an implicit autonomy since their actions are expected to be benevolent. Moreover, when people feel that public servants are legitimate, this reduces conflicts in the society and increases integration of the society. Integra-

tion of the society is a very important ingredient for socio-political stability, embeddedness of the state, and motivation for economic development. As identified earlier, there are many components of integration of the society. However, fairness and justice are the most important of all. These are also very important to achieve socio-political stability, embeddedness of the state and society, and motivation for economic development. If not only a privileged class but all people in the society benefit from welfare improvements, motivation for economic development increases. While on the one hand motivation in the society for economic development helps to achieve that aim, on the other hand, the economic development achieved increases the motivation.

It needs to be highlighted that the above-mentioned seven features should not be taken as “God-given gifts” which only a few countries can possess. In the East Asian context, they have been brought to their present forms through an intense process of political struggle, ideological campaigning, cultural indoctrination, and institutional innovation. Only when we recognise this fact we will be able to avoid the a-historicism of some orthodox economists who take present structures as given without acknowledging the human agents and actions resulting in cultural and other institutional changes.

The emergence of a developmental state depends on many interrelated factors. Obviously, a certain socio-economic and cultural heritage of some countries along with their geopolitics and endowment of natural resources can be valuable assets for flourishing a developmental state. For example, the Modified Confucian tradition with heavy emphasis on authority, hierarchy, order, and group solidarity has been an important input in the generation of a high degree of co-operation and consensus in the East Asian countries. Cultural and racial homogeneity of these societies is another factor which helped them to achieve an exceptional degree of consensus and collaboration among the key groups in their societies. Moreover,

the countries comprising the East Asian model have been blessed with some unique historical characteristics which proved to be of tremendous value in terms of building consensus around the economic policy objectives. ‘A crucial factor in this respect was a major redistribution of wealth at the start of rapid development in the cases of Taiwan and Korea, and at a critical juncture in the case of Japan, in the immediate post-war period’ (Öniş, 1992, p. 519). Furthermore, their tense geopolitics and lack of natural resources worked as strong motivating factors for their rapid economic development and socio-political stability. This was because of the widespread understanding that their survival depended on rapid industrialisation.

Certainly, these are characteristics of East Asian economies that are not easy (or possible) to replicate. Countries can hardly have any control over their geopolitics and their natural resources. It is a historical reality that racial differences provide a fertile ground for conflicts. But, again, we know that different races may get along very well, live in peace, and prosper together. Malaysia stands out as a good example in this respect. Obviously, there is little or no control by countries over their geopolitics, culture, ethnic and religious structure, or availability of their natural resources. Moreover, every country has a different history which can be an asset or a hindrance for economic development. Socio-economic changes like a massive dislocation of population, a land reform, the bitter experience and humiliation of being a colony, etc. may have some long lasted influences on economic development.

While it is clear that there is not much to do about most of the above mentioned issues, this does not apply to all of them. For instance, although it is an extremely difficult political issue, a radical re-distribution of wealth is something that can be carried out by a determined leadership who controls the state at a critical juncture of that country’s history. Such an action can have a tremendous value for achieving relative autonomy and legitimacy of a state. Moreover, it can have long-term positive

effects for socio-political stability, integration of the society, embeddedness of the state and the society, and motivation for economic development. It is also a human action to institutionalise merit based civil service recruitment and make sure that laws are applied indiscriminately in the society. The former action is instrumental to increase state capacity and the latter is very important for legitimacy of the state, integration of the society, and socio-political stability.

Although it is not possible to replicate a particular developmental state in another country, it is possible to establish one to a certain extent. The developmental limits of that state depend on how much of the above-mentioned seven features can be obtained. It needs to be recognised that the sequence of policy implementation is another important aspect of building a developmental state. Social changes involve very complex processes which interact and intermesh in unique ways and become increasingly difficult to reverse over time. This is related to the fact that every major change creates new interest groups and every interest group tries to consolidate its power base or attempts to maintain it. The relative autonomy of the state can be best achieved by weak interest groups as a result of equitable income distribution. Equitable income distribution also increases integration in the society, legitimacy of the state, socio-political stability, and motivation for economic development. Therefore, in order for a developmental state to flourish, priority must be given to radically improving income distribution. Otherwise, established interest groups are likely to prevent it from occurring later on. Increasing the administrative capacity of the state is to be another priority. Without desirable administrative capacity, it would be over optimistic to expect a successful developmental outcome. The following sub-sections will look at the aforementioned seven concepts in detail to identify the factors which have an effect on establishing developmental states in developing countries.

4.1 The Legitimacy of the State

As Castells (1992, p. 57) states, ‘the heart of the logic of the state is the legitimacy principle, holding together the apparatus, and structuring and organising the codes and the principles for accessing power and for exercising it. The legitimacy principle may be exercised on behalf of the society (the democratic state) or on behalf of the societal project’. Weber (1969, p. 71) suggests that ‘social conduct, and more particularly a social relationship, can be oriented on the part of the individuals to what constitutes their “idea” of the existence of a ‘legitimate⁷ authority’. According to Weber (1969, p. 75), the legitimacy of authority can be guaranteed in the following ways:

1. On a purely subjective basis, it may be due to:
 - a. Merely affectional, or emotional surrender; or
 - b. It may derive from a rational belief in the absolute validity of the authority as an expression of ultimate, binding values of an ethical, aesthetic or of any other kind; or
 - c. It may originate in religious attitudes, i.e., guided by the belief that salvation depends on obedience to authority.
2. Additionally, the legitimacy of the authority may be guaranteed by self-interest (i.e., in the expectation of specific consequences of a particular kind).

Hence, in order for state rulers to pursue developmental policies successfully, their goals need to be perceived by the society at large as legitimate. Otherwise, state actions are likely to face with indifference or outright opposition from society. Under such circumstances, state actions might lead to ineffective results. What this chapter suggests is that ex-ante legitimacy of state rulers is not necessarily required. In fact, like some other features of the developmental state, legitimacy

needs to be perceived as dynamic undertaking and achievable over time. Weber notes that, in the past, for an authority to be treated as legitimate, it was often necessary for it to have been accepted unanimously. Today, however, it frequently happens that an authority is accepted by a majority of the members of a group with the minority (which holds different opinions) merely acquiescing. In such cases, the authority is actually imposed by the majority on the minority. Very frequently, it is also the case that a violent, ruthless or simply energetic minority impose their authority which eventually comes to be regarded as legitimate by those who originally opposed it (Weber, 1969, pp. 82-3).

This chapter identifies some of the legitimating factors for state rulers as:

- Perceived benevolence⁸,
- High level of administrative capacity,
- Providing the feeling of security and pride,
- Commitment to indiscriminate application of laws and rules,
- Ensuring of equal opportunities for the citizens,
- Commitment to equitable income distribution and fair distribution of welfare improvements,
- High level of administrative capacity, and
- Application of inclusive policies.

In this sense, legitimacy can be achieved mainly by eventual self-interest of citizens, which fulfils Weber’s second proposition above. In some instances, however, it can be achieved by binding ethical values.

Castells (1992, pp. 56-7) makes the important point that, ‘[m]ost political science theorists remain prisoners of an ethnocentric conception of legitimacy, related to the democratic state. Under such a conception, the state is legitimate when it establishes hegemony or consensus vis-à-vis the civil society. Yet, this particular form of legitimacy presupposes the acceptance by the state itself of

its submission to the principle of representation of society as it is. However, we know that states that have attempted over history to break away from the existing order did not recognise civil society-as-it-was as the source of their legitimacy. And yet, they were not pure apparatuses of naked power, as was the case with defensive military dictatorships in many historical instances. The clearest examples are revolutionary states, particularly those emerging from communist revolutions or national liberation movements. They never pretended to be legitimate in terms of the acquiescence of their subjects, but in terms of the historical project they embodied, as avant-gardes of the classes and nations that were not fully aware of their destiny and interests'.

According to Castells, the first reflex of the state apparatuses that later became developmental (the PAP state in Singapore, the Park Regime in Korea, the KMT in Taiwan, and the colonial state in Hong Kong) was to ensure the physical, social, and institutional viability of the societies for which they came to be in charge. In the process, they constructed and consolidated their own identity as political apparatuses. Castells demonstrates that with the partial exception of Hong Kong, the dominant classes in these societies were subordinated to the state or destroyed, while the working class was either repressed or incorporated directly into the development process. In this way, the respective states managed to acquire legitimacy by integrating their civil societies behind their development efforts. Similarly, Pettman (1979, p. 40) suggests that '[t]he aspiration to industrialise, and the ethos of political and economic contemporaneity that accompanies it, are very widespread, and none of the various divisive forces at work in the world has prevailed it. The explicit commitment to "modernisation" constitutes in many case the ultimate rationalisation of the right to rule.'

Grabowski (1994, p. 414) suggests that 'external threats to the independence of a country may force the state to elevate economic goals to a position of top priority'. Such a situation is likely

to provide legitimacy for the state to prioritise economic development. History provides many examples in this respect. For instance, Kobayashi and Kobayashi (1980, p. 25) argue that '[b]oth the United States and Japan required industrialisation as an indispensable economic foundation for keeping their independence'. According to the authors' proposition, the two countries felt the urgent need for industrialisation in order to maintain political independence and aggressively attempted industrialisation.⁹ Similarly, Gershenkron (1962, p. 148) indicates that, '[t]here is very little doubt that, as so often before, Russian industrialisation in the Soviet period was a function of the country's foreign and military policies.' Certainly, external threats created a legitimising mandate for the state to prioritise economic development also in some other countries. Israel, South Korea, and Taiwan appear to provide perfect examples in this respect.

Different ideologies toward society-state relationships seem to provide different levels of legitimacy for each state along with different kinds of relationships between the state and business. It is argued that some of the cultures legitimise the power of the central bureaucracy. For example, Leudde-Neurath (1988) suggests that Korea's history of Confucian tradition produced a society where the state commands the moral high ground and draws in the best talent. In addition to central bureaucracy, as Dodd (1969, p. 32) suggests, in some societies '[t]he military is regarded as a legitimate component of society whose demonstrations are tolerated.'

Although initially the legitimacy of the state, and therefore its power, can be increased through a developmental project, its very success might weaken the legitimacy of the state over time. This change might arise as a result of the emergence of a new, more assertive capitalist class increasingly confident that it does not need a state of technocrats, racketeers, and political police.¹⁰ Rueschemeyer and Evans (1985, p. 65) suggest that the state's claim to be the embodiment of universalistic interests - and therefore its legitimacy - is

particularly difficult to sustain in an ethnically and religiously divided society. They cite a number of specific examples in support of this proposition, ranging from Lebanon as an extreme example of a state debilitated by primordial cleavages, to Japan as a strong state whose relatively autonomous role is facilitated by virtue of operating in an ethnically homogenous society.

4.2 Integration of the Society

Integration of the society is another central concept which enables a state to mobilise the society for rapid economic development. An integrated society can be defined as a society that can accommodate different and divergent individual and group aspirations within a flexible framework of shared basic values and common interests. Integration of the society results from a pattern that is consistent with justice for individual and social cohesion. Such a society bases on equal access to opportunities and inclusiveness. ‘The challenge of social integration is not one of reducing or eliminating differences, but of enabling different groups to live together in productive and co-operative diversity while ensuring conditions for social mobility’ (UN, 1994).

Integration of a society and its by-products – consensus and cohesion – are of critical importance for economic development. Consensus and cohesion lead to co-operation and co-operative behaviour creates synergy that helps to increase the overall productivity of the society. Consensus and cohesion in a society are closely related to:

- Perception of living in a fair society,
- Perceived legitimacy of state rulers,
- Indiscriminate application of laws and rules,
- Equitable income distribution and fairly shared welfare improvements (including easy access to education and health),
- Equal opportunities for the citizens,
- Embeddedness of the state and society,
- Institutionalised channels for negotiations,

- External threats to independence and tense geopolitics,
- Ideological affinity,
- Religious affinity, and
- Racial affinity.

Less equitable income distribution, discrimination, corruption, and unfair practices of laws and rules disintegrate a society and make it difficult to build consensus with regard to which policies are chosen and to implement a coherent development policy. Integration of the society, on the other hand, enables a government to implement consistent long-term economic policies. Thus, a reordering of development objectives and priorities to address the root causes of disintegration is essential. Among the more important tools in achieving social integration are: protecting diversity and making inclusiveness a central concern of social policy; promoting equitable income distribution and equality of opportunity; ensuring access to education and information for all; improving the situation of migrants; securing the advancement of people with special needs; bringing government closer to the people. The aim of such steps is the creation of conditions in which all feel that they have a stake in society’s peaceful development (UN, 1994). It is clear that consensus and cohesion is of critical importance, not only for ethical but also for economic reasons. Consensus and cohesion lead to co-operation and co-operative behaviour creates synergy which helps to increase the overall productivity in the society.

Stepan (1985, p. 340) rightly suggests that, ‘[t]he power of the state as an actor and institution cannot be analysed in isolation from an understanding of the nature of the cleavages that rend civil society, on the one hand, or the growth of horizontal ties that bring different sectors of civil society together, on the other hand. At the same time, the evolution of opposition to the state within civil society is shaped by the way in which the state defines its project and by the contradictions and conflicts that emerge inside the state apparatus itself.’

The society interacts with the state and the corporate economy in many ways. Some of these modes of interaction have to do with the citizens' perception of where they belong. In this respect, most developing countries are quite complex and very different from the highly industrialised societies. Martinussen (1997, p. 320) points out that in the case of the European nation-states, nationalist ideologies historically became popular before the formation of the states within well-defined borders. Thus, the spreading of nationalist ideologies and the perceptions of political and cultural affiliations and community preceded the formation of the state. The population in each of the nation-states sensed some kind of common identity and a common sense of belonging, prior to the formation of territorially defined states. Martinussen (1997) indicates that the course of development in most of the developing countries has been very different from this pattern. Here, the sequencing has often been the reverse: the formation of states prior to the consolidation of nations.

In many cases, what emerged in the developing countries were state-nations, rather than nation-states. Similarly, the kind of ideology that came to dominate in many countries could be referred to as state nationalism, rather than popular nationalism with a strong foundation in civil society and the political community (Stavenhagen, 1990). The lack of initial congruence between states and nations in many developing countries has placed a considerable burden on their political systems and has often negatively impacted upon economic and social development, chiefly by diverting resources from development efforts to conflicts between states and their peoples, or to border disputes between states (Martinussen, 1997: 320-1).

The basic relationship between society and state varies considerably from one country to another. According to Martinussen (1997, p. 321), at least four different categories can be identified. One category consists of countries such as Singapore and Thailand where there is a high degree of congruence between nation and state, and where

the legitimacy of the state is solidly grounded in the perceptions of the majority of the population as belonging to exactly the political community which is governed by the concerned state. A second category comprises countries where large parts of the population perceive the state as a distant and alien institution. This applies to many African countries where large numbers of peasants in subsistence agriculture regard themselves only to a very limited extent as citizens belonging to a larger political community, and for whom the local community or smaller ethnic groupings make up a far more important frame of reference for their identity.

A third category consists of countries, mainly in South and South-East Asia where large ethnic communities coexist within the same state territory, but without having strong feelings about belonging to the same nation.¹¹ Finally, in contrast to such multi-ethnic societies a fourth category encompasses the Arab countries, where the nation-state relationship is more or less the reverse, in the sense that here the states have demarcated territories which unite only smaller parts of what many see as the Arab nation (Martinussen, 1997, p. 321).

Religious and ethnic fractionalization play a prominent role in the empirical growth and development literature and have been repeatedly shown to have a wide array of effects. In various studies, ethno-linguistic differences have been identified as having had detrimental effects on socio-political cohesion, thereby eroding the quality of institutions, the commensurate government policies and long-run economic growth (Fletcher & İyigün, 2009, p. 1). According to a recent study, conflicts within national boundaries became increasingly dominant over the second half of the 20th century and one-third of all countries experienced civil conflict. Ethnic conflicts are likely to be instrumental, rather than driven by primordial hatreds (Estaban, Mayoral, & Ray, 2012, p. 858).

The fact that state and nation are roughly synonymous proves that without the sentiment

of nationality, with its common language and traditions, the authority of government is usually unable to maintain integration of the society. A distinguishing feature of the post-colonial states just after independence was a combination of power and fragility due to the lack of congruence between nation and state. They were powerful on account of their well-organised civil and military bureaucracies which took over from the colonial rulers. However, they were at the same time fragile because these bureaucracies had to exercise their power in societies which were not integrated political communities. It was, therefore, of great importance for these bureaucracies and the new political rulers to initiate an integration process - a nation building process. The main purpose of nation building was to integrate the population of a certain territory into a cohesive unit. National consolidation and integration imply the creation of community and collective solidarity in the population - the creation of a national feeling sufficiently widespread and sufficiently strong to unite the vast majority of the population within the same political community (Clapham, 1985, Ch. 3).

Abdel-Malek (1981, pp. 49-54) underlines that whenever human societies have attempted to achieve an integrated existence as a national unit around a power centre which is itself the instrument of hegemony of one or several dominant classes, the army has been central to the process. The army as spearhead has cleared the way, guarded the national power, patrolled the frontiers and, whenever circumstances raised the question of unity, unified the various components of the national entity around a hegemonic centre. Certainly, this has often been executed by fire and sword; yet always on the basis of a national political project, and often in the context of a whole worldview.

This chapter suggests that consensus and cohesion in a society are closely related with the general improvement of living standards (including easy access to education and health), equitable income distribution, and social justice. Less equitable

income distribution and absence of social justice may cause negative repercussions for consensus building with regard to which policies are chosen.¹² Chronic conflicts may arise in countries where income distribution is less equitable. It is, therefore, crucial that the fruits of development be bestowed broadly and that extremes of income inequality prevalent in many of the LDCs are decreased. To achieve this objective, certain kinds of redistribution (e.g., land reform) can be undertaken and redistributive tax policies can be applied. The elimination of the landlord class through land reform, in fact, can be a useful asset in its own right, given that this class is likely to constitute a serious obstacle to economic transformation.¹³

4.3 The Relative Autonomy of the State

In social class analysis, the state has often been portrayed as functioning to provide the legal, institutional, and ideological hegemony of the dominant class or class alliance over subordinate classes. In this formulation, the state is an instrument of domination used by the ruling classes and policy is a reflection of dominant class interests. These may incorporate concessions, incentives, or palliatives to the subordinate classes - especially if the latter seem to be finding some political muscle. A stream within the Marxist tradition has recognised that a certain state may acquire an 'autonomy' from society if no class is powerful enough to impose its will on the state (Alavi, 1972). In this approach, the state is seen to have interests, or to avoid reification, officials of the state identify and pursue collective interests because of their shared location in the state. The State interests can refer to any aspect of human activity ranging from defence of the state to attempts to change public morals. Different states can be seen as having different degrees of autonomy and perhaps different interests *vis-à-vis* those of societal actors (Turner & Hulme, 1997, p. 70).

This chapter identifies some of the legitimating factors for state rulers as:

- Strong state,
- Weak interest groups,
- External threats to independence and tense geopolitics,
- Perceived legitimacy of state rulers,
- Indiscriminate application of laws and rules,
- Equitable income distribution and fairly shared welfare improvements,
- Equal opportunities for the citizens, and
- High level of administrative capacity.

As Rueschemeyer and Evans (1985, p. 49) indicate, ‘the state must acquire a certain degree of “relative autonomy” from the dominant class in order to promote economic transformation effectively’. They take the importance of relative autonomy to be as the need for a bureaucratic apparatus, arguing in particular that a certain autonomy is necessary not only to formulate collective goals but to implement them as well. Migdal (1988, p. 275) suggests that ‘whether states end up on the strong or weak end of the scale depends on the distribution of social control in society’. According to Migdal, the emergence of strong developing country states has been a devastating combination of war and/or revolution, sometimes associated with massive migration. Such occurrences lead to catastrophic organisational changes and severely weaken existing structures. The end result was an increase in relative autonomy of the states.

Keyder (1987, p. 156) suggests the relative autonomy of the state from individual capitalist interests may result in a fulfilment of its functions while overriding the particular interests of individual capitalists. According to Keyder, this is an instrumental autonomy that derives from the requirements of the model of accumulation chosen by the dominant fraction of the bourgeoisie. Similarly, Koo and Kim (1992, p. 144) highlight that the class character of the development alliance

between the state and segments of capital shapes the dominant form of capital accumulation and it is the character of a regime rather than a state structure that determines whether or not the state is developmental.

Rueschemeyer and Evans (1985, p. 47) argue that, ‘[t]he state cannot escape being an instrument of domination. The interrelation between the various parts of the state apparatus, on the one hand, and the most powerful classes or class fractions, on the other, will determine the character of the overall “pact of domination.” At the same time, the state’s role as an instrument of domination inevitably implies a second role, that of corporate actor’. As Cardoso (1979, p. 51) claims, one must not see the state ‘just as the expression of class interests, without recognising that such an expression requires an organisation which, since it cannot be other than a social network of people, exists in its own right and possesses interests of its own.’

Rueschemeyer and Evans (1985, p. 68) point out that the experience of intervention builds the capacity of the state bureaucracy and enhances its ability to behave as a corporate actor. By augmenting the resources under the state’s control, intervention diminishes the state’s reliance on privately generated resources and thereby enhances autonomy. If this were the only form of reciprocal effect, a progression of increasing autonomy, capacity, and intervention would follow smoothly. Autonomy and capacity for coherent corporate action would enhance in turn the capacity for future intervention, and the cycle would be repeated. They suggest, however, that there are strong antinomies in the interaction between increasing state intervention, state autonomy, and administrative capacity.

A number of conditions are essential if policies of the states are to be consistent with a transformative or developmental project and growth-oriented goals. One is that the bureaucracy be competent and committed to organisational objectives. The other is that the state’s key policy-making agencies be sufficiently insulated against

special interest groups and clientelistic pressures generally. Three main features of the East Asian state's internal organisation are relevant in this regard: the quality and prestige of the economic bureaucrats (the main focus of Evans's analysis of state autonomy); a strong in-house capacity for information gathering; and the appointment of a key agency charged with the task of co-ordinating industrial change. These conditions are significant in so far as they contribute to the insulation or autonomy of the bureaucracy, preserving policy making from domination by private interests, and thereby enhancing the likelihood that State agencies will pursue projects broader than the interests of any one particular group. But even a creatively structured civil service may count for little if the broader political system is at odds with a growth agenda. Thus, according to Weiss (1998, p. 50), one must also take account of the relations between the civil service and the broader political environment in which it functions.

Martinussen (1997, p. 243) indicates that, 'in some societies, where the national bourgeoisie and other capitalist classes are weak, the civil and military bureaucracies may fill the power vacuum and achieve significant influence over the policies of the state.¹⁴ In this sense, these groups, their particular interests and their power struggles, may be claimed to act as decisive factors.' Skocpol (1985: 9) suggests that the linkage of states into transnational structures and into international flows of communication may encourage leading state officials to pursue transformative strategies even in the face of indifference or resistance from politically powerful social forces. In this context, Trimberger's (1971) *Revolution from Above* focuses on a set of historical cases: Japan's Meiji restoration, Turkey's Atatürk revolution, Egypt's Nasser revolution, and Peru's 1968 coup. These are the historical examples of what may be considered extreme instances of autonomous state action. Trimberger suggests that in these countries 'dynamically autonomous' bureaucrats, including military officials, seized and reorganised state

power. Subsequently, they used the state to destroy an existing dominant class, a landed upper class or aristocracy, and to reorient national economic development.

According to Trimberger, '[a] bureaucratic state apparatus, or a segment of it, can be said to be relatively autonomous when those who hold high civil and/or military posts satisfy two conditions:

1. They are not recruited from the dominant landed, commercial, or industrial classes; and
2. They do not form close personal and economic ties with those classes after their elevation to high office'.

Trimberger also examines the state elite's relationship to dominant economic classes in order to predict the extensiveness of socio-economic changes that a state may attempt in response to 'a crisis situation - when the existing social, political, and economic order is threatened by external forces and by upheaval from below'. State-initiated authoritarian reforms may occur when bureaucratic elites retain ties to existing dominant classes, as, for example, in Prussia in 1806-1814, Russia in the 1860s, and Brazil after 1964. But, the more sweeping structural changes that Trimberger terms 'revolution from above', including the actual dispossession of a dominant class, occur in crisis situations only when bureaucratic state elites are free of ties or alliances with dominant classes.

The view that the state may act as an entity with its own will (and greed) is a useful antidote to the naïve assumption of welfare economics that it will correct market failures as soon as it finds them. Moreover, when the traditional interest-group approach has treated the state as a black box in which interest groups feed their policy inputs, resulting in some disappointingly simplistic policy implications, there seems to be some value in seeing state as a relatively autonomous entity (Stockpol, 1985). However, as Chang

(1994, p. 19) suggests, ‘talking of state autonomy in the abstract is not very helpful for the understanding of real life problems. Whether we call a state autonomous or not should depend on what issues in which we are interested. First, one may wish to investigate the effect of their different degree of autonomy on the actions of different states (for example, the Taiwanese state is more autonomous than the Indian state) or the same state at different points of time (for example, the Japanese State in the late 19th century was more autonomous than it is now; the Singaporean State may become less autonomous in the future than it has been under Li Kwan Yew). Second, different States may have different degrees of autonomy in different areas. For example the Swedish state may be less autonomous than the Korean state in influencing investment decisions of capitalists, but may be more autonomous in taxing them. Whether or not one should assume autonomy of the state depends on the country one wants to look at, the time period one wants to study, and the areas of policy one is interested in’.

4.4 Administrative Capacity of the State

In the ideal Weberian model, bureaucracy is an efficient instrument of policy implementation. With the influence from the ideal Weberian model, in conventional economic theory, the state is often referred to as an important initiator and catalyst of growth and development. However, in many developing countries, the practice of implementation has been disappointing. The leading explanation for this situation has been poor administrative capacity. Administrative capacity is a broad concept which refers to the managerial abilities of organisations - whether they are equipped to do what they are supposed to do: Capacity in government is the process of identifying and developing the management skills necessary to address policy problems; attracting, absorbing and managing financial, human and information resources; and

operating programs effectively, including evaluating program outcomes to guide future activities (Turner & Hulme, 1997, pp. 88-90).

Obviously, it is naïve to expect correct state action without administrative capacity. The existence of an extensive, internally coherent bureaucratic machinery is the first prerequisite for effective state action. Hence, in the economic development concepts that appeared during the 1960s and 1970s, the emphasis was shifted away from the simple copying of the industrial countries and from the one-sided focus on economic factors as the determining ones in societal transformation. Instead, numerous definitions of development appeared with a focus on the capacity to make and implement decisions. According to these conceptualisations of development, a society exhibits development primarily in the form of better abilities and greater capacity to make decisions and implement them effectively (Martinussen, 1997, p. 41).

Rauch and Evans (2000, p. 65) underline the point that ‘[w]ithout the help of the state bureaucracy, it is difficult if not possible to implement or maintain a policy environment that is conducive to economic growth’. Similarly, Rueschemeyer and Evans (1985) emphasize that the construction of state bureaucracies is the basis of state capacities to act on economic problems from a possibly more ‘general and inclusive vision’ than is available to private enterprises or sectional social interests. Yet such ‘state building’ cannot be understood only as short-term efforts at deliberate organisational engineering, for the construction and reconstruction of particular state bureaucracies takes place within the overall institutional structure of the state in the context of established relations between state officials and groups in society (or on the transnational scene). Often, in fact, it is not possible to create new state organisations when new problems emerge, and states may try to adapt existing organisations. These, in turn, often have limited ranges of adaptability. Either their internal organisational structures might be inappropriate, or their embeddedness in class or

political relations prevents them from accepting or implementing new policy goals.

The factors that are relevant to administrative capacity of the state can be counted as:

- Merit-based recruitment,
- Competitive salaries,
- Coherent bureaucratic machinery,
- Internal promotion and career stability,
- Organisationally consistent career ladders,
- Long-term career rewards,
- Respect for state officialdom,
- Legitimacy of state rulers, and
- Embeddedness of the state and society.

To achieve administrative capacity, institutionalising merit-based civil service recruitment is crucial. Failure to do so may lead the state to become a place to absorb politically favoured unemployed masses. Under such circumstances, ‘the best and brightest’ increasingly prefers private sector careers and the state capacity weakens. As Öniş (1991) indicates, rigorous standards of recruitment not only ensure a high degree of bureaucratic capability, but also generate a sense of unity and common identity on the part of bureaucratic elite. Hence, the bureaucrats are imbued a sense of mission and identify themselves with national goals which derive from a position of leadership in the society.

Although to apply a highly selective merit-based civil recruitment is essential for state capacity, it is not sufficient. It needs to be complemented with satisfactory income levels and other improvements to augment the prestige of state officialdom in the society. It is also important that state rulers are perceived legitimate and sufficient embeddedness between state and society is present so that state policies can be applied smoothly. Moreover, Evans (1995) points out that organisationally consistent career ladders that bind individuals to corporate goals while simultaneously allowing them to acquire the expertise necessary to perform effectively are very important for state capacity. As

Öniş (1991) observes, ‘developmental states are characterised by tightly organised, relatively small-scale bureaucratic structures with the Weberian characteristics of highly selective, meritocratic patterns and long term career rewards, which enhance the solidarity and the corporate identity of the bureaucratic elite’. The stability provided by internal promotion allows formation of strong ties among the bureaucracy. This improves communication, and therefore effectiveness. Similarity of social background acts to facilitate clear and rapid communication. Similarly reared, trained, and occupied politicians and bureaucrats possess a common language and shared sets of referents that facilitate discourse and minimise conflict and tension (Frey, 1965, p. 398).

4.5 The Embeddedness of the State

Evans (1995, p. 41) makes the important point that states which are more effective in achieving their transformative goals tend to be not merely sufficiently autonomous to formulate their own goals, but also sufficiently embedded in particular industrial networks to implement them. In another words, state capacity in the industrial arena is founded upon a set of institutions which simultaneously insulate the economic bureaucracy from special interests, and establish co-operative links between bureaucrats and organised business.

According to Evans’s argument, ‘given a sufficiently coherent, cohesive state apparatus, isolation is not necessary to preserve state capacity’ (Evans, 1995, p. 50). Indeed, Evans suggests that informal networks give the bureaucracy an internal coherence and corporate identity that meritocracy alone could not provide, but the character and consequences of these networks depend fundamentally on the strict selection process through which civil servants are chosen. The fact that formal competence, rather than clientelistic ties or traditional loyalties, is the prime requirement for entry into the network makes it much more likely that effective performance will be a valued

attribute among loyal members of the network. The overall result is a kind of ‘reinforced Weberianism,’ in which the ‘nonbureaucratic elements of bureaucracy’ reinforce the formal organisational structure.

Evans (1995, p. 59) underlies the point that, ‘either autonomy or embeddedness may produce perverse results without the other. Without autonomy, the distinction between embeddedness and capture disappears. Autonomy by itself does not necessarily predict an interest in development, either in the narrow sense of economic growth or in the broader sense of improved welfare. The secret of the developmental state lies in the amalgam’. Thus, according to Evans, ‘efficacious states combine well-developed, bureaucratic internal organisation with dense public-private ties and this recipe works only if both elements are present’ (1995, p. 72). In the notion of ‘embedded autonomy’, therefore, Evans provides us an important intellectual tool for differentiating transformative capacity of states.

The concept of ‘embedded autonomy’ solves the puzzle of why some highly ‘interventionist’ states, such as Korea, have been able to translate their developmental goals into practice, while others like Brazil and India have been far less effective in economic management. The answer, as Evans has indicated, is that certain attributes internal to state structure must heighten insulation or autonomy from pluralist interests. However, autonomy is not sufficient if goals are to be implemented successfully. For that to occur, autonomy must be embedded in a concrete set of social ties which bind the state to society and provide institutionalised channels for the continual negotiation and re-negotiation of goals and policies (Evans, 1992, p. 162).

With the concept of embedded autonomy, Evans shifts the analytic focus from state structure and autonomy *per se* to the effectiveness with which the state carries out its transformative tasks, and so to state-economy linkages. The concept of ‘embedded autonomy’ thus draws attention to the capacity

of the state to combine two seemingly contradictory aspects: ‘Weberian bureaucratic insulation’ with ‘intense immersion in the surrounding social structure’ (1989, p. 561). As Weiss (1998, p. 55) indicates, in the three East Asian countries (Japan, South Korea, and Taiwan), various state agencies have established an elaborate set of links with the private sector, which are maintained through both formal and informal mechanisms. These linkages provide the relevant agencies with a vital mechanism for acquiring adequate information and for co-ordinating agreement with the private sector over the content and implementation of policy.

Embedded autonomy, according to Evans (1989, p. 575), depends on the existence of a project shared by a highly developed bureaucratic apparatus with interventionist capacity built on historical experience and a relatively organised set of private actors who can provide useful intelligence and a possibility of decentralised implementation. This chapter identified motivating factors for economic development as:

- Integration of the society,
- Co-operative public-private links,
- Institutionalised channels for negotiations,
- Equitable income distribution and fairly shared welfare improvements,
- Perceived legitimacy of state rulers,
- Stable bureaucratic structure, and
- Socio-political stability.

It needs to be pointed out that the lack of a stable bureaucratic structure makes it more difficult to establish regularised ties with the private sector of the ‘administrative guidance’ sort and might push public-private interaction into individualised channels. Consequently, embeddedness might be problematic.

4.6 Motivation for Economic Development

Economic development does not only depend on availability of productive factors, but also on motivation to act for development. If there is not enough incentive or requirement, then it is unlikely that a country will push for economic development. This is because development requires sacrifices from today for tomorrow which can hardly be popular in society at large. This chapter identified motivating factors for economic development to consist of:

- External threats to independence,
- Lack of natural resources and technology,
- National pride,
- Integration of the society,
- Perceived legitimacy of state rulers,
- Equitable income distribution and fairly shared welfare improvements,
- Indiscriminate application of laws and rules,
- Equal opportunities for the citizens,
- Co-operative public-private links, and
- Socio-political stability.

Evans, Rueschemeyer and Skocpol (1985, p. 253) point out that, ‘states influence the meanings and methods of politics for all groups and classes in society’. Especially in the authoritarian structures, the ruling elite has the possibility to control the media, education and the like and direct public action in such a way that might be beneficial for economic development. State rulers may do this through exaggerating external threats, highlighting vulnerability of the country as a result of dependence on imported goods (both raw materials and technological goods), elevating national pride, etc. By doing so, they may justify hard-work, discipline, frugal consumption, consumption of locally made goods and even self-sacrifice.

The fear of foreign interference can play a very strong motivating factor in a country for economic

development. As mentioned earlier, many countries felt the urgent need for industrialisation in order to maintain political independence and aggressively attempted industrialisation. Tilly (1985, p. 171) suggests that, ‘governments themselves can commonly simulate, stimulate, or even fabricate threats of external war’. Such a situation makes it easier for the state to establish common goals and pursue a self-sufficient industrialisation drive supported by the majority of the people. If the rulers are regarded as legitimate by the overwhelming majority of the citizens, this ‘legitimacy of rulers’ permits the state to mobilise the society for rapid economic development and the dominant ideology can become nationalist development and national solidarity.

The success of a country’s industrialisation effort is closely related to its endowment of resources. A county’s endowment of resources can be basically classified as natural resources and human resources. It is important to note that the importance of natural resources for economic development is on continuous decline. This is the result of an increasingly globalising world economy and substantially reduced transport costs compared to earlier periods. Currently, it is easy and cheap to buy required inputs from world markets at quite short notice. This easy and cheap availability of natural resources reduces their importance in comparison with human resources. Meanwhile, the importance of human resources has been continuously increasing. The first reason for this is that technological development, which is the ultimate contributor to economic development, is the result of human contribution, not natural resources. Secondly, technological developments have a tendency to reduce the amount of required inputs. The computer industry provides a perfect example to demonstrate this effect. Thirdly, while human resource development takes a long time, its positive effect on productivity is likely to be stable and its overall return would more than compensate the cost of education and training.

After making this distinction, what this chapter proposes is that although abundance of natural resources in a country provides the potential to contribute economic development, it nevertheless provides that particular country the luxury of delaying difficult, sometimes painful decisions which are necessary for rapid development. As Auty (1995, p. 257) suggests, '[c]ountries with relatively favourable natural resource endowments appear more likely to pursue lax economic policies.'¹⁵ Citizens of a country that has abundant natural resources may not feel the need to push themselves very hard for economic development. This may also make it difficult for the state to pursue industrialisation with any significant single-mindedness. In this sense, lack of natural resources in a country can be seen as a motivating factor. This is because the common knowledge of lack of natural resources may prove frustrating to those people who aspire to the industrial status that is denied for them and makes it clear for every citizen (thus constructing the rare situation that almost every person in a society agrees on an issue) that action must be taken to overcome this difficulty.

Moreover, lack of natural resources puts a lot of pressure to use available resources effectively. While this approach necessitates extremely careful resource allocation and economic planning, it also leads to more effort to develop human capital which is almost the only available production factor in that country. Such an approach, in fact, turns out to be superior to relying on mainly natural resources for industrialisation. As economic history shows, the countries with sustained high growth rates are generally those which have very poor natural resources. Late industrialisers like Japan, South Korea, and Taiwan (also partly Germany) provide good examples in this respect. While they are poorly endowed with natural resources, their level of human resources is enviable and most certainly *not* accidental (Erdoğdu, 1999, p. 73).

The extant literature on the resource curse shows that resource wealth may inhibit economic

growth.¹⁶In particular, the curse applies to point source natural resources like oil (Bjorvatn, Farzanegan, & Schneider, 2012, p. 1308). Related to this issue, Evans (1985, p. 209) points to another important factor that the lack of natural resources and, therefore, dependence on trade, lead to the expansion of the state's role in the economy. He cites Japan as an example and suggests that, '[t]he very fact that the steel industry depended on imported inputs played an important part in facilitating state intervention. Precisely because 90 percent of Japan's iron ore and 84 percent of its coal were imported, controls over importation allowed the State effectively to shape the growth of the industry'. Forced to import virtually the whole gamut of industrial raw materials and therefore dependent on the competitiveness of manufactured exports in order to maintain the momentum of domestic accumulation, Japan was able to define the cost competitiveness of its industry as a 'national interest' issue rather than a private one. Consequently, the development of an elaborate set of mechanisms for State economic intervention appeared as a natural part of the State's prerogative to defend national sovereignty. According to Evans (1985, p. 202), transnational involvement in manufacturing may also present a 'challenge to national sovereignty' and thereby legitimate the expansion of the state's role.

Advanced countries, either from inertia or from unwillingness to make sacrifices, are likely to be more hesitant to implement a developmental project. However, the obvious difficulties that LDCs are having do not give them much choice other than opting for economic development. However, the obvious backwardness of a LDC compared to advanced countries might lead to an inferiority complex in that country's people. One way to overcome this problem is likely to be derived from that particular country's history. Legendary or mythical episodes of the collective past, might provide strength and national pride which help to establish confidence for action. Thus, national pride can be a motivating factor for rapid economic

development. The idea that economic development is the only means to enhance power and prestige was actively promoted by the Japanese state as a common national goal. This situation is certainly not limited to Japan, and is also the case for some other countries like Korea.

According to Gershenkron (1962, p. 29), '[i]f all the forces of the population can be kept engaged in the processes of industrialisation and if this industrialisation can be justified by the promise of happiness and abundance for future generations and - much more importantly - by the menace of military aggression from beyond the borders, a government will find its power broadly unchallenged'.

4.7 Socio-Political Stability

Socio-political stability is another central element in economic development. It is difficult to imagine, in fact, any economic progress in a country where there is political turmoil. As Musgrave and Musgrave (1989, p. 586) indicate, 'a substantial degree of political stability is needed to implement economic development policies effectively and the necessary economic transformation to take place'. Similarly, Gong (1998, p. 32) asserts that 'a country cannot have economic progress without political stability'. This is because political turmoil leads to uncertainties and diverts attention from economic development to the issues of conflict. Such a situation makes it very difficult to carry out a coherent development policy and uncertainties cause unwillingness in the private sector to make investments. Socio-political stability also helps to create cohesion among bureaucrats via continuity, and enables them to implement consistent long-term economic policies. Socio-political stability makes it easier to establish regularised ties with the private sector of the 'administrative guidance' sort rather than pushing public-private interaction into individualised channels. In other words, political stability enhances embeddedness of the public and private sectors.

Socio-political stability is closely related to integration of the society and the perception of state rulers as legitimate. On one hand, if there is not integration of the society, conflicts that arise might have negative repercussions leading eventually to civil war. On the other hand, if state rulers are not regarded as legitimate, state actions are likely to face disregard and opposition from the society which also leads to ineffective results. Socio-political stability can be accomplished by abolition of autonomous opposition and by applying an iron rule. However, such a regime would hardly have legitimacy (certainly not in the long term) and result in increased tension in the society. Obviously, under such conditions, consensus building and motivation for development is hardly possible and the stability achieved would be fragile and unsustainable.

As suggested earlier, integration of the society and legitimacy of rulers are unlikely to be obtained without a 'fair' income distribution in the society. This is also the case for socio-political stability. If people believe they are not getting and probably will not get what they deserve, they would hardly be motivated and convinced to cooperate. Therefore, in order to have socio-political stability in a country, a continuous improvement of living standards, equitable income distribution, and an active commitment to social justice should be provided. As Overholt (2011, p. 3) observes, 'East Asian approach concentrates on giving the vast majority of the population jobs, income and education. That creates political stability and an economic foundation upon which a more sophisticated economy can be built.'

It can be seen then that all the aforementioned factors - of integration in the society, of perceived state legitimacy, of state autonomy, of state capacity, of embeddedness, of socio-political stability, and of motivation for economic development - interrelate and act upon one another, in a synergistic way. Their degree of actualisation at harmonisation results in the facilitation or undermining of economic development in any particular nation-state.

This chapter identified socio-political stability factors for economic development as:

- Perception of living in a fair society,
- Perceived legitimacy of state rulers,
- Indiscriminate application of laws and rules,
- Equitable income distribution and fairly shared welfare improvements,
- Equal opportunities for the citizens,
- Integration of the society,
- External threats to independence and tense geopolitics, and
- Strong state.

5. THE KOREAN STATE'S LEVEL OF DEVELOPMENTAL CAPACITY

It is important to know that Korea was one of the poorest countries in the world in the beginning of 1960s with less than US\$80 per capita – over 60% of the population was living below the absolute poverty level – had the highest infant mortality with 90%, and was struggling with devastations of material and social infrastructures caused by the Korean War (Park, 2013, p. 3). Korea is arguably the premier development success story of the last half-century¹⁷ (Noland & Weeks, 2008), and it is referred to as a prototype of a developmental state by many authors (see, for example, Evans, 1989, 1992, 1995; Amsden, 1989; Wade, 1990; Woo, 1991). The institution-building was instrumental for development state to nourish in Korea (Park, 2013, p. 3). In order to understand the underlying reasons why the Korean state succeeded in becoming developmental, the following sub-sections will analyse the state and society in Korea according to the explanatory model which was developed earlier in the chapter.

5.1 The Legitimacy of the Korean State

In order to understand why Korea has a strong state with considerable legitimacy, it is imperative to analyse Korean geopolitics. This is despite the fact that the Park Chung Hee regime, while it established the foundation of the developmental process in Korea, came to power in an illegitimate way (the coup of May, 1961). The legitimacy of his subsequent rule was the result of his success in bringing about rapid welfare improvements and security for Korean people in an area of chronic international tension. In other words, the urgent need for industrialisation for the nation's basic survival lay in the formation for the legitimacy of Park's rule. Park Chung Hee established the highest priority on economic development, and sought to find political legitimacy therein.

It must be noted that Korea had a bitter experience of being the colony of Japan during the period 1910-45. Liberation after the defeat of Japan in World War II did not bring independence, but rather the inception of ideological conflict in a partitioned country. The efforts of the Koreans to establish an independent government were frustrated by the USA in the South and the occupation of the North by the Soviet Union. On 25 June 1950, North Korea launched an unprovoked full-scale invasion of the South and started a war that lasted three years. As the Communist North Koreans campaigned to unify the country by force, the entire land was devastated and millions of people were left homeless and separated from their families (*Facts about Korea*, 1998, p. 29).

Being under constant threat from North Korea¹⁸ and finding itself in a situation of having to survive among the largest international powers – namely, China, the Soviet Union, Japan, and the USA – made Korea very vulnerable. For Koreans, therefore, security has never been an abstract issue but real. Macdonald (1988, pp. 21-2) points out that South Korea faces over 800,000 heavily armed and offensively deployed North Korean

forces, many of them within fifty kilometres of the South's capital city, potentially supported by huge Chinese and Soviet forces nearby. As Wade (1990, p. 338) indicates, '[a]ny sign of internal weakness would invite aggression from [its] looming enemies.'

Under the threat of foreign interference, rapid industrialisation in Korea was perceived by the society at large as the means to achieve the goals of both making Korea a viable nation and affirming its presence in the world. Thus, Korea's geopolitical position clearly helped her to establish a largely supported ideology of rapid economic development and allow the only viable actor of the time (the state) to mobilise all available resources for this purpose. According to the argument of this thesis, therefore, Korea's geopolitics served to reduce resistance to the expansion of the State's role and provided legitimacy for the heavy intervention of the Korean State in applying developmental policies.

As mentioned in the earlier sections, some of the cultures legitimise the power of the central bureaucracy. Korea seems to provide one of the best examples in this respect. Leudde-Neurath (1988) argues that Korea's history of Confucian tradition produced a society where the state commands the moral high ground and draws in the best talent. Similarly, according to Lee and Lee (1992, pp. 113-4), Confucianist Chinese culture in Korea, to a certain extent, helped to justify and legitimate political authority by stressing collective interests and the ruler's responsibility to take care of the needs of the ruled. They suggest that strong nationalism made it possible for Korea to view the state as a mobiliser for economic development that was accepted as for the common good. Chang (1994, p. 124) points out that the long tradition of centralisation in Korean history seems to have been another factor serving to legitimise the power of the central bureaucracy.¹⁹

Therefore, it can be argued that, thanks to Korea's particular geopolitics along with its historical and cultural heritage, the Korean state has enjoyed

considerable level of legitimacy. This legitimacy enhanced further with the rapid economic development that the heavy involvement of state brought about. As Macdonald (1988, p. 122) suggests, 'the extraordinary economic progress achieved by President Park Chung Hee, and continued at a rapid though somewhat lower rate by the successor Fifth Republic of President Chun Doo Hwan, has maintained broad (though far from universal) popular acquiescence.'

5.2 National Integration of the Korean Society

Koreans were homogeneous people by the beginning of the Christian era. In the 7th century A.D., Koreans were politically unified for the first time by the Shilla Kingdom (57 B.C.-A.D. 935). Koreans all speak and write the same language, which has been a crucial factor in their strong national identity. Minority groups are almost non-existent in Korea (*Facts about Korea*, 1998, pp. 11-3). Koreans, according to Song (1997, p. 178), have always been influenced by the same cultural, climatic, and geographical factors, and are not divided by racial differences such as exists between, say, Malay and Chinese Malaysians.

The relatively high cultural and ideological homogeneity of Korean society (Chang, 1994, p 124) augurs well for Korean national unity, but it does not quite tell the complete story. The religious populace, which constitutes 50.7 percent of the total population, is actually divided. While 45.6 percent of the religious population are Buddhists, 38.7 percent are Protestants, 13.1 percent are Catholics, and 0.9 percent are Confucianists (*Facts about Korea*, 1998, p. 164). Moreover, as Chon (1992, pp. 150-73) shows, economic development in Korea has been uneven among the various regions of the country. Per capita income, for example, is highest in the South-Eastern provinces. Nevertheless, if we review Korea's recent history, we can easily see there were more reasons for Koreans to underline their unity rather than

Table 2. Changes in income distribution in Korea: 1965 - 1993

	1965	1970	1975	1980	1985	1988	1993
The lowest % 20	5.7	7.4	5.7	5.1	6.1	7.4	7.5
Second % 20	13.6	12.3	11.1	11.0	11.6	12.3	13.0
Third % 20	15.5	16.3	15.5	16.0	16.2	16.3	17.3
Fourth % 20	23.3	22.4	22.4	22.6	22.4	21.8	22.9
Fifth % 20	41.9	41.6	45.3	43.3	43.7	42.2	39.3

Source: Song (1997, p. 173).

their differences. The colonisation of Korea by Japan, annexation of North Korea by Soviet Union, and the Korean War which followed, all proved to be highly unifying factors in the construction of a strong Korean identity and state. Since all strands of population suffered at the same side during these occasions, a strong sense of unity was established throughout all sections of the population. In addition to these occurrences, Korea has had to exist under constant threat from North Korea and survive among the largest international powers. Such a situation clearly helped to unify the society because of the perceived threat to their survival.

A further unifying factor has been Korea's relatively high degree of income equality. Table 2 shows that for Korea, the decile distribution ratio (the first poorest quintile plus the second poorest quintile divided by the richest quintile) is 52.3. This compares favourably with the developed countries like the UK (33.0) and the US (37.5), and is far superior to most of the developing countries like Brazil (10.4), Turkey (24.6), and Argentina (28.0).

The obvious reason for the relatively high degree of income equality in Korea seems to be the successful application of land reform in the country.²⁰ Immediately after its establishment in 1948, the Korean government implemented a Land Reform Act in close co-operation with the former US Military Government which resulted in one of the most thorough going and successful land reform programs in the world. The lands of former

Japanese landlords were held in trust by the US military government while Korean landlords were few in number and also in no position to resist, since many of them had accumulated land under Japanese colonial rule²¹ (Song, 1997, p. 177). The Korean land reform programme achieved something only few nations in the world have done: the virtual elimination of the landlord class, and the creation of a relatively egalitarian class structure (Koo and Kim, 1992, p. 123). According to Song (1997, p. 177), landlordism is still prohibited in Korea by law.

Song (1997, p. 171) indicates that incomes among poverty-stricken Koreans were at the bare-subsistence level and very equal in the 1950s because of the destruction resulting from the Korean War (1950-3). Until 1963, when per capita income still stood at only US\$100, neither the level nor distribution of income changed greatly. It was only after 1963 that inequality started to be a significant economic issue because of accelerating income growth. As Table 2 shows, income distribution in Korea improved toward the end of 1960s then deteriorated substantially and started to improve again in the 1980s. Song (1997, p. 260) highlights that the Korean state has emphasised equity as well as growth in many of its development policy decisions.²² Examples include the farm price-support policy, a very low tax rate on farm income, and price controls on such daily necessities as coal briquettes and bus fares. In addition, limits on agricultural land ownership, tax disincentives to discourage owning more than

one housing unit, measures against conspicuous consumption of consumer durables, and other policies all have helped to increase egalitarian attitudes as well as actual income equality (Song, 1997, p. 179).

If we consider the education level in Korea as an another ingredient of national unity (since it is one of the basic contributors to the social upward mobility), we see that Korea has one of the most enviable education levels in terms of its level of per capita income. In 1993, as a percentage of age group, Korea had achieved universal primary school enrolment, over 90 percent secondary school enrolment and 48 percent tertiary school enrolment (WB, 1997, p. 227). Such a high level of education, according to Song (1997, p. 178), is related to the strong aspiration of Koreans for education²³and generally equal opportunities for schooling.

It is important to note that, '[e]ven the much-vaunted cultural and ideological homogeneity of Korean society was not purely historical bounty on which the nation accidentally stumbled. The Park regime mobilised the nation with the ideology of "Renaissance of the Nation" through the building of *Jarip Gyongje* (independent economy). Workers were described by the state controlled media and state-issued textbooks as "industrial soldiers" fighting a patriotic war against poverty (while the labour movement was brutally suppressed) and businessmen were given medals for achieving export targets as if they were generals who had won major battles'(Chang, 1994, p. 126).

5.3 The Relative Autonomy of the Korean State

As Migdal (1988, pp. 269-272) argues, states which have undergone significant social upheavals are likely candidates for the development of a strong state. The Korean state provides one of the best examples in this respect. The military and economic effects of World War II were followed by the yet more devastating Korean War.

The war caused destruction and havoc in Korea as the superpowers tested each other militarily. It led to catastrophic organisational changes in everyday life. Landlords fled, and labour became scarce, thus changing the most fundamental bases of social control in society. Cumings (1997, p. 175) points out that mass migration accompanied these upheavals. Two to three million Koreans returned to Korea from Japan and Manchuria after World War II, and three to four million, in a total population of twenty-five million, fled South and North across the new boundary during the Korean War. Such dislocation eliminated the influence of smaller special interest groups, leaving the field open for the development of a strong state. Concentrating control in the hands of the state did not require a risky challenge to the prerogatives of other powers in the society (Grabowski, 1994, p. 415).

A second major factor leading to the development of a strong state was the existence of strong external threats. Korea faced the threat of invasion by truculent neighbours. As Wade (1990, p. 338) suggests, '[t]he external threat posed to the rulers the prospect of their political - and physical - demise if they failed to mobilise resources and assert the state's ordering of society. Any sign of internal weakness would invite aggression from their looming enemies.' Social disorganisation and an external military threat presented both an opportunity and a need to tighten the state's ordering of society (Wade, 1990, p. 338). The Korean War was very important in this respect. It was instrumental in the rapid expansion of the South Korean military from 100,000 in 1950 to 600,000 in 1961, making it one of the most numerous, well trained, and more professional armies in the world. Given the priority military interest of the USA in Korea, most of the effort of modernisation and support was focused on the military. Thus the army's professional training and organisational capacity seems to have been quite above the rest of Korean society in the 1960s, with

the exception of the small group of students and intelligentsia (Castells 1992, p. 60).

Another major reason that the Korean state is relatively strong within the country may have been virtual elimination of landlord class during 1948-50. This swept one of the traditionally most powerful groups from the playing field upon which government policy is created. Concomitantly, there was no possibility of oligarchic rule in conjunction with foreign capital. Because of the weakness of non-State organisations, the power of the State was not seriously challenged and the State enjoyed a considerable degree of autonomy *vis-à-vis* both the political power elite and the economic interest groups in the society. This does not mean that the State is insulated completely from these groups and the rest of the society. On the contrary, as Evans (1992, 1995) observes, Korean State features many close connections with the most important private interest groups, especially big business corporations, but there is a clear division of labour. The political power elite dominate long-term strategic decision-making, but leave implementation to the State bureaucracy, which may formulate more specific guidelines for economic activities, but without interfering directly in the day-to-day operations of the private corporations.

According to Evans (1995, p. 52), the appointment of a key agency charged with the task of co-ordinating industrial change in the early 1960s, and the quality and prestige of the economic bureaucrats were other factors which enforced the relative autonomy of the Korean state. Koo (1987, p. 175) claims that the Korean state apparatus is distinguishable from its Latin American and Southeast Asian counterparts not only by their strength *vis-à-vis* internal social classes, but also by their strong state commitment to economic development and the high degree of efficiency and discipline found in the state bureaucracy. As Grabowski (1994, p. 416) states, its considerable autonomy allowed the Korean state to pursue policies that would promote the economic interests

of the vast majority of society rather than those aimed at the interest of a tiny elite.

This high degree of state autonomy in Korea, however, has been on decline. The transition to democracy and gradual changes in power structures led to the gradual disintegration of the corporatist system. Business organisations broke out of the corporatist confinement in which they were placed, and differences in interests between sectors emerged. While the nation-state remained dominated by the bureaucratic class, a growing bourgeoisie increasingly challenged the authoritarian structure (Castels, 1992, p. 66). As a result, the autonomy of the Korean state has become considerably weaker at present than during the 1960s or the 1970s.

5.4 Administrative Capacity of the Korean State

As many authors have noted, in Korea, government service has traditionally conferred high status. Evans (1995, p. 51) indicates that meritocratic civil service examinations have been used for recruiting incumbents into the Korean state over a thousand years (since 788 A.D.). Despite Korea's chaotic 20th century political history, the bureaucracy has managed to preserve itself as an elite corps. Merit-based recruitment and promotion of officials, rather than political appointment, have tended to minimise political manipulation of the bureaucracy. Consequently, the State has been able to attract highly qualified individuals. The capacity of the higher civil service exam to weed out all but the top graduates of the top universities is apparent in the failure rate. As Evans (1992, p. 155) notes, in spite of a sevenfold increase in the annual number of recruits to the higher civil service between 1949 and 1980, only about two percent of those who take the exam are accepted.

Macdonald (1988, p. 132) points out that basic legislation purports to insulate civil servants from political activity or pressure and provides that they may not be dismissed without cause.

The Constitution denies civil servants the right of collective bargaining. Nonetheless, the bureaucracy as a whole is a potent political force, both in terms of its own interests and because of its key role in carrying on the business of government. Its members are proud of their status, and still enjoy something of the public awe of officialdom which characterised the Choson Dynasty. Despite constitutional and legal provisions, the civil service acts in accordance with long tradition to support the ruler and regime in power, in subtle and sometimes in blatant ways (Macdonald, 1988, p. 132).

However, Weiss (1998) suggests that one should not overstate the ‘rational’ Weberian characteristics of Korean bureaucracy. The formation of the post-war Korean civil service was not solely merit-based. Along with talent, shared military background was an important attribute in the recruitment process. Nevertheless, this ‘non-bureaucratic’ form of recruitment bound such groups more tightly to the state and thus served to foster the kind of bureaucratic culture in which individuals take as their own objectives the goals of their organisation.

In this sense, they contributed a further important mechanism of insulation. Also at odds with the Weberian ideal are the high levels of internal competition, which provide another means of fostering high-quality performance. More generally, however, the combination of talent and prestige has made for a highly motivated, competent and cohesive civil service which has internalised national objectives (Weiss, 1998, p. 50).

Even the most perfectly structured civil service can have little economic impact if political leaders – whether elected or otherwise – do not share a growth agenda. In this regard, it is notable that in Korea, consistent regime goals (informed by an ideology of growth) have supported civil-service commitment to production-centred policies (Pempel & Muramatsu, 1995, p. 30). In Korea, it is clear that even where the bureaucracy has been ultimately answerable to a higher political authority, a shared and pervasive ideology of growth

forged out of a common national experience has served to complement and fortify the transformative capacities of the executive bureaucracy (Weiss, 1998, p. 55).

According to Evans (1992, p. 156), without a deep, thoroughly elaborated, bureaucratic tradition, neither the Park regime’s reconstruction of bureaucratic career paths nor its reorganisation of the economic policy making apparatus would have been possible. Without some powerful additional basis for cohesion in the upper ranks of the State, the bureaucratic tradition would have remained ineffectual. Evans (1992, p. 156) suggests that one of the features of the revitalised state bureaucracy was the relatively privileged position held by a single pilot agency, the Economic Planning Board (EPB). Headed by a deputy prime minister, the EPB was chosen by Park to be a ‘superagency’ in the economic area. Evans (1992, p. 157) notes that the existence of a given agency with generally acknowledged leadership in the economic area allows for the concentration of talent and expertise and gives economic policy a coherence that it lacks in a less clearly organised state apparatus.

Since the late 1980s, the Korean system has witnessed a gradual unravelling of the three fundamentals of transformative capacity. First, as returning US-trained economists have colonised the economic ministries, preaching state retreat from economic affairs, there has been mounting disagreement over the definition of public priorities, hence over the nature of the national system of economic management. Second, with regard to the state’s architecture, there has been a dismantling of the EPB, the key pilot agency of industrial transformation since the 1960s. The EPB was first marginalized and then abolished all together. Finally, concerning state-industry linkages, the *chae-bol* (enormous Korean business conglomerates) have achieved greater financial independence, thus loosening the government-business ties that underpinned the strong transformative capacity of the high-growth era. In this context of diminished co-ordination of investment behaviour, Korean

companies have rushed to invest in each other's areas, and failed to develop the self-governing collaborative structures through which to regulate excess production (Weiss, 1998, p. xiv).

5.5 The Embeddedness of the Korean State

To assess how much corporate coherence and public-private ties have been combined in the Korean public sector, the background of public servants provides some clues. The junior officers involved in the coup led by Park Chung Hee were united by both reformist convictions and close interpersonal ties based on service experience and close network ties originating in the military academy. The superimposition of this new brand of organisational solidarity sometimes undercut the civilian state bureaucracy as military men were put in top posts, but in general the military used the leverage provided by their own corporate solidarity to strengthen that of the bureaucracy rather than to weaken it (Evans, 1995, p. 52).

As mentioned earlier, Seoul National University (SNU) has been the primary source for high administrative posts. SNU graduates also provided many deputies for the Grand National Assembly and an even greater number of cabinet ministers. Thus, SNU graduates represent the elite within the elite (Macdonald, 1988; Song, 1997). There have been considerable non-monetary incentives for being a public servant in Korea. Besides, highly selective meritocratic recruitment, long-term and consistent career rewards create commitment and a sense of corporate coherence (Evans, 1995, p. 58). The state has been connected to industrialists by a well-institutionalised system of linkages both formal and informal. A stable bureaucratic structure makes it easier to establish regularised ties with the private sector of the 'administrative guidance' sort. Therefore, the Korean state apparatus has considerable coherence and cohesiveness. Consequently, it exhibits a high level of embeddedness.

The World Bank's East Asian Miracle report (1993, pp. 176-77) indicates that Korea has made conscious efforts to provide its bureaucrats with wages comparable to those in the private sector. According to Evans (1995, p. 58), Korean public servants follow long-term career paths within the bureaucracy and operate generally in accordance with established rules. In general, individual maximisation takes place via conformity to bureaucratic rules rather than via exploitation of individual opportunities presented by an invisible hand. Weiss (1998, p. 55) stresses that, in Korea, even where the bureaucracy has been ultimately answerable to a higher political authority, a shared and pervasive ideology of growth forged out of a common national experience has served to complement and fortify the transformative capacities of the executive bureaucracy.

When the Park regime took power in 1961, its goal seemed to go beyond insulation to include dominance over private capital. Criminal trials and confiscation were threatened, and the leaders of industry were marched through the streets in ignominy. According to Evans (1995, p. 53), '[t]his soon changed as Park realised that autonomy without embeddedness was not going to produce transformation. He needed to harness private entrepreneurship and managerial expertise in order to achieve his economic goals.' As Evans indicates, embeddedness under Park was a much more 'top down' affair than the Japanese prototype, lacking the well-developed intermediary associations and focusing on a small number of very large firms. Korea pushed the limit to which embeddedness could be concentrated in a few ties without degenerating into particularistic predation.

As in the case of Japan, the symbiotic relationship between the state and the largest conglomerate business groups (*chaebol*) was founded on the fact that the state had access to capital in a capital scarce environment. At the same time, the Park regime was dependent on the *chaebol* to implement industrial transformation, which constituted the basic for its legitimacy (Evans, 1995, p. 53). In

Korea, various state agencies have established an elaborate set of links with the private sector, which are maintained through both formal and informal mechanisms. These domestic linkages provide the relevant agencies with a vital mechanism for acquiring adequate information and for co-ordinating agreement with the private sector over the content and implementation of policy (Weiss, 1998, p. 55). The ties between the regime and the *chaebol* became so tight that visiting economists concluded that 'Korea Inc.' was 'undoubtedly a more apt description of the situation in Korea than is 'Japan Inc.' (Evans, 1995, p. 53).

5.6 Motivation for Economic Development

As Woo (1991: 5) underlines, 'Korea makes no sense without paying attention to the world system and security structures.' Being a small and poor country and finding itself having to survive among the largest international powers and militarily dangerous North Korea, there were not many options available for Korea. Park (2013) highlights the issue that 'most Korea-concerned experts forgot to consider the state of war lasting since the Korean War as an essential development catalyst. Korea has been living in crisis since more than six decades.' Under this circumstance, either the country had to receive full military and economic support of a superpower or make itself strong both militarily and economically. Although the first option was possible temporarily, it became clear

later on that the only reliable option for Korea was, in fact, to develop in its own terms.

As a vulnerable small country with virtually no natural resources²⁴, rapid industrialisation was perceived by the society at large as the means to achieve the goals of both making Korea a viable nation and affirming its presence in the world. Therefore, this chapter suggests that Korea's tense geopolitical situation has been a very effective motivating factor for its people to opt for an ideology of rapid industrialisation. Hence, Park Chung Hee's clear-cut long-term national vision of rapid self-reliant economic growth that started to be applied in the early 1960s, found large support from the Korean people. The humiliation of being a colony during 1910-45 and dependant on foreign aid later were the obvious reasons for this support. The considerable national support for his vision made it easier for Park to pursue a self-sufficient industrialisation drive, which he saw as the only way to strengthen the country internally and externally. Park propagandised as follows: 'Just as an individual must protect himself, so a nation must consider security and survival as indispensable. When a nation's survival is at stake, politics, economy, culture, everything should be organised and mobilised for that single purpose' (Woo, 1991, p. 118). The acceptability of his vision permitted Park to mobilise the society for rapid reforms so that dominant ideology became nationalist development.

Korea was heavily reliant on economic and military aid especially in the 1950s and 1960s.²⁵

Table 3. Grant foreign economic aid received by Korea (in US\$1000)

Year	Total Value	Year	Total Value
1951	106,542	1956	326,705
1952	161,327	1957	382,892
1953	194,107	1958	321,272
1954	153,925	1959	222,204
1955	236,707	1960	245,393

Source: Woo (1991, p. 46).

Table 4 shows that the US economic assistance to Korea stood at an average of US\$200 million or more a year, with the peak of US\$383 million in 1957. Such figures were equivalent to 70 percent of Korea's domestic revenue in 1958. In the late 1960s it became increasingly clear that the US military and economic aid to Korea would not continue forever. By the middle of 1971, some 20,000 American soldiers were removed from Korea with the rest to be phased out in the next five years. Such a change in the US policy heightened the importance of security issues for Korea. The outward-leaning approach of the 1960s abruptly altered under the changed circumstances and Korea accelerated the tempo of self-sufficiency. In industrial policy, the emphasis on exports still remained, but otherwise the look was inward toward self-sufficiency: accelerating import-substitution; an emphasis on heavy, chemical, and defence industries at the expense of light industries.

According to Woo (1991, p. 119), the most important reason for policy change was the profound shift in hegemonic policy, and its adverse effects on Korean security. In what were perceived to be the waning days of the Pax Americana, came the Big Push: massive investments in steel, shipping, machine-building, metals, and chemicals. The ambition was to turn Korea, in the span of one decade, from the final processor of export goods to one of the world's major exporters of steel, ships, and other producer goods. The development of basic industries also held the promise of a vibrant defence industry, thus to end the reliance on American largess in weaponry and various attendant political inconveniences. The Big Push had an economic rationale in backward linkages and benefits of externalities, but nothing attested more eloquently to the logic of the Korean variant than President Park's simple equation: steel is national power. Thus, steel was a metaphor for self-reliance and national security, and the push for heavy industrialisation was a way of fortifying the frontier (Woo, 1991, pp. 119-120).

As argued earlier, contrary to logical expectation of a virtual lack of natural resources inhibiting economic development, under certain conditions it can rather be a contributing factor. This is related to its intangible effect being the engine for motivation for economic development. It seems that, in the Korean case, this effect of overcoming the apparent vulnerability of not having natural resources more than compensated its inhibiting effects. Facing constant military threat and not having natural resources forced Koreans to industrialise rapidly. That was seen by the Koreans as the only viable solution to their basic problems of security and poverty. Koreans felt that they could not afford to delay difficult, sometimes painful decisions and pushed themselves very hard for economic development. Moreover, lack of natural resources forced them to focus on human capital, allocate available resources with extreme meticulousness, and give prioritising more importance. In fact, these are the crucial issues in a world where the importance of natural resources is declining rapidly compared to other production factors. Another positive effect of being a resource-deficient country with a small domestic market was that Korea realised limited prospects of primary product exports earlier than most of the other developing countries. Hence, as Auty (1995, pp. 257-9) indicated, the country abandoned autarkic policies early, before rent-seeking groups could become entrenched.

As mentioned earlier, the economic policy of the Korean state has been not only growth oriented but also equity oriented. As a result, income distribution has been better in Korea than most of the other developing countries. Such relatively 'equitable' sharing of the fruits of economic development made it easier for Koreans to push themselves harder for economic development than most other developing countries. Moral persuasion based on loyalty has been another very powerful in mobilising the efforts of Korean people towards the goal of rapid economic growth. According to Song (1997, pp. 102-3), because of the long tradition of Confucianism, Koreans respond strongly

to moral persuasion based on a sense of loyalty to family, firm, and country. One of President Park Chung Hee's maxims, 'loyalty to the country through export', therefore, has been very effective in enlisting the support of Korean entrepreneurs and the people generally.

It is also important to point out that Koreans never forgot the bitter experience and humiliation of being a Japanese colony. For Koreans, catching up with Japan (indeed surpassing it) has been a war in disguise.²⁶ Hence, the national pride of the Korean people needs to be recognised as another highly motivating factor in their efforts at rapid economic development.

5.7 Socio-Political Stability in Korea

Economic progress was barely possible in Korea before 1961 because of the socio-political instability accompanied by high inflation, massive demonstrations, and corruption (Gong, 1998, pp. 49, 51). These all changed after Park Chung Hee assumed power in 1961. The first two or three years of the Park regime were a period of drastic restructuring of state organisations and state-society relations. Using the powerful instruments of coercion and ideological weapons of anti-communism and nationalism, the Park regime quickly succeeded in demobilising civil society and re-establishing the strong state - weak society relationship (Koo, 1993, p. 242; Chang, 1994, p. 125). Park did more than restructure state-society relations. Most important of all, he initiated several important institutional innovations to create a developmental state. Although sometimes a controversial figure, he presided over the transformation of Korea into a strong modern, industrial state.

The Park regime was afflicted by fatal weaknesses: its illegitimate beginnings, stemming from the usurpation of power from a democratic government by force, its harsh repression of civil rights, and the close ties it developed with Japan in order to pursue export-oriented industrialisation. Thus, from the beginning the Park regime had to face

strong opposition from society, especially from students, who had acquired enhanced political efficacy from toppling the authoritarian regime only a year earlier. Rapid economic development after the early 1960s did expand the social base for the Park regime. However, this economic success generated a new source of social cleavage: the issue of distribution and economic justice. This new problem occurred as a consequence of the Park government's development policies, which stressed accelerated growth at the expense of equitable distribution. Thus, despite a spectacular rise in the nation's wealth, the number of exploited people increased proportionately, and the issue of economic justice became a political and intellectual issue beyond the daily problems of the poor (Koo, 1993, p. 243).

The Korean state was able to consolidate its power in the 1960s because the social classes were weak since the capitalists were dependent on state largesse and the workers were a small percentage of the population; therefore, the aristocracy was dissolved by land reform, and the peasantry was atomised into smallholders. The behaviour of the Korean state became influenced by two forces outside the class structure: the student movement and the American occupation forces. The student movement kept the new government relatively honest and the American occupation forces drove the Korean military toward developmentalism since it was the only realistic course to reduce dependence on American support (Amsden, 1989, p. 52).

During his presidency, Park dominated the political and economic power centres of the Republic as well as the bureaucracy, and above all Park had the confidence of the military elite from which he had emerged. He ruled the country until he was assassinated at a private dinner party by the chief of Korean intelligence in October, 1979 (Cumings, 1997, p. 354). Due to the very brittle nature of the political system he had created, his fall threatened to destabilise Korea (Gills, 1996, p. 203). Following Park's death, Korea went through

a period of political and economic uncertainty, but stability was soon restored.²⁷

Macdonald (1988, p. 152) indicates that, ‘the South Korean political system has been very effective in maintaining a relatively stable political process. Even the major political crises of 1952, 1960-61, and 1979-80, involved violence on a scale that was minor indeed in comparison with the general experience of developing countries. In the face of constant attempts from North Korea to weaken and subvert the system, South Korea managed the demands upon it either by responding to them (albeit often partially or belatedly) or by controlling or suppressing them through various combinations of persuasion and coercion, with remarkably little large-scale internal violence or rebellion. Government operation, ever since 1945, has had much more continuity and evolutionary improvement than upheaval’.

6. CONCLUSION

This chapter argued that even the most comprehensive theoretical studies of developmental states do not fully consider underlying dynamics, underpinning, emergence, and durability of such states. It is revealed that developmental state studies are incomplete and sometimes even contain misleading elucidation of state-society links. The literature is pre-occupied with the three features of the developmental state: relative autonomy, capacity, and embeddedness. Although these three features are necessary for a state to be called as developmental, they are not sufficient. An attempt made in this study to fill this gap through recognising the importance of four additional features:

1. Legitimacy of the state,
2. Integration of the society,
3. Motivation for economic development, and
4. Socio-political stability.

It is claimed that any analysis, which aims to understand how a state becomes developmental and remains as such, must recognise the importance of all these seven features together. Omission of these features in an analysis may lead to misunderstandings about the underlying dynamics of developmental states. These seven characteristic together can crucially affect the making and implementing of developmental policies in a country. When a country possesses these seven features in a satisfactory level, we can call it a developmental state. What this chapter suggests is that the extent to which these features emerge, as well as the mode, manner and extent of their interaction with one another, determines the level of developmental capacity of a particular state in a particular period.

These seven features interact with each other as follows: When the state is perceived legitimate by the society, welfare improvements rather than conflicts take the priority and available resources can be mobilised for rapid economic development. Thus, legitimacy of the state is instrumental to achieve socio-political stability. Socio-political stability, on the other hand, provides a fertile ground for welfare improvements in a society. The state can apply long term policies for economic development and entrepreneurs are likely to increase their long-term investments. In the meantime, when there is socio-political stability, it is more likely that career rewards of public servants depend on their achievements rather than ‘nepotism’. Merit based career rewards increase the administrative capacity of the state and therefore the effectiveness of state interventions. Moreover, if a stable bureaucratic structure is constructed, it becomes easier to establish regularised ties between public and private sectors. When welfare improvements are fairly shared within the society, rapid economic development and socio-political stability become legitimating factors for state actions. Therefore, a virtuous circle is created.

Legitimacy of the state also increases embeddedness of the state and society. Cooperative

links between public and private sectors develop naturally when the state rulers and bureaucrats are perceived benevolent, competent, and fair. When such embeddedness is achieved, it is likely that legitimacy of the state is further enhanced because of the co-operative atmosphere that is created. Further legitimacy of the public servants increases the administrative capacity of the state through increased credibility of state actions. Administrative capacity of the state, in turn, enhances legitimacy of the state. Moreover, legitimacy of state rulers and bureaucrats gives them an implicit autonomy since their actions are expected to be benevolent. Furthermore, when people feel that public servants are legitimate, this reduces conflicts in the society and increases integration of the society.

Integration of the society is a very important ingredient for socio-political stability, embeddedness of the state, and motivation for economic development. As identified earlier, there are many components of integration of the society. However, fairness and justice are the most important factors of all. These are also very important to achieve socio-political stability, embeddedness of the state and society, and motivation for economic development. If not only a privileged class but everybody in the society benefits from welfare improvements, such a situation increases motivation for economic development. While on the one hand motivation in the society for economic development helps to achieve that aim, on the other hand, the economic development achieved increases the motivation.

Certainly, there are some characteristics of East Asian developmental states that are not easy (or possible) to replicate. For instance, there is little or no control of countries over their geopolitics, culture, ethnic and religious structure, or availability of their natural resources. Moreover, it is not possible for countries to re-make their particular history. However, socio-economic changes like a massive dislocation of population, having a land reform, bitter experience and humiliation of being a colony, etc., may have very important effects on economic development. While it is clear that there

is not much to be done about most of these issues, this does not apply to all of them. For instance, although it is an extremely difficult political issue, a radical re-distribution of wealth is something that can be carried out by a determined leadership who controls the state at a critical juncture of that country's history. Such an action can have a tremendous value for achieving relative autonomy and legitimacy for state rulers.

Moreover, it can have long-term positive effects for socio-political stability, integration of the society, embeddedness of the state and the society, and motivation for economic development. It is also a human action to institutionalise merit based civil service recruitment and make sure that law is applied indiscriminately in the society. The former action is instrumental to increase administrative capacity of the state and the latter is very important for legitimacy of the state, integration of the society, and socio-political stability. Therefore, although it is not possible to replicate a particular developmental state in another country, it is possible to establish one in a certain extent in another country. The developmental limits of such a state depends on how much of the above-mentioned seven characteristics can be obtained as a result.

This chapter has analysed South Korea according to the above-mentioned seven criteria. The findings of the chapter are as follows: the Korean state was clearly developmental in the 1960s, 1970s, and 1980s. Although, it should still be regarded as developmental, the effectiveness of the Korean state has declined in line with decreasing state autonomy. In Korea, there have been more reasons to have a strong state and to industrialise rapidly than in many other countries. The reasons for this can be identified as follows. First, Korean geopolitics has been one of the most tense in the world. This is related to the fact that South Korea is surrounded by the largest international powers, namely Russia, China, Japan, and the USA. Additionally, the country has been technically at war with North Korea since 1950. Such geopolitics put great pressure on South

Korea to have a strong state both internally and externally. Second, natural resources are virtually non-existent in Korea which makes the country vulnerable and forces it to allocate resources with extreme care. In other words, resource allocation through planning is perceived by Koreans as a necessity which they could not afford to leave at the mercy of the ‘invisible hand’, as suggested by neo-classical and ne-liberal economists.

Third, experiencing the bitter experience and humiliation of being a Japanese colony has been a strong motivating factor for Koreans to overtake Japan, a fact which is perceived as the sweetest possible revenge. The irony is that the Japanese colonial heritage was helpful for later development in a few subtle ways. For instance, since they were forced to learn Japanese during the colonial period, Korean intellectuals could easily study the Japanese economic model. As this chapter suggests, this model has been far superior in terms of a rapid catch up period for developing countries than neo-liberal development prescriptions.

Until the late 1980s, the government was the architect and principal player in the Korean developmental model. The tripartite relation established among the government, banks and *chaebols* have been a core aspect of this economic development model. By the late 1980s, however, a powerful coalition of interests inside and outside Korea supported the radical liberalization of Korea’s economy. In the decade preceding the East Asian crisis, this coalition greatly weakened the Korean developmental state’s control over crucial dimensions of domestic and cross-border economic activity. From the late 1980s, the U.S. government, the International Monetary Fund (IMF), and the World Bank started to pressure the Korean government to open up its financial markets.

With regard to state capacity, there has been a dismantling of the EPB, the key pilot agency of industrial transformation from the 1960s. By the mid-1990s, the Korean economic system had lost its previous coherence. The government no longer had the tools or the political mandate to

monitor, regulate and shape the broad contours of economic life. Application of Korea to join the OECD subjected Korea to further external demands for financial market liberalization and ‘opening up’. Relaxation of state discipline over the *chaebol* and reduced control of the financial market inflows dramatically increased short-term and speculative foreign capital. The series of liberalization and ‘opening-up’ measures taken in the early 1990s fundamentally changed the Korean financial system. Taking full advantage of the new freedom from restrictions, *chaebol* borrowing went truly out of control in the 1990s.

By 1996, the 20 largest *chaebols* were showing returns below the cost of the capital they had borrowed. The premature opening of the capital market and the terms-of-trade shock increased Korea’s vulnerability, and in 1997, the liquidity problem became one of solvency. Consequently, a number of large groups failed in early 1997. A chain of events in East Asia, beginning with the devaluation of the Thai baht in July 1997, triggered the crisis in Korea. As the Asian crisis spread, Korea became a victim of self-fulfilling speculative attacks and contagion. The consequent crisis led to the biggest IMF-arranged bailout package in history, involving US\$58.4 billion.

The radical restructuring post-1997 and the re-organization of the state on more neo-liberal lines have considerably eroded the Korean state’s ability to guide the investment decisions of private companies. Nevertheless, developmental capacities established earlier proved crucial in enabling to bounce back quickly from the 1997-98 crisis. Such capacity was also very important for adaptation to neoliberal globalization in the post-crisis era.²⁸ It can be argued that the IMF pressed reforms were not altogether inappropriate for Korea’s stage of development and they are unlikely to cause too much harm for the Korean economy. This is because Korean companies have acquired diverse and sophisticated industrial capabilities and they have become exporters of high-end products. As a result, the Korean economy was

well equipped to perform better than many other economies under the neoliberal global economic system. After the bounce back from the crisis, the economy stabilized and maintained a growth rate between 4-5% since 2003, so Korea is now one of the world's wealthiest nations. It was the seventh largest exporter and seventh largest importer in the world in 2012. It ranks 15th in the world by nominal GDP and 12th by purchasing power parity. It is now a society where democracy may prosper.

The analysis in this chapter shows that certain institutional and social changes are instrumental to build up a developmental state. The most important initial policies include: applying redistributive income policies, ensuring fairness in society, institutionalising a merit based civil service recruitment,²⁹ and reducing the number of civil servants.³⁰ These changes would not automatically bring about a developmental state as successful as the Korean one. Nevertheless, this chapter suggests that such policies would put a country in the right direction not only for attaining a developmental state, but also for establishing a higher standard of living and social cohesion. It needs to be pointed out that the order of policy implementations is critically important in this process.

Social changes are very complex processes which interact and intermesh in unique ways and become increasingly difficult to reverse the process over time. This is related to the fact that every major change creates new interest groups and every interest group tries to consolidate its power base or attempts to keep it as it is. Thus, if policy changes lead to the establishment of 'problematic' interest groups for economic development, this jeopardises the evolution of a developmental state. The relative autonomy of the state can be best achieved by weak interest groups as a result of equitable income distribution. Besides, equitable income distribution increases integration of the society, legitimacy of the state, socio-political stability, and motivation for economic development. Therefore, in order for a developmental state to flourish priority must be

given to radically improve income distribution. Otherwise, the established interest groups would likely to prevent it occurring later.

Increasing administrative capacity of the state must be another priority. Without desirable administrative capacity, it would be over optimistic to expect successful developmental outcomes. It is important to recognize that there is neither a single pathway nor a standard model to succeed in today's highly uncertain and insecure global economy. What matters most for developing countries is the state capacity and established institutions for the continual adjustments and adaptation to the never ending changes that occur around them.

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KEY TERMS AND DEFINITIONS

Administrative Capacity of the State: Administrative capacity is a broad concept which refers to the managerial abilities of organisations - whether they are equipped to do what they are supposed to do: Capacity in government is the process of identifying and developing the management skills necessary to address policy problems; attracting, absorbing and managing financial, human and information resources; and operating programs effectively, including evaluating program outcomes to guide future activities.

Developmental State: Developmental state is a state that is focused on economic development and takes necessary policy measures to accomplish that objective. Developmental state is characterized by having strong state intervention, as well as extensive regulation and planning.

Embedded Autonomy: Embedded autonomy draws attention to the capacity of the state to combine two seemingly contradictory aspects: ‘Weberian bureaucratic insulation’ with ‘intense immersion in the surrounding social structure’.

Embeddedness of the State: Embeddedness refers to the degree to which economic activity is constrained by non-economic institutions. Embeddedness of the state refers to co-operative links between bureaucrats and organised business.

Integration of the Society: An integrated society can be defined as a society that can accommodate different and divergent individual and

group aspirations within a flexible framework of shared basic values and common interests.

Legitimacy of the State: The legitimacy is related to the codes and the principles for accessing power and for exercising it. In political science, legitimacy is the popular acceptance of an authority, usually a governing law or a régime. The legitimacy principle may be exercised on behalf of the society (the democratic state) or on behalf of the societal project.

Motivation for Economic Development: Economic development does not only depend on availability of productive factors, but also on motivation to act for development. If there is not enough incentive or requirement, then it is unlikely that a country will push for economic development. This is because development requires sacrifices from today for tomorrow which can hardly be popular in society at large.

Political Economy of Development: Political economy refers to interdisciplinary studies drawing upon economics, sociology, and political science in explaining how political institutions, the political environment, and the economic system influence each other. Political economy of development deals with theory, concepts, history, the empirical reality, and policy problems of development, poverty, and inequality.

Relative Autonomy of the State: A stream within the Marxist tradition has recognised that a certain state may acquire an ‘autonomy’ from society if no class is powerful enough to impose its will on the state. Different states can be seen as having different degrees of autonomy and perhaps different interests *vis-à-vis* those of societal actors.

Socio-Political Stability: Socio-political stability means a predictable social and political environment. It is difficult to imagine any economic progress in a country where there is political turmoil, because political turmoil leads to uncertainties and diverts attention from economic development to the issues of conflict.

ENDNOTES

- ¹ I would like to thank Frederick I. Nixson, Pat Devine, Keiko Takeuchi, Ziya Öniş, K. S. Jomo, and Bryan Christiansen for their constructive comments on the very early versions of this work. However, all remaining errors and shortcomings are mine alone.
- ² See for instance Backman (1999) and Clifford and Engardio (2000).
- ³ Justin Lin, former Chief Economist of the World Bank, has recently posited a new development paradigm through his New Structural Economics. This has been greeted with considerable enthusiasm even by some critics of the Bank. However, closer scrutiny of this framework by Fine and Waeyenberge (2013) reveals the flawed nature of its core theoretical notion of comparative advantage and exposes its commitment to a flawed and incoherently applied neoclassical economics.
- ⁴ See, for instance, Kohli (2004); and Lange and Rueschemeyer (2005).
- ⁵ Chang (2008, p. 201) gives prominent examples in this respect as the rather rapid disappearance of the Japanese ‘laziness’ since the 1920s, the quick co-operative industrial relations development in Sweden since the 1930’s, and the change of the attitude towards time in Korea in the 1990s.
- ⁶ The findings of Bjørnskov *et al.* (2009) rather clearly reject the standard Lerner argument that more redistribution and less income inequality leads to an increase in welfare of the average person, and thus, in average welfare. Instead, for broad groups of countries the potential effects of inequality are either neutralized or enlarged through individual fairness perceptions and evaluations, thus making the effect of inequality ambiguous at the aggregate level of society.
- ⁷ Legitimacy is the probability that other authorities will act to confirm the decisions of a given authority. Other authorities, are much more likely to confirm the decisions of a challenged authority that controls substantial force; not only fear of retaliation, but also desire to maintain a stable environment recommend that general rule (Tilly, 1985, pp. 171-2).
- ⁸ This is mainly about the leader and related to past experiences like being him/her a national hero and/or initiator of an independence war or something that has a similar value.
- ⁹ Storry (1990, p. 106) points out that the Japanese take warning from what was happening in China in the 1840s and 50s. In order to defend itself from invasion by Western countries it was inevitable that Japan sought to be as strong as the Western countries in military power. Hence the government designed policies to achieve rapid growth of modern industries.
- ¹⁰ See, for example, Castells (1992) for accounts on South Korea, Taiwan, Singapore, and Hong Kong.
- ¹¹ A recent paper examined the proposition that the economic performance of advanced capitalist countries depends on their size and ethnic composition. The argument is tested on pooled data from 30 advanced capitalist countries for the 1985 through 2007 period. Regression analysis confirms that ethnically homogenous countries tend to have stronger rates of economic growth than ethnically heterogeneous countries but that neither the size of countries nor the interaction of size and ethnic composition have significant effects (Patsurko, Campbell, and Hall, 2013, p. 827).
- ¹² Amsden (1997, p. 475) provides support for this view and says that ‘under conditions of equal income distribution, it is easier to formulate and implement all types of policies, including industrial policies related to production’.

- ¹³ For the negative effects of landlord class against economic transformation, see, for example, Cumings (1987).
- ¹⁴ For instance, based on comparative studies of Egypt, Iraq and Saudi Arabia, Olsen (1994) has reached the conclusion that it is not the bourgeoisie or for that matter any of the other social classes which dominate and shape state intervention in these societies. Rather, it is the civil bureaucracy and armed forces that are the most important social forces determining not only state interventions, but the whole development trajectory in the least industrialised, peripheral societies.
- ¹⁵ For a similar view see also Kuznets (1988).
- ¹⁶ For a review of literature see Frankel (2010).
- ¹⁷ Overholt (2011, p. 2) makes the point that '[r]arely in history has a country gone from such strategic inferiority to such strategic superiority in such a short period.'
- ¹⁸ As the *Guardian* (15 December 1998, p. 14) indicates, the two sides - separated by the most heavily fortified border in the world - have never signed a peace treaty and remain technically at war.
- ¹⁹ Korea has traditionally been even more centralised than other Confucian countries. The Japanese feudal system was fairly decentralised until the Meiji Restoration, and the Chinese system, because of the sheer size of the country, had a strong tendency to dissolve into a decentralised one except in the heights of a dynasty (Chang, 1994, p. 155).
- ²⁰ As it can be observed from Table 2, the countries that carried out successful Land Reforms such as Taiwan and India exhibit more equal income distribution compared to countries that did not experience Land Reform such as Brazil and Turkey.
- ²¹ Before land reform the ownership of arable land was extremely unequal. Only 14 percent of farmers were owner-cultivators, about 39 percent of arable land was cultivated under conditions of tenancy, and a small number of landlords (about 4 percent of the rural population) took about half the main crop from their tenants in lieu of rent (Song, 1997, p. 177).
- ²² This was, in part, because poverty and inequality were seen as the seeds of communism.
- ²³ Cumings (1997, p. 60) indicates that a Dutch sailor who found himself beached on Cheju Island in 1653 found Koreans indulging in a 'national devotion to education'. Cumings provides many similar accounts from both early and recent Korean history in this respect.
- ²⁴ Song (1997, p. 242) indicates that because of its situation, many foreigners in the 1940s and 1950s considered Korea a hopeless case, including Koreans.
- ²⁵ From 1946 to 1976, the US provided \$12.6 billion in American economic and military aid to Korea (for Taiwan, it was \$5.6 billion), with Japan contributing an additional \$1 billion, and \$2 billion coming from international financial institutions. The total, well over \$15 billion, for a country with a population of 25 million in the midpoint year of 1960 gives a per capita assistance figure of \$600 for three decades (Taiwan, \$425 per capita). No other country in the world received such large sums in per capita terms, with the exception of Israel and South Vietnam (Woo, 1991, p. 45).
- ²⁶ During my visit of Korea in 1998 and 2000, I heard several times from Koreans that they beat the Japanese in most of their soccer matches and they take every match as if it is a war against Japan! Such an attitude is not only confined to football matches and certainly includes economic performance.
- ²⁷ According to Cumings (1997, p. 375), in the aftermath of Park's assassination, the US administration refused to commit itself to a democratic transition in Korea. Worried

instead about internal political disintegration and the military threat from North Korea.

²⁸ More details for this can be found in Erdoğdu (2004).

²⁹ This would help to increase administrative capacity of the state through selecting better qualified personnel and increasing prestige of being a public servant.

³⁰ Such a measure would help to prevent degeneration of public sector employment and provide financial resources to pay public servants more than currently available. This, in turn, would help to attract ‘the best and brightest’ to public sector.

APPENDIX: ABBREVIATIONS

- **KMT:** The Kuomintang, officially the Kuomintang of China is a political party in the Republic of China. It is the current ruling political party in Taiwan. The name literally means the Chinese National People's Party, but is more often translated as the Chinese Nationalist Party.
- **LDCs:** Less developed countries.
- **NICs:** Newly Industrializing Countries.
- **PAP:** The People's Action Party. It has been Singapore's ruling political party since 1959.
- **UN:** United Nations.
- **USA:** United States of America.
- **WB:** World Bank.

Chapter 2

Modifying Culture to Advance Economic Growth: The Case of Singapore

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ABSTRACT

In furthering the discussion on the linkage between economic development and culture, this chapter attempts to answer the question, “Can culture be modified to advance economic growth?” and uses Singapore as a case in point. It traces the country’s restructuring of cultural values to foster economic growth and development, which allowed Singapore to grow from a small island state with a sagging economy and no natural resources to one of the most respected and widely recognized developmental models of the modern era. This study shows that social controls can help newly developing countries in creating political stability and social cohesion that allows for rapid economic development. However, the side effects of such measures lead to the creation of a compliant society that lacks creativity and innovation, is risk averse in entrepreneurial activity, and is prone to talent depletion.

INTRODUCTION

Over the past two decades numerous efforts have been made to link economic growth to cultural influences and values. In their efforts to pursue modernization and industrialization, developing countries have adopted different approaches us-

ing various economic models of restructuring to enable positive changes to take place. The attempt has been to empower their citizens in adapting to modern practices of specialization and professionalism in the workplace.

Not many countries with diverse populations have succeeded in adjusting the attitudes of their

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people in a way that they could make rapid changes to conform to the requirements of modern technology and a competitive environment. Singapore is such a case in point. Japan, South Korea and the other Asian Tigers had more or less homogenous workforces that required little cultural adjustment.

This paper traces the successful implementation of policies by a developing country in its conscious efforts to modify the cultural values of their population to foster economic development. This study seeks to identify the evolution of such a policy and its effects on the short and long term development of the country. It seeks a general answer to the question “Can culture be modified to advance economic growth?”

Culture and Economic Development: Literature Review

The Nobel laureate economist Amartya Sen has lamented that social scientists have often commented on the tendency of economists to pay inadequate attention to culture in investigating the operating of societies in general and the process of development in particular (Sen, 2004). Economists have been reluctant to rely on culture as a possible determinant of economic phenomena as the notion of culture is so broad and so vague that it is difficult to design testable hypotheses. A narrower definition of culture that allowed for a simpler methodology was developed to test cultural-based definitions (Guiso et. al., 2006). Subsequently, numerous attempts were made to empirically identify the effects on culture and to answer the question, ‘does culture matter and, if so, how much?’ (Palgrave, 2008).

Fukuyama (2001) posited that there is a cultural dimension to economic behavior and that cultural factors affect economic development in four ways: through its impact on organization and function; through attitudes towards consumption and work; through the ability to create and manage institutions; and through the creation of social networks. Papamarcos and Watson (2006)

empirically examined the role of culture in encouraging or discouraging country-level economic performance. They found that, when it comes to economic growth, not all cultures are created equal.

The clear finding has been that cultural values and attitudes have a direct effect on economic development. Johnson and Lenartowicz (1998) found a significant relationship between measures of culture, economic freedom, and economic growth. Williamson and Mather (2011) found that culture and economic freedom are both independently important for economic prosperity. In an Asia specific empirical study on cultural values and economic growth, Khan, Zhang, Hashmi and Bashir (2010) created a model which incorporates both cultural and economic variable and were able to measure the impact of certain cultural factors on economic growths of selected Asian countries.

A research study *Route Mapping Culture and Development* (Vincent, 2005) found that cultural activities were widespread in development. But despite 350 examples from five development agencies over two years, the research found limited explicit policy on cultural issues. The study found a lack of consistency in implementing projects, little understanding of how cultural processes work, and few examples of appropriate evaluation. Four aspects of the use of culture in development were identified:

1. **Culture as Context:** The wider social environment and setting.
2. **Culture as Content:** Local cultural practices, beliefs, and processes.
3. **Culture as Method:** Cultural and creative communication activities (popular theatre, music, dance, visual media, symbols).
4. **Culture as Expression:** Creative elements of culture linked to beliefs, attitudes and emotions, ways of engaging the world, and imagining the future.

Culture has been seen as a serious barrier to change and consequently to development. Commu-

nication for Social Change, an approach developed by the Rockefeller Foundation recognizes cultural identity and tradition as important resources in people's self-directed change, rather than as problems (Gumurcio-Dragon, 2001).

THE CASE OF SINGAPORE: BACKGROUND

Located in Southeast Asia between Malaysia and Indonesia, Singapore is a tiny island and city-state with very little natural resources. It was founded in 1819 by the British as a natural and deep water port and consequently became a valuable trading center. Singapore remained a British colony and became independent only in 1963 when it merged with Malaysia.

However in 1965 it was ejected from the Malaysian Federation due to political differences and "subsequently became one of the world's most prosperous countries with strong international trading links (its port is one of the worlds' busiest in terms of tonnage handled) and with per capita GDP equal to that of the leading nations of Western Europe" (CIA, 2012).

The challenges faced by Singapore upon being granted self-government in 1959 and the subsequent withdrawal of the British colonialists required Singapore to merge with the Federation of Malaysia in 1963. A difficult and painful birth of the nation took place in 1965 upon being booted out of Malaysia and convinced the founding leaders of the need to seek new and creative solutions to unique problems the country found itself facing. As a tiny island, Singapore was seen as an unavoidable nation state. The challenges were political, economic, social, and educational:

1. High unemployment rate,
2. Social unrest and tension,
3. Lack of infrastructure,
4. Insufficient educational institutions,
5. No national unity and identity,

6. Shortage of public housing,
7. Low standard of living,
8. No defense capabilities,
9. Unfriendly neighbors,
10. Unskilled labor force,
11. Dependence on entrepôt trade,
12. Lack of investment capital and technology,
13. Frequent labor disputes and strikes,
14. 25% of GDP was dependent on British bases,
15. Rampant corruption in the civil service, and
16. Overpopulation.

The Singapore government set about dealing with these issues and began forging a uniquely Singaporean nation with a multiracial and multicultural society quite distinct from its more or less homogenous neighbors Malaysia to the north and Indonesia to the south. A Minority Rights commission was set up and a policy implemented to foster ethnic and cultural diversity (Lepoer, 1989).

Deliberate policies were instituted to solve the economic, social, and national problems listed above. They were:

1. Financial, tax, and legislative incentives were offered to attract foreign investment in terms of capital and technology.
2. New labor laws were created that promoted longer working hours, reduced holidays, and gave employers more power over hiring, firing, and promoting workers.
3. Industrial estates were built to house new factories and industries.
4. New immigration laws and policies were enacted to bring in labor from the region to fill gaps that arose.
5. Modern high rise housing estates were built to relocate populations living in overcrowded slums and villages.
6. Integrated English language schools were established to prepare students for careers in business, industry and government. Mother tongues were to be studied as a second language.

7. Technical and tertiary institutions were established to improve skill and education levels of the workforce.
8. Strict action was taken to combat corruption at all levels.
9. Institutions were set up to provide health care and other social services for the people.
10. A Central Provident Fund (CPF) was set up to serve as a social security savings plan for the entire population.
11. A compulsory National Service scheme was introduced to provide for a comprehensive national defense.
12. A practical foreign policy allowed the establishing of meaningful international relations both in the region as well as globally.
13. The government participated in the economy through fully owned state enterprises as well as invested locally and internationally using national savings and reserves.

In order to be effective in implementing the above measures, the government found it necessary, it claimed, to be a pervasive participant in all aspects of the activities of the nation. They felt that that authoritarian rule was necessary to promote political stability which in turn would lead to rapid economic development. This was ostensibly to ensure the survival of the nation state.

Managing Culture: Absolute Control

Political Control

Since being granted self-government in 1959, Singapore has been ruled by one party, the People's Action Party (PAP), which has adopted a highly controlled form of governance for 55 consecutive years. Political dissent is not tolerated and numerous mechanisms are used to prevent the rise of opposition parties and alternative leaders to the ruling party. These include use of legal structures meant to stifle political participation and seeking legal redress and heavy penalties

for even small statements made by the opposition in public about the public matters and the civil administration. Defamation suits have been successful in silencing critics. Leadership has been closely held and passed from the first Prime Minister Lee Kuan Yew (1959-1990) to his son Lee Hsien Loong (since 2004) with an interim Goh Chok Tong (1990-2004) as part of detailed succession planning.

Economic Control

The government has been an active participant in the private sector in addition to exercising total control of the public sector. This was achieved by setting up "government-linked" companies (GLCs) some of which are monopolies. The biggest commercial vehicle of the Singapore government is Temasek Holdings which was established in 1974 and now has a diversified portfolio of US\$193 billion. It is involved in telecommunications and media, financial services, property, transportation and logistics, energy and resources, infrastructure, engineering and technology, as well as pharmaceuticals and biosciences. The second investment arm of the Singapore government is the Government Investment Corporation (GIC) which invests Singapore's foreign reserves totaling more than US\$100 billion (GIC Report, 2011).

Media Control

Singapore's media environment is highly regulated. Censorship is common, internet access is regulated and private ownership of satellite dishes is not allowed. State-owned MediaCorp operates all seven free-to-air terrestrial local television channels licensed to broadcast in Singapore, as well as 14 radio channels. Radio and television stations are all government-owned entities (Yeoh, 2005). Under the Newspapers and Printing Presses Act (NPPA), passed in 1974 and amended in 1986, the government can restrict (and does) without actually banning the circulation of any publication

sold in the country, including foreign periodicals, that it deemed guilty of unfair reporting.

Educational Control

Singapore's education system was originally geared to meeting the needs of MNC labor and skills requirements. The technocratic model requires students be "streamed" into various specialized fields and begins at an early age. Educational pathways are stratified according to ability and aptitude and this has resulted in the creation of a hierarchical and even elitist society (Ng, 2005). The government's contention has been that streaming prevents wastage by reducing the drop-out rate. English is the main medium of instruction but all students are required to be fluent in a second language – usually their mother tongue. The Education Ministry develops programs and structures educational institutions to deal with national issues. The purpose of this approach is "so that Singapore will be able to make maximum use of its human intellectual capital and compete internationally in an uncertain future" (Shanmugaratnam, 2002).

Institutional Control

Public institutions set up and managed by the government ensure control of all public services run by seemingly autonomous statutory boards. These include the Housing and Development Board (HDB), Central Provident Fund (CPF), Public Utilities Board (PUB) Singapore Telecoms (ST), Singapore Bus Services Transit (SBS Transit), Port of Singapore Authority (PSA), Industrial Training Board (ITB), Family Planning and Population Board (FPPB), and the Islamic Religious Council of Singapore (MUIS). These worked to further the government's policies of centralized planning and served multiple political and economic goals (Lepoer, 1989). Organized labor is managed and controlled by the National Trade Union Congress (NTUC) the head of which is a government ap-

pointed cabinet member. Labor, Government and Employer relations are managed by the National Wages Council.

Social Control

Singapore has placed high priority on the need for social order and stability. The need for social cohesion was considered a necessity in a multi-ethnic environment with minorities originating from larger neighbors such as China, India, Malaysia and Indonesia. This required the implementation of "social engineering" programs. Government campaigns for social reform are a commonplace, there is strict censoring in all media, homosexuality remains punishable by jail and the state runs programs such dating services and encouragement of procreation by graduates. Prime Minister Lee has proclaimed "Social mores must not be corrupted and Singapore must remain a safe and wholesome society" (Yeoh, 2005). The government has consistently worked towards stimulating accepted social compliance with the use of financial incentives and disincentives as well as legal action and punishment.

Managing Culture: Positive Results of Autocratic Policies

The attempts of the Singapore government to transform the tiny island state from a struggling country were immensely successful. Since independence, Singapore's standard of living has been on the rise. Foreign direct investment and a state-led drive to industrialization based on strategic plans have created a modern economy focused on electronics manufacturing, petrochemicals, tourism and financial services. Singapore is today the 6th wealthiest country in the world in terms of GDP per capita. The small nation has foreign exchange reserves of US\$171 billion. Table 1 and Figure 1 illustrate the consistent growth rate of the economy from humble beginnings in 1968 to a wealthy country

Modifying Culture to Advance Economic Growth

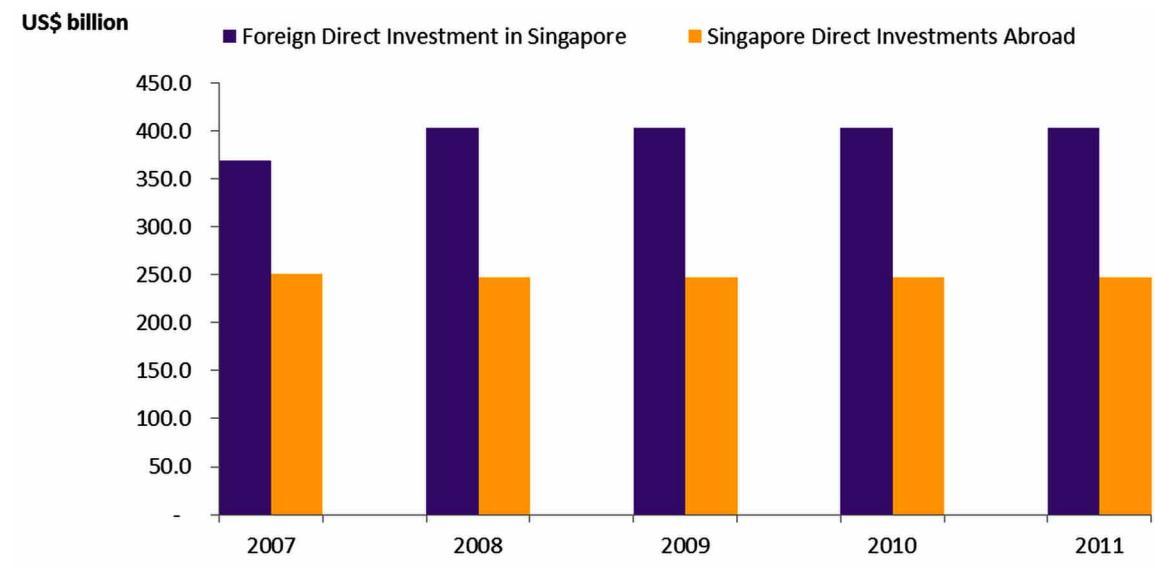
Table 1. Singapore's GDP at current market prices 1968-2011

Year	US\$ Mil	Year	US\$ Mil	Year	US\$ Mil	Year	US\$ Mil
1968	1,425.0	1979	9,702.2	1990	38,836.2	2001	87,702.2
1969	1,659.1	1980	12,045.9	1991	45,183.5	2002	90,639.7
1970	1,919.5	1981	14,322.9	1992	52,010.3	2003	95,955.7
1971	2,270.3	1982	15,812.5	1993	60,472.8	2004	112,692.5
1972	2,950.3	1983	17,934.3	1994	73,237.0	2005	125,413.7
1973	4,227.5	1984	19,446.6	1995	87,060.7	2006	145,749.0
1974	5,260.7	1985	18,462.9	1996	95,175.9	2007	177,579.7
1975	5,786.8	1986	18,732.2	1997	99,296.5	2008	189,972.0
1976	6,066.5	1987	21,551.7	1998	85,013.2	2009	185,639.5
1977	6,694.0	1988	26,478.7	1999	84,882.8	2010	227,383.1
1978	8,047.9	1989	31,404.4	2000	94,311.8	2011	259,823.8

Source: Singapore Department of Statistics, 2011.

Figure 1. Investment at home and abroad 2007-11

Source: Singapore Department of Statistics, 2012a.



continuously receiving foreign investment and its meaningful assets invested abroad.

Singaporeans today enjoy a standard of living far beyond their imaginations. The nation is viewed around the world as a model of how a small economy without any natural resources

can be transformed into a world class state when managed prudently and pragmatically with an efficient and honest government at the helm.

Singapore's success has been attributed by Ghesquiere (2007) to the following growth enhancing institutions and culture:

1. **A Highly Efficient Civil Service:** Singapore has a reputation for its trade-mark high quality administration. Meritocratic principles govern recruitment and promotion. The civil service enjoys a high status and remuneration is competitive with the private sector.
2. **Law and Order Provides a Framework for Stability and Development:** Singapore believes in punishment including caning and death penalty for severe crimes. Steadfast and impartial application of the law has helped Singapore's economy by providing fundamental assurances to investors and built confidence in the financial system.
3. **A High Level of Public Integrity:** Corruption is widely recognized to be a major obstacle to economic and social development. In Singapore, integrity of governance started from the top. High standards were set and all transgressors were punished regardless of rank and position.
4. **Social Inclusion Leading to Political Stability:** Minority rights are protected and the state is resolute in sensitivity to ethnic-religious tensions.

Rastin (2003) notes that at the heart of the Singapore model is the social contract between the government and the people. This is that the people were willing to accept more government control, give up some individual rights and work hard, and the government would create the environment that would deliver prosperity and a better quality of life.

Kishore Mahbubani wrote in the Earth Times in 2001 that “the remarkable thing is not only that it has succeeded against the odds; rather, it is that the country has actually become one of the most successful developing nations in the world” (Mahbubani, 2001).

Managing Culture: Negative Results of Autocratic Policies

Naturally Singapore's autocratic policies and management of its population's culture have come at a cost. Much has been written about how Singapore has suffered as a result of government policies especially the effects on creativity, innovation, entrepreneurship, and leadership.

A Paternalistic and Compliant Society

Confucian ideology has been the basis of managing the culture of Singapore mainly because the majority of the population is ethnic Chinese (75%). “Confucianism has been seen as a tool for social engineering as well as an asset to promote economic development and modernization” (Kuah, 1990). It provides for a set of moral and ethical values that legitimizes the perpetuation of a highly centralized and authoritarian system of government. The fundamental precept of Confucian thought is that a greater emphasis is placed at all times on the community over the individual. The individual must be sacrificed over the community.

This has been achieved through the education system and reinforced by restriction of political freedoms, management of ethnic multicultural policies, and economic control. The net result is that Singapore is placed rather low on the *Democracy Index* by The Economist's Economic Intelligence Unit (EIU). Singapore is listed as hybrid regime (mixture of authoritarian and democratic elements) and ranks well below Finland (9), Malaysia (71), Hong Kong (80), Taiwan (37), and Indonesia (60). The index looks at 60 indicators across the five categories of electoral process and pluralism, civil liberties, the functioning of government, political participation, and political culture (Economist, 2012). See Table 2.

In its *Press Freedom Index*, Reporters Sans Frontières ranked Singapore 135th out of 179 countries surveyed for press freedom. Top of the list were Finland, Iceland, Luxembourg and the Netherlands

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Table 2. Democracy index 2011

Full Democracies	Rank	Flawed Democracies	Rank	Hybrids	Rank
Norway	1	Taiwan	37	Hong Kong	80
Iceland	2	India	39	Singapore	81
Denmark	3	Sri Lanka	57	Bangladesh	83
Sweden	4	Thailand	58	Albania	87
New Zealand	5	Indonesia	60	Lebanon	94
Australia	6	Malaysia	71		
Switzerland	7	Philippines	75		
Canada	8				
Finland	9				
Netherlands	10				

Source: The Economist Intelligence Unit, 2011.

while Eritrea was last (Press Freedom Index, 2011). This does not bode well for Singapore.

Risk Avoidance Tendencies

The Singapore government itself has recognized that entrepreneurial spirit was lacking in the general population. This became apparent in the empirical survey The Global Entrepreneurship Monitor (GEM), which is an annual assessment of the national level of entrepreneurial activity. Singapore has not fared well.

The paternalistic and authoritative approach of the government contributed to the general population's averseness to participating in risk oriented ventures. The government has initiated action at various levels to meet this challenge and numerous policies were sent in place to encourage and reward entrepreneurial activities. Some progress has been made as indicated in Figure 4. There is much more that the Singapore government needs to do to stimulate the entrepreneurial spirit. It needs to relax strict controls to allow for the spirit of risk-taking to rise from the ground up (Bhasin, 2007). Kreiser, Marino and Weaver's 2002 study empirically proves that national culture has a direct and identifiable impact on the level of entrepreneurial behavior (Kreiser et.al, 2002).

Depletion of Scarce Talent

The best and the brightest technocrats have traditionally been identified, nurtured and recruited by the government. This was to provide for the lack of political leadership on a voluntary basis. The creation and promotion of a scholar-led bureaucracy meant that the best and the brightest were recruited to enter the civil service. Through the rigid education system and competitive examinations, a scholarship awarding mechanism was created to channel top academic brains for political, military and business leadership. This in turn, led to the creation of an elite ruling class and the monopoly of talent to serve the needs of the government (Seah, 2006).

Research confirms that the public sector has absorbed too much local talent, and this has in turn has created a shortage in the private sector of innovative and creative individuals capable of assuming this role (Chew and Chew, 2003).

The suppression of individual rights including freedom of speech, to gather in groups of more than four for public dissent, to marry and have children at their own pace, has led to a brain drain for Singapore so much so that it now has to import talent from abroad. A special agency *Contact Singapore* was created to induce the best

Table 3. Total entrepreneurship activity (TEA) for Singapore 2000-2006 and 2011

Year	TEA (%)	Country Ranking
2000	2.1	17 th of 21
2001	6.6	27 th of 29
2002	5.9	21 st of 27
2003	5.0	14 th of 21
2004	5.7	11 th of 20
2005	7.2	8 th of 20
2006	4.9	16 th of 22
2007	-	-
2008	-	-
2009	-	-
2010	-	-
2011	6.6	12 th of 20

Source: GEM Singapore Reports, 2000, 2002, 2003, 2004, 2005, 2006, and 2011.

and the brightest to move to Singapore to replace the émigrés. Seah (2008) writes:

While the hot economy has attracted more than a million foreigners to its shores, its own citizens have been leaving in record numbers to settle down abroad. Their exit seemed to have taken on a new life in recent years, ironically when the economic growth and the job market were at their best. In fact, one survey has placed Singapore's outflow at 26.11 migrants per 1,000 citizens – the second highest in the world. Only Timor Leste (51.07) fares worse.

It has been noted that Singapore's future economic survival depends on the number of talented and creative individuals that it can cultivate and retain. Bhasin (2001) writes that political leaders need to realize what corporate leaders have known for some time now – that the fight for scarce talent has now become a global one. Either you compete globally or you are no longer in the game. The world is essentially becoming one market as far as human talent is concerned.

Dependence on Foreign Workers

The Singapore government's obsession with maintaining annual economic growth has required the importation of skilled and unskilled labor. In addition, the *Stop at 2* family planning enforced in the early 80s reaped its fruits into the 21st century. The population began to shrink and the fertility rate declined to 1.37 per female (Economist, 2012).

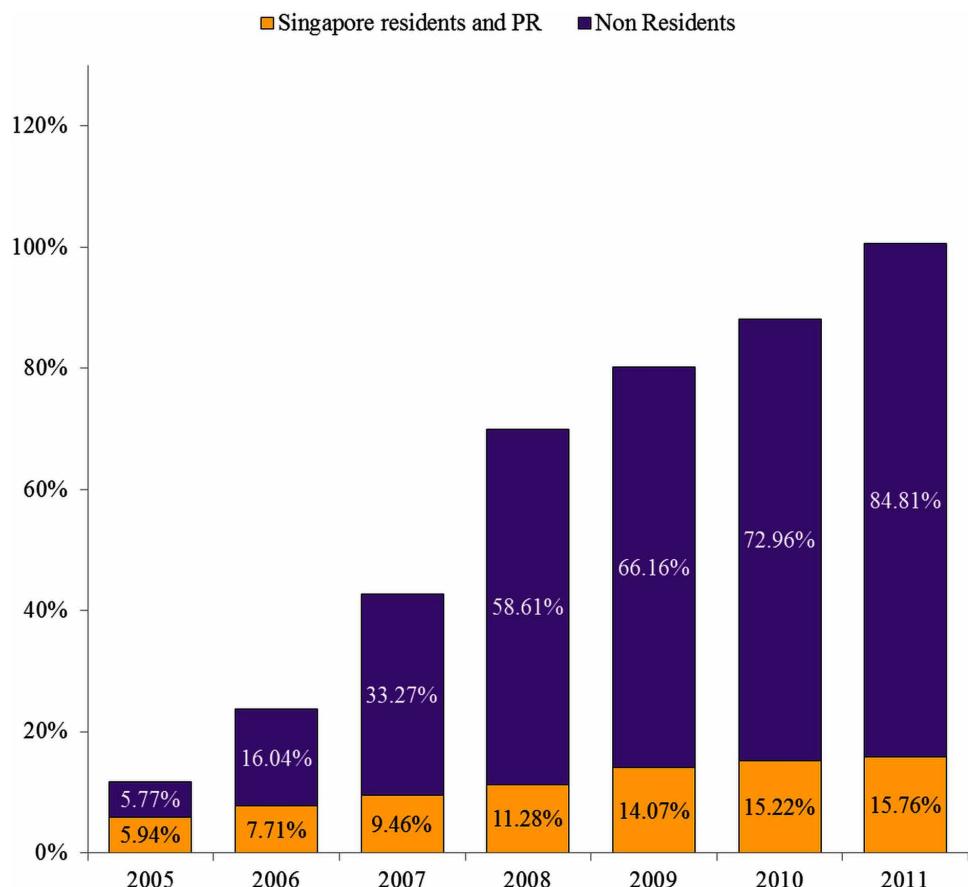
With the continuing decline in population the government had to again intervene. Permanent residencies were granted at an average of 500,000 annually from 2008 to 2011. The number of non-citizens in Singapore surged substantially from 0.75 million in 2000 to 1.4 million in 2011. The ratio of non-citizen to citizen is 1:2 (Singapore Department of Statistics, 2011).

The steady influx of foreign workers created a spectrum of social issues. Singapore citizens had progressed economically and were more educated. They had become more aware of the social impact surrounding their daily economic welfare and social living and started becoming vocal (Economist, 2012). This caused a social division between the ethnic Chinese in Singapore and the Chinese from Mainland China (Sim, 2012). This

Modifying Culture to Advance Economic Growth

Figure 2. Increase of foreigners by % since Year 2000

Source: Singapore Department of Statistics, 2012b.



in turn amplified competition in the job market where citizens' opportunities of employment were being cannibalized. The situation was further exacerbated when citizens were ostracized from promotion considerations by foreign employers who favored their own "nationality" for the prospective job (Koh, 2012).

Much of the grievances and resentfulness were crystallized in the results of the General Election in 2011 when the opposition parties made a "landmark" victory of winning a total of 6 seats and thus eroding the power of the government. It had held almost total majority seats in parliament for the last 49 years of history since independence in 1965 (BBC News, 2011). As a result of the change in political landscape after the General

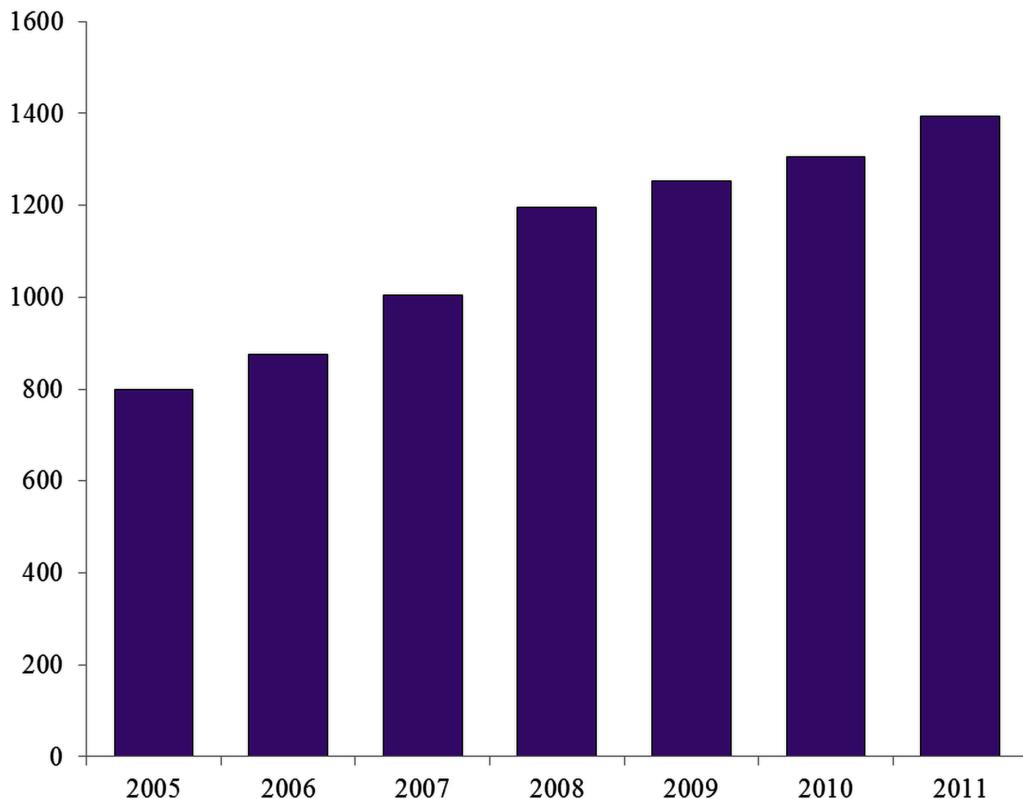
Election in 2011, the Singapore government finally admitted the consequences of their efforts at social engineering.

Lack of Creativity and Innovation

The Singapore government officially acknowledged in the Prime Minister's National Day address in 2002 that the dearth of entrepreneurs is due to an over-emphasis on rigid, structured education and this stifled creativity and risk-taking. It was noted that studies in the U.S. have shown that entrepreneurship is closely related with the level of cultural vibrancy. Studies have also shown that the arts can help individuals to become more creative in areas beyond the arts. They are

Figure 3. Population of non-residents 2008-2011 ('000)

Source: Singapore Department of Statistics, 2012b.



an important source of inspiration and a powerful avenue for individual expression (Singapore Government, 2002).

Singaporeans fall short on individual initiative and rely too much on the government for help. They functioned well only as a group, not as individuals; they were not capable of being non-conformist or of standing out above the crowd. The fault lay in years of political and social conditioning by a top-down government, which was efficient but paternalistic. Everything was so structured that people did not need to fight for a living, and this blunted their ability to create (Bhasin, 2007).

Fitzpatrick (2005) writes that “if people are conditioned to respond to prods and punishments, they are prone to becoming passionless and passive; and developing conformist tendencies that are liable to stifle their creative potential.”

The Singapore government has taken steps to foster innovation and creativity by reforming the education system to allow for greater autonomy and increased inter-school competition. More international educational institutions are being allowed into the country. Incentives are being provided for innovation in business and industry and heavy investment is being made in promoting research and development activities both by local and foreign participants. Singapore has received high ranking in global competitiveness (number six, just below Taiwan). Seah (2005) has noted that unlike Nordic countries Singapore’s competitiveness is based on low wages, and not innovation.

CONCLUSION

The story of how Singapore moved from “Third World to First” has been considered relevant to the study of national development. The challenges Singapore faced in its beginnings are similar to those many less developed nations face today (Rastin, 2003). The Secretary-General of the United Nations Kofi Annan has written that “Singapore will be of great interest to people of other developing countries and to all those who are interested in their fate” (Lee, 2000).

In his study *Singapore’s Success: Engineering Economic Growth*, Ghesquiere (2007) notes that Singapore’s cultural characteristics such as diligence, drive for excellence, openness to new ideas, trust, and ability to cooperate may have had a direct impact on pro-growth policies that fostered economic development.

This study shows that social controls can help newly developing countries in creating political stability and social cohesion that allows for rapid economic development. *The Wall Street Journal* declared in August 2012 that “tiny Singapore had become the wealthiest nation in the world by GDP per capita” (Seah, 2012). However the costs of such measures lead to the creation of a compliant society that lacks creativity and innovation, is risk averse in entrepreneurial activity and subject to talent depletion. The question that arises then is “What is the price a country is willing to pay?”

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KEY TERMS AND DEFINITIONS

Culture: The values that are mostly commonly shared by a community.

Economic Development: Economic growth aimed at uplifting quality of life.

Emerging Economies: Developing countries that have low to middle per capita income with potential for growth.

Entrepreneurship: An activity that involves the capacity and willingness to take risks, particularly in starting of new businesses.

Nation Building: The process of constructing or structuring a national identity using the power of the state.

Singapore: A small island in Southeast Asia with a diverse population and lacks natural resources but has succeeded in rising from a third world to a first world economy.

Social Policy: Guidelines, principles, legislation and activities that affect the living conditions conducive to human welfare.

Chapter 3

The Globalisation of the Media: Towards New Opportunities for Artistic Practice and Cultural Heterogeneity?

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ABSTRACT

This chapter explores the claim that the continuous globalisation of the media industry is leading unrelentingly towards a hegemony of global cultural homogeneity. Through a discussion of the phenomenon that is globalisation, and the theoretical background against which the cultural effects of the global media might be studied, the chapter critically examines the role of global commercial broadcasting in the creation of a so-called global culture and in the engendering of global cultural convergence. The past three decades have witnessed an explosion in the size and number of Transnational Corporations (TNCs), while advances in science and technology have revolutionised the way in which people around the world think, work, collaborate, and share information. The expansive growth in the size and number of TNCs and the rapid proliferation of the Internet and its associated technologies has led in recent times to profound changes in the global mass media industry.

INTRODUCTION

The communication media are monopolised by the few that can reach everyone. Never have so many been held incommunicado by so few. More and more have the right to see and hear, but fewer and fewer have the privilege of informing, giving their opinion and creating. The dictatorship of a single word and the single image, much more devastating than that of the single party, is imposing a life whose exemplary citizen is a docile consumer and a passive spectator built on

the assembly line following the North American model of television. - Eduardo Galeano

The term ‘globalisation’ has become the catch-phrase of our times as it echoes down the streets of metropolises and tiny villages, in centres of learning and houses of business, in political discourse, and in street corner ravings. First coined during the 1980s as an all-encompassing expression to describe the processes leading to the greater integration of the global economy, globalisation has over the years acquired a list of positive and

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negative connotations without anyone having actually arrived at a comprehensive definition (Reich, 1988). Different theoretical positions and different political stances each have their own notion of what globalisation stands for. On one level, globalisation is an economic phenomenon referring to economic activity on a global scale. On another, globalisation is concerned with issues of cultural meaning and identity. For the purposes of this chapter, we may define globalisation as a “rapidly developing process of complex interconnectedness between societies, cultures, institutions and individuals worldwide. It is a social process which involves a compression of time and space, shrinking distances through a dramatic reduction in time taken – either physically or representationally – to cross them, so making the world seem smaller and in a certain sense bringing human beings ‘closer’ to one another” (Tomlinson, 1996).

It is widely agreed that communication has an important part to play in the globalisation process and in particular with the process of cultural globalisation. Information and the media have been regarded as sources of power and global change since the time of James I of England when the growth in popularity of the printing press was watched with great suspicion by both the Crown and the Church (Perrit, 1998). It has since been recognized that information and communication might also have central roles to play in both socio-economic development and the production and creation of artistic content. Writing in 1894, John Stuart Mill noted that “it is hardly possible to overrate the value, in this present low state of human improvement, of placing human beings in contact with persons dissimilar to themselves, and with modes of thought and action unlike those with which they are familiar... Such communication has always been, and is peculiarly in the present age, one of the main sources of progress” (Quoted in Grace et al., 2001:1). In recent times, globalisation has collapsed spatial and temporal barriers to economic and social exchange, and its convergence with two other trends,

world-wide electronic connectivity and emergent knowledge networking practices, has reinforced the importance of the role played by knowledge and information in the global political, social, and economic arenas (Virkar, 2014). Today, we live in knowledge-driven societies poised on the threshold of an Information Age.

The world in the past few years has witnessed the spectacular rise of a series of technological innovations, particularly digital and satellite communications technologies, resulting in a decoupling of space and time that has significantly accelerated the process of globalisation (McChesney, 1998). The subsequent rise of the global media industry and its associated creations and technological applications is attributed to the effective commercial exploitation of these technologies and the data they generate, and also to the simultaneous development of a range of institutions and institutional frameworks that continue to shape the way in which media networks operate in the world today. Parallel to the liberalisation and deregulation of global media empires has been the rapid globalisation of the commercial media, advertising, and telecommunications markets – all of which have contributed to the overall process. The development of information and communication technologies is thus inseparable from the development and the proliferation of media industries (Thompson, 1999), and it is these industries that are today responsible for the continued transmission of ‘valorised symbolic forms’, ‘symbolic goods’ or ‘cultural products’, i.e. those objects produced by the media subject to economic valorisation. In today’s world, culture is tied up unequivocally with economic production, and ever-increasing importance is given to the study of cultural products within (particularly so-called capitalist) forms of production and exchange.

FROM TELETUBBIES TO HAPPY DAYS: GLOBALISATION, CULTURE, AND THE MEDIA

The age of Information Technology – IT as we call it – has arrived. I know of no other technological advantage which has brought together so many areas of rapid and exciting development. Computers and telecommunications are converging very rapidly, huge investments are being made, and the impact of information technology will be felt at every level in our society; in industry, in commerce, in our offices and in our homes.

-Kenneth Baker (1982)

The starting point of this chapter is the recognition of an apparently new way of conceiving contemporary society, and the acknowledgement of the pivotal roles that *information, communication, and technology* play within it. Social scientists have long seen ‘information’ as the distinctive feature of the modern world; however, what makes today’s age distinct from before is the growing convergence of digital computing, telecommunications, and human infrastructure; reflected in the shift of terminology from *Information Technology* (or *I.T.*) to *Information and Communications Technology* or *ICT* (Virkar, 2014). Popular and academic literature tells us we stand on the edge of the Information Age in which both information and technology have become ‘symbol(s) of political potency and economic prosperity’ (Martin, 1998: 1). We live and work in ‘weightless knowledge economies’ and will soon be part of a ‘global information society’. These clichés are not used without reason. The world is continuing to witness the burgeoning growth of new electronic Information and Communications Technologies (ICTs) and their associated platforms and applications: the Internet and the World Wide Web have spawned multimedia and interactive technologies, video-conferencing, virtual realities, computer-aided design, the information superhighway, and technologies for consumer profiling and surveil-

lance – all of which enable the electronic production, transmission, processing, communication, and consumption of increasingly vast quantities of information. Like their predecessors – the printing press, the telegraph, the radio, and black-and-white television – advanced ICTs have become an intrinsic part of our everyday social, political, and economic lives. They are embedded in an array of networks and services across the spectrum of human activity: from education to politics, from the arts to sport, from medicine to music, these technologies are set to transform the way in which people work, think, act, and interact.

The global media industry consequently holds a unique place in policy discourse. In addition to being a large, cash-rich, important sector contributing (directly and indirectly) to national export earnings and global financial exchanges, it has highly visible political, economic, and social roles. It is an important factor in both the furthering of democracy and the sustenance of autocracies, while simultaneously furnishing the entertainment that is at once a useful escape from the stress of daily life and a reflection of local, national, and global cultures. Few manifestations of globalisation are as visible, widespread, and hotly contested as the increasing complexity of worldwide cultural interactions and the increased proliferation of global cultural products via international supply chains and networks. Variants of such *cultural globalisation*, therefore, raise important and often controversial questions concerning the effect of global culture on local and national communities, such as those examining the threat posed to cultural diversity by a highly-regulated global culture and the way in which national governments should respond to its perceived effects (Crane, 2002). These issues have gained in importance following the ease with which information and symbolic content can be transmitted over vast distances in a relatively short amount of time. Today, it is a well-documented fact that the largest use of the international communication infrastructure is for the delivery of media products – commercial and

public – in the form of information, news, and entertainment (Thussu, 2000); a circumstance that has, in turn, been spurred on by recent developments and trends in the global media industry.

The two trends central to the development of the global media industry in current years have their beginnings in the early part of the 19th century and are crucial to the study of the globalisation of the mass media today (Thompson, 1999). The first has been the globalisation of communication and the development of an extensive, better-organised, international flow of information. This process began with the establishment of international news agencies in Europe in the late 1800s, and the establishment of networks linking the peripheries of empires to the centres of imperial authority. It can be said these networks constitute the foundations of today's growing and highly complex global infrastructure of communication and information processing. The second trend is the transformation of media institutions into large-scale commercial concerns, which began first as transformations in their financial basis and led subsequently to an economic valorisation of their output.

What followed was the emergence of large-scale communication conglomerates in the late 20th century which arose as a result of mergers, takeovers, and other forms of corporate diversification. These conglomerates were transnational in their operations and multimedia in their interests, and managed to escape limitations applicable in a national context through their diversification on a global scale. Today, conglomerates such as Bertelsmann, Time Warner, and News Corporation have become power hubs for the global production and circulation of information and symbolic content (Thussu, 2000). The central features of the globalised media in recent times have been thus: large cross-border flows of communication outputs, the growth of media conglomerates or transnational corporations (TNCs), an increased tendency towards a concentration of media control, and an intensification of commercialisation as a direct result of intense competition.

In the light of available evidence, this chapter seeks to examine the effects of the globalisation of the media, focusing particularly on its long-term effects on local, national, and global cultures. Although transnational media operations exist in a variety of spheres, this essay focuses on global commercial broadcasting, with special reference to the striking developments in commercial television (*television* or *T.V.*). Television, as both a technology and a cultural form, is historically a Western-oriented project and continues to be dominated economically by western economic superpowers, particularly through media empires headquartered in the USA. Although it is a relatively recent form of communications medium, in comparison to, say, the print media or radio, statistics show that a significant proportion of the revenues of big media corporations over the last 50 years have come almost solely from television broadcasting and advertising. Furthermore, the advent satellite TV, and the global expansion of digital broadband, has had the particular ability to cut across national borders and to breach linguistic boundaries (Thompson, 1999).

In consequence, this work argues that by providing the basis for an integrated global commercial media market and by being the forerunner of many technologies to come, television has been the defining medium of the age and is responsible not just for the setting of standards for the creation and broadcast of cultural output internationally, but also for the active preservation and promotion of cultural heterogeneity worldwide. Therefore, discussion put forward herein begins with a brief theoretical background to the political study of the media, of media globalisation, and of culture. It then examines the rise of the global media in recent decades and highlights the actions and policy of major players in the global media system. It discusses the various viewpoints put forth about the effect of media globalisation on indigenous culture, and whether or not the globalisation of the mass media actually leads to cultural homogeneity and a cultural hegemony of the West. It concludes

with a review of emerging communication trends and consequences for the future.

THE MEDIUM AND THE MESSAGE: A THEORETICAL FRAMEWORK

The answers are always inside the problem, not outside. - Marshall McLuhan

For several decades, global communication and the media have been studied from a variety of perspectives, and a number of theories have been developed in an attempt to understand the processes involved. Discussed below are three ways of approaching international communication, all of which are used in this chapter to examine key issues surrounding cultural homogenisation, together with a brief discussion of their relative merits and demerits. While this discussion is by no means comprehensive, it provides an overview of three important perspectives that are especially relevant to the argument at hand.

The Global Village

Perhaps the most oft-cited discourse on the impact of global media is the one proposed by Marshall McLuhan in 1964 (Parks & Kumar, 2003). In his celebrated work, *Understanding Media*, McLuhan prophesied that communications technologies would be instrumental in bringing down the political divides and ideological spheres of the Cold War era, and predicted that the world would become a smaller and more personalised place – in essence a global village – united across borders by new media technology such as underwater cables and deep space satellites (McLuhan, 1964). His was a Utopian faith placed in the power of new technological developments, which he believed would lead to greater international and intercultural communication and understanding.

McLuhan's ideas captured the popular imagination and generated an enormous amount of

discussion and debate. Not everyone agreed with his views, and many criticised the global village metaphor for its underlying ideology of Utopianism and its emphasis on technological determinism (Parks & Kumar, 2003). Critics such as Raymond Williams felt that McLuhan's work, in its ideological ratification of television, attempted to marginalise questions regarding the negative effects of the medium, and allowed practitioners to sidestep important questions about unequal media flows between the developed and the developing world¹ (Williams, 1960). Scholars also began to question vociferously issues surrounding inequitable access to technology around the world. Critics of Utopianism feared that such an air-brushing of current developmental ground realities would ultimately enhance the spread of Western cultural imperialism to the detriment of local, indigenous cultures in developing countries (Thussu, 2000).

The World System/Dependency/ Cultural Imperialism Approaches

One of the most acerbic critiques of media globalisation has derived from those scholars and activists (from both the West as well as from the emerging nations of Asia, Africa, and Latin America) influenced by Immanuel Wallerstein's World Systems theory and by the Marxist Cultural Imperialism thesis (Parks & Kumar, 2003). These theorists were chiefly concerned with questions related to the freedom and fairness of the media and to the nature of media flows between the developed and the developing world, and were central figures in the debates and demands for a New World Information and Communication Order (NWICO) in the 1960s and 1970s; a agreement that culminated in the UNESCO-sponsored MacBride Report in 1980 (Thussu, 2000).

The main strand of scholarly thought that emerged particularly among Latin American academics in the 1970s was that of Dependency Theory (Parks & Kumar, 2003). Scholars of this

school were of the view that TNCs based in the North-dominated international markets and held sway over developing countries by dictating to them global terms of trade, a legacy of dependency on the West that carried on from colonial times. Culturally, scholars examined the production, distribution, and consumption of media products worldwide and studied the links between modernisation and the policies of transnational media corporations and their backers in the West (Thompson, 1999). They argued that, coupled with international flows of technology and media “hardware”, cultural imports from the West increased the dependency of the global South and hindered its development. The chief fear was that the imbibing of Western values, particularly those of consumerism and individualism, would have an adverse effect upon local cultures, and would ultimately result in global cultural homogenisation or ‘cultural synchronisation’ (Hamelink, 1983). More recently, theories of cultural imperialism have been reconceptualised as theories of media imperialism, motivated by economic rather than political gains (Crane, 2002). However, while these theories provided a much needed corrective to the Global Village metaphor and emphasised Western dominance over the media, critics such as John Tomlinson have pointed out that they failed to take into account the ability of audiences to resist cultural domination, and that they have had a tendency to equate economic power rather too simplistically with effects on political ideology and cultural values (Parks & Kumar, 2003).

The Political Economy Approach

The political economy approach, developed during the closing decades of the 20th century, brings into focus ‘what is at stake when a small percentage of the world controls the rest of the world’s communication technologies and content’. The approach examines the issue from two dimensions: First, it studies the relationship between media and communications systems and a broader societal struc-

ture and how these systems might reinforce, challenge, or influence existing social relationships. Second, it looks at the way in which ownership, media support systems (such as advertising), and government policy have interacted to affect media behaviour and content. In particular, it studies the effects of an ever-increasing concentration of media ownership on culture (McChesney, 1998). Drawing from a wide range of political theories, the political economy approach is considered by many to be the best placed framework to look at a variety of issues. It provides a much needed analysis of the global media as ‘an unequal set of economic relations that have serious political effects’, with particular application to capitalist societies and the capitalist model of conducting business (Parks & Kumar, 2003). However, its one shortfall, according to critics, is that it fails to recognise the multiple meanings that are present when the forces of globalisation are at work.

“THE WORLD IS OUR AUDIENCE”: THE RISE OF THE GLOBAL MEDIA

A handful of mammoth private organisations have begun to dominate the world's mass media. Most of them confidently announce that..[they].. will [soon] control most of the world's important newspaper, magazines, books, broadcast stations... - Ben Bagdikian

The rise of a truly global media system is a very recent event. Until a few decades ago, media was primarily local or national, and the political and social power associated with it was largely in the hands of the state. The foundations for an integrated global media market were laid in the late 1980s, and heralded the beginning of a dramatic restructuring of national media industries with the emergence of a handful of dominant transnational players (Herman & McChesney, 1997). Since then, although media systems are still by and large localised, those who operate

across borders continue to become stronger, and appear to wield greater power and the ability to significantly influence indigenous cultures.

For a greater part of the 20th century, the limitations of TV spectrum and radio bandwidth restricted the number of TV channels that could be broadcast terrestrially. Consequently, in most countries, broadcasting was heavily regulated if not taken over completely by the public sector (The Economist, 2001). The revolution to multi-channel plenitude began in America during the late 1970s and early 1980s when companies discovered that they could supply more channels to homes through cables and fibre optics as alternative to broadcasting through the air. Throughout the 1980s, communications satellites, which had been previously used for intelligence gathering during the Cold War, spurred the worldwide growth of multichannel television, whilst the miniaturisation of hardware made it possible for individual homes to put up small antennae to capture their own signals (The Economist, 2001). While policies of aggressive deregulation and privatisation followed during this period contributed immensely to the growth of commercial media enterprises such as the Cable News Network (CNN), Music Television (MTV), and the Entertainment and Sports Network (ESPN), it was the expansion of satellite and cable technologies that made the worldwide distribution of media more feasible and eventually contributed to the rise international media empires as significant global forces (Herman & McChesney, 1997).

Today, media and entertainment outlays are growing faster than the Gross Domestic Product (GDP) of any country in the world, and the combined economic thrust of the largest media corporations trumps that of many nation-states (Bagdikian, 1989). More specifically, there has been a surge in the reach of commercial television, with a dramatic rise in the number of people owning televisions worldwide and a spectacular increase in the number of channels available. The continued renewal of policies such as those

concerned with market liberalisation, the deregulation of communications bandwidth, and the commercialisation of the media industry, has driven the expansion of the global media market in way that was unthinkable in the past, with the commercialisation of the national broadcasting systems being seen as an ‘integral part’ of economic and financial programmes globally (Herman & McChesney, 1997).

The global media is dominated by a handful of enormous media conglomerates: Disney, Time Warner, Bertelsmann, Viacom, News Corporation, TCI, Sony, General Electric (owner of the National Broadcasting Company or NBC), Polygram (owned primarily by Dutch electronics giant Phillips), and Seagram (owner of Universal). Media moguls such as Rupert Murdoch, Silvio Berlusconi, Henry Luce, and the Warner Brothers have created sprawling corporate structures that span across countries, comprise of multiple holdings in broadcast, print, and film production, and which control numerous distribution facilities such as large satellite and cable networks. The position and scale of America’s role as the world’s biggest investor and exporter of media products is equally unique. Out of the five largest firms (incidentally the most ‘globally integrated’), four – Time Warner, Disney, Viacom, and News Corporation – are headquartered in the USA, and benefit from a historic competitive advantage of having ‘the largest and most lucrative indigenous market to use as a testing ground and yield economies of scale’ (Herman & McChesney, 1997: 52).

It is fair to say that while some of the largest book and newspaper publishing houses are located elsewhere, the USA is home to some of the world’s largest and best audio-visual corporations, and that for many sectors of the American ‘culture’ industry international sales are now a crucial source of income (The Economist, 2001). The globalisation of the media can thus be seen to have spurred two separate phenomena in the developing world. The first is an ever increasing import of foreign, chiefly American, television

programming. The second is a growing trend of foreign, again chiefly American, investment in local media (mainly television) networks, achieved through complex deals and joint ventures (Bagdikian, 1989).

The emergence of English as the *lingua franca* of global commerce and communication, and the rise of international advertising accessible through this universal medium, are considered by many to be the chief factors that have encouraged media globalisation in recent years. At the turn of the 21st century, due largely to 200 years of British imperialism, English is the main language of international diplomatic, business, and media interactions, a phenomenon that has been popularised further through the Internet and the advance of science (Thussu, 2000). This, in turn, has provided global media houses with a vast market for their output. Similarly international advertising, central to the commercial broadcasting industry, finances the global spread of television and other media. With the international proliferation of television channels around the world, television holds the honour of being one of the fastest growing advertising media. Critics of private, commercial media point out that advertising-driven programming often results in a preference for entertainment over controversy and serious political debate - the prime aim being to deliver audiences to the sponsors (Herman & McChesney, 1997).

MEGALOMEDIA: ISSUES OF CULTURE AND THE GLOBAL MEDIA

*... [T]he globalizing conquistadores of the 21st century are the media giants of cultural capitalism – Disney, AOL Time Warner, Sony, Bertelsmann, News Corporation, Viacom, Vivendi Universal...
- The New Internationalist*

The 1990s experienced a wave of mergers taking place between key global media giants, and a

subsequent resurgence of the cultural globalisation debate (Ainger, 2001). Oligopolistic power characterises several industries, and most monopolists enjoy special privileges in their respective countries. However, media conglomerates wield extraordinarily special power: they have their own political agenda and are able to resist unfavourable economic changes through the pressurising of politicians (via their implicit control of politicians' public images), as well as possessing the power to shape social, political, and cultural attitudes (Bagdikian, 1989). The effect of the global media, particularly on national and regional cultures, has become one of the most hotly contested spheres of media and politics research over the past few decades, and has been much written about both in the popular press and in academic papers.

The most dominant thesis thus far has been that of the 'homogenisation of culture', forwarded by those scholars who believe the global media is simply a form of historical cultural imperialism emanating from the West. The theory states that the worldwide distribution of global brands, advertising images, music, films, and clothing styles has led to "sameness, repetition, standardisation, and a 'global culture' lacking uniqueness and the potential for originality" (Negus & Román-Velázquez, 2000: 338). Stated this way, global culture is not 'global' in the utopian sense of the word and does not arise out of universal experience; it does not represent a confluence of cultures, nor does it draw equally from the world's cultural traditions. It is instead "the enforced installation worldwide, of one particular culture, born out of one particular, privileged historical experience". To put it simply, global culture is seen by critics to be "the global extension of Western [particularly American] culture", and is summed up in clever phrases like "McDonaldisation" and "Cocacolisation" (Tomlinson, 1996).

The global media, dominated as it is by media conglomerates with huge holdings in all forms of popular culture and infotainment, has been blamed for the proliferation of global culture and cultural

homogeneity, and is said to negatively impact local cultures in three key ways:

- **Commercialisation:** The global media is seen as a conduit for global advertising, which in its own right encourages a global consumption culture and individualism, often at the expense of cultural values and community ties.
- **Promotion of an Entertainment Culture:** Global media groups churn out mainstream programmes for commercial consumption, drawing audiences' attention away from public service programmes, thus weakening the public sphere². This may result in poorly informed citizenry and an overall weakening of democracy.
- **Erosion of Local Cultures:** The degree of erosion, according to scholars, seems to depend on the relative economic, political, and military power of a country, and varies between dominant and less dominant nation-states. Scholars believe that in relatively dominant countries the media plays a part in the reinforcement of commercialisation, whilst amongst weaker nations cultures are swept away in a flood of consumerism and "Disneyfication." Global advertising further contributes to the standardisation of culture by encouraging commercially successful formulae in film and TV programming that is guaranteed to draw large, international audiences.

The implications of media globalisation according to Cultural Imperialists are thus clear – the global media broadcast a standardised, commoditised culture that has a homogenising effect on, and is a serious threat to, global cultural diversity. The media foist the ‘ills’ of Western culture on others, and the entire media system is nothing less than a part of transnational capitalist domination and Western neo-colonialism (Herman & McChesney, 1997).

IT'S A SMALL WORLD OF BIG CONGLOMERATES...OR IS IT?: OF REGIONALISATION AND CONTRAFLOWS

American consumer culture from Disney to the TV soap Dallas may be strongly present in every culture across the globe but the reverse is equally the case.... (and)....the local normally finds ways to capture, alter and mix external influences with indigenous ones ..to re-invent itself with the aid of new resources brought by the global. - Robert Cohen and Paul Kennedy

It is undeniable that global communications infrastructure is concentrated in the West and is dominated in particular by the USA (Cohen & Kennedy, 2000). There is also little doubt that the globalisation of privatised advertisement-driven, commercial TV has brought consumer culture into millions of living rooms all across the world. Given these facts, and the arguments put forward in previous sections of this chapter, are those scholars and practitioners predicting the eventual homogenisation of culture correct?

While there is much anecdotal and empirical evidence to suggest that few places in the world are immune to the cultural effects the global media brings in its wake, opposing dynamics are concurrently evident in existing scholarly literature and practice, often in response to or as a consequence of the globalisation of the media – suggesting that fears of rapid cultural convergence are perhaps misplaced (Sreberny-Mohammadi, 2000). The first trend is a move towards greater regionalisation and localisation of the media market, and moves by media giants to meet the communal and cultural priorities of their audiences (Thussu, 2000). Driven by the same market logic that drives McDonalds to invent a vegetarian equivalent of the Big Mac for the Indian market or for Pizza Hut to omit pork products from toppings in their Middle Eastern outlets, global giants have been adapting their content to suit local tastes and conditions. For

example, MTV India's music programming today consists of only 30% foreign content, broadcast late at night, while the remaining 70% is Indian (primarily film) music and is broadcast during primetime slots (Jones, 2005).

The realisation that people prefer watching things in their own language and identify more closely with the local ethos and culture initially fuelled a trend of dubbing or subtitling popular English-language programmes first aired in USA and in the United Kingdom into local languages for global consumption (Barker, 1997). However, in certain cases this arrangement did not work as the programmes concerned did not fit in with the cultural context, thus leading many media corporations to turn to the publishing of regional or local editions of print journals, the transmission of new and original TV programmes in local languages, the production of local programming content, and the eventual addition of a distinctly local flavour and narrative to the sale of these products over the medium (Thussu, 2000).

Numerous contemporary examples of regionalisation and localisation are worth mentioning. The British Broadcasting Corporation, despite the fact that all its television programming is in English, has regionalised its programme content to the extent that popular programmes such as *The Road Show* and *Mastermind* now have full-blown Indian equivalents complete with Indian presenters. Star TV (a wholly-owned subsidiary of Rupert Murdoch's News Corporation) has followed an extensive policy of indigenisation and localisation in Asia, with channels such as Star News (broadcast both in English and Hindi) catering specifically to the Indian market and the Star Chinese Channel airing in Taiwan. Star has also tied up with Disney-owned ESPN to broadcast regional and international sports events of interest to their Asian audiences, altering programme content depending on the sporting interests of the region (Cohen & Kennedy, 2000).

Partly as a reaction to the perceived Westernisation of local cultures, and in part to the alleged

misrepresentation of non-Western cultures by the Western media, many (particularly developing) countries have witnessed a dramatic cultural revival, backed often by religious and political establishments (Straubhaar, 1997). In India, for example, there has been a sharp rise in the popularity of mythological serials in the late 1990s, a trend that began with the re-showing (on private channels) of two immensely successful serialised epics *The Mahabharat* and *The Ramayan*, both produced by and aired on the state-owned channel Doordarshan in the 1980s. Similarly, the Chinese government is responsible for fuelling the growing popularity of the traditional Beijing Opera amongst young people in China through its TV broadcasts on CCTV, and is now trying to promote Chinese classics by adapting them for the small screen (Thussu, 2000).

Scholars familiar with the complex process of cultural flows are able to cite numerous examples of media exchanges that go to show that such flows are not all one-way traffic (i.e., from the North to the South). New trans-border television networks from the periphery of global media and communication centres are now able to operate in an increasingly international environment, largely due to the extension of satellite and other broadcasting platforms (Barker, 1997). The presence of these international players from the global South is, as a consequence, being felt increasingly in international cultural communications, particularly as these actors forge a reverse trend where the flow of cultural products shifts from the South to the global North.

Over the last two decades, the deregulation of broadcasting has spurred the growth of private channels and has made it possible for private broadcasters to aim to expand beyond national borders. Greater exposure to the global North has become possible for those networks that are part of Southern global conglomerates, and which, therefore, have the technical and financial support necessary to operate as global players. Amongst the most prominent of these channels is TV Globo

in Brazil³ (part of the multimedia conglomerate Rede Globo), the primary exporter of the Latin American soap opera – the *telenovela* – to over a 100 countries, particularly throughout the Spanish-speaking world but also beyond (in, for example, the USA, Portugal, and Italy).

TV Globo makes annual profits of over US\$20 million, and within Latin America *telenovelas* get consistently higher ratings than most of their imported American-produced rivals (Barker, 1997). The Globo group was helped by the launch of Brazil's first telecommunications satellite, Brazilsat, in 1985, and while the overall impact of Brazilian *telenovelas* outside Latin America and the challenge posed by Globo to US dominance of the audio-visual industry is debatable, by 1999 Globo's programmes were available to viewers as far afield as Japan, with plans being made to extend their availability to Canada and Europe (Thussu, 2000).

THINK GLOBALLY, ACT LOCALLY: OR WHY CULTURAL HOMOGENEITY IS NOT INEVITABLE

I do not want my house to be walled in on all sides and my windows to be stuffed. I want the cultures of all the lands to be blown about my house as freely as possible. But I refuse to be blown off my feet by any of them. - Mahatma Gandhi

From preceding sections, it is easy to gauge the complexity of global media, its interactions with the general public and an international network in the 21st century, and the multiplicity of forces acting upon it. Transnational media networks today co-exist with smaller, more localised domestic enterprises, and the competition for audiences and outreach is intense in many parts of the global media market. The trend of foreign companies buying into local media networks and the appearance of foreign programming on domestic channels are understandably threatening to many people in the

light of the important role the media plays in society and in the preservation and conservation of culture. Consequently, governments have taken steps to restrict foreign influence on national media, particularly through the curtailing of foreign direct investment in the market. But do such measures make sense? And will placing restrictions on the entry of transnational media conglomerates help to preserve national and indigenous cultures? This author believes that cultural policies aimed at restricting media imports are, in the long run, bound to fail. Whereas governments were justified in rationing spectrum and bandwidth when it was limited and in analogue form, current improvements in technology no longer make it logical for them to do so.

The beauty of the globalisation process is that it allows for diversity and quality through increased competition in global, national, and local markets. As in other industries, foreign ownership of the media can be a good thing, both for the economy and for the long-term conservation of cultural heterogeneity. In countries such as Italy, for example, where the media (both private and public) is controlled by one media magnate in his role as both a public figure and business persona – Prime Minister Silvio Berlusconi being the prime example, foreign channels could provide much needed alternative viewpoints and sources of infotainment. At the same time, as discussed earlier, foreign ownership of media conglomerates does not necessarily imply the imposition and/or complete domination of foreign programming over local content. Instead, market-logic under globalisation dictates that the direct and nature of output is driven by consumers. The same goes for television programming, seen particularly in the failure of Rupert Murdoch's attempt to set up a pan-regional satellite channel for Asia.

Global media also contributes to the production and dissemination of different cultures to different parts of the world. Exposure such as this helps enhance mankind's understanding and acceptance of cultural variations, a part vital to the

bridging of differences in today's deeply divided world. Positive effects such as these suggest the long-term possibility for change and renewed benefits, as slowly globalising media widen audience choices, increase the use and development of new technology, and act as a decentralising force in the markets for information and entertainment worldwide. The cross-border transmission of Western ideas through the global media, like those of democracy and individualism, may also help serve humane causes and can upset the agenda of many a repressive, authoritarian government.

While the cross-cultural reception and consumption of media content is still hotly debated, it is widely agreed that TNCs do not simply impose their will on passive audiences around the world. The large number of locally produced films, books, newspapers, music, and television programmes testify to the presence of domestic producers of media content, and to the fact that transnational corporations do not necessarily 'dominate' the market; although there is no doubt that their resources are much larger than those available to local enterprises, and that their programming does indeed promote a set of values and ideas that may be alien to some. There is, in short, no conclusive evidence of the effect that Western television has on local cultures. Examples of contraflows in the media, while in no way demonstrating the diminishing influence of the West, indicate the beginning of a blurring of boundaries, a blending of genres and languages, and a reverse flow of cultural products from the periphery to the core that heralds the emergence of a hybrid culture through a process of local-global interactions or 'glocalisation.' Rather than creating a homogenised culture, media globalisation may be producing what Appadurai terms "heterogeneous disjunctions", where the desire to experience the new is tempered by the requirement to protect cultural sovereignty.

Contemporary rhetoric would have us believe that we will soon be living in a monocultural world devoid of any cultural diversity, amidst

the continued growth and consolidation of global media power. While the arguments presented in this chapter are by no means conclusive and leave many key issues still unresolved, they nonetheless attempt to highlight the fact that the globalisation of the media, much like the general process of globalisation itself, is a phenomenon of many facets. More importantly, they demonstrate that the globalisation of the media is not a process caught in the cultural stranglehold of the West, and instead, cultural convergence is not inevitable, and the future of global culture is far more open than theories of cultural homogeneity would suggest.

The world seems like a smaller place; no longer a vast expanse of uncharted territories but a globe thoroughly explored, carefully mapped out and vulnerable to the meddlings of human beings. - John Thompson

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KEY TERMS AND DEFINITIONS

Cultural Globalisation: Or a subtype of globalisation involving the global proliferation of information and communications technology and media infrastructure, together with the development of an extensive, better-organised, international flow of information. Few manifestations of globalisation are as visible, widespread, and hotly contested as the increasing complexity of world-wide cultural interactions, and the increased proliferation of global cultural products in this direction.

Culture: The collective sum total of objects and artefacts arrived at from knowledge (intrinsic and learned), values, and other factors that influence behaviour, together with the processes involved in their conception, development, production, transmission, and dissemination, particularly via teaching and imitation, from one generation to the next.

Global Media Industry: Today's growing and highly complex global infrastructure of communication and information processing or the sum total of the international communication infrastructure involved in the delivery of media products – commercial and public – pan-globally in the form of information, news, and entertainment.

Globalisation: An international phenomenon defined as the rapidly developing process of complex interconnectedness between societies, cultures, institutions, and individuals worldwide. It is a social process which involves the compression of time and space, shrinking distances through a dramatic reduction in time taken – either physically or representationally – to cross them, so making the world seem smaller, and in a certain sense bringing human beings ‘closer’ to one another.

Mass Communication: Form of communication transmitted through a medium (channel) that simultaneously reaches a large number of people.

Mass Media House(s): Or Empire(s), defined as the collective sum total of large-scale communication conglomerates formed in the late 20th Century, which arose as a result of mergers, takeovers, and other forms of corporate diversification. These conglomerates are transnational in their operations and multimedia in their interests, and manage to escape limitations applicable in a national context through their diversification on a global scale.

Mass Media: Any communications channel used to simultaneously reach a large number of people, including but not limited to radio, television, newspapers, magazines, billboards, films, recordings, books, telephones, the Internet and its associated platforms, applications, and technologies.

Transnational Corporation (TNC): Or Multinational Corporation (MNC) or Multinational Enterprise (MNE), defined as a large and increasingly complex company or commercial conglomerate that operates and holds investments in more than one country.

Valorised Symbolic Forms: Or Symbolic Goods or Cultural Products, defined as those cultural artefacts and/or objects produced by communications technologies and disseminated by the mass media media industry that are subject to economic valorisation.

ENDNOTES

¹ The concept of a “media flow” needs to be explained here. Chiefly, it implies a flow of media-produced cultural products from one country to another. It has been a general complaint that there has been an almost one-way flow of media products from the developed to the developing world, in terms of books, films, TV programmes, etc.

- ² A brief definition of the public sphere is probably necessary here. Essentially the Public Sphere may be defined as all those places and forums where issues of public interest may be discussed and debated. Scholars such as Habermas, see the public sphere as essential to democracy. Many see the media as an important instrument of the public sphere, and being responsible for creating awareness of issues amongst a population.
- ³ The Indian film industry, though a prominent cultural exporter, is not mentioned here for obvious reasons.

Chapter 4

Impact of Cultural Intelligence on Global Business

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ABSTRACT

In today's globalized business world, intercultural effectiveness is crucial to a firm's survival. Cultural intelligence, CQ, is a four-dimensional construct that helps one to understand how the individual cultural beliefs and values influence motivations and behaviors (Ang & Van Dyne., 2009). CQ is related to the three aspects of intercultural effectiveness that include cultural judgment and decision making, cultural adaptation, and task performance (Ang et al., 2007). CQ plays an important role in the areas of global leadership (Van Dyne & Ang, 2006), achievement of managers (Rahimi et al., 2011), global strategic alliances, cross-cultural communications, negotiations, multinational teams (Early & Gibson, 2002), culturally diverse domestic teams, overseas work assignments (Bhaskar-Shrinivas, 2005; Lee & Sukco, 2010; Ramalu et al., 2012), global business competencies, and organizational effectiveness in the global marketplace (Creque, 2011). CQ is also relevant in establishing global identity in culturally diverse virtual teams (Adair et al., 2013).

INTRODUCTION

In today's culturally diverse, increasingly interconnected world, global business leaders, managers and employees have to interact with their counterparts from different national cultures. For successful international business transactions, one has to go beyond the ethnocentric world-view and develop a global mindset. It involves the awareness, sensitivity and skills about the national culture of the international business partners. Inter-cultural differences can lead to

misunderstandings and have a negative impact on the organizational effectiveness (Adler, 2002; Lievens et al., 2003). Effective international work interactions require an understanding of differences in perspectives, motivations, behaviors and communication styles. Examples of inter-cultural work interactions include the global leaders (Van Dyne and Ang, 2006), multi-national work-teams (Early and Gibson, 2002), multi-cultural domestic teams (Tsui and Gutek, 1999), and expatriates (Bhaskar-Shrinivas, 2005). Such inter-cultural interactions require culture-translation, which is analogous to learning a foreign language.

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In this chapter, a brief review of the concept of national culture is presented. The concept of cultural intelligence, CQ, is discussed in the context of a globalized business world requiring cross-cultural interactions. The four components of CQ – metacognitive, cognitive, motivation and behavior are discussed. The 20-item cultural intelligence scale (CQS) that measures cultural intelligence, CQ, is reviewed. CQS is reliable, stable and valid. CQ is conceptually and empirically distinct from other types of individual differences such as cognitive intelligence (IQ), emotional intelligence (EQ), social intelligence, SQ, and the five personality traits (conscientious, agreeable emotionally stable, extravert, openness to new experience). Cultural Intelligence (CQ), Cognitive intelligence (IQ), Social intelligence (SQ) and Emotional intelligence (EQ) are different but related concepts in the multiple intelligences theory (Crowne, 2013; Gardner and Moran, 2006). CQ is conceptually and empirically distinct from other individual differences such as cognitive intelligence (IQ), emotional intelligence (EQ) and the ‘big five’ universal personality characteristics (Ang et al., 2006). A brief review of the difference between cultural socialization and cultural indoctrination is presented. The published research on the practical uses of CQ in the inter-cultural interactions at the individual and firm level is reviewed. The role of CQ is discussed in the areas of effectiveness of the global leaders, achievement of managers, international strategic alliances, cross-cultural negotiations, inter-cultural communications, members of multinational teams, expatriates or overseas work assignments and multi-cultural domestic teams.

CULTURE, PERSPECTIVES, MOTIVATION, AND BEHAVIOR

To understand the perspectives, motivations, behavior and communication style of people in a culture, one has to understand the role of the

national culture in determining their beliefs and values. Culture has been described as patterned ways of thinking, feeling and acting (Kluckhohn, 1951, 1954 1962) and “software of the mind” (Hofstede, 1980). “Culture is to a society what memory is to individuals”. Individual memory plays a key role in establishing individual values and beliefs. Culture determines the society’s values and beliefs. Hofstede’s seminal work on culture was originally based on work values in an organizational setting. He defined culture as the collective mental programming of the human mind through socialization that distinguishes one group of people from another (Hofstede, 1980). Culture is reflected in the meaning people attach to various aspects of life and which become crystallized in the institutions of a society. This does not imply that everyone in a given society is programmed in the same way. There are considerable differences between individuals within a group (Hofstede, 1980; Hofstede, 2001; Hofstede et al., 2010).

The value or belief system is like the mental software and is a core element of the culture. These values become the lens through which they see the world. Citizens of a nation acquire the national cultural values by the process of socialization at an early age. The cultural values stay with the individuals even when they move to another country with different cultural values. The cultural values of people are hidden from each other until they become visible in the individual’s behavior. The visible behavior of the people is like the tip of the iceberg above the waterline whereas their cultural values remain hidden below the waterline. Culture can provide us with many answers on how and why people behave differently around the globe. The communication styles of people can be explained in terms of high context or low context. People coming late to meetings or being on-time can be explained in terms of Hall’s constructs of monochronic versus polychronic cultures (Hall, 1976). People have very different views on “What is a good boss”, or on “how teams should be led”. People’s work styles are often determined by cul-

ture. A major challenge in developing intercultural management competence is the fact that there is no “one best way” to lead. This is especially relevant as all “new” and growing markets have something in common, they can be characterized as hierarchical cultures. Many companies need to face the fact that the leadership styles/guidelines they have been practicing might not be suitable for these cultures. Leaders have to develop an awareness of their own culture, sensitivity towards differences between one’s own culture and other cultures and skills to be effective.

The national culture influences interactions within an organization. For example, India is a high power distance culture. In such a culture, the employees do not question the wisdom of their managers. Managers have to be mindful that their employees will be reluctant to question their ideas in a meeting even if they see something inherently wrong in those ideas. To get honest feedback, managers may need to do post-meeting individual coaxing. Another practical example of cultural values is that of high-context versus low-context cultures. In a high context cultures, communication style is that of indirect communication. People have to infer what’s being said. In high-context cultures, if a manager wants you to do something, you will be told indirectly to make sure that you’re not insulted. During performance evaluations, if a manager from a low context culture like USA is direct and blunt with employees who come from high context culture, it can hurt employee’s feelings. Some other areas where national culture cannot be ignored include implementation of change, outsourcing customer service centers across geographical borders, global marketing and advertising, global virtual teams and recruitment for overseas assignments.

Triandis (1972) proposed that culture has subjective and objective components. In this integrative approach, the objective culture describes the visible representations of culture which include economic, political and legal institutions, social customs, arts, language, marriage and religious

institutions (Gelfand et al., 2006; Leung and Ang, 2008). The subjective component of the culture includes the invisible parts of the culture. This includes the shared values and beliefs of the members of a society. Culturally patterned behaviors are often unconscious. Based on the latest World Values Survey data, the basic cultural values across the world cluster along national lines in spite of the pervasiveness of the Internet and globalization (World Values Survey, 2013). The national culture is a collective construct that allows one to make a general comparison of national values. Hofstede’s six national cultural dimensions are the most widely used for comparing national values. Hofstede’s six dimensions of national culture include power distance, Individualism, masculinity, uncertainty avoidance and indulgence (Hofstede, 2010).

CULTURAL INDOCTRINATION VS. CULTURAL SOCIALIZATION

The cultural indoctrination is different from the socialization process, which refers to cultural learning. The word “doctrine” comes from the Latin word “doctrina” that means a belief-system, ideology or principles. The synonyms for indoctrination include brainwashing, persuasion, training, and instruction. Indoctrination involves the process of teaching ideas, attitudes and cognitive strategies and is often associated with negative connotations. Indoctrination involves blind, complete and unquestioning faith. It involves immersive training and can lead to groupthink. Indoctrination leads to ‘what to think’ whereas socialization involves learning how to think. Cultural intelligence deals with cultural socialization.

CULTURAL INTELLIGENCE (CQ): FOUR COMPONENTS

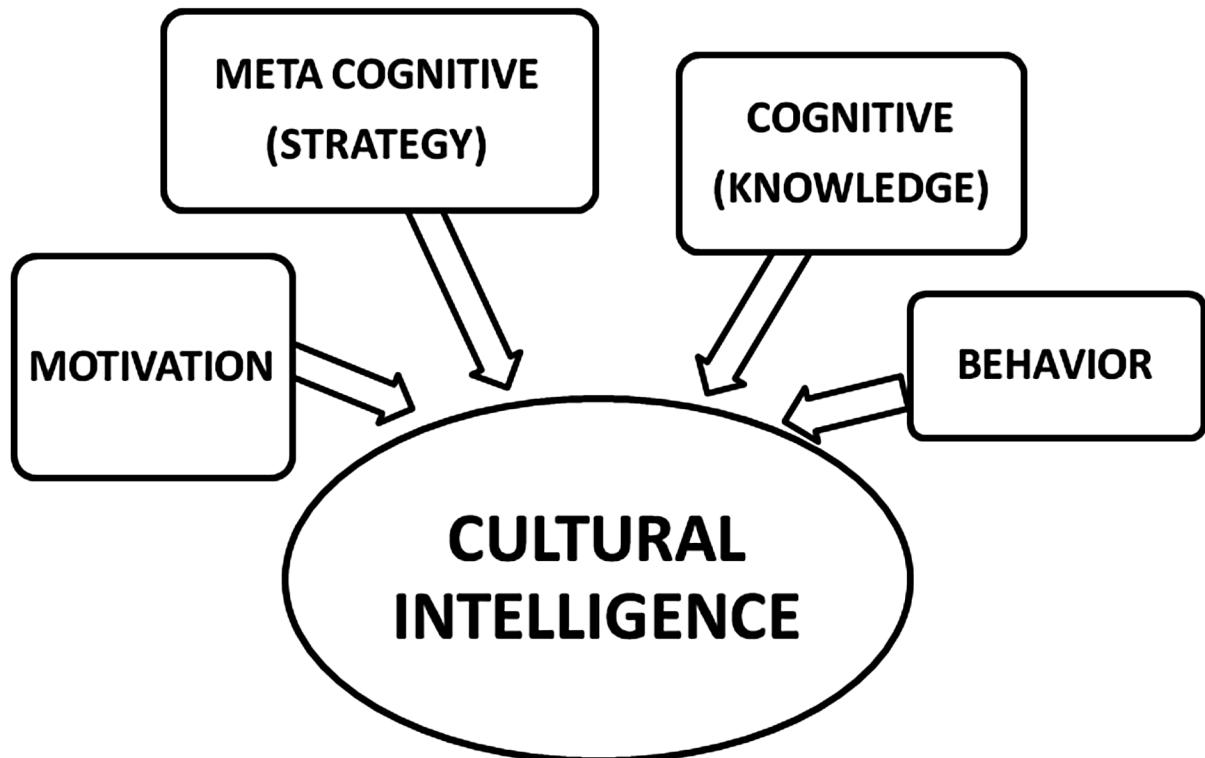
“Intelligence” derives from the Latin verb *intelligere*, to comprehend or perceive. Comprehension can be via intellect (cognitive) and/or emotions (non-cognitive). In the context of education, the multiple intelligence theory represents a description of nine human cognitive capacities including interpersonal and intrapersonal intelligences (Gardner, 1983). The “relatively independent yet interacting intelligences provide a better understanding of the variety and scope of human cognitive feats”. Intelligence is defined as a “biopsychological potential to process information that can be activated in a cultural setting to solve problems or create products that are of value in a culture” (Gardner and Moran, 2006). When dealing with multiple cultures, the ability to interact effectively in different national cultures is termed as cultural intelligence (Early and Ang., 2003; Ang et al., 2004). It is defined as a “multifaceted competency consisting of cultural knowledge, the practice of mindfulness, and the repertoire of behavioral skills” (Thomas, 2006).

Some individuals in global organizations are more effective than others in dealing with people from different national cultures. This can be understood in terms of individual differences in terms of personality characteristics, cognitive intelligence, social intelligence, emotional intelligence and cultural intelligence. The “cultural intelligence (CQ)” which is a specific form of intelligence focused on capabilities to grasp, reason and behave effectively in situations characterized by cultural diversity”(Ang et al., 2007). CQ is defined as an individual’s capability to deal effectively in situations characterized by cultural diversity (Earley and Ang, 2003). CQ is considered a “culture-free construct that applies across specific cultural circumstances (Ng and Earley, 2006). The “culture” in CQ refers to national culture rather than organizational culture. CQ is the “ability to engage in a set of behaviors that

uses skills (language/interpersonal) and qualities (tolerance/ambiguity, flexibility) that are tuned appropriately to the culture-based values and attitudes of the people with whom one interacts”. Individuals high in CQ have a “strong mastery and sense of emotional display and physical presence” (Earley et al., 2006). There are four components of cultural intelligence (CQ) – metacognitive or strategy, cognitive or knowledge, motivation and behavior (Figure 1). Each of the four components is measured by five questions each in the 20-item cultural intelligence scale (CQS) that is reliable, stable and valid.

The first component of the cultural intelligence (CQ) is CQ-metacognitive or CQ-strategy. Metacognition is defined as one’s awareness and control over cognitions that lead to deep information processing (Ang et al., 2004). It focuses on the ability to process information and the awareness of processing it (Earley and Ang., 2003). It consists of the cognitive strategies that are used to acquire and generate coping strategies (Ng and Earley, 2006). The cultural awareness and consciousness leads one to question cultural assumptions of one’s own and other cultures (Ang et al., 2004). It focuses on the knowledge of culture; the process of cultural influence, individual’s goals, motives, emotions and external stimuli (Thomas, 2006; Ang. et al. 2006). It requires an openness to new experiences, flexibility in one’s self-concept and the ability to integrate new components into it (Earley and Ang, 2003). Meta cognitive component of CQ refers to the processes individuals use to acquire and understand cultural knowledge. This is how a person makes sense of inter-cultural experiences. It reflects the processes individuals use to acquire and understand cultural knowledge. It occurs when people make judgments about their own thought processes and those of others. This includes strategizing before an inter-cultural encounter, checking assumptions during an encounter, and adjusting mental maps when actual experiences differ from expectations. As an example, one of the five questions used to measure metacognitive

Figure 1. Four components of cultural intelligence



CQ is: “I adjust my cultural knowledge as I interact with people from a culture that is unfamiliar to me” (Cultural Intelligence center, 2005).

The second component of CQ is the CQ-cognitive. Cognition refers to the knowledge of self, the social environment, information processing, general knowledge and knowledge structures about culture (Ang et al., 2006; Earley and Ang, 2003; Ng and Earley, 2006). It is essentially CQ-Knowledge. This represents a person's understanding of how cultures are similar and how cultures are different. It reflects general knowledge structures and mental maps about cultures. It includes knowledge about economic and legal systems, norms for social interaction, religious beliefs, aesthetic values, and language in different cultures. Cognitive CQ consists of information gained from education, experience, exposure to different cultures, culture-specific and universal norms, practices and conventions (Ang et al.,

2004). As an example, one of the five questions used to measure CQ-cognitive is: “I know the legal and economic systems of other cultures” (Cultural Intelligence Center, 2005).

The third component of CQ is CQ-motivation. Motivational component refers to the drive of the individual related to learning about and functioning in cross-cultural situations (Ang et al., 2004; Ang et al., 2006). It is related to the general adjustment in intercultural environments. This represents a person's interest in experiencing other cultures and interacting with people from different cultures. CQ-motivation includes three primary motivators- enhancement, efficacy and consistency. Enhancement is related to the desire to feel good about one self. Efficacy or growth is the desire to challenge and improve oneself. Consistency or continuity is the desire for predictability in one's life. CQ-motivation directs and motivates one's adaptation to a new cultural setting. It also involves

committed to taking action (Earley et al., 2006). Motivational CQ is magnitude and direction of energy applied toward learning about and functioning in cross-cultural situations. It includes the intrinsic value people place on culturally diverse interactions as well as their sense of confidence that they can function effectively in settings characterized by cultural diversity. High CQ-motivation represents willingness to ask questions, expose oneself to new situations, try novel things and enjoy interacting with individuals from diverse cultural backgrounds (Ang et al., 2004; Templer et al., 2006). CQ-motivation has been positively associated with cross-cultural adjustment which is crucial for expatriates (Templer, 2006). As an example, one of the five questions used to measure CQ-motivations is: "I am sure I can deal with the stresses of adjusting to a culture that is new to me" (Cultural Intelligence Center, 2005).

The fourth component of CQ is CQ-behavior is related to the actions of the individual (Earley et al., 2006). CQ-Behavior is a person's ability to exhibit the appropriate verbal and nonverbal behaviors when interacting with others of different cultural background (Ang et al., 2003; Ang et al., 2006; Ng and Earley, 2006). It represents a competent interaction with individuals of diverse backgrounds (Thomas, 2006). CQ-behavior includes a toolbox of actions that one can select from in order to effectively interact with others from diverse cultures (Earley et al., 2006). It includes having a flexible repertoire of behavioral responses that are appropriate in a variety of situations and having the capability to modify both verbal and nonverbal behavior based on those involved in a specific interaction or in a particular setting. The individual behaviors are grounded in knowledge of the culture and the expectations of those from that culture. These behaviors also incorporate one's own personal goals and motives (Thomas, 2006). As an example, one of the five questions used to measure CQ-Behavior is: "I change my verbal behavior (e.g., accent, tone) when a

cross-cultural interaction requires it" (Cultural Intelligence Center, 2005).

CQ-Strategy (metacognitive) and CQ-Behavior predict task performance (Early et al., 2006). Those who have the capability to make sense of inter-cultural experiences such as making judgments about their own thought processes and those of others, make higher quality decisions and perform at higher levels in multi-cultural work settings. Those who have the capability to adapt their verbal and nonverbal behavior to fit specific cultural settings have a flexible repertoire of behavioral responses that enhances their task performance in culturally diverse settings.

CQ-Motivation and CQ-Behavior each predict three different forms of adjustment. Those who are interested in experiencing other cultures and feel confident that they can interact with people who have different cultural backgrounds (CQ-Motivation) are better adjusted in culturally diverse situations. Those who have a broad repertoire of verbal and nonverbal behavioral capabilities (CQ-Behavior) feel better adjusted in situations characterized by cultural diversity. This pattern of relationships applies to the three types of adjustment-general adjustment, work Adjustment and interactional adjustment. (Ang et al., 2003). CQ does not represent impression management and social desirability (Earley and Mosakowski, 2005). CQ refers to the diverse national cultures. It remains to be seen if a person with high CQ is more adept in diverse organizational or functional cultures.

Many other constructs similar to CQ have been reported in the literature including 'cultural literacy', 'cross-cultural adaptability', 'global competency', and 'intercultural sensitivity'. A brief description of each is presented here. 'Cultural literacy' is defined as the "ability to value and leverage cultural difference". However, it does not address the motivational or behavioral components and hence is not as broad as CQ. 'Cross-Cultural Adaptability' involves adjustments that an individual makes to a new environment (Chen

and Isa, 2003). ‘Global competency’ is defined as having substantive knowledge, perceptual understanding and intercultural communication skills to effectively interact in the globally interconnected world). A globally competent organization has sufficient number of people who have this knowledge, understanding and skills and culture that promotes such competency. ‘Intercultural sensitivity’ involves six stages. Three of these stages are ethnocentric including denial, defense and minimization. The other three stages are ethno relative including acceptance, adaptation and integration. (Olson and Kroeger, 2001; Bennett, 1998).

In summary, CQ is a reliable and valid, culture-free, most comprehensive construct dealing with cross-cultural interactions. It involves knowledge (cognitive), reflection (metacognitive), motivation and behavior. CQ is related to the three aspects of the intercultural effectiveness that include cultural judgment and decision-making, cultural adaptation and task performance.

CULTURAL INTELLIGENCE (CQ), SOCIAL INTELLIGENCE (SI), COGNITIVE INTELLIGENCE (IQ), AND EMOTIONAL INTELLIGENCE (EI)

Intelligence represents a very general mental capability that involves the ability to reason, plan, solve problems, think abstractly, comprehend complex ideas, learn quickly and learn from experience. Intelligence represents cognitive (intellect) and non-cognitive (emotion) factors. APA task force (1996) defined intelligence as the ability to understand complex ideas, to adapt effectively to the environment, to learn from experience, to engage in various forms of reasoning and to overcome obstacles by taking thought. Researchers advocate the theory of general mental ability, g, which is defined as the ability to deal with complexity (Gottfredson, 2002).

Thorndike (1936) proposed the idea of social intelligence, SI as the ability to interact effectively with others. It was initially conceived as a single concept. SI has been thought of as the ability to accomplish interpersonal tasks (Kaukianen et al., 1999) and to act wisely in relationships (Frederickson et al., 1984). SI involves being intelligent in relationships, not just about them (Hopkins and Bilimoria, 2008). Gardner (1983, 1998, and 2006) proposed the multiple intelligences theory that describes intellect as a set of semi-autonomous computational mechanisms to process information. The nine different intelligences proposed by Gardner (1983) include inter-personal and intrapersonal intelligence. The interpersonal intelligence is the ability to read other people’s moods, motives and other emotional states. The intrapersonal intelligence is the ability to access one’s own feelings and use them to guide behavior

Psychometric theories of cognitive intelligence, IQ, measure individual differences among people based on their verbal or reasoning abilities. Psychometric approach assumes a normal distribution. The Wechsler IQ score has a mean of 100 and 95% of the population ranges between 70 and 130. IQ measures are fairly stable. IQ is determined by genetics and nurture. IQ scores are used as predictors of academic success. Successful school learning also depends on persistence, motivation, learning disabilities, and encouragement from family, peers, and teachers. IQ scores are stable if there are no radical changes in the environment. Norms must be constantly revised because of continuously rising IQ scores. The average gain is about 3 points per decade. IQ correlates with academic success ($r=0.5$). IQ correlates with life success about the same or lower (social status, $r=0.5$; Income, $r=0.4$). Factors other than IQ account for life success. These include affective/emotional factors and Cognitive/Volitional factors.

Emotional intelligence (EI) was initially described as a subset of social intelligence, SI (Salovey and Mayer, 1990) and was thought to be related to Gardner’s interpersonal and intra-

personal intelligences. EI represents an array of non-cognitive capabilities, competencies and skills that influence in one's ability to succeed in coping with environment demands and pressures (Matthews et al., 2002). EI represents accurate appraisal and expression of emotion in oneself and others. It involves the use of feelings to motivate and plan in order to achieve goals. It includes verbal and non-verbal communication of emotion in oneself and others as well as regulation of emotion (Salovey and Mayer, 1990). EI has been described as recognition of emotion, reasoning with emotions and emotion-related information and processing emotional information (Mayer and Geher, 1996). EI includes delayed gratification, impulse control and mood regulation (Goleman, 1997). More recently, EI has been defined as "ability to perceive and express emotion accurately and adaptively, the ability to understand emotion and emotional knowledge, the ability to use feelings to facilitate thought and the ability to regulate emotions in oneself and others (Salovey and Pizarro, 2003). EI is also considered a competency which can lead to effective performance (Boyatzis and Sala, 2004).

CQ and EQ are distinct but related constructs (Crowne, 2009; Moon, 2009). The discriminant validity of the four factors of cultural intelligence scale (CQS) was supported in relation to

the emotional intelligence construct. It was also demonstrated that EQ factors related to social competence (social awareness and relationship management) explain CQ over and beyond the EQ factors related to self-competence (self-awareness and relationship management). Specific factors of EQ are related to specific factors of CQ (Moon, 2009). Crowne (2009) proposed that CQ and EQ are related but distinct constructs as well as subsets of social intelligence, SQ (Figure 2). Similar skills exist within the constructs of CQ and EI such as the ability to interpret cues and behaving appropriately. Table 1 lists the skills associated with cultural intelligence, emotional intelligence and social intelligence (Crowne, 2009).

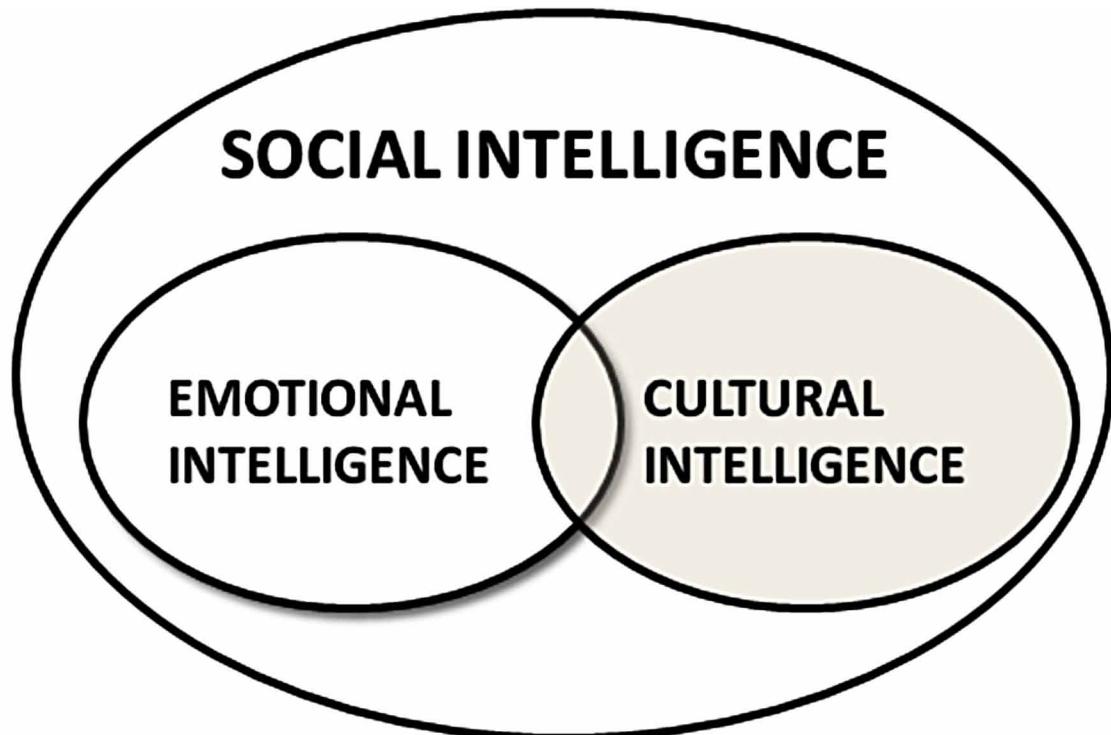
In summary, the cognitive (IQ) and non-cognitive (SQ, EQ) forms of intelligence represent the use of intellect and emotion in adapting to the environment. Intelligences are not isolated but rather they interact with each other (Moran et al., 2006). A successful adaptation to increasing globalization requires another form of intelligence that represents the ability to interact effectively in multiple cultures or cultural intelligence, CQ.

Table 1. Skills associated with cultural intelligence, emotional intelligence and social intelligence

Cultural Intelligence, CQ	Emotional Intelligence, EQ	Social Intelligence, SQ
Perception and interpretation of cultural cues	Perception and Interpretation of emotional cues	Perception and interpretation of social cues
Processing cultural knowledge	Understanding emotions	Sensitivity to complex situations
Effective processing of cultural information	Facilitating emotional thought	Flexibility in behaviors
Suspension of judgment	Empathizing	Effective interaction with others
Transfer of skills to different cultural situations	Effective emotion management	
Continuous learning	Continuously learning	Continuously learning
Motivation to learn about cultures		
Exhibit culture-appropriate behavior	Expressing of emotion	

(Adapted from: Crowne, 2009).

Figure 2. Social intelligence, emotional intelligence, and cultural intelligence*



*Adapted from: Crowne(2009)

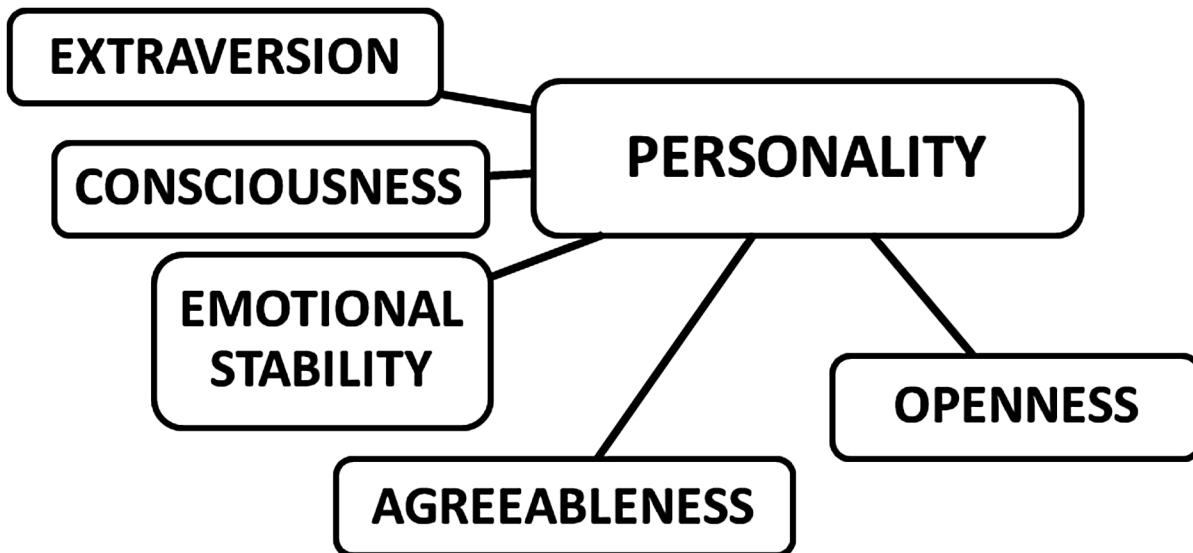
CULTURAL INTELLIGENCE (CQ) AND “BIG FIVE” INDIVIDUAL PERSONALITY CHARACTERISTICS

Individuals differ in terms of cultural intelligence, CQ; cognitive intelligence, IQ; social intelligence, SQ; emotional intelligence, EQ and personality characteristics. Cultural intelligence (CQ) is conceptually and empirically distinct from other individual differences such as cognitive intelligence (IQ), emotional intelligence (EQ), Social intelligence (SQ) and the ‘big five’ universal personality characteristics. The ‘big five’ personality characteristics are broad and stable universal predispositions including extraversion, agreeableness, consciousness, emotional stability and openness to experience (Figure 3). The big five personality characteristics are conceptualized

as antecedents or causal agents of cultural intelligence (Earley and Ang, 2003).

The personality trait of openness has a potential to influence an individual’s metacognitive and cognitive intelligence (McCrae and Costa, 1987, Peabody and Goldberg, 1989). Individuals with greater openness are not limited by their own cultural values and beliefs. They are interested in learning about new values and beliefs (Ones and Viswesvaran, 1997). Individuals who are open to new experiences tend to think outside the box. They are aware of their own cultural framework and question their cultural framework. They actively seek to learn about similarities and differences with other cultures (Digman, 1990; Costa and McCrae, 1992). Open-minded individuals are less judgmental and are intrinsically motivated to learn about other cultures (Ward et al., 2009). Being Open minded provides one a capacity to

Figure 3. Five characteristics of personality



be highly observant of one's surroundings which is very useful during cross-cultural interactions (Caligiuri and Lazarova, 2002; Van der bank and Rothman, 2006). Open-minded and motivated individuals enjoy cross-cultural interactions and learn from their experiences (Johnson et al, 2006). Thus, openness to new experiences helps to increase cognitive intelligence. Such an individual is likely to use their metacognitive intelligence to develop culture-appropriate strategies when interacting with members of a multicultural team with diverse perspectives and work styles (Early and Ang, 2003; Ang et al., 2006). Openness interacts with the meta cognitive, cognitive and motivational intelligence components of CQ to moderate task performance (Duff et al., 2012).

These universal individual characteristics consistently emerge in different age, gender, cultural and language groups as well as in longitudinal studies and across different sources such self and observer ratings (Dig man, 1990; Costa & McCrae, 1992). The big five personality characteristics strongly predict work behavior across time, contexts and cultures both in domestic settings

(Barrack & Mount, 1991) and overseas assignments, Figure 3 (Caligiuri, 2000).

The purpose of the CQ evaluation is to identify an individual's willingness, capacity and strategy to understand others' cultural attributes as a means of bridging communication and collaboration gaps. CQ is a state-like individual difference that describes an individual's capacity to deal effectively with people from different cultures. CQ is different from trait-like individual differences of the big five personality characteristics. CQ correlates with individual big five personality characteristics. Conscientiousness is related to metacognitive CQ. Agreeableness and emotional stability are related to behavioral CQ. Extraversion is related to cognitive, motivational and behavioral CQ. The openness is related to all four factors of CQ. The openness to experience is a crucial characteristic that is related to a person's capability to function effectively in diverse cultural settings (Ang et al., 2006).

The psychometric properties of the cultural intelligence (CQ) scale have been evaluated in the Turkish context. The four-factor (cognitive, metacognitive, motivational, and behavioral) structure

of CQ was confirmed by confirmatory factor analysis. The results supported the discriminant validity of the four-factor model of the CQ scale in relation to the Big Five personality factors and the emotional intelligence factors. Furthermore, CQ explained additional variance in intercultural task performance over and above that explained by demographic characteristics and emotional intelligence. With regard to internal consistency and test-retest reliability, the CQ scale showed acceptable results and was in concordance with the prior studies. Taken together, these findings suggest that the Turkish version of CQ scale is a reliable and valid measure that can be used to measure individual's intercultural capabilities (Sahin et al., 2013)

CQ AND GLOBAL LEADERSHIP

There is a significant positive relationship between cultural intelligence and transformational leadership in international school leaders. Behavioral cultural intelligence and cognitive cultural intelligence were found to be the best predictors of transformational leadership. Leaders who have a higher level of cultural intelligence exhibit a higher level of transformational leadership style, which suggests that individuals with high-cultural intelligence are able to lead and to manage more effectively in multicultural environments. (Keung and Rockinson-Szapkiw, 2013). CQ predicts cultural judgment and decision-making (CJDM), cultural adaptation and task performance (Ang et al., 2007). Based on studies in Singapore and USA, metacognitive CQ and cognitive CQ predicted cultural judgment and decision making. Motivational CQ and behavioral CQ predicted cultural adaptation and metacognitive CQ and behavioral CQ predicted task performance. More important, CQ increases our understanding of these performance outcomes over and above demographic characteristics, general cognitive ability, emotional intelligence, and openness to experience. In other words, even after

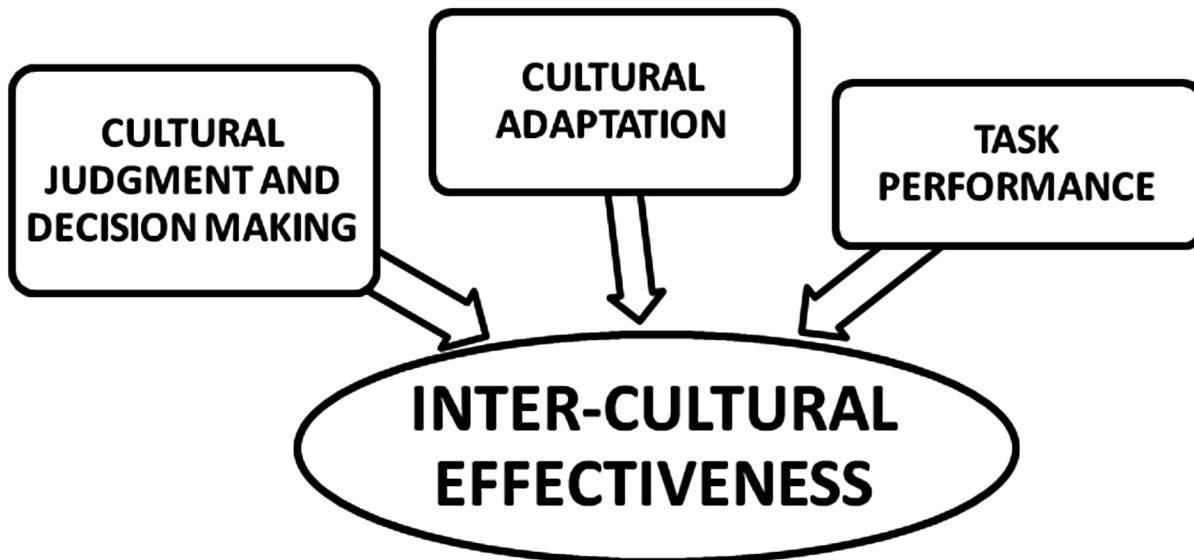
accounting for the effects of these other predictors, CQ further increases our ability to predict and understand decision-making performance. Thus, those who have higher CQ are more effective at making decisions about inter-cultural situations.

In multicultural environments, CQ is a critical factor for organizational/managerial achievement. Organizational achievement is measured in terms of strategic planning, organizational development and organizational learning. Strategic planning helps manage change. Organizational learning leads to organizational development. A positive relationship between all the four components of CQ and achievement need was found for small and medium enterprise managers in Iran. The strongest correlation was between achievement need and metacognitive component of CQ($r = 0.605, p < 0.01$ (Rahimi et al., 2011).

CQ, GLOBAL BUSINESS COMPETENCIES, HUMAN RESOURCES, EXPATRIATES, AND ORGANIZATIONAL EFFECTIVENESS

The global business competencies include leadership skills, personal skills and interpersonal skills. One of the goals of an international human resources organization is to develop global business competencies and enhance organizational effectiveness (Earley et al., 2006). Due to the diversity of the global workforce, cultural barriers can result in misunderstandings and inefficient interactions. Organizations have to understand the influence of culture on people's behavior to enhance organizational effectiveness, Figure 4 (Creque, 2001).

Organizational effectiveness is often used interchangeably with organizational development. Organizational effectiveness also depends on its communicative competence and ethics. One of the Organizational effectiveness captures organizational performance plus the myriad internal performance outcomes normally associated with

Figure 4. Inter-cultural effectiveness

more efficient operations. Organizational effectiveness represents meeting the strategically aligned goals or “doing the right things”. Organizational efficiency represents the ratio of outputs to inputs or “doing things right” and is associated with economic evaluation. The organizational effectiveness includes financial performance, organizational reputation and employee commitment (Creque, 2011).

In non-profit sector, logic models are used for program evaluation or organizational effectiveness. Logic models are program-specific and linked to measurable inputs and outputs (Herman and Renz, 2008). In a study on the impact of CQ on a faculty member’s effectiveness at a non-profit university, it was found that only 23% of the effectiveness was explained by the four components of CQ (Beikzadeh and Damirchi, 2013). In addition to organization development, another role of a human resources organization for an international company is increasing job performance including management of expatriates. Job performance is at an individual level whereas organizational effectiveness is at a group or organizational level. For multinational companies, understanding expatri-

ates’ CQ is essential for successful placement of employees (Chen et al., 2010). Expatriates with a high level of CQ and international experience are likely to have a high level of cultural adjustment (Lee and Sukco, 2010).

The antecedents of expatriates’ cultural intelligence (CQ) include prior working experiences in one’s home country prior to expatriation, the number of co-expatriates from their home country and local employees from the host country, perception of promotion opportunities, and self-monitoring. Data collected from 165 Korean expatriates using self-reported survey showed that the expatriates’ previous working experiences with foreign nationals and in an overseas department in their home country were positively related to CQ. As expected, whereas the number of co-expatriates from home country was negatively related to CQ, the number of local employees in the host country was positively associated with CQ. Expatriates’ perception of a promotion opportunity and self-monitoring were positively related to CQ. In addition, moderating effects of expatriates’ portion of interaction with local employees and knowledge on the length of their foreign as-

signment were found (Hyoung et al., 2013). CQ influences job performance of expatriates both directly and indirectly. The relationship between CQ and job performance of expatriates (Ramalu et al., 2012). In a study on the relationship between CQ and job performance at a factory, Azizpourm et al. (2013) found that all four components of CQ (metacognitive, cognitive, motivational and behavioral) were significantly related with job performance at Tabriz Tractor factory. The highest positive correlation was found between behavioral CQ and job performance.

CQ AND TASK PERFORMANCE IN INTER-CULTURAL TEAMS

The globalization economy and the evolution of the web from 2.0 to 3.0 provide world-wide access of information and the social connection between individuals of different cultures. Drawing upon social cognitive theory, this research postulates cultural intelligence as a key driver of knowledge sharing among culturally diverse teams. An empirical testing of the proposed model, by investigating team leaders from high-tech industries, reveals the applicability of social cognitive theory in understanding cultural intelligence, perceived team efficacy, and knowledge sharing. Specifically, the test results herein show that knowledge sharing is directly influenced by metacognitive, cognitive, and motivational cultural intelligence. At the same time, knowledge sharing is indirectly impacted by metacognitive and behavioral cultural intelligence through the mediation of perceived team efficacy. Lastly, this research provides managerial implications and limitations. (Chen & Lin, 2013). They examined how the cultural heterogeneity of work teams moderates the way in which team cultural intelligence (CQ) affects the development of team shared values. Utilizing the four-factor model of CQ, we predict how each facet of CQ will impact the development of shared values in relatively early stages of team develop-

ment differently for culturally homogeneous versus culturally heterogeneous work teams. The team shared values were operationalized as the degree to which a broad set of cultural values are similarly endorsed by team members as guiding principles when working in their team. Results showed that behavioral and metacognitive CQ had a positive effect on shared values in culturally heterogeneous teams; however, motivational and metacognitive CQ had a negative effect on shared values in culturally homogeneous teams. All effects were observed in the early stages of team development. Having uncovered positive and negative effects of CQ for shared values in work teams, we discuss implications for theory and practice around this form of cultural competence (Adair et al., 2013)

The culturally diverse teams offer an opportunity for exchanges between culturally diverse team members towards completion of a common task. The cultural intelligence can provide synergy between varying perspectives on the effective task performance. The exchanges between members of a culturally diverse team also depend on personality traits. Openness is a personality trait. One of the dimensions of CQ, i.e. the behavioral component enhanced task performance. The other three dimensions of CQ, i.e. meta cognitive intelligence, cognitive intelligence and motivational intelligence, interacted with openness to moderate task performance (Duff et al., 2012).

CQ, MARKETING ADAPTATION, AND EXPORT PERFORMANCE

The concept of cultural intelligence, CQ, applies not only to national cultures but also ethnic cultures. Ethnic marketing and international marketing strategy for products and services can use cultural intelligence to strike a chord with the customers. Multi-national corporations have to decide which strategy - adaptation or standardization works best for their products. For adaptation strategy, the export managers have to

understand the local culture. The export managers' metacognitive CQ positively moderates the relationship between marketing-mix adaptations and export performance. Also, their motivational CQ positively moderates the relationship between environmental differences and marketing mix adaptations beyond the recruitment of export managers with high metacognitive CQ, firms need to train the existing staff (Maagnusson et al., 2013).

FIRM-LEVEL CQ AND GLOBAL STRATEGIC ALLIANCES

The effectiveness and efficiency of an international venture is influenced by the quality of organizational intelligence (Huber, 1990). For example, international businesses have to work with off shoring partners. To be effective, a mutual understanding of one's own and the business partner's cultural mindsets is crucial. Business approaches that are accepted in one's "home" culture often are not effective abroad. By recognizing and adapting to these cultural differences, an organization can considerably increase its efficiency and effectiveness. In other words, the organizational culture has to include inter-cultural competence. Organizational Culture has been defined as "the collective programming of the mind that distinguishes the members of one organization from others" (Hofstede, 2010). Organizational culture is heavily influences by the managers.

Ang and Inkpen (2008) extended the 4-factor individual cultural intelligence construct to firm-level cultural intelligence. The firm-level cultural intelligence is crucial to success in international ventures such as off shoring. In global delivery models, it is imperative for the off shoring partners to develop firm-level cultural intelligence. The firms can develop the capability to learn and generate new knowledge about the inter-cultural differences to be effective in culturally diverse environments. They argue that the "firm-level CQ can be developed, managed and enhanced by

firms in their pursuit of off shoring success." The resource-based theory of a firm describes a firm in terms of resources and capabilities (Barney, 1991).

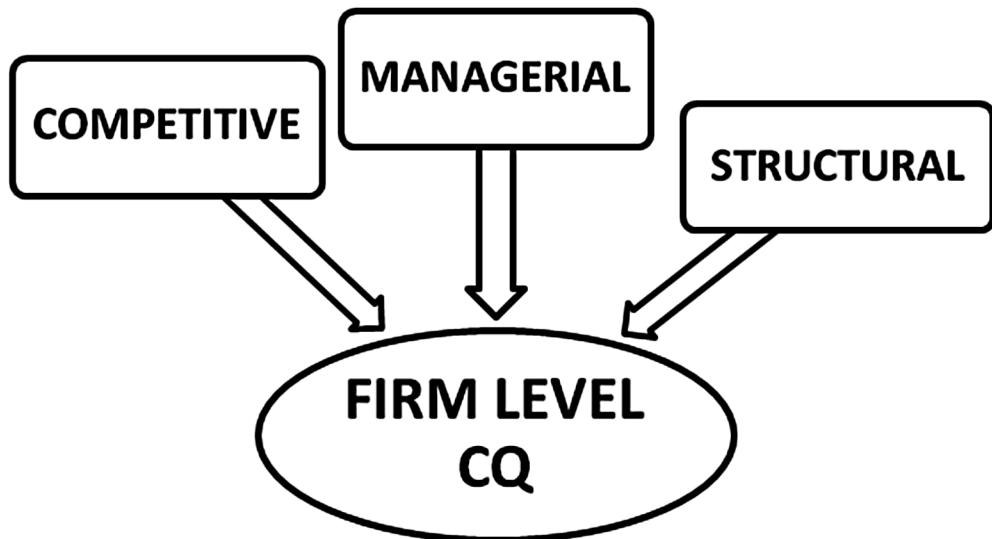
The conceptual framework of firm-level intelligence draws on the resource-based theory of a firm. Ang and Inkpen (2008) focused on three types of capabilities that include both tangible and intangible resources. These three aspects of the intercultural capabilities of the firm include managerial CQ, competitive CQ and structural CQ (Figure 5).

The cultural intelligence of the top executives in the firm and offshore project managers guide the firm to make judgments about business opportunities and then convert them into competitive advantage. The firm's competitive CQ can be viewed as a meta-capability that transcends technical or operational capabilities (Teece, 2007). This involves knowledge management within the firm and between the firm and international business partners (Grant, 1996).

The firm-level CQ is measured by using a 28-question survey that has 9 questions for managerial CQ, 10 questions for competitive CQ and 9 questions for structural CQ(Ang and Inkpen, 2008 ; Ang and Van Dyne, 2009). An example of a question for managerial CQ is "Top management team members / project managers are confident they can work with business partners from different cultures". For competitive CQ, one of the 10 questions is, "Our firm values its public reputation as a good international business partner". An example of a question for measuring structural CQ is, "Our firm understands the expectations we have of our international business partners".

The firm-level CQ through competitiveness framework might potentially affect the strategic alliance ability and performance of contracting firms operating abroad. (Yitmen, 2013). CQ is presented as a competitively advantageous tool for global organizations, deconstruct its theorization and measurement, and discuss its role in perpetuating transnational hegemony. This article thus exposes the implicit relationship between

*Figure 5. Firm-level cultural intelligence**



Adapted from: Ang and Inkpen(2008)

academic knowledge production and transnational organizational practice that maximizes profits while simultaneously downplaying transnational globalization's oppressive consequences such as job vulnerability, unemployment, and exploitation
(Dutta & Dutta, 2013)

CQ TRAINING

All humans exhibit “false consensus” effect and think that their beliefs are universal (Mullen, et al., 1985). This effect is extremely difficult to control (Krueger and Clement, 1994). In other words, humans by nature are ethnocentric (Triandis, 1990). They feel that what is “normal” in their culture should be normal everywhere. In interacting with people from different cultures, when they come across different norms, their first response that there is something wrong with the different norm.

Overcoming ethnocentrism requires exposure to other cultures and putting oneself in the shoes of the members of their culture. It requires one to understand one’s own beliefs and question those beliefs.

Unlike the inherent aspects of personality, CQ can be learned, developed and enhanced by appropriate training (Earley and Mosakowski, 2004). Firms can provide CQ training for employees working on global teams. Managers undertaking expatriate assignments can benefit from CQ training (Chen, et al., 2012). CQ training begins at the ethnocentric stage and culminates in ethno relativism resulting in culture-appropriate behavior, Figure 6.

This multi-step process of training involves initial assessment of strengths and weaknesses in the area of CQ. Training has to focus on all of the four components of the individual CQ- meta cognitive, cognitive, motivation and behavior- to

Figure 6. Stages of CQ training

• BEHAVIOR

Transformation/Ethno relative

• MOTIVATION

Appreciation/Acceptance/ Internalization

• COGNITIVE/META COGNITIVE

Ethnocentric/Ignorance, Awareness, Understanding

increase awareness, sensitivity and teach skills (Earley and Ang, 2003). Awareness involves understanding one's own culture and its differences from other cultures. Individual immersion experience in a different culture can strengthen the training as the individual gets a chance to practice the skills.

Cultural intelligence training requires strengthening each of the four components of CQ –meta cognitive, cognitive, motivational and behavioral (Earley and Ang, 2003). Starting from the bottom of the pyramid, one has an ethnocentric mindset with a belief that 'everyone should be like us' and 'my way is the best way and the only way.' At this stage, we don't even know what we don't know. With exposure to information about the other culture, one becomes aware that other cultures are different from us. One begins to think about why people do what they do. One learns about language, history and evolution of value systems. One develops tolerance of the different ways of doing things. From just putting up with the new culture, one develops a genuine appreciation of the new culture and one may even feel preference for certain aspects of new culture. One begins to see things from another culture's point of view.

One recognizes commonalities with one's own culture and begins to develop strategy for dealing with differences. Then, one reflects, analyzes and evaluates. Internalization is the stage when one's experience and learning is validated. One begins to see some universal values that apply to some degree to all cultures. In the transformation stage, global perspective becomes a way of life. One's behavior is effortless, subconscious and second nature. One is able to see the other culture through their eyes.

The metacognitive CQ, which involves 'thinking about how you think', is crucial to develop openness to different experiences. This self-reflection goes beyond having just country-specific information (Earley and Peterson, 2004). Cognitive training may also include learning to make isomorphic attributions achieved through culture assimilators (Triandis, 1975, 1994). Isomorphic attribution allows one to put one self in the other culture's shoes and helps to change the 'inferior foreigner' outlook into 'do in Rome as the Romans do'. Cognitive training may include learning to understand the different cultures more in terms of values and social interactions. Hofstede's six cultural dimensions are one way to understand dif-

ferent cultures in terms of their hidden values and visible behaviors. They include power distance, masculinity versus femininity, long term versus short-term orientation, individualism versus collectivism, uncertainty avoidance and indulgence versus restraint (Hofstede et al., 2010)

The training in motivational component of CQ or affect can be achieved through exposure to experiential training (Paige and Martin, 1996). Feeling what others feel provides motivation to understand different cultures. This has to be followed by behavior modification, which includes not doing what is inappropriate in a different culture, and doing what is appropriate (Luthans and Kreitner, 1985). Using a constructivist, collaborative experiential learning approach to education and training of global managers, Erez et al. (2013) studied the development of CQ, global identity, local identity and team trust in on-line virtual multicultural teams. It was found that CQ and global identity significantly increased over time and this effect lasted for six months after the project ended. The local identity did not change. High to Moderate levels of trust as a team-level factor moderated the project's effect on team members CQ and global identity (Erez et al., 2013).

SUMMARY

In summary, cultural intelligence (CQ) has emerged as a popular and useful construct for understanding and dealing with the problems of cross-cultural interactions at an individual and firm level. It helps with the international business activity that requires inter-cultural interactions in terms of global leadership, global strategic alliances, cross-cultural communications, negotiations, multinational teams, culturally diverse domestic teams, overseas work assignments and inter-cultural domestic teams .CQ is related to the three aspects of intercultural effectiveness that include cultural judgment decision making and judgment, cultural adaptation and task per-

formance. (CQ) is conceptually and empirically distinct from other individual differences such as cognitive intelligence (IQ), emotional intelligence (EQ) and the 'big five' universal personality characteristics. CQ is an individual measure that can be extended to the firm- level in terms of a conceptual framework of managerial, competitive and structural CQ. Measurement of individual and firm-level CQ to design inter-cultural training helps culturally diverse international firms increase organizational effectiveness. Global leaders, managers and employees need to go beyond ethnocentric world-view and understand and adapt to the underlying hidden cultural values of people from different cultures that they subconsciously use to make decisions and act in a certain manner. We now interact with people of different cultures, religions, and abilities daily. Our ability to, not just tolerate, but value the customs, beliefs, and practices those who are different from us is critical for a successful global business.

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KEY TERMS AND DEFINITIONS

Cultural Judgment and Decision-Making:

Judging a business situation and making business decision based on one's own cultural values.

Expatriate Effectiveness: Effectiveness of

the business interactions of an expatriate, i.e. an employee deployed in another country.

Global Business Competencies: Skills use-

ful for effective business interactions in different countries.

Global Leadership: Leading an international

business.

Global Strategic Alliances: International

business alliances based on the company's strategy, e.g. global supply chain management.

Inter-Cultural Business Interaction: A

business-related interaction between two people from different cultural backgrounds.

Multinational Teams: A team whose mem-

bers are located in different nations.

APPENDIX: THE 20-ITEM, FOUR FACTOR CULTURAL INTELLIGENCE SCALE (CQS)

Instructions: Select the response that best describes your capabilities.

Select the answer that BEST describes you AS YOU REALLY ARE (1=strongly disagree; 7=strongly agree).

Note. Use of this scale granted to academic researchers for research purposes only.

For information on using the scale for purposes other than academic research (e.g., consultants and non-academic organizations), please send an email to cquery@culturalq.com.

Table 2. Questionnaire

CQ Factor	Questionnaire Items
CQ-Strategy:	
MC1	I am conscious of the cultural knowledge I use when interacting with people with different cultural backgrounds.
MC2	I adjust my cultural knowledge as I interact with people from a culture that is unfamiliar to me.
MC3	I am conscious of the cultural knowledge I apply to cross-cultural interactions.
MC4	I check the accuracy of my cultural knowledge as I interact with people from different cultures.
CQ-Knowledge:	
COG1	I know the legal and economic systems of other cultures.
COG2	I know the rules (e.g., vocabulary, grammar) of other languages.
COG3	I know the cultural values and religious beliefs of other cultures.
COG4	I know the marriage systems of other cultures.
COG5	I know the arts and crafts of other cultures.
COG6	I know the rules for expressing non-verbal behaviors in other cultures.
CQ-Motivation:	
MOT1	I enjoy interacting with people from different cultures.
MOT2	I am confident that I can socialize with locals in a culture that is unfamiliar to me.
MOT3	I am sure I can deal with the stresses of adjusting to a culture that is new to me.
MOT4	I enjoy living in cultures that are unfamiliar to me.
MOT5	I am confident that I can get accustomed to the shopping conditions in a different culture.
CQ-Behavior:	
BEH1	I change my verbal behavior (e.g., accent, tone) when a cross-cultural interaction requires it.
BEH2	I use pause and silence differently to suit different cross-cultural situations.
BEH3	I vary the rate of my speaking when a cross-cultural situation requires it.
BEH4	I change my non-verbal behavior when a cross-cultural interaction requires it.
BEH5	I alter my facial expressions when a cross-cultural interaction requires it.

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Chapter 5

Japanese Cultural Traditions and International Business

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ABSTRACT

Although people from several countries may share some universal values, they also have different cultural values. The differences in cultural values generally produce different ways of thinking and acting that can cause misunderstandings and disappointments in business communication. Therefore, the willingness to understand in depth others' cultures is necessary for doing international business. Japan is an important country and thus the author explains in-depth the specific cultural values that are important in the international business between Japanese and non-Japanese people. This chapter is based on a broader research conducted in Japan and focused on the unique characteristics of Japan's cultural values, social norms, and business customs. Thus, it presents the specific cultural values coming from the Japanese philosophical and cultural traditions, examines their influence in the Japanese international business, and emphasizes the importance of understanding them in depth for doing business successfully in Japan.

INTRODUCTION

Every country has specific cultural values that are part of the national culture and, thus, peoples from different countries may share some values, but they also may have different cultural values. In addition, differences in cultural values generally cause different ways of thinking and acting (Faure, 2002). Western culture has its roots in Ancient Greek thought that highlights inductive reasoning from specific observations to a general theory, individuality, and freedom to act as one choose. However, Eastern culture is based on

others philosophical thoughts that emphasize deductive reasoning from the general to the specific, belonging to a group and self-control (Luo, 2008; Nisbett, 2003). In this way, the terms West and East may mean two ways of understanding the world rather than two geographic divisions of the world.

However, differences between cultural values should not be understood in terms of a duality, such as the East-West dichotomy, but as a continuum. That is because, although Western business people may find more difficult to do international business with people from Asian countries, people from different Asian countries also have different ways

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of acting in international business. Thus, even if Asian cultures share certain cultural values, they are different in others. The fact is that every culture is unique and, therefore, the willingness to understand in depth other's cultures is necessary for doing international business.

This chapter is based on a broader research that aimed to explain the Japanese way of acting in international business through their cultural values and to show that these Japanese specific cultural values come from their philosophical and religious traditions. Therefore, it focused on the unique characteristics of Japan's cultural values, social norms, and business customs.

This chapter has two aims. The first is to present the specific cultural values coming from Japanese cultural traditions, more specifically, the Japanese philosophical and cultural traditions. The second is to examine the influence of cultural values in the Japanese International Business and emphasize the importance of understanding them in depth for doing business successfully in Japan.

CULTURAL TRADITIONS

A cultural tradition can be understood as the values, norms, attitudes or ways of doing something that have existed for a long time among a particular group of people, passing on from generation to generation. The generic term of tradition refers to beliefs or customs performed in the past and maintained by societies and institutions. Thus, traditions are a matter of time and some of them that seem to be old frequently might have a recent origin. Besides, the traditions can also be invented and set up by repetition, thus giving the impression of continuity with the past (Hobsbawm, 2003). Innovated traditions are a central element of the modern national cultures since to provide a commonality of experience, such as traditional national cuisine, which expatriate may continue to practice in foreign countries. Cultural traditions are really a matter of time because, for instance, is

the traditional English tea actually so traditional? I mean, drink tea is an older tradition in Japan or in China than it is in England.

Although culture is an important concept in this work, it is not the intention of this chapter to present the multiple definitions of this term, but to describe the main characteristics that are common to all of them. Thus, from the several definitions of culture it has been possible to identify the main features they share. These common characteristics are: it is learned by observation and imitation, not genetically acquired (Gardiner & Kosmitzki, 2002; Hofstede, 2001; Schiffauer, Baumann, Kastoryano, & Vertorec, 2004); it is shared by the members of a group (Benedict, 2006; Haviland, Prins, Walrath & McBride, 2004; Moran, Harris, & Moran, 2007; Thompson, 2011); it is transmitted from generation to generation (Hodgetts & Luthans, 2003); it is based on symbols, such as the language, and the information they carry (Geertz, 1994, 2005; Huntington, 1996; Kluckhohn, 1951); it is dynamic (Beamer & Varner, 2001); and it is structured, organized and patterned and has an internal unity and order (Lichbach, 2003).

In this chapter, the term culture is understood as the values, beliefs, attitudes, and behaviours learned and shared by a group of people that allow them to see the world in the same way (Goodenough, 1971). Values are the deepest level of culture (Hofstede, 2001) and the most external level is the behaviour (Salacuse, 1999). Behaviours can be seen but not the underlying values and thus cultural values may remain unchanged although are expressed in different ways of acting.

Thus, values are the core of culture and the specific cultural values allow people of a society to know what is appropriate in every situation (Schwartz, 1999). Cultural values represent the implicitly or explicitly shared ideas and beliefs about what is good, right, and desirable in a society. Hence, the accepted ways of doing things determine the norms about how people should conduct themselves, and how they should act towards others (Brennan, Flint & Luloff, 2009;

Williams, 1970). Societies function according to the specific underlying values that are considered to be of great importance and spread them by the diverse institutions of society such as the family, education, government, religion, and economy. The transmission of cultural values to the members of a society is made through everyday exposure to customs and practices that express the prevailing cultural values (Markus & Kitayama, 1994).

Although they are not the same, national culture usually corresponds to the boundaries of countries, because either in the case of relatively homogeneous societies where there is usually a single dominant language, educational system, political system and national symbols, or in the case of heterogeneous nations, culture refers largely to the value culture of the dominant, majority group. There are several frameworks that classify national

cultural values into diverse dimensions (Hofstede, 1980, 2001; Hofstede & Bond, 1988; Kluckhohn & Strodtbeck, 1961; Trompenaars, 1997, 2000; Hall, 1959, 1966, 1976; Rokeach, 1968, 1973; Schwartz, 1987, 1992, 1994; House, Hanges, Javidan, Dorfman, & Gupta, 2004), which are shown in Table 1.

These general frameworks are useful to compare countries, but not so helpful to understand in depth the cultural values of a specific culture.

Japanese Cultural Traditions

Japanese cultural traditions draw from various sources such as the geographical circumstances of the country, foreign influences during its history or its spiritual and philosophical traditions.

Table 1. Frameworks of cultural values

Kluckhohn, F., and Strodtbeck, F. (1961)	Values Orientation Theory: Five value orientations and each dimension is represented on a three-point continuum
Rokeach, M. (1968, 1973)	Value Survey: Two sets of 18 individual value items in each One set called “terminal values” and the other one “instrumental values”.
Hall, E.T. (1959, 1966, 1976)	Time: monochronic and polychronic Space: Proxemics or personal distance. Communication: high-context and low context.
Hofstede, G. (1980, 2001)	Dimensions of Culture: Four Dimensions: Power Distance, Uncertainty Avoidance, Individualism-Collectivism and, Masculinity-Femininity.
Schwartz, S. (1987, 1992, 1994)	The Values Theory: Ten basic human values. Three cultural-level dimensions: Conservatism-Autonomy, Hierarchy-Egalitarianism and, Mastery-Harmony.
Hofstede, G., and Bond, M. (1988)	Fifth Dimension of Culture: Long-Term Orientation (Confucian Work Dynamism).
Trompenaars, F., and Hampden-Turner, C. (1997, 2000)	Seven Dimensions of Culture Theory: Seven Dimensions: five dimensions focus on relationships between people: Universalism-Particularism, Individualism-Communitarianism, Neutral-Emotional, Specific-Diffuse, and Achievement-Ascription. Two dimensions focus on time management and society's relationship with nature: Sequential vs. Synchronous, and Environment inner-directed vs. outer-directed.
House, R.J., Hanges, P.J., Javidan, M., Dorfman, P., and Gupta, V. (2004)	The Global Leadership and Organizational Behavior Effectiveness (GLOBE) Project. Nine Cultural Dimensions: Power Distance, Uncertainty Avoidance, Humane Orientation, Institutional Collectivism, In-Group Collectivism, Assertiveness, Gender Egalitarianism, Future Orientation, and Performance Orientation.

Source: Own elaboration based on literature.

The Geographical Circumstances of Japan

The geographic isolation of Japan, its comparatively small size, four-fifths the size of California, and relatively big population, about forty percent of the US population, created a close physical proximity between people, that provoke to work in common or in group, to concern about the feelings of others and to be aware of the relative status between each two individuals. Besides, the frequent natural calamities, such as typhoons, earthquakes, floods or landslides, fostered a great respect for nature and the aim of living in harmony with it, instead of trying to control it.

Foreign Influences during the History of Japan

During its history, Japan has received several foreign cultural influences first from China in the 4th century and after from Western European countries in the 16th century and the United States in the middle of 19th century. Thus, Japanese have developed the practice of adopting useful elements of foreign cultures, merging with local customs and adapting to Japanese use (*iitokodori*). Japan introduced, from Korea, the Chinese political structures, legal system, writing system, and the Buddhist art and architecture along with the Buddhism, originated in the ancient India. In the 16th century, the influence came from the major European powers at that time, mainly Portugal, Spain and Dutch later, through the Jesuit missionaries who accompanied the European merchant ships (1543). Japanese began to study Latin, along with Japanese language, and Western classical music, and could acquire European guns. This direct contact ends in the 17th century. First, in 1613, Christianity is forbidden in the entire Japan. Then, Spanish (1624) and Portuguese ships (1639) were also forbidden and, finally, the Edict of 1635 ordered the closing of Japan and no Japanese was permitted to go abroad and no Japa-

nese returns from overseas after residing outside Japan. For over 200 years, Japan was officially closed and not officially opened until the Meiji Restoration in 1868. However, the country was never fully closed to outside contacts since China and the Dutch East India Company held the right to visit Japan during this period for commercial purposes only and limited to the Dejima port in Nagasaki. In the 19th century the influence of the West arrived to Japan mainly from the United States. In 1853, American Commodore Perry led his four ships into the harbor at Tokyo Bay with the purpose of re-establishing regular trade and dialogue between Japan and the western world. Contact with the industrialized West brought to Japan the Western democracy and constitutional parliament, the access to modern technology and knowledge about the Western lifestyle.

Japanese Philosophical and Religious Traditions

As a part of culture, religious traditions are the beliefs and rules that guide people in their decisions through life. Japanese philosophical and religious traditions are the result of a combination of various systems of thought that have been developed during the history of Japan. Although in Japan different traditions coexist peacefully, there are three main philosophical and religious traditions from which derived certain Japanese cultural values. These are: Shinto, Buddhism and Confucianism (De Mente, 2005; Zimmerman, 1987). These cultural values are the base on which the Japanese assess their own behaviour and the one of others (Nishiyama, 2000). Japanese thought is interested in the reality of this world (Stevens, 2008) giving importance to the values that are convenient for the everyday life (Lanzaco, 2000), and Shinto, Zen Buddhism and Confucianism are concerned with the present life.

Japanese Philosophical and Religious Traditions

Syncretism is the more important phenomenon in the Japanese religious history and thus, it is difficult to assign with accuracy cultural values to each specific tradition. Then it may be more appropriate to attribute Japanese cultural values to the combination of the main traditions. Besides, most of the Japanese people cannot distinguish between their several philosophical and religious traditions beyond their mere rites, since they believe that these traditions are different aspects of the same reality (Falero, 2006). However, for the purpose of rigour, the basics of Shinto, Zen Buddhism and Confucianism that are relevant to this work will be presented separately.

Shintō

The word Shintō is composed by the ideogram “shin” o “kami” () that it usually translated as local deities and the ideogram dō o tō o michi () that it means a philosophical path (Kitagawa, 1987; Ono, 2003). Although the belief in the “kami” is indigenous to Japanese people, the word Shintō was not used until the 8th century with the purpose of distinguishing the faith in the “kami” from the foreign religions. Shintō is an ethnic cult based on the belief that the many “kami” cooperate together in harmony, whose practices are closely associated with the customs and traditions of the Japanese people (Falero, 2006; Ono, 2003). Its worship is deeply embedded in the daily life of Japanese people and embrace the ideas, attitudes, and ways of doing things that have become a fundamental part of the Japanese people.

“Kami” are protective deities consisting in singular beings of the nature, such as trees, mountains, rocks, rivers or some animals, in natural phenomena, such as wind or thunder, in outstanding human beings in society, and in ancestral spirits who dwell in the shrines related to the “kami” that protect a specific group, such as

a clan, a local community or a profession (Covell, 2009; Kitagawa, 1987; Ono, 2003). The shrine Shintō is the oldest and most widespread type of the faith in “kami” and its practices are carried out in the more than eighty thousands shrines. This type of Shintō has always been so associated with the daily life of Japanese people that it has not been necessary any theological doctrine (Ono, 2003). It has been transmitted from generation to generation by the observance of traditional ways of day-to-day life such as the participation in the rites and festivals, and the performance of the individual’s duties in the shrine.

Until the Meiji Restoration (1868-1912), the shrines were communal institutions. Then, from the Meiji Restoration the shrines were turned into state institutions under the supervision of the national government and the priests became government officials. Finally, in 1945, the shrines returned to be private institutions because of the Shintō Directive ordering the separation of Shintō from the State. The Association of Shintō Shrines (Jinja Honchō,) exists since 1945 as a religious administrative organization that is in charge of the about 80.000 Shintō shrines in Japan. Thus, the indigenous Shintō has continued as a part of the lives of the Japanese people from the earliest days of Japan to the present.

Zen Buddhism

Buddhism is a religious doctrine originated in India in the 5th century B.C. when Gautama Siddhartha attained perfect illumination while stayed in deep meditation and became the Buddha, word that mean “awakened one”. According to Zen Buddhism tradition, Mahākāśyapa was the first disciple to receive the dharma from Gautama Buddha by mind-to-mind transmission (Suzuki, 2008) and became the first Indian patriarch (Nukariya, 2005; Villalba, 2009). Buddhism developed in India by various traditions and Masters, being one of them the Mahāyāna (Great Vehicle). Mahāyāna tradition is the largest major tradition of Indian

Buddhism existing today and, in the course of its history, it has spread from India to various other Asian countries such as Bangladesh, China, Japan, Vietnam, Korea, Singapore, Taiwan, Nepal, Sri Lanka, Tibet, Bhutan, Malaysia, and Mongolia.

This tradition was transmitted mind-to-mind in India without texts or words, by twenty-eight consecutive India masters and introduced in China by the 28th patriarch named Bodhidharma (Gyōnen, 1994; Villalba, 2009). Bodhidharma was a Buddhist monk who lived during the 5th and 6th centuries and became the 28th Patriarch with the name of Bodhidharma when his Master gave him Mind Transmission. Following the instruction of his Master to transmit the dharma to China, Bodhidharma traveled from India to the southern of China in 526 A.D. It is traditionally believed that he brought Zen Buddhism (Chán in Chinese and Dhyāna in Sanskrit, meaning “meditation” or “meditative state”) to China and regarded as the first patriarch of Chinese Zen lineage and the father of Zen Buddhism.

Zen Buddhism began in the 6th century when Bodhidharma, known in Japan as Daruma, arrived to China from the South of India (Nukariya, 2005) and became the first patriarch of Chinese Zen Buddhism (Izutsu, 1982; Villalba, 2009). The Buddhism took from India to China had to experience several changes for adapting to the Chinese practical mind in the daily life (Izutsu, 1982; Lanzaco, 2000). Thus, Chán Buddhism was the result of merging Indian Mahāyāna Buddhism, the meditation teaching (Dhyāna) and the Chinese Confucianism and Taoism. It involved the spiritual development through the encounter between Master and disciple since the teachings were passed from Master to disciple in a direct and practical way (Ueda, 2004; Villalba, 2009).

Chán Buddhism understood meditation as a state of total absorption that can be part of every facet of everyday life through ordinary daily activities. However, its followers believed that there were two different ways to attain spiritual enlightenment, and the tension between the two

groups caused in 732 the division of Chán Buddhism into two schools. The Northern School of Chán believed in a gradual enlightenment and established that there was a path. The Southern School of Chán believed in the sudden enlightenment, i.e., enlightenment was something that happened totally or not at all and did not require study. Later this school, in turn, divided into the Linji School and the Caodong School (Gyōnen, 1994; Nukariya, 2005).

The Japanese Buddhist monk Eisai (1141-1215) introduced the Rinzai sect of Zen Buddhist to Japan. He studied in China the Linji (Rinzai) doctrine being disciple of the Master named Xuan Huaichang and, after obtaining his certification as a Zen teacher, Eisai returned to Japan in 1191. He brought with him Zen texts and green tea seeds (García, 2012), and founded the Rinzai school of Zen Buddhism in the Hōon-ji Temple, the Japan's first Zen temple (Griffis, 2006). In Japan, Eisai taught a mixture of Rinzai Zen and Tendai esoteric practices. Eisai's influence extended into the cultural realm all over Japan, including the introduction of both tea drinking in the Zen monasteries as a way of help during meditation and tea cultivation in the gardens of temples (Dumoulin, 2005; Villalba, 2009). The Obaku School is a combination between a branch of the Chinese Linji School and the Amidist doctrine, and was introduced in Japan by the monk Ingen (1654-1673) in 1654 (Nukariya, 2005).

The Japanese Buddhist monk Dōgen (1200-1253) became the 14th patriarch of the Rinzai school of Zen in 1221 and, two years later, he was to China with the purpose of studying the authentic Zen with a Chinese Master of the Caodong school of Buddhism (Villalba, 2009). Dōgen brought the Caodong-teachings to Japan in 1227 and founded the Japanese Sōtō Zen. This school taught a more pure Zen without any combination with other schools of Buddhism, the seated meditation (zazen) and the koan tradition. Dōgen was co-patriarch of Sōtō Zen in Japan along with Keizan Jōkin and founded Eihei-ji, one of the two

head temples of Sōtō-shū today. A great number of laypeople followed his teachings since he promoted the Zen practice both inside and outside the temples (Villalba, 2009).

At present, Japanese Buddhism is composed of 13 main schools coming from the Indian Buddhism Mahāyāna (Dumoulin, 1996) that are shown in Table 2. Three of them are Zen tradition, eight belong to various Buddhist traditions, and the other two are autonomous schools created in the 19th century. The three schools of Zen tradition are Rinzai, Soto y Obaku. The eight schools are three schools, Hossō, Ritsu, Kegon, of the six known as Nara Buddhism that arrived to Japan in the 8th century (the other three, Kusha, Sanron and Jōjitsu, have not survived); two schools belong to the Esoteric Buddhism, Tendai y Shingon, which used complex doctrines and stress the practice of esoteric rites and mantras repetition (Villalba, 2009); two schools of Amidist Buddhism, Jodo and Shin, focused on the Buddha Amitābha, followers should repeat the name of Amida Buddha with faith in his boundless mercy as the means of achieving the Pure Land; the Nichiren school refers to all the Buddhist schools that regards Nichiren (1222-1282) as its founder and it is focused on the Lotus Sutra because, according to his founder, this text contains the essence of the Buddhist teachings; and the two autonomous schools created in the 19th century (Nukariya, 2005).

Most of the schools of Buddhism “have limited their sphere of influence almost entirely to the spiritual life of the Japanese people” (Suzuki, 2009, p. 26); however, Zen Buddhism pervaded the entire Japanese life (Nukariya, 2005). Zen tried of simplifying the Buddhism doctrines in order to can be understood by the ordinary people (Griffis, 2006; Izutsu, 1982). Unlike other Buddhist traditions, Zen points directly to the mind and teaches that everyone can attain the Buddhahood state by “by seeing into one’s nature” (Gyōnen, 1994, p.117). Zen Buddhism uses a simple and direct method of teaching (Suzuki, 2008).

Among the schools of Buddhism in Japan, the conceptos of Zen have molded to a great extend the Japanese business mind-set (De Mente, 2005); and thus the founders of various Japanese business empires have been followers of Zen.

It should be reminded that Zen is the doctrine that, although comes from the Indian Mahāyāna Buddhism, also includes some Taoism principles from China. Thus, Zen is a meditative tradition that seeks the enlightenment in the manner that Mahākāśyapa experienced, i.e., through direct experience rather than on rational creeds or revealed scriptures. The importance of meditation, in fact, the word Zen is a Japanese abbreviation of the Sanskrit word “dhyana” that means meditation and its method of practicing meditation with legs crossed. Zen finds expression in the disciplined action (Nukariya, 2005).

Table 2. Thirteen main schools of Buddhism in Japan after the Second World War

Mahāyāna Buddhism	Nara Period (710-790)	The Six Schools of Buddhism	Hossō, Ritsu, Kegon
	Heian Period (794-1192)	Esoteric Buddhism	Tendai, Shingon
	Kamakura Period (1185-1333)	Zen Buddhism	Rinzai, Sōtō
		Amidist Buddhism	Jōdo, Shin
		Nichiren Buddhism	Nichiren
	Edo Period (1603-1867)	Zen Buddhism	Obaku
	Meiji Period (1868-1912)	Autonomous schools of Buddhism	Ji, Yūzū-Nembutsu

Source: Own elaboration based on Dumoulin (1996), Griffis (2006), Nukariya (2005).

Confucianism

The term “Confucianism” literally means “the tradition and doctrine of literati or scholars” (Yao, 2001, p.54); but it is more than the values of a group of people since denotes a genealogy, a school, or a tradition of learning and thus, the interpretation of the Confucianism principles changes with time (Yao, 2001). Confucianism is a Chinese tradition that began around the 4th century B.C. with the teachings of Confucius. This tradition reflected the Chinese attitude toward life and world, i.e., the importance of the appropriate relationships between people (Nisbett, 2004). From China, Confucianism expanded to other Asian countries such as Japan (Yao, 2001).

In the mid 6th century A.B., Korean scholars introduced Confucian texts and teachings into Japan and from then, the history of Confucianism in this country has been marked both by a series of transformations to adapt it to the Japanese society, and by the syncretism with Shintō and Buddhism (Kitagawa, 1987; Yao, 2001). Japanese Confucians were interested in how apply the values, ideas and precepts of Confucianism to the social and political life of Japan, and they used Confucianism as a cultural way of both forming the Japanese ethical conscience and providing practical rules for the social conduct (Yao, 2001).

Unlike Buddhism, the influence of Confucianism on the Japanese culture was not important until the 13th century, when Neo-Confucianism arrived to Japan. Neo-Confucianism originated in China in the 10th century and introduced in Japan by Zen monks (Lanzaco, 2000; Tucker, 2013). As long as it was thought that Neo-Confucianism helped to understand Buddhism, the imperial household and Buddhist monasteries promoted this learning (Yao, 2001). Zen monks who travelled to China to study in great depth the Chán tradition also learned Neo-Confucian teachings and translated texts. During the 14th and 16th centuries, it was taught in the Zen monasteries that became centers for studying (Kitagawa, 1987). From the 17th century until the

mid-19th century, Neo-Confucianism became the official theology of the Tokugawa feudal regime (1603-1867) establishing the loyalty to the state and dividing population into a social structure of four classes under the noble class (Kitagawa, 1987; Lanzaco, 2000). Then, from 1968 until after the Second World War, the Confucian virtues to be a good citizen in family, society and the state were still being taught in the Japanese schools (Lanzaco, 2000).

Japanese Cultural Values in International Business Derived from Philosophical and Religious Traditions

Japanese society is not so homogeneous as usually is described since there are variations in terms of factors such as region, community size, urban or rural location, education, work, minority groups (Befu, 2001; Sugimoto, 2009). Although all Japanese people are not the same they share cultural values and accepted rules of conduct, and hence, some degree of homogeneity may lie on the social customs rather than ethnic, language or lifestyle. Being Japanese is not inborn but a lifelong enculturation process learning how to be a Japanese (Befu, 2001).

It is said that Western people say and act as they think and that Japanese people say and act as the group consider appropriate. Although there is not a unique culture in Japan, people conduct themselves in a similar way in every specific situation; this is because their shared cultural values define appropriate behaviour as the behaviour that is expected in every situation.

Thus, the research had tried to identify the specific Japanese cultural values that have an impact, directly or indirectly, on international business. I have called “Japanese Cultural Values in International Business” to the construct understood as “the symbiosis between the several philosophical and religious traditions that have been developed in the course of the Japan history and have moulded

the Japanese business mind-set" (Falero, 2006; Griffis, 2006; Izutsu, 1982; Nukariya, 2005; Suzuki, 2009; Zimmerman, 1987). The purpose was to show that certain characteristics of the Japanese way of doing business might be explained by specific Japanese cultural values that come from a combination of philosophical and religious traditions. These traditions are Shintō, Zen Buddhism and Confucianism since they are probably the traditions that have had a greater influence on the formation of Japanese business mind-set (Falero, 2006; Lanzaco, 2000; Suzuki, 2009; Yao, 2001). I suggested that, although not all Japanese business people are the same, they conduct themselves in the same way in every circumstance according to what is socially considered appropriate instead of following what they think individually.

When Buddhism was introduced to Japan in the 6th century, Shintō and Buddhist beliefs merged and there was no conflict between them. In turn, Confucianism and Buddhism were, always closely interrelated throughout Japanese history since the introduction of Confucianism in Japan came alongside the introduction of Zen Buddhism. This is the main reason why both many Japanese people do not make a clear distinction between these traditions, and it is difficult to assign with certainty the cultural values that come from each tradition.

Japanese Cultural Values in International Business Derived from Shintō

The Japanese Cultural Values in International Business that may come from the Shintō tradition are: the membership to the group and the cooperation inside the group, the importance of circumstances, and harmony with nature and between the members of the group.

The Membership to the Group and the Cooperation inside the Group

Shintō is interested in the present life, the worldly or practical, and the harmony in the relationship (Falero, 2006). It gives a great importance to the group or community (ie) and to its social role as the center around which work and life are organized since the individual exists as a member of a group (Stevens, 2008). Thus, tolerance, flexibility of mind, attitude of acceptance, cooperation between people and the harmony of all things are aspects of Shintō (Kawano, 2008; Ono, 2003), Shintō considers that good means the individual actions that are best for the community and evil the one that hurts it (Falero, 2006). This led to an ethic in which the meaning and value of every action depend on the circumstances, the purpose, the moment and the place. However, the individual behaviour should be polite and appropriate and conciliation and cooperation should be practiced (Ono, 2003). No action is good or bad by itself, but its value depends entirely on circumstances (Naumann, 1996), hence the importance of circumstances.

Harmony with Nature and between the Members of the Group

A Shintō belief is that people should respect the nature that surround them and sincerely appreciate all that nature offers (Iwatsuki, 2008; Kawano, 2008). Nature is the dwelling of kami (Stevens, 2008; Falero, 2006) and hence, shrines are generally located in natural environments. Besides, nature helps to human mind to take a break from the monotony of daily life and enter into the depth of the spiritual world of kami (Ono, 2003) since the beauty of the environment allows the faithful to feel a mystic sense of closeness to nature and the spiritual world (Ono, 2003).

Japanese Cultural Values in International Business Derived from Zen Buddhism

Zen Buddhism has had a significant impact on the development of the Japanese mentality since Zen has been the school of Buddhism more influential in shaping Japanese culture (Davis & Ikeno, 2002; Suzuki, 2009). Besides, Zen concepts constitute a great part of the Japanese business mindset and to know the concepts of Zen would help to deal with the Japanese way of doing business (De Mente, 2005). The most important aspects of Zen-Buddhism that may allow to understand its influence on the Japanese cultural values in business are: self-control of feelings and self-discipline, the importance of silence, all is changing and nothing is permanent, flexibility to adapt to changes, acceptance of the inevitable events and striving for perfection.

Self-Control of Feelings and Self-Discipline

Zen Buddhism is wholly based on meditation (zazen) which training requires self-control and self-discipline since it is necessary for the spiritual and mental training. Self-control means to be able to conceal the feelings, emotions and reactions toward a situation; it is how a Zen man behaves in a crisis situation, i.e., to keep a serene mind always, no matter what happens. Self-discipline signifies to pursue what one thinks is right despite temptations to abandon it. “Gaman” is a term of Zen Buddhism translated as “endurance, perseverance, patience, tolerance” meaning the characteristic of enduring by giving up something you want (i.e. to do one’s best in troubled times and to maintain self-control and discipline). *Tatemae* is the official or public face, the opinions and actions that are appropriate to the position and situation, and *Honne* is one’s true feelings or intentions. Self-control and self-discipline consist in keeping the personal feelings and interests separated

from what one knows it should be said in public because it is the appropriate one.

The Importance of Silence

As a Japanese proverb states: “Silence is golden” (“iwanu ga hana”), silence is important in Japan. Zen Buddhism has had a great influence on the Japanese view of silence, since Zen training intended to teach that truth cannot be described verbally but exists only in silence (Davis & Ikeno, 2002; Villalba, 2009). Although words are necessary to express concepts, Zen recognizes the limitations of words to articulate the reality that exists beyond them and hence, language prevents a deep understanding (Juniper, 2003; Suzuki, 2003). When trying to understand reality by means of words, the reality disappears; for that reason, Zen followers shut their mouths when they are plagued with questions (Suzuki, 2007).

All Is Changing and Nothing Is Permanent

Zen emphasizes the impermanence and transience of life (mujo) (Juniper, 2003). The understanding that there is nothing permanent or fixed, that all is changing and this changing reality is called experience (Suzuki, 2007; Villalba, 2009). The phenomena are mere transitory circumstances and reality is not more than a web of relationships that are always changing (Stevens, 2008). In Zen, words turn entirely senseless as soon as they are taken out of their original context, i.e., they are said in a unique situation of life that will never happen again (Izutsu, 1982).

Flexibility to Adapt to Changes

In Zen practice there is a saying: “The most wonderful mind is like water” because water is ever changing its shape to adapt to all kinds of environment. Thus, all thoughts that are generated within one’s own mind need to be adjusted to reality and this adjustment to the varying reality means to have flexibility. Avoiding the attachment allows

flexibility (i.e., to be able to change to adapt to new situations that will happen). One important teaching of Zen Buddhism is non-attachment since in a world of constant change it is necessary to let go of things and thoughts to adapt to new situations.

Acceptance of the Inevitable Events

Zen teaches that anything, even death, can be faced without fear through accepting its inevitability. Besides, the awareness that events cannot be controlled, but they are as they have to be induces to accept the facts such as they are (Suzuki, 2007).

The Striving for Perfection

Mastering technique or basic patterns by constant repetition is not enough but one must perfect and going beyond it with the purpose of doing with no-mind (mushin). In the mushin state thought and action occur at the same time. Personal striving for perfection that, although one knows may be not possible, remains a worthy goal to acquiring spiritual satisfaction; the greater the quality, the greater the satisfaction (Davis & Ikeno, 2002; De Mente, 2005).

Japanese Cultural Values in International Business Derived from Confucianism

The cultural values identified in literature that may come from the Confucianism tradition are: social hierarchy and respect for age; the importance of relationships; the importance of complying with social norms; and save the public face to keep harmony.

Social Hierarchy and Respect for Age

The vertical structure of the Japanese society was established and reinforced by the adoption of the Chinese concept of social hierarchy from Confucianism; since hierarchy allowed the proper relations among people and specified clearly the

responsibilities and obligations governing the relations between individuals (De Mente, 2005; Nisbett, 2004). Confucianism stressed respect for the elderly and deference to seniority and this provided the basis for the social hierarchy of the Japanese society (Nishiyama, 2000).

The importance of relationships. Confucianism has contributed to the formation of a social fabric in which the relationships are paramount (Yao, 2001) and it has had an impact on Japanese traditional culture in which individuals are considered in the context of their their social relationships (Lanzaco, 2000).

The Importance of Complying with Social Norms

One of the five Confucian norms or virtues is “LI” that is a Chinese term usually translated into English as ritual, rite, ceremony, customs, etiquette, code of moral lives or social norms. In Confucianism the meaning of “LI” extends from codified customs and rituals, understood as the acts of everyday life, to ethical senses for thinking, feeling and acting (Yao, 2001). “LI” gives every person a specific position in family, community and society and this position allow each one to evaluate what one should or should not do in a particular circumstance and hence, to use the appropriate words and actions. Besides, acting in accordance with “LI” is a pleasant personal experience that is necessary for cultivating the character and expressing feelings and emotions properly (Yao, 2001).

Save the Public Face to Keep Harmony

According to Confucianism, conflict arises from the relation between one person and others and hence, harmony is the result of finding an appropriate way of adapting one's own needs to the requirements of others (Yao, 2001). One must start with the personal cultivation of one's own character to avoid offending or harming the public image of others.

Table 3. Summary of the Japanese cultural values in international business

Shintō	Membership to the group and cooperation inside the group. The importance of circumstances. Harmony with nature and between the members of the group.
Zen Buddhism	Self-control of feelings and self-discipline. The importance of silence. All is changing and nothing is permanent. Flexibility to adapt to changes. Acceptance of the inevitable events. Striving for perfection.
Confucianism	Social hierarchy and respect for age. The importance of relationships. The importance of complying with social norms. Save the public face to keep harmony.

Source: Own elaboration from literature.

Finally, Table 3 shows the summary of the Japanese cultural values that are relevant in international business and coming from the three philosophical and religious traditions analysed. It should be remembered that these traditions mixed throughout the history of Japan and hence, some of these cultural values are shared, such as harmony, and others may be result of syncretism, such as vertical hierarchy. Therefore in this work the construct “Japanese Cultural Values in International Business” has been used as a combination of all of them.

THE IMPORTANCE OF UNDERSTANDING THE JAPANESE CULTURAL TRADITIONS IN INTERNATIONAL BUSINESS

Japanese society is governed by a complex of subtle social norms for interpersonal relationships that are, to a certain extent, based on traditional cultural values. Therefore, business people doing business in Japan need to have a good understanding of the way Japanese do business. The traditional values and traits that have guided the Japanese people over the years remain in the way in which most of adult people act in public (De Mente, 2006). Dealing effectively with Japanese

business people continues to require in-depth knowledge of the meaning of some acts reflecting their underlying cultural values and social customs (Nishiyama, 2000).

This work focused on three important characteristics of the Japanese business style that appear frequently in literature. These are: the importance of the interpersonal relationship, the importance of avoiding direct confrontation and disputes, and the meaning of the written contract.

The Interpersonal Relationship in Japan

The interpersonal relationship in Japan (ningen kankei) is an important requisite to do business in Japan since Japanese businesses are done in a very personal way (De Mente, 2006; Nishiyama, 2000). It means the overall state of the relationship of each person to another (Zimmerman, 1987) with the purpose of promoting the objectives of those involved (Doi, 2001; Maruyama, 2008) and hence, in Japan is the key to everything (Hall & Reed, 1990). Ningen kankei involves mutual reciprocity and Japanese people believe that cultivating the interpersonal relationship is essential to continue a successful business relationship (Nishiyama, 2000; Okada, 2000). Establishing this interpersonal relationship between the parts is important

because the Japanese fell more comfortable doing business with people who are friends (Nishiyama, 2000; March, 1990). Japanese business people spend a lot of time and money in establishing an interpersonal relationship before doing business (De Mente, 2006) since they need to get to know foreign partners as much as possible for being able to understand them and predict their reactions (Hall & Reed, 1990; Nishiyama, 2000; Zimmerman 1987). Japanese business people trust more on those with whom they socialize and know than on those that simply are looking to do business (Hodgetts & Luthans, 2003). Japanese business people that have not participate in international business activities feel uneasy in dealing with foreigners since, as they are not able to understand their way of acting, they cannot anticipate their reactions and be confident in dealing with them (De Mente, 2006).

Japanese people always want to stay in constant personal contact with their business partners, and for this purpose they prefer to make personal visits as frequently as possible in order to get to know the individuals in charge and to obtain information regarding the in progress business in an informal way (Nishiyama, 2000). The interpersonal relationships are based on the individual's relative status or social position in the hierarchy. Thus, characteristics such as age, gender, education, work or contacts are the base for distinction in status and Japanese business people still feel disturbed when status differences are ignored in interpersonal interactions (Nishiyama, 2000). This fact affects to the way in which they behaves in international since the relationship between two individuals of upper and lower status is the basis of the structural principle of Japanese society (Nakane, 1973).

In Japan, businesses relations are established through the appropriate connections and the introduction (shokai) by a common friend or third party (shokai-sha) and hence, initial contact are not usually done directly (De Mente, 2006; March, 1990). After hour meetings are an important part

of the Japanese business since allow them to express their personal feelings about the business (honne) instead of the appropriate words in public (tatemae). These informal gatherings outside the work environment include social activities, such as dinners, drinks or karaoke, and allow a personal approach between partners, because Japanese behave differently at workplace to the way they do outside of work and they think it occurs the same with non-japanese partners (De Mente, 2006; Nishiyama, 2000). Informal meetings are conducted before and during formal negotiations, as well as during the subsequent implementation of the joint business strategy because in Japan, business relationships are still personal and the possible conflicts are resolved in a friendly through mutual consultation (hanashiai) and non-public way instead of litigations (Nishiyama, 2000).

The Importance of Avoiding Direct Confrontation and Disputes

Harmony (wa), understood as the avoidance of direct confrontations, is an important cultural value of Japanese society (Nishiyama, 2000) and in public situations they appreciate harmony more than to be frank, understood as saying the true feelings and opinions. Avoiding personal confrontations and saving the appearances in public is priority in the vertical hierarchy of the Japanese society (De Mente, 2006) and hence, they prefer to resolve conflicts through an indirect channel, such as the informal meetings, mediation (chūkai) or arbitration (chūsai) (Nishiyama, 2000).

Japanese people do not like to express their thoughts in a straightforward manner for fear to hurt the other's feelings and break the harmony in the relationships. Thus, for the purpose of getting along well with the others, they are usually careful about what they say and how they say it (tatemae) (Davis & Ikeno, 2002), avoid saying "no" (Nishiyama, 2000) and use less direct expressions such as "it is difficult" (Takada & Lampkin, 1997).

The vagueness in Japanese communication is complemented by the gestural communication, which may be puzzling for non-Japanese people (Midooka, 1990; Tada, 2007). Therefore, in business it is not only important the meaning of words or how they are said, because also non-verbal communication should be well interpreted (Gudykunst & Nishida, 1990; Ishii, 1973, 1988; Ito, 2000). Verbal communications is not so important in Japanese culture, however nonverbal communication is very significant in interpersonal communication. As in Japanese communication the shared cultural values are the context in which verbal messages have to be understood, they need not be completed (Befu, 2001; Hall, 1973).

Cultural values determine the way in which silence is understood and, in Japan, silence (*chinmoku*) is more a communication skill than a void between words, since what is important and what is true frequently is communicated through silence, not in verbal communication. Silence has been essential in creating harmony since it allows to avoid direct confrontation (Davis & Ikeno, 2002) and to prevent from offending others (March, 1990). However, Japanese people may be in silence not only for avoiding conflict but also for expressing disagreement with others, since they do not usually express their feelings directly. Therefore, the Japanese silence may express a broad variety of meanings depending on each particular situation, and this fact may cause confusion to non-Japanese people because they likely do not share the same cultural values that allow them to interpret the meaning of silence in every situation (Davis & Ikeno, 2002).

The Japanese are more concerned with self-control than control others or the situation (Nisbett, 2004) and thus, they have been taught since child to not reveal what they really want to say and to contain emotions for purpose of maintaining interpersonal harmony (Nishiyama, 2000). To save face is a deeply rooted cultural value in Japanese society and people rarely lose their tempers in

public, unless one of the parties holds significantly higher status.

In Japan, the appropriate behaviour depends on the circumstances (De Mente, 2005) and it is established culturally for being used in each public situation (March, 1990). Thus, behaving according what is expected is a virtue in Japan (Zimmerman, 1987). Business meetings are a public situation in which it is necessary to say what it should be said according to the commonly accepted social norms (*tatemae*) (Davis & Ikeno, 2002), and personal feelings (*honne*) are something private that it should not be expressed in public (Zimmerman, 1987).

In international business, the interpersonal conflicts may be result of not having the same cultural values about what is appropriate or right, and this fact is critical when judging sincerity and trustworthiness (Nishiyama, 2000). The habit of behaving according to what is socially acceptable (*tatemae*) is an essential element to obtain social acceptance, which is the base of group harmony (March, 1990). The Japanese are concerned about their relationship with their group members (Hall & Reed, 1990). In the Japanese society the mutual observation, evaluation and approval are continuous (Yamagishi, 1988; Zimmerman, 1987) and this allows a social control that is based on the individual shame before the judgment of society (*haji*) (Nishiyama, 2000). This form of social control supports the development of trust, since punishments such as social void have a punitive social effect (Hagen & Choe, 1997). In business it should be remembered that transfer the blame onto the other side is only a way of saving face (Nishiyama, 2000).

Japanese business people are oriented to the group to which they belong, and this attitude of being concerned about the group's interests still remains in schools and at workplaces in Japan (Nishiyama, 2000). Japanese make a clear distinction between members of the group (*uchi*) and outsiders (*soto*). In public, Japanese business people try to maintain an attitude of support

Table 4. Three characteristics of the Japanese business style

1. The importance of the interpersonal relationship.
2. The importance of avoiding direct confrontations and disputes.
3. The meaning of the written contract.

Fuente: Own elaboration.

toward the group, even when personal thoughts disagree with group values. Therefore, members of the same group usually act in a similar way because, to a certain extent, people feel reassured when they act in the same way; but also because it protects them from being shunned from the rest of the group (Davis & Ikeno, 2002).

The Meaning of the Written Contract

Written contracts are not in accord with the Japanese way of doing and although they use written contracts, especially with non-Japanese enterprises, it is usually considered that if interpersonal trust is lacking then the mere possession of a signed paper will not rescue the situation (Zimmerman, 1987). The term contract refers to a legal medium that allow to describe in written words the achieved agreement helping to comply with the terms of it, especially when there is no trust between the parties (Rousseau, Sitkin, Burt, & Camerer, 1998). However, Japanese business people have a different approach to written contracts and to their implementation (Nishiyama, 2000). The traditional attitude toward the written contracts has been to highlight the business relationship that has been created. It is more a tangible recognition of the existing compromise between the parties than a precise and detailed instrument that spell out the development of the achieve agreement (March, 1990).

Japanese business people consider written contracts as the mere formalization of a binding personal agreement to work together and hence, it loses its validity if circumstances change and its conditions become unfavourable to any party

(Nisbett, 2004; Zimmerman, 1987). Most of the Japanese do not think that a signed contract is a set of detailed and fixed clauses that have to comply exactly but they consider that rights and duties under the signed contract are not definite (Nisbett, 2004; Nishiyama, 2000). Therefore, the written contract does not mean the end of negotiations since Japanese business people believe in changing circumstances (*jijō henkō*) and the specific items are always open to negotiate again, even just after being signed (March, 1990).

Japanese do not follow strictly the signed contract during the implementation, but they adapt to the changes that occur with the purpose of achieving outcomes mutually satisfactory and maintaining a long term relationship (*nagai tsukiai*). This is based on the belief that both parties to a contract should help each other when problems arise because this help can be returned in the course of the long-term relationship (Nishiyama, 2000). Therefore, trust does not rest on the written contract but on the established interpersonal relationship and the compromise of a long-term business relationship. As a consequence of the different meanings of contracts coming from dissimilar cultural values, non-Japanese business people usually face more problems with their Japanese partners during the implementation than before the contract has been signed. This may be due to the daily contact and constant change of decisions needed during the implementation (De Mente, 2006).

Lastly, Table 4 shows the three characteristics of the Japanese business style that was identified in literature and explained previously.

CONCLUSION

This chapter have focused on two aspects of a broader research that aimed to explain the Japanese way of acting in international business through their cultural values and to show that these Japanese specific cultural values come from their philosophical and religious traditions.

The previous research focused on the unique characteristics of Japan's cultural values, social norms and business customs, an interesting further research would study the idiosyncratic cultural values in international business of other Asian countries, such as the Southeast Asian countries. Besides, only Japanese firms located in Tokyo have been studied, and hence it would be relevant to analyze firms located in other places of Japan as well.

I have presented the specific cultural values coming from three Japanese philosophical and cultural traditions (i.e. Shintō, Zen Buddhism, and Confucianism). I have examined the influence of cultural values in international business on the importance of the interpersonal relationship, the importance of avoiding direct confrontations and disputes, and the meaning of the written contract. I have emphasized the importance of understanding in depth these three aspects of the Japanese International Business for doing business successfully in Japan.

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ADDITIONAL READING

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KEY TERMS AND DEFINITIONS

Cultural Traditions: The values, norms, attitudes or ways of doing something that have existed for a long time among a particular group or people, passing on from generation to generation.

Cultural Values: The representation of the implicitly or explicitly shared ideas and beliefs about what is good, right, and desirable in a society and what allow people of a society to know what is appropriate in every situation.

Japanese Cultural Values in International Business: The construct understood in this research as the symbiosis between the several philosophical and religious traditions that they have been developed in the course of the Japanese history and have moulded the Japanese business mind-set.

The Importance of Avoiding Direct Confrontation and Disputes: In public situations Japanese people appreciate harmony more than to be frank, understood as saying the true feelings and opinions. Avoiding personal confrontations and saving the appearances in public is priority and hence, they prefer to resolve conflicts through an indirect channel.

The Interpersonal Relationship in Japan:

The overall state of the relationship of each person to another with the purpose of promoting the objectives of those involved, and hence it is an important requisite to do business since Japanese businesses are done in a very personal way.

The Japanese Meaning of Written Contracts:

A written contract is more a tangible recognition of the existing compromise between the parties than a precise and detailed instrument that spell out the development of the achieved agreement.

Chapter 6

Potential and Pitfalls of Ethnic Marketing in Financial Services in Belgium: An Interdisciplinary Research Agenda

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ABSTRACT

Access to financial services constitutes an important prerequisite for participation in increasingly financialized societies and economies; however, financial exclusion remains commonplace among socio-economically weaker groups. In this chapter, the authors examine the role financial institutions could play in bridging such socio-ethnic divides in the context of Brussels as a commercial opportunity arises for institutions that are willing and able to cater, for instance through Islamic modes of finance, to relatively underserved Muslim communities. The chapter integrates and mirrors ethnic marketing literature and recent debates in geography about financial inclusion to discuss the obvious tensions that further financialization of economically weaker and culturally marginalized groups in society brings along. Doing so, the authors identify key societal trends at the interface of ethnic marketing and the propagation of “alternative” forms of finance and conclude with suggestions for an interdisciplinary research agenda.

INTRODUCTION

Due to ongoing globalization processes, leading to increased mobility and migration, many Western-European societies have become increasingly diverse. In Belgium increased ethnic diversity is a

consequence of earlier migration rounds of guest workers during the post-War Fordist-Keynesian era. The last decades this has been reflected in Belgian population figures with a steady increase of foreign nationalities encompassing a rise from 880,812 (9%) in January 1990 up to 1,195,122

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foreigners (10,8%) in January 2013. Like in other capitals and metropolitan areas throughout Europe, concentrations of foreign nationalities particularly occur in urban areas: no less than 33,1% of the population of the capital region of Brussels has a foreign nationality (Belgian Federal Government, January 2013). This growing heterogeneity manifests itself in many domains of daily life, ranging from law, social services, tourism and health care and encompasses both opportunities and challenges.

For states and their governments and public institutions, an increasingly diverse society calls for apt integration policies as well as aligned communication strategies to enhance participation of all citizens. Hence, the way ethnic diversity in societies is framed is intertwined with the overall political agenda as well as shifts in immigration and integration policies (e.g., Lewis & Neal, 2005). These range from multiculturalism with an emphasis on equal opportunities and cultural diversity to monoculturalism building on either assimilationist or nationalistic sentiments, both harvesting divergent outcomes (e.g., Castells, 2004). In addition, it must be noted that new patterns of super-diversity pose significant challenges for both policy and research (Vertovec, 2007). Moreover, the notion of a spatially coinciding territory, nation and (ethnic) identity is being fundamentally challenged (Appadurai, 1996). This frustrates monocultural identities -be it secular or other- as the basis for the nation. The disconnection is even more obvious at the level of cities, where nation-building always appears artificial as opposed to the often multicultural life-world of metropolitan inhabitants.

From a business perspective diversity manifests itself within the client base as well as human resources and the workforce. Although business organization textbooks (like Cox, 1996) often point at the benefits of diversity, such as increased creativity and problem-solving skills (e.g., McLeod, Lobel, & Cox, 1996) and team performance at the work floor (Ely & Thomas, 2001), these benefits

are often overshadowed by the potential threats to commercial strategies. As a result, we rapidly end up with claims that some market segments cannot be accessed because of the “cultural indoctrination” of the underlying populace (a tendency that will be more likely in market-based economies) or that this is a risky undertaking due to a possible loss of mainstream customers when reaching out to minorities.

Being unsatisfied with such sort of economic explanations, this chapter aims to place the debate around ethnic marketing in the context of how ethnic and non-ethnic (e.g. religious) identity is or can be socially constructed by a stronger involvement in the development or “co-production” and marketing of “ethnic products”. Diverse urban areas are particularly interesting starting points for practitioners as most urbanites experience intercultural contacts on a daily base. Due to continuous encounters with various cultural dispositions new world views are shaped and consumer behaviors are constructed in alliance with emerging multiple identities. Cities are therefore highly relevant interdisciplinary research scales for scholars in human geography, sociology, media studies, linguistics, social and (cross-)cultural psychology, economy and so on. It is against this canvas of intertwined socio-cultural relationships, we propose a tentative research agenda that departs from the consumer perspective by examining how access to certain elementary products or services and subsequent consumer practices can be a crucial step towards minority identity formation and serve as a stepping-stone towards social and economic participation in society at large.

The current debate around the introduction of “Islamic” interest-free financial products in Belgium will serve as the material basis for our discussion. Arguably, one of the elementary services enabling participation is access to banking and finance facilities: labor market access requires a bank account, while housing market access and business start-ups depend on affordable credit access and therefore a (reliable) credit history.

Importantly, a growing trend in the Muslim World is to consider Shari'a-compliant financial services as the cornerstone of Muslim identity or even an Islamic economy (Bassens, Derudder, & Witlox, 2011). Mainstream textbook marketing/business strategies here are apparently frustrated and hence need to be amended or radically redesigned to cope with the new circumstances. Ethnic marketing strategies may of course be altruistic, but in the end those strategies are to result in commercially viable and profitable solutions. This almost necessarily produces a tension between commercial and social interests, which are not easily reconciled in the current highly competitive post-crisis conjuncture. In the field of financial services, limited or inadequate access to credit and investment products can stymie social and economic integration of often socio-economically weaker ethnic minorities (Hernández, 2009). At the same time the further "subprime" incorporation and hence growing dependence of these groups on major financial institutions may do more harm than good, and in the end (further) marginalize the weakest within those groups (Wyly, Moos, Hammel, & Kabahizi, 2009). A key question here is whether ethnically marketed financial services, such as Islamic finance, would be a socially-responsible way of further integrating ethnic minorities into society and economy.

Before we delve into the specific case of marketing financial services to Muslim communities in Brussels as an exemplar for marketing to vulnerable consumers and as a means to empowerment, the next sections will describe key developments in ethnic marketing literature as well as current geographies in Brussels as our main research scale. Firstly we aim to come a better understanding of ethnic diversity as a challenge to marketing in general and impediments to successful ethnic marketing strategies in particular. Secondly, we tend to grasp the problem of financial exclusion in increasingly financialized economies when applied to the Brussels' context. Our final objective is to distill a tentative interdisciplinary research

agenda that contributes to a better understanding of how ethnic marketing strategies in the financial sector (e.g., via Islamic finance) can foster financial inclusion and hence social participation or serve as vessels for further financialization.

LESSONS LEARNED FROM ETHNIC MARKETING LITERATURE

Most marketing studies focus on product consumption differences between different ethnic groups or nations. However, the multicultural character of marketplaces is not necessarily an outcome of ethnic diversity per se. More broadly defined, multicultural marketplaces can involve consumers from diverse ethnic groups, religious groups, nationalities; people living in particular geographic regions; or groups that share common physical/mental disabilities, beliefs, values, attitudes or way of life (Friedman, Lopez-Pumarejo, Friedman, 2007). "Culture" is hereby considered as the product of social (self-) identification processes on the basis of moldable personal or group traits, while consumer preferences (e.g. having "good taste") can be considered part of distinction processes between those socially-constructed cultural groups (cf. Bourdieu, 1984). Because consumers often negotiate their identities and subsequent behaviours within multiple cultures and subcultures simultaneously (Kipnis, Broderick & Demangeot, 2014; Askegaard, Arnould & Kjeldgaard, 2005) identification and acculturation processes need to be examined more closely (cf. Poulis, Poulis & Yamin, 2013) in order to understand contemporary consumption practices and develop successful strategies in an increasingly global and multicultural marketing context (e.g., Hui, Laroche & Kim, 2006) in which no such thing as "*the ethnic consumer*" exists (Koeman, Stesmans & Jaubin, 2011; Koeman, 2013).

In this section we first review the predominantly North-American and Australian ethnic marketing literature to come to a better understanding of

the concepts of ethnicity, ethnic identity and acculturation as intertwined and often challenging concepts for marketing practice. Second, a brief description of the Belgian context serves to grasp the relatively slow adaptation of ethnic marketing strategies by Belgian organizations.

The Challenging Concept of Ethnicity as a Key Factor

As many textbooks consider ethnicity to be a relevant causal construct for consumer behavior (Berkman, Sirgy & Lindquist, 1997; Kotler, 1997; Usunier, 2013) targeted marketing based on the identification of ethnic segments may be tempting (Hui, Kim, Laroche, & Joy, 1992) in times of increasing cultural diversity. However, implementing viable ethnic marketing techniques often involves a highly demanding balancing task in correctly discovering both differences and similarities (i.e., overlap) among groups (Pires & Stanton, 2000). A major difficulty here lies in the definition of ethnicity and the consequent criteria used for attributing consumers to ethnic markets separate from a mainstream market (Cui & Choudhury, 1998). Such criteria need to be carefully examined before the feasibility of any kind of (ethnic) marketing strategy can be ascertained. When reviewing the literature, generally two perspectives in the definition of ethnicity can be distinguished, which will briefly be discussed to introduce what is ‘ethnic’ about ethnic marketing.

When an objectivist stance is taken, ethnicity is predominantly attributed to specific individuals/groups by genetic features, which tend to be rather fixed. For instance consumers are assumed to have a shared common culture based on their origin or birth place. Population figures (like Census data) tend to be based on such criteria. However, such definitions of ethnic groups and therefore majority and minority figures have not been consistent over time and vary between nations, making inferences from population figures

on occurring trends and longitudinal and cross-national comparisons rather difficult.

Consequently, scholars have started to examine other potential factors that might delineate ethnic groups, such as language or religion. Particularly language is often used as a different marker to map linguistic communities within and across national borders, but also as a proxy for acculturation, assuming that a higher language proficiency in the dominant language equals a higher level of acculturation. This is echoed in the prominence given to language adoption in European citizenship education programs and integration courses for immigrants (Goodman, 2010; Jacobs & Rea, 2007). For Belgium language is a particularly complex and sensitive issue as the country consists of three language communities (Dutch/Flemish-speaking, Francophone and German-speaking) which only partly coincide with the borders of the three constitutional regions (Flanders, Wallonia, and Brussels). This means there is no strong ‘lingua franca’ or dominant language at the national level, as is the case in most English-speaking countries where most of the ethnic marketing literature stems from (except for the Quebecois region in Canada). Moreover, the dominance of each language varies across specific regions or even neighborhoods like in bilingual/multilingual parts of Brussels, with non-national languages such as English and Arabic taking a growing stake in the urban linguistic landscape (resp. 30% and 18% of contact language, cf. Taalbarometer, 2013). However, language indicators can only scratch the surface of ethnic identities in plural societies. Laroche, Kim, Hui, & Tomiuk (1998) have for instance shown by surveying ethnic minority groups in Canada that even those minorities who only make use of the English language in daily life, still maintained their ethnic minority self-labeling. This means that although both language use/exposure and ethnic self-labeling are interrelated and common ethnicity indicators, language use turns out to be significantly more amenable to acculturation than ethnic self-labeling (see formative and reflective ethnicity

indicators below). Religion, and more particularly faith-based practices, are an important dimension of ethnic identity in Belgium, even though those very practices in many cases tend to go beyond individual ethnic groups per se. For example, being a good Muslim can be ethnically salient for Turkish-Belgians and Moroccan-Belgians, but that will likely integrate those individuals into broader meaningful groups of Muslims in Belgium. This could have implications for marketing strategies: references to ethnicity based on language or the home culture should perhaps be underplayed when targeting Muslims in Belgian society, as reference to responsibilities and identities towards the much more abstract *ummah* (that is the global community of Muslims) may be more effective.

Although determining consumer ethnicity by means of a single indicator - whether this is nationality, ethnicity, language or religion - has been questioned it persists as a common, but often erroneous segmentation practice to capture (cross- and intra-)cultural variances (De Mooij, 2013). Doing so, marketers draw boundaries around delineated ethnic groups, while complex and dynamic processes of identification within the individual are overlooked. Consequently, the belief that personality characteristics and cultural values coincide with ethnic and/or national boundaries has remained unchallenged, although actual and perceived personality traits (nested within value systems) have gained prominence (e.g., Chan & Rossiter, 1996). More recently, social and cross-cultural psychology scholars have gathered invaluable empirical evidence on the importance of ethnic identification and mutual processes of acculturation in which ethnicity is predominantly perceived as a complex social construct (e.g., Cole, 2009). Although implicit acculturation measures provide a different view, for instance on emotional concordance (Deleersnyder, Mesquita & Kim, 2011), we follow the broader definitions of acculturation which envisage ethnicity as a social construct in which religion plays a central, but varying role.

These shifts have invigorated scholars to take a more subjectivist approach, which allows for a more dynamic and permeable boundary between mainstream and ethnic segments, as ethnicity is not so much determined 'a priori' along the 'objective' criteria mentioned above, but by self-labeling and self-identification by individuals and groups themselves. Even though members of ethnic minority groups often preserve the language, customs, values, and social views of their ethnic groups, the degree of affiliation may vary within the minority culture (Green, 1999). Whereas some minorities have been fully assimilated to their host society, others may refrain from intercultural contact and attach greater importance to their homeland and cultural heritage; According to acculturation theory this generally leads to four succinct acculturation outcomes ranging from marginalization and separation to integration and assimilation (Berry, 1997).

Laroche and colleagues (1997) have also emphasized the relevance of acculturation by characterizing ethnicity by a rather stable ethnic identity on the one hand and the process of acculturation on the other hand. Here, ethnic identity refers to an individual's natural identification with an ethnic group which tends to remain stable regardless the occurrence of extended and enduring contacts with the majority group (Laroche *et al.*, 1997: 102). Nevertheless, ethnic identity is treated as an endogenous variable that varies across individuals, time and contexts shaped by socio-demographic and societal factors. When ethnic identity is relatively stable, acculturation becomes utterly important for the definition of ethnicity in order to delineate different consumer segments (Pires & Stanton, 2000).

Over the past decades consumer culture scholars (e.g., Peñaloza, 1994; Hui, Laroche & Kim, 2006; Pires & Stanton, 2005) have therefore started to tackle the complexity of cultural variances in consumer behavior by both quantitative and qualitative examinations of ethnic identifications and acculturation processes as key determinants

for consumer behavior patterns. These studies explain consumer behaviors as an outcome of a) a gradual separation from the ethnic group; b) a perpetuation of the ethnic group as a separate cultural entity and/or; c) cross-acculturation due to contact between several ethnic minority groups (see Arnould and Thompson (2005) for an overview). In line with consumer culture studies, Pires and Stanton (2000), provide a dynamic model for the identification of ethnic markets, which builds on the intertwined concepts of ethnic origin, ethnic identity and ethnic intensity and incorporates the complexity of acculturation processes as well. In this view, ethnic origin is considered immutable, whereas ethnic identity refers to the individual or group affiliation. The latter is multidimensional and mutable, as it may involve simultaneous identification with different non-competing groups. Ethnic intensity adds a third layer to the model reflecting the intensity associated with coincidental/overlapping cultural values, which is deemed to both reflect and influence the possible learning and adoption of other groups' values. The greater the overlap in values between individuals the greater the group's ethnic intensity, as ethnic intensity feeds the maintenance of ethnic-group values and group bonding, which in turn makes up group strength. This dynamic model that does not depart from static home and host cultures implies that:

Cultural transition may, in some instances, generate synergistic behaviour within the group that strengthens the group bond, counteracts acculturation and increases marketing relevance. (Pires & Stanton, 2000, p. 51).

So, a first challenge to ethnic marketing is the detection of individual and group differences in consumer patterns that vary from one individual to another, which requires the examination of endogenous variables such as acculturation that vary across individuals. This individual approach contrasts with general practices which depart from

critical mass and economies of scale. Moreover, the recognition that ethnic identity is not fixed, as both host cultures and ethnic groups may be changing in different directions, has made some practitioners distance themselves from ethnicity as a key factor, resulting in alternative marketing terminologies like diversity marketing and urban marketing (e.g., Römer, 2002).

In Search of the Perfect Match

Taking a consumer perspective, the symbolic meaning of goods cannot be overlooked, as some products and services turn out to more than a utility or arbitrary consumer good than others. Strong consumer preferences can be discerned when consumption of a particular product or brand ties in to identity performance (cf. Goffman, 1956). Elchardus and Glorieux (2002) have scrutinized several sociological trends in society that have contributed to "the symbolic society" in which consumers interact. They argue that traditions and former distinctions by social class or convictions are dissolving and (consumer) behavior is increasingly guided by the meaning we attribute to individual choices, tastes, knowledge and skills. In line with this Zukin points at that such material and symbolic changes are particularly present in cities, which have shifted from landscapes of production to landscapes of consumption (Zukin, 1998). When consumption is considered a social construction and part of the construction of cultural identities, windows of opportunities are opened for ethnic groups to make use of conspicuous consumption and to actively contribute to the construction of subcultures by co-creation (cf. Wilmott, 2010). For now, responses associated with cultural identity particularly become salient when a mismatch between consumer expectations or knowledge and marketplace requirements occurs (Broderick et al., 2011). When product consumption or a lifestyle is a significant function of ethnic origin it can be considered as a behavioral trait that is deeply ingrained in the minority group culture, which is

Table 1. A typology of consumption based on the two ethnicity indicators

		Reflective Ethnicity Indicator?	
		Yes	No
Formative Ethnicity Indicator?	Yes	Cultural incorporation or cultural transmutation	Cultural shift
	No	Cultural resistance	Non-cultural product

(Adapted from Hui, Laroche & Kim, 2006: p. 57).

less likely to be affected by acculturation. However, not all products and lifestyles are equally affected by ethnic origin and/or acculturation processes.

The typology of consumption offered by Hui, Laroche and Kim (2006) demonstrates how such variances may impact the chances of successfully introducing a product from one cultural group to another (see Table 1): When product consumption or a lifestyle dimension is a function of the reflective ethnicity indicator (self-labeling) only, it can be labeled as a ‘cultural resistant’ one that is less likely to alter due to continuous contact with the majority group. When the consumption of a product is a function of the formative ethnicity indicator only a cultural shift may occur in line with acculturation theory (cfr. Berry, 1990). But, although minority group members may shift their consumption or lifestyle patterns toward that of the host group, full assimilation is rather unlikely. When the consumption of a product or a lifestyle dimension is a function of both the reflective and formative ethnic identity indicators, it can either lead to cultural incorporation or cultural transmutation of certain lifestyles. ‘Cultural incorporation’ refers to a behavioral pattern situated somewhere in-between the two anchors defined by majority and minority culture (also known as ‘hybridization’), whereas ‘cultural transmutation’ involves what others have called ‘ethnic affirmation’ or ‘ethnic overshooting’ (Triandis et al., 1986) as a way to establish new (sub)cultural identities. The model offered by Hui, Laroche, and Kim (2006) is particularly relevant for marketers, as it offers a framework to pinpoint the products/services that belong to the ‘cultural shift’ category, which

involves products and lifestyles that are more likely to appeal to various cultural groups and gain profits, whereas this is less likely for ‘cultural resistant’ products.

Taking a corporate point of view, companies are quite hesitant to market directly to ethnic minorities out of fear this would alienate their current mainstream customers and jeopardize future customer base (Feig, 2004). This is particularly the case for mainstream products advertised (inter)nationally by global agencies adhering to universal values, whereas locally designed strategies would allow more diversification via geographically embedded interventions, such as the choice local media, adjustments in language, service encounters with culturally diverse personnel et cetera. However, it is generally assumed that tailor-made solutions involve higher costs (Gentry, Jun, & Tansuhaj, 1995) again framing diversity as a threat rather than an opportunity. This discourse is fed by a vast amount of cross-national studies in international marketing (Achrol & Kotler, 2012) that consider the balance between standardization versus adjustment as a key challenge (see e.g., De Mooij, 2013). For instance, research attention has been paid to the simultaneous and sometimes adverse global and local influences on consumer behavior, proposing the concept of ‘glocalisation’ as a possible alternative to this dichotomy. However, as global and local become increasingly intertwined, the concept of glocalisation may have become somewhat outdated by the culturally diverse realities that are shaped by transnational on- and offline social networks and easily transcend former borders.

From the perspective of advertising scholars, most studies advocate congruity between consumer values and advertised values (e.g., Cui, Yang, Wang & Liu, 2012; Okazaki & Mueller, 2007 for an overview). Studies focusing on the effects of ethnic characters on both mainstream and ethnic consumers point out that ethnic characters in ads are favorably evaluated by ethnic minorities, but deemed not salient (thus irrelevant) to mainstream consumers (e.g., Appiah & Liu, 2009; Elias, Appiah & Gong, 2011). Besides character race, also other cultural cues like symbols, flags, and value representations have been subject of similar studies (e.g., Appiah, 2001) emphasizing the need to provide identification opportunities to create positive relationships with customers.

EXPLORING THE POTENTIAL OF ETHNIC MARKETING IN THE BELGIAN CONTEXT

The theoretical concepts and frameworks described above serve as a starting point for the examination of ethnic marketing opportunities in the Belgian context, although the predominantly (North) American studies on particular ethnic groups cannot easily be translated to the distinct socio-economic and ethnic-cultural makeup of migrant populations in Belgium (see e.g., Federal Migration Centre, 2014). In Belgium, where population figures confirm a steady increase in cultural diversity, ethnic marketing practices and research are only slowly gaining ground (Koeman, Jaubin, & Stesmans, 2010) and limited empirical work has been done so far to study cultural variances between ethnic groups. So, before we delve into the opportunities and pitfalls of ethnic marketing, we will briefly describe diversity in the Belgian context.

It has taken many years to acknowledge the fact that Belgian society had become an immigration society and public policy and the population are still coming to terms with its current ethnic-

cultural diversity as a result of the migration flows in contemporary history. Although the Belgian economy can be characterized as a knowledge economy with a strong reliance on international trade, benefitting from intercultural contacts and agreements in daily business negotiations, relatively limited efforts have been taken to make use of similar intercultural competences to reach out to a culturally diverse market. This general lack of interest in ethnic marketing (see also Koeman, Jaubin, & Stesmans, 2010) can be explained by various factors.

From a migration history point of view, investments in tailored marketing and communication efforts were simply not considered or deemed unnecessary due to long-standing belief in the temporary residency of guest workers that made up the largest ethnic minority groups at Belgian soil. After several migration waves and the permanent settlement of these minorities took shape, the predominantly cultural assimilationist policies and discourses continued to hamper ethnicity-driven strategies.

Regarding public policy, the Migration Integration Policy Index (Mipex, 2007) rates the Belgian and Dutch integration policies among most permissive ones in Europe, based on equal legal rights and responsibilities for all residents, as well as support for specific needs necessary to establish equal opportunities. However, it must be noted that migration policies in the Netherlands and Flanders have evolved from a rather positive view on the relationship between socio-cultural background and socio-economic position in the 1980s towards a more negative view in the mid-1990s. Since the 1990s policymakers have started to consider cultural background (other than mainstream) as an indicator of sustained socio-economic disadvantage (Duyvedak, Pels & Rijkschroef, 2005). Such shifts tend to impede the implementation of ethnic marketing strategies in Belgium which is exacerbated by the limited and negative representations of ethnicity in media discourses.

As in most European studies (e.g., d'Haenens & Ogan, 2007; O'Poole, 2002) also Belgian media monitoring studies have repeatedly shown that ethnic minorities are predominantly negatively represented with common associations to crime, violence and terrorism (e.g., d'Haenens & Koeman, 2005; ter Wal, d'Haenens, & Koeman, 2005; Vandenberghe, d'Haenens, & Van Gorp, 2013). Particularly the association of Islam and terrorism has increased significantly since 9/11, which can be attributed to the tendency of political actors, such as culturalists, to use incidents and terrorist attacks to add further drama to their discourses (Uitermark, 2012). Although the amount and tone of the news do not always reflect developments in the real world (Vliegenthart, 2007) the emphasis on perceived threats tends to support popular claims on the failure of the multicultural society, which overcasts the potential benefits of diversity.

This is particularly the case in the economic sphere, whereas the public sector is more prone to respectful co-existence and social inclusion. The Flemish government has for instance expressed a strong engagement to weaken prejudices and diminish negative sentiments, both towards ethnic minorities and other deprived groups in society (Pact2020) in order to enable active and shared citizenship which is based on intercultural contact and mutual respect. Particularly, the policies deployed to integrate minorities in the labor market can be considered as an important driving force, however almost half of the Flemish population feels migrants are taking advantage of social security (SCV, 2011), which stems with the relatively low labor market participation and relatively high unemployment rate among citizens from non-EU descent.

Although governmental organizations are generally disposed to adopt an inclusive perspective based on ethical or economic considerations, business organizations seem less inclined to address ethnic minorities as a separate (or partly integrated) segment. Most of this reluctance draws back to the limited direct experience organizations have with

ethnic minorities as well as the limited knowledge and data available on this relatively 'new' market, leading them towards judgments that are based on the rather negative media discourses that impede the internalization of beliefs regarding equal opportunities. As a result business decisions often have to be made on 'fingerspitzengefühl', which further cultivates the perception of ethnic marketing as a perilous journey (Koeman, Stesmans, & Jaubin, 2010). Research and investments are mandatory, however never prioritized due to the vicious circle of non-believers and fear of losing market shares. However, the current trend towards more ethical entrepreneurship and corporate social responsibility (CSR) might offer a way to break this circle.

Following recent international guidelines a growing number of companies includes the notion of social responsibility and/or sustainability in their mission statement and policy, and many organizations have developed initiatives to perform a social, ethical, and environmental role that goes beyond short-term relationships with stakeholders (Carroll, 1979; Cornelissen, 2004; Dyllick & Hockerts, 2002; Montiel, 2008; Van Marrewijk, 2003). An analysis of 241 European corporate websites shows for instance that diversity management is being promoted as a new philosophy of dealing with people's differences in a way that it can bring strategic advantage and enhance individual careers. Although variety exists in the way the business case for diversity is framed and companies can find themselves in different stages of diversity management, online corporate disclosures emphasize the benefits of diversity in terms of better performance, added stakeholder value, enhanced corporate reputation and a better environment (Singh & Point, 2004). Since the 1990s also marketers have discovered CSR as a means for product differentiation, and brand equity development (Gatten, 1991), however it has not been linked to ethnic marketing so far. In the following sections we therefore explore the potential relevance of CSR strategies in taking up

responsibilities in achieving more financial and social inclusion among sensitive groups. According to Macchiette & Roy (1994, p. 58) the term “sensitive group”, is not necessarily ‘coloured’ (or ethnically defined) as it refers to a wider:

... segment of the population generally perceived as being disadvantaged, vulnerable, discriminated against, or involved in social issues which consequently influence their consumer behavior...the degree of sensitivity is affected by the extent of media attention generated from consumer advocates, regulatory agencies, support groups, and the public at large.

Such relatively loose definitions allow for temporality as well as variances in sensitivity due to the impact of discourses which tend to shift in accordance with specific key events in news reporting. For instance, LGBTs have recently attracted renewed interest after gay bashing incidents in Brussels and ongoing protests and debates on same-sex marriages just across the French border. When addressing sensitive groups in marketing, regardless this is based on sexuality, physical (dis)abilities, poverty rates or ethnicity, concerns regarding political correctness pop up in the process of establishing social responsibility policies. A focus on vulnerable consumers has already proven useful in the British energy sector, where Ofgem has made a positive difference in designing and delivering their energy services to sensitive groups (Ofgem, July 2013). Baker and Mason (2012) suggest that such strategies contribute to consumer resilience by providing access to the best possible deal in the marketplace and increasing consumers' ability to draw upon resources. While progress has been made at attempting to understand diverse groups of customers, more effort needs to be directed at those groups that are at risk of experiencing multicultural market vulnerability (Broderick et al., 2011). In the following section we will sketch the potential of consumer vulnerability strategies in the financial sector.

FINANCIAL INCLUSION THROUGH “ETHNIC” MODES OF FINANCE

Financial Inclusion and/ or Financialization?

Financial products are a bit the odd one out, since they represent an inalienable right or at least a growing requirement to participate in increasingly financialized societies (Bayulgen, 2013). From a retail perspective, especially affordable credit is necessary to secure access to private housing markets or to secure funding for the start-up of small and medium sized enterprises (SME). Personal financial development has been described as stages along the “credit path” where one moves from being a transactor, to become a saver, borrower, and ultimately an owner. Although such pathways hardly ever reflect these stages (Mahon & Northrup, 2006), financial inclusion - as adequate and affordable access to financial services is called - can be considered a crucial stepping stone towards social and economic participation. However, the motivations for inclusion and its outcomes are not without debate. Three discussions of immediate interest here:

1. The transformations in finance that have produced financial exclusion and inclusion;
2. The discussion about the qualification of inclusion strategies a progressive or a way of maintaining or deepening existing socio-economic divides; and
3. The way financial inclusion/exclusion dynamics correlate with ethnic divides in society.

First, dynamics of financial inclusion/exclusion should be understood in the context of a financial sector that is globalizing, rescaling (leading to bigger, transnational financial institutions), and has become prone to intense pressure from shareholders through financial markets (Dymski, 2005). These trends have led to a general “flight

to safety” towards less-risky suburbanized middle class retail consumers and a concomitant retreat of conventional financial institutions from poor urban neighborhoods (Appleyard, 2011). The urban poor are indeed in many contexts known to be redlined, that is excluded based on their geographical location in impoverished neighborhoods (Hernandez, 2009). Here the creditworthiness of individuals and households is further exacerbated by their geographical location. Access to mortgages becomes erratic or very expensive because of risk-pricing mechanisms, leading to a vicious circle of further neighborhood decay in absence of private investment. In the US the risks associated with investing in such neighborhoods have been notoriously taken on by subprime lenders, which was one of the crucial elements in the chain of events that triggered the global financial crisis (Aalbers, 2012). However, as reported in the literature discussing evolutions in the UK and US, subprime inclusion through mainstream channels has been increasingly complemented by the emergence of alternative financial institutions. Community Development Finance Institutions (CDFIs) such as credit unions, loan funds, micro-finance, mutual guarantee societies, and social banks have settled in previously excluded areas as early as during the 1960s, and with growing depth since the 1990s when globalization of finance rapidly accelerated (Appleyard, 2011; Marshall, 2004).

Second, there has been a growing debate about how to qualify the move towards offering financial services to a broader public as either a matter of (benign) financial inclusion and progressive universalism or the more problematic process of widening and deepening financialization (Prabhakar, 2013). As can be immediately appreciated, having secure and affordable access to basic financial services and credit are laudable, even though their provision has often emerged in response to clear government legislation, at least in the UK and the US (Appleyard, 2011). These services obviously and rightfully cut loose the socio-economically marginalized from their dependence on formal or

informal subprime lenders. They no longer draw solely on formal institutions such as mainstream banks and mortgage companies that do subprime lending. Neither do they need informal channels, such as pawnbrokers, doorstep-lenders, payday loan providers, etc. However, at the same time, to include the urban poor in financial circuits, may reflect a shift whereby hampering social redistributive mechanisms that earmark the retreating welfare state are replaced by financialized private solutions. Urban poverty is then no longer to be a societal or even political issue, but is reduced to the technicalities of providing adequate services to previously “underserved” customers. Actual fiscal redistribution through the state or moves to raise labor market access and wage and income levels to battle poverty and socio-economic exclusion may be traded for strategies where the urban poor need to take responsibility to become financial subjects as a way to secure participation in financialized societies (Langley, 2008). Such forms of asset-based welfare therefore need to be scrutinized critically as to their implicit motivations.

Third, while (subprime) financial inclusion strategies are not targeted at specific ethnic groups per se, the urban poor often have a minority ethnic background. This makes financial inclusion also a matter of how ethnic minorities have access to mainstream services, and by extension how they can or want to participate in wider society. US mortgage markets, for instance, are notorious for being racially and geographically segmented, given that Blacks and Hispanics were much more likely to be targeted by subprime lenders, all else being equal (Wyly, Moos, Hammel, & Kabahizi, 2009). This is an example of mainstreaming that is clearly to the disadvantage of the ethnic minorities involved. However, over the past few decades, especially in the UK and the US, financial institutions have started to target specific ethnically-defined niches or separate financial institutions have been founded that do not necessarily have an ethnic profile, but do cater to the (religious) preferences of ethnic minorities (Chiu,

Newberger, & Paulson, 2005; Pollard & Samers, 2007; 2013). Previous studies on ethnic banking in the USA (Shanmuganathan, Stone, & Foss, 2004) indicate that ethnic niches can be an attractive opportunity for financial institutions in various countries, when focusing on the faith-based sensitivities of (parts of) the represented ethnic groups. Islamic banking and finance, which are set up to honor the Shari'a principles of no interest, no contractual uncertainty, and no speculation in financial transactions, are a case in point. Both in the US and the UK, Islamic financial services are being offered either through Islamic windows of mainstream banks (e.g. HSBC with its subsidiary Amanah) or full-fledged Islamic banks (e.g. Islamic Bank of Britain in the UK; L.A. Riba in the US) (Bassens Derudder, & Witlox, 2010). Although they specifically target Muslims in non-Muslim countries, these faith-based initiatives seldom constitute "real" alternatives that go beyond the mainstream in the technical sense. In theory, Islamic economics aims to subordinate finance to the "real economy" through a system of profit and loss sharing. The rationale is to prevent the unequal distribution of risk in society between creditors (e.g. a financial institution) and debtors (e.g. an entrepreneur) that is in place in an interest-based system. However, in practice, common retail products such as Islamic mortgages or SME finance often draw on intricate legal adaptations to existing products to formally circumvent the ban on interest (El Gamal, 2006). In many cases, it appears that the qualifier "Islamic" is a means to access yet un(der)serviced market segments through specifically targeted and designed products. Islamic finance, especially when offered in non-Muslim countries, cannot be considered the cornerstone of a true alternative financial system. Yet, it could be a means to financially include and empower Muslim minorities in these contexts. The dynamics and difficulties are explored in the next paragraphs.

Structural Origins of Economic Exclusion of Ethnic Minorities in Brussels

The dynamics of ethnic financial inclusion/exclusion of Muslim communities are perhaps most visible in Brussels, which is by far the most international city in Belgium (BISA, 2014): One third of the Brussels' population has a foreign nationality, with large representations of neighboring countries, and EU-27 states in Southern and Eastern Europe. Among non-EU-27 states, especially Moroccans and Turkish populations are strongly represented, not at the level of the Brussels Capital Region itself (resp. 3.5% and 1%), but more evidently at the level of individual municipalities. Especially in northwestern municipalities in the so-called "poor crescent" of Brussels, Moroccan and Turkish nationalities respectively represent 5-7% and 3-4% of the municipal population. In both cases, however, these figures largely underestimate the actual population with a Moroccan-Belgian or Turkish-Belgian ethnicity – that is second or third generation migrants – who hold the Belgian nationality and who in those municipalities constitute a much larger share of the population (up to 50% according to some studies, cf. ABPM, 2003)

Turks and Moroccans originally came to Belgium as "guest workers" following bilateral labor agreements in 1960s (Kanmaz, 2002). The migrant population in continental Europe most often included blue-collar workers with lower income and education level, and showing lower levels of economic, social, and political integration (Visser, 2007). The first generation of Turkish and Moroccan migrants came to Belgium as temporary workers and still recognized Turkey and Morocco as their homelands. Their consumption and investment patterns were limited by low income levels and the planned temporary status of their stay. The second and third generation of migrants generally holds the Belgian nationality, but at the same time lack opportunities to integrate into the Brussels' (or Belgian) society. This produces a huge contrast

between the overwhelming supply of merchandise in the city on the one hand, and the second and third generations' limited spending power and weak social position of their parents on the other (Timmerman, Vanderwaeren, & Crul, 2003).

The structural reasons for limited integration are inadequate access of these former guest workers and their descendants to the Brussels' labor market and the consequent lock-in of these communities in impoverished neighborhoods (see Kesteloot, 2000 for a more extensive discussion). In the first decades of the post-war period, the Fordist-Keynesian welfare state generated social mobility of Belgian working classes and a period of intense suburbanization. Migrant workers from Southern Europe and later from Morocco and Turkey were recruited in industry and manufacturing sectors which were facing labor shortages. As of the 1970s, however, culminating during the oil shock of 1973, this Fordist-Keynesian regime of accumulation increasingly came under stress. In Brussels, this heralded the decline of manufacturing jobs and a shift towards a post-Fordist service-based economy that was increasingly oriented towards the European and global scale. This produced a spatial mismatch on the labor market, whereby new high-skilled jobs were increasingly filled by commuters from the Flanders and Walloon regions, and expat workers (e.g., French, Germans, and Americans). Former guest workers generally lacked the education and skills for those jobs and hence started to face exclusion from the Brussels' labor market.

This labor-market mismatch was exacerbated by a dynamic of residential lock-in. Many guest workers originally ended up in the so-called residual renting sector, constituted by an old stock of housing in which no investments have been made by the owners, and which in many cases are rented out to poor migrant communities. Initially, this dovetailed with the ambitions of the guest workers, as they intended to maximize remittances and limit the actual investment in housing in Brussels. Many guest workers, however, decided to stay in

Belgium, reunite with their families, just at a time when access to the labor market was faltering. This hampered any prospect of social mobility, locking-in these workers and the following generations in those areas in the city where housing prices were still somewhat affordable (i.e. "the poor crescent"), while being pushed away from those areas in the East of Brussels, where high-income expat groups were settling. The end-result is an intensely polarized urban fabric, marked by socio-spatial segregation, often among ethnic lines (Corijn & Vloeberghs, 2009).

Islamic Finance as a Means for Financial Inclusion in Brussels?

The dual dynamic of labor market exclusion and residential lock-in has large implications for the ways in which current second and third generation Moroccan-Belgian and Turkish-Belgian communities have access to financial services. Although no thorough academic study of financial exclusion or redlining practices towards these groups has been performed to this date, it can be assumed that, from the perspective of financial institutions, investment in households and SMEs of these ethnic groups in Brussels is considered high-risk and access to credit for these groups erratic. In many cases, having a secure job is a prerequisite to obtain a mortgage, while higher income-levels offer a way of negotiating competitive interest-rates. In such a context, first evidence is in place that illustrates that economic activities are being organized at the level of these ethnic communities themselves (Kesteloot & Meert, 1999; Bassens & Meeus, 2010). Although varying policies and programs of European cities have been installed to promote ethnic entrepreneurship as part of local economic development and integration strategy for migrants and although the contribution of ethnic entrepreneurial activities in Europe has been steadily increasing over the last decade, the potential of ethnic entrepreneurship is often overlooked (Rath & Eurofound, 2011). First, ethnic

entrepreneurs contribute to the economic growth of their local area, often rejuvenate neglected crafts and trades, and participate increasingly in the provision of higher value-added services. Second, they offer additional services and products to immigrants and the host population, and create an important bridge to global markets in many cities. Third, ethnic entrepreneurs can create employment for themselves, but also increasingly for immigrants and the native population. In sum, ethnic entrepreneurship can be instrumental in reducing unemployment and helping to tackle illegal employment and it can provide access to employment for the more vulnerable groups in society (e.g., women or youth from specific ethnic groups). However, ethnic businesses are often also part of an urban survival strategy in absence of formal employment, the informality of which is likely to deter investments or loans by formal financial institutions.

Beyond these socio-economic drivers of financial exclusion, which has led to a substantial withdrawal of investments from these neighborhoods, also the ethnically and faith-based financial attitudes of the communities themselves may play a role in explaining the (limited) use of formal modes of finance. A study by the Association of Belgian Professional Muslims (ABPM, 2003), which draws on a questionnaire among ca. 1000 Muslims in the 19 Brussels' municipalities, showed that all respondents indicated to hold current and savings accounts at conventional financial institutions. However, only 11.4% reported to hold a mortgage. This is again indicative of the comparatively low levels of home ownership among that group (i.e. 35% vs. 78% among Belgian majority group), but may also point at alternative modes of home finance. According to the ABPM study, almost all respondents reported to have interest in Islamic financial products. Such results should of course be handled with care, as it is very unlikely that a Muslim would indeed indicate the contrary. Nevertheless, recent evolutions in the Brussels' Muslim civil society, have again indicate a clear

wish to establish Islamic modes of finance. The expression of interest in Islamic finance, therefor, cannot be disentangled from the politics of inclusion of Muslim "minorities" in the Brussels and Belgian society on their own ethnically-defined terms.

While Islamic finance could be a vehicle of achieving financial inclusion of underserviced Muslim communities, in practice, many barriers remain, five of which are of particular acuteness. First, somewhat at odds with what Muslim interest groups would claim, in many non-Muslim majority countries knowledge about Islamic finance remains limited. In Belgium, the central concepts of Shari'a-compliant finance (except perhaps the notion that interest is *haram*), and financial literacy in terms of the products themselves (e.g. how does an Islamic mortgage work?) is largely absent. Second, even when that kind of literacy is in place, the concept of "darura" (literally "necessity") allows Muslims to resort to unlawful practices if no other solutions exist. It is of course a point of debate whether it is "necessary" to become a home-owner in the first place, but people that decide to get an interest-bearing mortgage can refer to the notion of darura, hence lowering demand for Islamic alternatives. Third, it can be expected that Muslim communities would in the first instance be net borrowers, even though (micro-)finance-schemes would lead to profitable business, the surplus of which could be reinvested in the system. For now, the generally weaker socio-economic status of Muslim communities in Brussels lowers the feasibility of investment products (e.g. Islamic funds). For example, in 2007, Fortis Bank launched a halal investment fund, where Belgian Muslims could place their investments, but the initiative remained unsuccessful. Part of the failure can explained by the inability of Fortis to pour existing the surplus among Muslims in Belgium in viable Shari'a-compliant projects in these communities themselves. Instead Fortis structured the fund to mimic the Dow Jones Islamic Index, which contains stocks and shares that do not violate the

Shari'a (cf. Maurer, 2003), but complemented it with regular stock options, which are generally considered unacceptable (Naughton & Naughton, 2000). The content of the fund was soon revealed and deterred further investment from Muslim communities. Fourth, the actual rolling out of Islamic financial institutions and products like has happened in the UK, is hampered by a number of specific regulatory challenges. Foremost the fact that Islamic banks would not give interest would technically exclude them from banking status, in which case other regulatory frameworks apply. Further, the specificities of Islamic mortgages involve a double sale of the real estate. While the technicalities of which are beyond the scope of this chapter, it is important to appreciate that this would imply double stamp duties for those clients, and a general loss of competitiveness of those mortgages as compared to conventional ones. Moreover, the absence of interest makes that Islamic mortgage owners cannot benefit from tax deduction schemes currently promoting home ownership via regular mortgages. Fifth, and finally, the potential resolution of such legal challenges ultimately depend on political decisions or non-decision. In the current increasingly conservative Belgian political climate explicit choices towards the enablement of Shari'a-related initiatives are not likely to be without a challenge. The down-playing of Islamic finance as a specific ethnic or religious mode of finance may be a way of connecting its development to a broader demand among Belgian majority groups for ethical and socially-responsible modes of finance. Such dialectics are the topic of the next section.

TOWARDS AN INTERDISCIPLINARY RESEARCH AGENDA

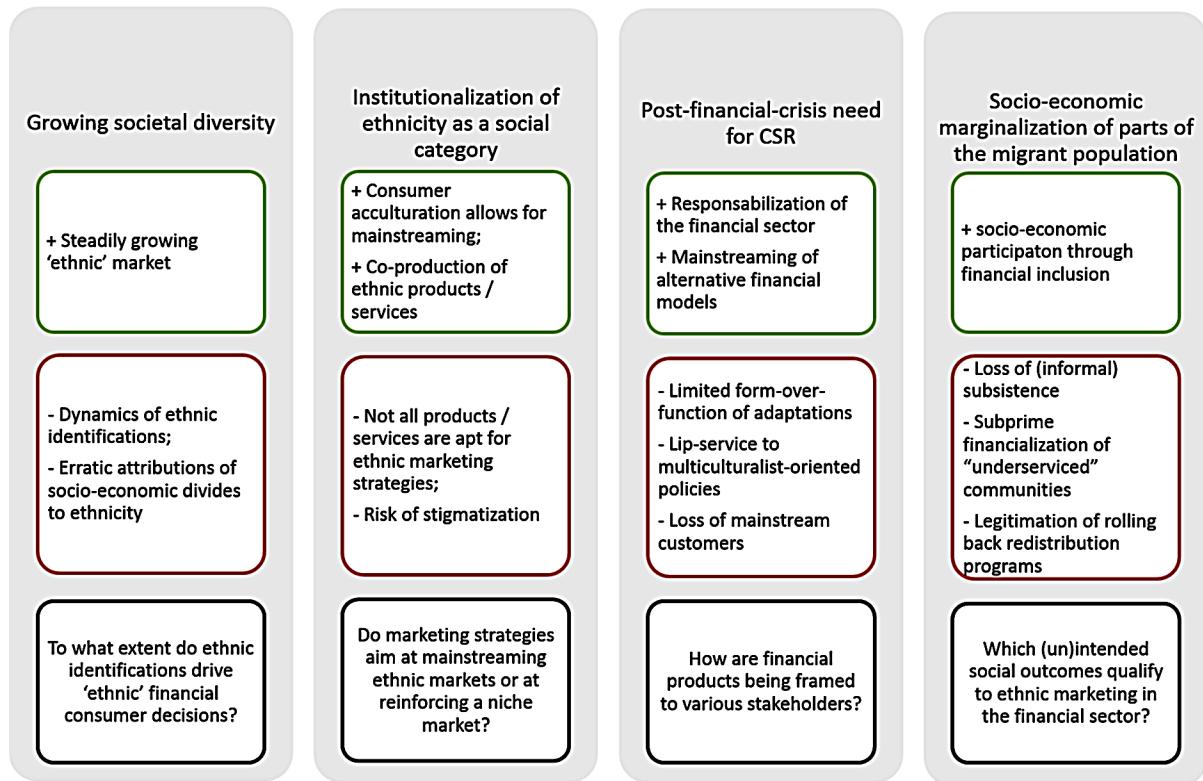
Reviewing both literatures in marketing and geography has provided us with two distinct but complementary lenses through which we can examine how financial institutions could maneuver through the

current post-financial crisis conjuncture, which is marked by important socio-demographic shifts (in terms of ethnic cultural diversity and welfare) as well as a growing demand for socially responsible financial products. Throughout this chapter we have touched upon several opportunities and pitfalls related to marketing financial services to ethnic consumers which are manifest at either individual, group and/or societal levels. Table 1 summarizes some (not all) of the potentials and pitfalls structured by four societal trends leading to distinct research questions that require further interdisciplinary research. By drawing on the debate on the potential introduction of Islamic finance in Belgium, we propose a tentative research agenda to analyze the tension between the ethnic marketing of financial products and the actual social and economic integration of ethnic minorities through such financial inclusion strategies.

First, growing ethnic diversity in many societies almost makes the relevance of ethnic marketing appear as commonsensical at first instance. However, as we have hoped to pinpoint above, the mere diverse ethnic background of a population is not a sufficient condition to make ethnic marketing strategies a success. A first pitfall concerns the fact that ethnic categories are not a static given that can be known and acted upon unilaterally by commercial entities. Instead, ethnic identities are actively molded and adapted to changing material and social circumstances. Given the primordiality of financial services, pressure to adopt mainstream interest-bearing products may be considered necessary and hence excusable for Muslims in non-Muslim societies. However, should such services be on offer they could imply a behavioral shift, if quality and affordability of the products are guaranteed? Further, a second pitfall is to conflate consumer preferences that are defined along ethnic lines with socio-economic divides that can, but not necessarily have to, coincide with ethnic fault lines. In popular perception Muslim minorities are often negatively represented, leading to an underestimation of

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Figure 1. A tentative research agenda on ethnic marketing of financial services



the economic and financial capabilities of these groups in “mainstream” business circles, whereas second and third generation migrants increasingly include large groups of socially mobile middle classes. Successful ethnic marketing can only succeed if we have a better understanding of the “ethnic consumer”, even though such ideal-type is bound not to exist. As cultural diversity not only implies differences in language and lifestyle, but also in temperament, perceptions and values inherent to consumer decisions, a sound knowledge of the consumer is mandatory to successful product development, positioning strategy and the execution of promotional appeals, such as in advertising (Macchiette, & Roy, 1994, p. 62). In the case of financial services, the desire for Islamic finance in Belgium is predominantly given in by faith-based consumer preferences, making it prone to marketing strategies that go beyond particular

culturally defined ethnicities based on (ancestral) countries of origin. Yet, this should not exclude the relevance of other sources of morality that lie behind such preferences (cf. Schweder, Much, Mahapatra, & Park, 1997). Minorities generally also show a strong sense of community as a part of their subsistence strategy, while younger generations may have incorporated forms of morality based on principles that guard personal autonomy. These paths need to be further explored to discover relevant segmentation criteria as well as drivers behind financial consumer decisions that delineate ‘ethnic’ consumers in the financial sector.

Second, even in the context of socio-cultural policies that take an integrationist stance vis-à-vis migrants where the projected outcome is the assimilation of minorities, the further institutionalization of diversity in many European societies suggest a prominent reality that businesses will

have to address in one way or the other. As has been highlighted above, ethnic marketing strategies are likely to have potential if they delineate product areas that speak to certain domains of ethnic identity that are susceptible to mainstreaming practices. Ethnic groups employing social acculturation strategies may be most likely to relate to products that fall in the cultural shift category, but although consumer acculturation studies have examined typical products such as food (Cleveland, Laroche, Pons, & Kastoun, 2009) and clothing (Ko, Taylor, Sung, Lee, Wagner, Navarro & Wang, 2012), financial products have only received a scarce amount of attention so far. Further examination of the current adoption of conventional interest-bearing financial products by Muslims could be exemplar when taking into account that acculturation should be regarded as a dynamic process, and that especially second and third generation migrants often strongly desire not to shed parts of what they perceive to be heritage culture. Islamic finance is an example of how new forms of identification are sought to be produced, even if Islamic economics (or finance) is close to absent in their home country (e.g. Morocco, Turkey). To market successfully here is to understand the need to actively construct a new religiously-defined “traditional” identity by these groups, whereby the ethnic’ status of the product is co-produced by the consumers (cf. Willmott, 2010) in their search for a place in the host society. The latter strategy of co-production is important to overcome two sorts of pitfalls: First, it serves as an immediate heuristic of knowing which product/preference combination are salient and prone to ethnic strategies. Second, co-production is perhaps the best strategy to avoid the problem of stigmatization (in the case of lower socio-economic audiences) or even paternalism (in the case of higher-income groups) that could occur when large financial institutions suddenly apply what could be interpreted by clients as “affirmative action” through targeted ethnic strategies. A fruitful starting point for research in this area is to study

banks’ current responses to diversity challenges. We should track how financial institutions adjust or standardize their products and what kind of communication strategies they deploy. For financial institutions, it is not only a matter of knowing the particularities of the ethnic consumers, but also a matter of knowing how financial products should be marketed at key moments in the lives of the target-group (e.g., cohabitation or marriage, home purchase, business-startup, pension plan). Like Acchiette & Roy argued in their guidelines for proactive integration of social responsibility into marketing programs, research, sensitivity and commitment from all levels in the marketing team are likely to be required. Knowing how and on what moral principles ethnic communities currently organize essential services throughout a household’s financial lifespan again seem mandatory here. Moving to the actual sale of the service ethnic strategies may require the use of tailored neighborhood offices with a diverse employee setting and language adaptation. But more fundamentally, truly Islamic banking models would require more than cosmetic changes and demand deeper organizational adaptations and/or CSR-reports: applying profit and loss sharing models hinges on in-depth, up-to-date monitoring of the projects invested in by the financial institution to avoid information asymmetries. Especially in poorer ethnic neighborhoods the high monitoring cost and higher default risk could even be a hurdle that is too high to overcome.

Yet, a third trend involves the growing demand for corporate social responsibility by consumers, which has accelerated over the past few years with rising customer awareness and organization. In the field of financial services, demands for CSR have augmented in the post-Lehman era, although less than one could have predicted. Even though the organization financial system itself is not fundamentally challenged (or challenged to no avail), financial institutions experience a growing demand for ethical, green, and more generally socially-responsible financial products. When

looking at their societal vision and economic rationale where equality and redistribution figure prominently, it can be appreciated that faith-based modes of finance such as Islamic finance share many commonalities with “mainstream” demands for CSR of the financial sector. Ethnic marketing could thus be considered as part and parcel of a growing responsibilization of the financial sector that has lost most of its credibility. Moreover, if “alternative” modes of finance gain ground and prove successful, that could be the start of mainstreaming the alternative: niches could then be more than a stepping stone towards conventional services, but become an example of best practice to be mimicked in other segments. The mechanism of profit and loss sharing in particular seems relevant as it could dovetail with either formal or informal cooperative and collective finance mechanisms (e.g., crowdfunding, cooperative banks). Of course, the above would entail a substantial change in at least parts of the financial system, which will not be easily achieved. First, current Islamic finance initiatives in practice often include mere formalistic adaptations of mainstream products to be Shari'a-compliant in name. Such forms of Shari'a arbitrage cannot be confused, of course, with a shift in the organization and rationale of the financial system. Amendments often merely serve to repackage and tailor products for a new set of customers while de facto continuing business-as-usual. Second, we should not confuse marketing discourses of multiculturalism, which support the rolling-out of ethnic markets, with real shifts in political attitudes towards the acceptance of a diverse population. The acclaimed multiculturalism embodied by ethnic plurality in consumption and service provision may be no more than lip-service to such ideals that are endorsed as long as no real fiscal transfer or change in personal lifestyle is required. A final pitfall lies where the success of ethnic marketing starts to eat into established mainstream markets, in particular if ethnic products are marketed by mainstream banks. Ethnic marketing implies guaranteeing

that the interests of the existing client base are not frustrated by venturing into new markets. This is as much an issue of ensuring that practices in new markets limit additional risks and costs as it is of deploying narratives that instill confidence in the existing customer base. Research is needed about how ethnic financial products are being framed by financial institutions in the context of broader societal demands for CSR and taking into account the reserves held by mainstream customers. To what extent do financial institutions highlight the particularities of the new target group (e.g., framing services a means for social empowerment)? Or do they insert those particularistic visions into a broader corporate mission defined in universalistic terms (e.g., offering affordable, credible, and socially-responsible financial products to all Belgian citizens)? Depending on the stakeholders addressed, internal and external corporate communication strategies may vary in the chosen frames.

Fourth and finally, in spite of decades of integration policy, many European cities, like Brussels increasingly host socio-economically marginalized ethnic minorities, even though this status cannot be extrapolated straightforwardly to the entire migrant population as often occurs in popular perception. The successes of socially mobile migrants is unfortunately often offset by the social and spatial lock-in of many others (cf. Kesteloot, 2000). The potential of ethnic marketing of financial services in this context mainly draws on providing affordable forms of credit to socio-economically weaker (and financially excluded) migrants on their own (faith-based) terms. This is relevant in the area of household credit where affordable (Islamic or other) mortgages could break the lock-in in impoverished inner-city neighborhoods that have been characterized by decades of divestment. Also tailored credit and consultancy services to start-up ethnic business can be considered paramount. Rolling-out such ethnic markets, however, does not come without a number of issues: First, the formalization of

finance may dissolve earlier informal and non-market based forms of finance in those ethnic communities, which have acted as a survival strategy, but whose reciprocal nature may also have been a corner-stone of community-building. Second, learning from the experiences in US mortgage markets, we should scrutinize whether financial inclusion does not occur in a “subprime” way, as banks offset higher credit risks with higher credit costs (especially if costly profit and loss sharing modes of finance are involved), substituting financial dependence on formal institutions for informal modes of predatory lending. Third, we should be wary not to confuse the provision of ethnic financial products on commercial grounds, with redistributive policies that wish to obtain social and economic integration of the commercially targeted ethnic groups. The rolling-out of ethnic markets and eventual financial inclusion, may hence serve as a legitimization of actual state withdrawal, while policies shift from fiscal redistribution to a growing role of credit allocation through (financial) market mechanisms. Again, research is needed, here pertaining to the outcomes of the introduction of ethnically marketed financial products. Does the ethnic strategy actually foster social and economic participation or is financial inclusion *sensu strictu* the only outcome? Do ethnic modes of finance boost ethnic entrepreneurship? Do they allow social mobility? Or do new modes of financing accommodate positive psychological outcomes by offering alternative consumer identifications? It is the responsibility of both academics and financial institutions to join their forces to address these questions in order to accommodate ethnic communities with viable solutions to achieve social and economic integration on their own terms. As we have hoped to illustrate the debate on how to marry viable business activity with social inclusion and responsibility can greatly benefit from an interdisciplinary dialogue, which, in the current absence of concrete answers, serves as a powerful heuristic tool to identify specific challenges.

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KEY TERMS AND DEFINITIONS

Diversity: Recognition and acceptance of individual differences along dimensions of race, ethnicity, genders, sexual orientation, socio-economic status, age, physical abilities, religious beliefs, political beliefs, or other ideologies.

Ethnic Marketing: A particular type of marketing that caters to segments that are char-

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acterized by ethnic-cultural distinctions and involves adjustments in product propositions and/or communication efforts (e.g., including ethnic media in media plans, developing multilingual advertisements or implementing other features) aligned to the targeted group.

Ethnic Minorities: Groups within a larger population that have been attributed with distinct norms and traditions from the mainstream due to their ethnic origins.

Financial Inclusion: The objective to offer financial services to all by including groups and areas previously excluded from access to financial institutions and their products.

Financialization: The growing relevance of financial motives, financial markets and financial institutions in the operation of domestic and international economies affecting households, firms and governments.

Interdisciplinary Research: A mode of research by individual researchers or research teams that integrates theories, methodologies, techniques and data from several bodies of knowledge to solve research questions that demand solutions beyond one discipline to become sustainable.

Islamic Finance: Faith-based services in banking, finance and insurance aimed at Shari'a compliance, which implies the denouncement of *riba* (i.e. interest), *gharar* (i.e. uncertainty in contracts), *maysir* (i.e. speculation), and investment in *haram* categories (e.g. alcohol, pornography, weaponry).

Socio-Economic Divides: Socio-spatial segregation, especially in urban areas, on the basis of education, professional activities, and income level of households.

Chapter 7

The Socializing Role of Expatriate Online Platforms

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ABSTRACT

This chapter discusses the role of Information and Communication Technologies (ICTs) in expatriates' secondary socialization into new consumption environments. On the basis of the qualitative study of a question and answer platform directed at expatriates in Brussels, this chapter differentiates between market orientation and socialization practices online. It shows how processes of market simplification, market guidance, and market manipulation co-exist both in expatriates' orientation and socialization in the new consumption context. The findings of this study firstly provide insights into the consequences of those online interactions for nationalism, where digital tools may in fact reduce expatriates' cosmopolitanism. Secondly, the study shows collaborative knowledge construction on those platforms creates new forms of market adaptation.

1. INTRODUCTION

In a world where digitalization and globalization are major buzzwords directing public and academic discourse, questions of national belonging, and of individuals' socialization into particular cultures become ever more complex. This is particularly true for migrants, whether immigrants, refugees, expatriates, or international students, crossing contexts and cultures even more routinely than other individuals. Although mobile for very different reasons, and with quite unequal opportunities, these population groups all find themselves in a context foreign to them, requir-

ing a second period of socialization (Berger & Luckmann, 1966), which in the case of migration is also referred to as acculturation (Berry, 2008).

Nowadays, this acculturation takes place to a large extent through consumer acculturation (Peñaloza, 1994). Indeed, with the rise of consumer culture as major constituent of modern societies (Sassatelli, 2007), affiliation to particular cultures is often expressed through the display of consumption practices associated with those cultures (Firat, 1995). Appadurai (1990) for instance highlights the major role played by interactions between movement of people (ethnoscapes), economic exchanges (finanscapes), and flows of information (mediascapes) in global contexts, which are

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only exacerbated by digital technologies. An understanding of global economic prosperity needs hence to pass through an appreciation of the way in which the development of digital technologies changes migrants' consumption practices in a context characterized by global availability of goods and services.

Previous research has already investigated the relationship between digitalization and consumption on the one hand, and on the other, migrants' appropriation of digital resources, as this chapter details at a later stage. Despite the valuable insights provided by this previous research, understandings of the role of digital resources in migrants' socialization in a new consumption environment remain scarce.

The present book chapter provides answers to this problematic, with the study of secondary socialization through a qualitative content analysis of an expatriate online forum. Investigating how expatriates socialize into a new consumption environment through the use of digital tools has the potential for providing important insights. Indeed, it provides the opportunity of studying changes in business practices and national belonging in a digital age without the barriers of language, education or financial insecurity. Indeed, expatriates can be considered the tourists of a global migratory stage (Bauman, 1997), individuals whose cultural economic capital enables them to cross contexts with relative ease, and with the ability to adopt various consumption practices at least from an economic perspective. Moreover, their relatively high literacy provides sufficient familiarity with digital tools rendering this investigation possible. In consideration of the wide range of digital tools existing nowadays, this chapter focuses on Information and Communication Technologies (ICTs) in particular, detailed in a next section.

Building on an extensive analysis of interactions on the Q&A platform of a website directed at expatriates in Belgium, this chapter shows firstly how the platform functions as guide for consumption practices in the new context. In-

deed, it provides extensive support either before migration or upon arrival, in all matters related to the choice, purchase, consumption or disposal of products and services of all kinds. Secondly, the analysis points to the major role played by this platform in not only advising the expatriate consumers, but in fact, in socializing them into the local context, with noteworthy results in feelings of (national) belonging. These results are subsequently discussed in terms of their influence on global markets and in terms of their impact on expatriates' nationalism.

2. LITERATURE REVIEW

Socialization has been discussed by many authors. A full overview of socialization research would be beyond the scope of this chapter, therefore referring to other sources for this discussion (Grusec & Hastings, 2007). For the purposes of this chapter, the differentiation between primary and secondary socialization as proposed by Berger and Luckmann (1966) is a main reference point. The authors define primary socialization as "the first socialization an individual undergoes in childhood, through which he becomes a member of society" (Berger & Luckmann, 1966, p. 130). In contrast with this thorough and extensive learning of the rules and norms underlying a particular societal context, secondary socialization "inducts an already socialized individual into new sectors of the objective world of his society" (Berger & Luckmann, 1966, p. 130). Berry (2008) assimilates this concept to acculturation when discussing about contact between individuals of different cultures. Indeed, in its oldest definition, acculturation can be seen as "those phenomena which result when groups of individuals having different cultures come into continuous first-hand contact, with subsequent changes in the original cultural patterns of either or both groups" (Redfield, Linton, & Herskovits, 1936, p. 149). Berry (2008) applies this concept also on the level of the individual, a perspective

espoused subsequently by Peñaloza (1994) for the definition of consumer acculturation, which will be discussed in the next section.

Previous research provides partial understanding of the socialization of migrants into new consumption environments in a digital age. On the one hand, consumer research addresses migrant consumers' socialization into new market environments through the notion of consumer acculturation (Peñaloza, 1994), defining two types of acculturation agents: media, and social networks. These agents impact individuals' adaptation not only by enabling connections with culture of origin and of residence, but especially by serving as source of information for adaptation (O'Guinn, Lee, & Faber, 1986). This perspective however lacks a discussion of those processes in a digital age. On the other hand, alternative disciplines have explored the link between digital technologies, specifically ICTs, and migration, though without focus on migrants' market activity. New media can serve migrant adaptation through networking between community members and preservation of cultural heritage (Srinivasan, 2006). Linders and Goossens (2004) point out the bridging and bonding role of ICTs, while D'Haenens, Koeeman, and Saeys (2007) indicate that contacts with both mainstream population and co-nationals are strengthened for instance through emailing. The two following sections detail those two theoretical approaches, pointing to their contributions as much as to their weaknesses. The overview of the literature concludes with an integration of the findings from previous research as a way of preparing further investigation of the subject through the qualitative content analysis of the expatriate online platform.

2.1. Migrants and Consumption

Migrant consumers' relationship to global markets grounds mainly in the changes migrants perceive in the new market environment, leading them to reconsider their personal consumption behav-

iour in different ways (Askegaard, Arnould, & Kjeldgaard, 2005; Luedicke, 2011; Peñaloza, 1994). Peñaloza therefore defines consumer acculturation as "the general process of movement and adaptation to the consumer cultural environment in one country by persons from another country" (Peñaloza, 1994, p. 133). Socializing to a "consumer cultural environment" can take multiple forms; migrants may assimilate some products and services of the host culture or maintain ties with their community in the home culture by keeping cooking practices, clothing habits and others. They can resist certain consumption behaviours predominant in the host culture, or segregate, by for instance living in different neighbourhoods than the mainstream population.

What is particularly interesting for the present study is that Peñaloza (1994) highlights the importance of so-called acculturation agents – individuals or institutions facilitating migrants' adaptation. Family, peers, mass media and institutional sources of consumer information influence the socialization process into a new culture. These agents provide thus information and support necessary for successful acculturation, situated in either culture of origin or culture of immigration. Luedicke (2011) however criticizes that the notion of acculturation agent encompasses too many elements and suggests a focus on particular agents. In this line of thought, on the one hand media impact individuals' adaptation, not only by enabling migrants to create connections with culture of origin and or residence, but especially by serving as source of information for consumer acculturation (O'Guinn et al., 1986). On the other, individuals' social network or their socioeconomic contexts can facilitate the process of adaptation (Üstüner & Holt, 2007). Instead of considering acculturation agents as a whole, this paper differentiates hence between sources of information such as media, and communication, for instance contacts with fellow migrants.

What consumer research disregards until now is that the spread of Information and Communication

Technologies around the globe can ease access to the information, networks and media presented in the previous section. With their potential for long distance connections with the population of their home country, or diaspora, ICTs play an even stronger role for migrants, as these technologies can greatly influence individuals' border crossing activity (Bayon, 2009; Christiansen, 2004; Hiller & Franz, 2004; Lee & Tse, 1994). Previous consumer research has investigated changes in consumption behaviour in general through the development of ICTs and technological change (De Valck, Van Bruggen, & Wierenga, 2009; Kozinets, De Valck, Wojnicki, & Wilner, 2010; Venkatesh, Stolzoff, Shih, & Mazumdar, 2001). However, it has not discussed the specific case of migration and ICTs despite its border crossing importance. Hence, discussing how migrants can appropriate ICTs to shape market relations across borders takes up particular importance.

2.2. ICT and Migration

Other disciplines than business research have explored the connection between ICTs and migration, though with less focus on migrants' market activity. Before discussing the interconnections between migrants, markets and ICTs, this section therefore provides an overview of existing research insights that can feed into the reflections in this paper.

ICTs encompass a multitude of tools and services. Of interest for this paper are mainly those ICTs that Shortis (2001) defines as enabling human-to-human communication, also called in a very large sense computer mediated communication (CMC). By extension, this also includes mobile and smartphones, digital cameras or other types of "electronic storage and transfer of information to other machines in compatible forms" (Shortis, 2001, p. 7). Often, information technologies relate especially to the storage, retrieval and transmission of information, and are thus relatively unidirectional, such as online newspapers and other

websites. In contrast, communication technologies refer to more interactional technologies, such as internet chats, mobile telephony, or the multitude of social media available to individuals in most parts of the world. As the purpose of this book chapter is the investigation of migrants' socialization, the chapter concentrates on the first-hand contact between migrants (and members of local culture), which implies both information and communication.

ICTs potential for virtual presence broadens the extent of first-hand contact between peoples defined by Redfield, Linton and Herskovits (1936), which renders the reconsideration of migration after the diffusion of ICTs particularly interesting. Indeed, Broesch and Hadley point out that to understand acculturation, emphasis on "culture and socially transmitted information" (Broesch & Hadley, 2012, p. 376) is necessary. Computer-mediated-communication enables individuals to uphold social connections based on pre-existing face to face contact or to find new social connections based on joint interests or experiences (Hiller & Franz 2004). Moreover, the social embeddedness of communication technologies changes social networks, whether through new forms and rules of sociality, or of communication patterns (Licoppe & Smoreda, 2005). Online diffusion and sharing of socially transmitted information can thus help understanding cultural adaptation in a global connected world.

In consequence, the spread of ICTs reconfigures migrants' relationship to their countries and/or cultures of origin and of residence. On the one hand, immigrants can connect and engage more with their country of origin. As Hiller and Franz (2004) put it; "homelands are no longer just a memory supported by occasional contact, but can be an intimate aspect of daily living due to the choices that are available in participating in virtual communities in cyberspace" (Hiller & Franz, 2004, p. 735). An example for this are alleged connections between Facebook and the Arab spring, where virtual communities followed

and supported the revolutionaries in the field (L. Anderson, 2011; Howard et al., 2011). In result, we can see that the web facilitates the construction and deconstruction of (diasporic) identity discourses (Mallapragada, 2006), which are often linked strongly to national belonging.

On the other hand, immigrants use ICTs to adapt to their new environment. Elias and Lemish (2009) call attention to the socializing role of the internet in immigrant adjustment, supplementing traditional media. They also highlight that “in comparison with other media, the internet has even stronger potential to assist immigrants’ integration, due primarily to the enormous diversity of websites in their mother tongue which provide useful information about the many facets of life in the host country” (Elias & Lemish, 2009, p. 539). Additionally, beyond “formal and unidirectional information” (Elias & Lemish, 2009, p. 540), migrants can gain experience through interaction with less recently arrived peers in chat and discussion groups. Hence, new media provide immigrants with a sense of empowerment, which some of them lack after migration. The immigrants learn about and appropriate norms and practices of the mainstream population through interaction with fellow migrants and members of the mainstream population, discovering for instance different beauty ideals as Elias and Lemish (2009) illustrate in the case of migrant adolescents.

In sum, new media can serve migrant adaptation through networking between community members and preservation of cultural heritage (Srinivasan 2006). Linders and Goossens (2004) and D’Haenens, Koeman, and Saeys (2007) additionally support this bridging and bonding role of ICTs in terms of migrants’ social capital by facilitating maintenance of migrants’ existing contacts in the country of origin on the one hand, and on the other hand, creating new bonds with fellow migrants or members of the mainstream population. In particular, D’Haenens, Koeman, and Saeys (2007) indicate that contacts with both mainstream population and co-nationals

are strengthened through emailing, a finding also discussed by Miller and Slater (2001). This double role of ICTs translates especially in the elements of the adaptation of migrant consumers such as access to information about culture of origin and of residence through sources of information such as media, and the creation and maintenance of social networks in both environments.

2.3. Approaching Migration and Markets in an ICT Age

The brief review of the literature in the previous sections can of course only give a brief summary of existing research on the connection between migration and ICTs. To integrate all research in this domain, this paper builds on a summarizing framework detailing the particularities in ICT role and utility during migration by Hiller and Franz (2004).

The authors divide the use of ICTs in three phases, which roughly correspond to the migration process. The first, pre-migrant phase, relates to the need for ICTs as experienced by individuals who have not yet moved. In this phase, migrants require information about the migration process, the future host country, as well as practical elements such as housing or jobs. It is a “purely instrumental” phase (Hiller & Franz, 2004, p. 740). The authors call post-migrants those individuals who have moved recently, it is the second phase. In their case, residence in the new cultural environment can be confusing, so they use ICTs for “rebuilding by emphasizing continuity between the new and the old” (Hiller & Franz, 2004, p. 741). They will use ICTs to connect with friends and family in the country of origin, in order to find comfort and emotional support, while they also continue using ICTs for information gathering about the culture of residence. The last phase, settled migrants, refers to individuals who have been in the new place for a longer time, and who are familiar with its functioning. They will use ICTs mainly

to reconnect with their culture of origin, as they might experience a loss of contact over time.

In the following, these types serve as basis for discussing how migrants can appropriate ICTs in the shaping of market relations across borders, although by only differentiating pre- and post-migration phases, as the second and third phase both relate to migrants' initial orientation in a new marketplace.

The changes ICTs bring to pre-migration adaptation are in a general way linked to collecting information, and creating new social ties in preparation for the move (Hiller & Franz 2004). They hence serve orientation purposes. Until now, migrants' adaptation to a new market environment before the actual migration has only been investigated in human resource management literature, where researchers discuss how pre-departure preparation of expatriates can lower early return rates (Gregersen & Black, 1990; Waxin & Panaccio, 2005). In contrast, this chapter discusses the importance of pre-migration adaptation for migrant consumers. Pre-migration use of ICTs to explore the potential country of immigration means that individuals can for instance find information about housing, such as insights about desirable neighbourhoods, or whether cars, public transportation or cycling are more useful for local transportation.

Post-migration use of ICTs involves retaining contact with either social connections of the country of origin, or with the culture of origin in general (Hiller & Franz 2004). The goal is therefore focused on (consumer) socialization. In terms of consumption behaviour, this means that trends and cultural specificities from the culture of origin can be better transmitted than previously. Music particular to one culture can for instance travel faster across certain borders, and remain an important element of individuals' cultural preferences and tastes. Particular ways of preparing certain products, or of ensuring food quality and correspondence with cultural norms are facilitated through referral to online

forums, where migrants can among others discuss recipes from their culture of origin. Although the rationale of migrants keeping in touch with their culture of origin is admittedly not new in itself, post-migration adaptation through ICTs speeds up the process, providing migrants at times with almost immediate answers to their questionings. ICTs provide thus opportunities for closer contact between the two (or more) cultures migrants get involved with, with important consequences for national belonging.

3. ONLINE INTERACTIONS AMONG EXPATRIATES AND OTHER MIGRANTS: THE CASE OF A Q&A PLATFORM

In order to study expatriates' digital orientation and socialization, this chapter analyses a publicly available online question & answer (Q&A) platform. This platform is hosted on a website directed at expatriates in Brussels, a large population of individuals working in and around the European Institutions (Gatti 2009). A specificity of this platform is that at the time of data collection, individuals could post questions as well as answers without need for registration, an aspect that has changed recently. This lack of registration does in consequence not permit any characterization of posters. It is therefore entirely possible for posters to be Belgians, tourist or immigrants. However, as the Q&A is hosted by a website for expatriates, the data in this study imply a certain degree of self-selection, whereby readers and posters on the Q&A can be considered members of an imagined (expatriate) community (B. Anderson, 1983; Castles, 2002).

The Q&A contains 19 categories of posts (alphabetically): *Advice & Coaching, Arts, Belgium, Children, Education, Environment, Family Life, Health & Wellness, Holiday (& Travel), Meeting People, Money, Movers, Property, Restaurants & Bars, Rules & Permits, Shopping, Sports & Fit-*

ness, Transport, Work(ing). As appears from this list, the categories are not mutually exclusive in their potential contents, rather relating to various areas of interest for expatriate life. Integration of a post into one category or another is decided by the opening poster, rendering these categories emic.

On average, 15 posts per day appear on the Q&A, all categories mixed. Response rates are variable, some posts attracting only one or even no answer, while others develop into lengthy conversations involving multiple participants. An initial observation of the diversity of addressed themes motivated further research of this context, as the questions can relate to very specific questions, whether about consumption issues, or more general themes, just as they can generate very abstract conversations about various elements of expatriate life. Illustrations of this diversity find themselves in the findings of this study.

Although not the only online platform available for expatriates, either in Belgium or in other parts of the world, this platform presents an interesting research context due to its public character, the high participant activity in comparison with other expatriate platforms, and the social processes taking place on it.

4. A METHOD FOR RESEARCHING ONLINE INTERACTIONS OUTSIDE OF ONLINE COMMUNITIES

In order to investigate how expatriates socialize into the local consumption environment through the means of an online Q&A platform, this chapter relies on a multi-method study centred on the qualitative content analysis of the platform. The investigation of this platform spans several years. As part of a previous research project (Emontspool 2012), the author firstly visited the platform on a quasi-daily base between 2008 and 2011, in order to obtain an overview of the posts, and learn about the most relevant consumption issues on the one hand, and socialization issues on the other. This

first phase enabled a general, qualitative and exploratory understanding of the platform and the processes on it. Memos and observation notes ensured the appropriate recording of findings and interpretations. These memos and notes served as basis for studying the subject further.

Secondly, the author extracted all posts from the time period 2009-2011 as basis for a qualitative content analysis, which resulted in collection of more than 30.000 questions, for which there existed a varying number of answers, as indicated earlier. The data used for this study span a one-year period of time, for which postings of all categories were gathered. The restriction to one year emerged from the large quantity of information, which would have made any qualitative approach to the data impossible. The analysis of this dataset in terms of number of posts, number of answers and types of addressed themes supported the first phase, in providing a more systematized understanding of the platform and its contents. Also, it enabled the selection of a sample of data to be studied in more depth in a third phase.

The third research phase relied on an NVivo-supported qualitative content analysis. In order to take into account the emic character of the categories and the user-generated ranking of most important themes underlying them, the content analysis concentrated on the categories referenced most often by the platform users. Four categories stood out as being used on a more regular basis, the number of posts in the other categories being significantly lower than in the four main ones. These four categories are “Shopping” (1682 posts), “Health & Wellness” (975 posts), “Belgium” (954 posts), “Advice & Coaching” (835 posts), and by themselves, constitute almost 50% of the whole interactions on the platform. This data set was analysed through coding and analysing the most common words and themes, aided by the NVivo-program (Bazeley, 2007; Harwood & Garry, 2003). The codes, some emic, some etic, emerged from three sources: (1) codes originating from a previous research project investigating offline

expatriate acculturation, (2) codes developed on the basis of a first literature review about migration and ICTs, (3) codes chosen on the basis of a word frequency analysis of the dataset, where the words most relevant for the study were also used for coding. This phase allowed for a deeper analysis of the themes and discussions present on the platform, as well as of the interconnected themes in the poster's conversations.

Finally, the author manually analysed a sub-set of those data, especially longer online conversations providing deeper understanding of the way in which the expatriates orientated themselves in the marketplace, and how they were socialised into the expatriate and/or local community. This sub-set of posts was chosen on the basis of three criteria: (1) the consumption-relatedness of the post, (2) the presence of more than 2 answers, to allow for the study of an actual information exchange, and (3) the socializing character of the discussion. This last stage followed traditional interpretive analysis methods (Spiggle 1994).

5. EXPATRIATE CONSUMPTION AND SOCIALIZATION IN A DIGITAL AGE

The findings of this article are presented in two sections, in line with the orientation and socialization differentiation introduced earlier. On the one hand, the online platform becomes a key resource for orientation in terms of consumption practices. Although officially directed towards solving any issue expatriates may face in a foreign environment, the discussions on the platform in fact focus on shopping and consumption. On the other hand, the findings allow for an exploration of the platform's socializing role, by indicating how it directs expatriates' actions, not only in term of their consumption, but simultaneously, by defining norms inherent to expatriate life in Brussels.

5.1. An Online Expatriate Platform as Consumption Guide

As the methods section already points out, a large share of the posts on the platform find themselves in the "Shopping" category, with 1682 questions, counting for more than 18% of the questions posed on the platform. This finding also translates in the word frequency measure performed for the 4 largest categories. As much as 13% of the most frequent 2000 words are consumption-related words, whether it is nouns (bread, eggs, machine, ...), adjectives (cheap, reliable, ...) or verbs (cooking, buying, baking, ...). Interestingly, those words find themselves not only in the "shopping" category, but also in the other ones such as "Advice & Coaching", albeit often to a lesser extent.

In order to better understand the processes of consumption advice highlighted in this chapter, this section makes use of the notion of surrogate consumption, which facilitates differentiation among various types of consumer orientation processes. The notion of surrogate consumption, or surrogate consumers, has been introduced by consumer researcher Solomon (1986). Surrogate consumers play a role when individuals find themselves in a new and unfamiliar market setting. In this setting, consumers need to "import experts for advice that before was provided informally by family and peers" (Solomon, 1986, p. 208), a situation characteristic of modern consumer societies, and especially for migrants. Consumers replace the social network that initially supported their decision making by delegating tasks considered too time- or effort-consuming to surrogate consumers. A surrogate consumer is thereby "an agent retained by a consumer to guide, direct, and/or transact marketplace activities" (Solomon, 1986, p. 208). The difference with notions of shopping representatives or brokers resides in the interests put forward by the intermediary; while a shopping representative, agent or broker needs to strike the balance between the interests of consumer and of companies providing shopping alternatives, favouring one or the other at times, the surrogate

shopper is explicitly “on the side of the consumer” (Hollander & Rassuli, 1999).

Surrogate consumption can take up three forms, which permits grouping the answers on the platform accordingly:

1. Market simplification,
2. Market guidance, or
3. Market manipulation (Solomon 1986).

The following sections detail each particular form of surrogate, explain their applicability in the case of the online platform, and illustrate them with particularly telling excerpts.

Market Simplification

Solomon (1986) defines market simplification as the process by which surrogate consumers

relieve the consumer of the task of scanning the market for available alternatives. One of the first steps in decision making - information search, is thus delegated, the surrogate consumer providing consumers with a more specific choice set among which the individual consumer can decide. On the Q&A platform, this translates for instance in migrants’ questions about names of products (or translations), or in questions asking for shops where particular products can be bought. Doing so, the consumers obtain a better overview of the marketplace, which facilitates their immersion in the new context, and may reduce the stress related to migration by relieving the migrants from at least one of their potential insecurities (Furnham & Bochner, 1986). The excerpt shown in Box 1 highlight the diversity of subjects on which consumers may refer to the Q&A.

Box 1.

Hi Everyone,

Looking for a middle eastern store that's sells good falafel, hummus and baklava either in Brussels or Leuven.

Many thanks

Hi all,

Where can we get nice bedsheets here in Brussels? Just moved 2 months ago.

Thanks.

Going to a Rockabilly party on Saturday night - just realized need to get outfit ??? Any ideas suggestions of where I can get something easily in central Brussels before then ???

As these excerpts illustrate, the questions can be diverse. The posters ask for advice on food items or linen as much as for costumes for special occasions. The second excerpt in particular illustrates how especially recent arrivals are in need for a simplification of the marketplace, in order to locate stores for some of the most basic products after migration (Hiller and Franz 2004).

Market Guidance

Surrogate consumption's second area of activity lies in market guidance. This stage relates more to the affective level, and emerges from individuals' inability to evaluate available alternatives as they are unaware of which decision rules to apply in the unknown context. In other words, the surrogate consumer provides the consumer with advice enabling him/her to choose among various options. Surrogates can serve descriptive or prescriptive functions; they can provide criteria for decision making, or characterize the products more directly,

by ranking of alternatives and supplying concrete recommendations. On the Q&A platform, questions about hairdressers to recommend, about evaluations of various service companies, or about the quality of particular brands illustrate this type of advice. Especially the recurrence of certain names or brands is of interest, along with frequent dismissal of other companies or service providers. While the first excerpt below rather relates to a recommendation for a psychologist, which does not exactly correspond to expected marketplace recommendations, the second excerpt in Box 2 shows a clear example of consumption-related issues, as the poster asks for evaluations of electricity providers.

Interestingly, especially these categories of advice lead to long rows of answers, many expatriates sharing their experiences, or supporting previous posters' recommendations.

Box 2.

Could somebody recommend a psychologist for a 4-year-old?

Preferably in Waterloo/Overijse area or the Woluwe/Uccle side of Brussels, but we will go anywhere for the right professional. We have seen a few people but I get the impression that not many of them have real experience with young children.

Please note that I am asking for a psychologist, not OT, etc

Thank you

I am trying to choose between Electrabel and Lampiris [two electricity providers, note of the author]. Please could you share your experience with these suppliers? TIA

Market Manipulation

Market manipulation is the third type of support provided by surrogate consumption. For this support, Solomon (1986) places the role of the surrogate in the provision of direct interactions in the marketplace. The surrogate consumer performs the transaction in lieu of the consumers. While at a first glance, it is questionable whether an online platform can play the described role, it nonetheless constitutes a tool for market manipulation through the superior access it provides to particular products and services. The Q&A platform directly puts in contact offer and demand, for instance for housekeepers, babysitters, men-with-van or people offering to import specific products from abroad.

Moreover, market manipulation takes place in the form of calls for boycott of particular product or service providers, activities that clearly extend beyond the ranking function of market guidance. Indeed, these calls for boycott influence the market offer by blocking interactions between product or service providers and potential customers.

In summary, the three forms of surrogate consumption explained above enable migrants to access markets that were previously unknown to them, by simplifying, guiding and influencing their choices.

5.2. Socializing into Expatriate Consumer Communities in a Digital Age

In addition to the consumption-specific roles depicted in the previous section, surrogate consumption also takes place for consumer socialization, by introducing new arrivals to the consumption practices of the local expatriate community.

Before discussing consumer socialization, the status of the Q&A forum as community needs further clarification. Indeed, as explained earlier, this online platform is different from others in the sense that it only introduced registration recently; in the time period of data collection,

anyone was allowed to provide answers without need to register. This increases the likelihood of people posting under different names, whether on purpose or not. In consequence, it is difficult to establish the people interacting on this platform as community *stricto sensu*. However, several elements nonetheless point to a strong consciousness of belonging to an online community of expatriates. The following excerpt for instance features a goodbye message from a regular participant on the platform. Although anonymous, his regular interactions in the Q&A rendered him a recognizable character. In consequence, he seems to feel compelled to officially notify the other members of the community of his leaving, and wish them well:

Anonymous Aussie has left Belgium! Not a question, but just a note to say that I've returned to Oz and to let you all know that you have provided me with countless hours of humour and information and in return I hope that I've provided many of you with good suggestions and recommendations. It's been a pleasure! I may still check this site from time to time, just to keep me informed about all things Belgian. And who knows, if we can't stand the heat, the flies, the sunshine, the parrots and the beach, we may be back!! Take care all and be kind to Belgium! Xx

This sense of community, even implicit, is an attraction factor for individuals who feel alienated in the new environment, as the next excerpt illustrates:

*Maybe not exactly the right forum for this sort of question, but since we are living here **without the support system of family and close friends** I'm turning to the expat community for some much needed advice. Eldest son is 15 and gradually over the past few years he's given up all his activities, grades are dropping in school, and just found out he's smoking and drinking (hard alcohol) at parties and his attitude most of the time is surly...*

The expressed feeling can at times lead to powerful discussions, and emotional support on a platform characterized by complete lack of structure or registration:

Hi

Sorry to ask if anyone know how to cope with father pass away. Please coach me now. My father is dying. I can't stop crying. Please help me. I am far away from family now. I will fly away asap and hope I can see father last alive

Thanks

The findings of this study point to the diversity of issues addressed by the migrants participating on the forum. The contents of the discussion are however not only of pure problem-solving nature. Embedded in the discussions is more or less explicit communication of the rules and values particular to the community. Deviant behaviour or statements are regulated, and various elements of expatriate lifestyle encouraged.

The next sections structure these socializing interactions in a way mirroring the surrogate consumption notion of the previous section along the lines of simplification, guidance and manipulation of the socialization experience.

Simplifying the Socialization Process

Simplification of secondary socialization takes place through the explanation of norms and values relating to either the local (Belgian) population, or the expatriate community. Some of those calls for simplification relate to more mundane questions of the role of parents at children birthdays:

Hi,

My little 3 y o girl has been invited to her first birthday party by a girl at her "maternelle" [kindergarten]. In the invitation all that is stated

is a time and an address. My question is therefore what is the standard procedure here in Belgium?

I just want to know what to expect, since I am also looking forward to maybe spending a couple of hours on my own. Don't get many of those opportunities as a single parent. But if it is considered rude to just leave your child at the party then I will of course stay as well.

More specifically in terms of consumption, socialization takes place for instance about appropriate dress codes or gifts at weddings. See Box 3.

Social rules relating to Belgian weddings often involve that different groups of people are invited to different parts of the event. This practice is unknown to many expatriates who only arrived in Belgium recently, leading to regular puzzling and discussions about the appropriateness of this practice. This type of insecurity about gift-giving also finds itself in questions asking about the type of gifts to offer to schoolteachers or kindergarten teachers, an imported practice that has not existed for long time in Belgium.

Guiding the Socialization Process

Market guidance is supposed to provide either criteria for evaluating market offers, or to directly evaluate them. In the (consumer) socialization process as described for this platform, one particular type of evaluation stands out as influencing socialization.

Multiple conversation threads on the platform discuss issues such as for instance "why are Belgian clerks so rude?" or "why are Belgians such bad drivers?". When usually, guidance is provided for judging good from bad, the discussions about quality of goods and services regularly drift into generalizing negative appreciations of anything Belgian, which then at times ends with "why don't you move back then?". In response to a poster's complaint about problematic service after a purchase, one of the answers was for instance: "you

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Box 3.

Good afternoon. A Belgian colleague of mine has invited me with my husband (together with couple of other people from the office) to his wedding reception. Just drink, we are not invited for the dinner. They want money as a present (it is mentioned in the invitation).

How much do you think we should give? I don't want to look cheap but on the other hand, going to a wedding already is an expence for us as we have to pay the babysitter & it is rather far from where we live.

What do you think? Thank a lot.

Hello All

We've been invited to a Belgian colleague's wedding reception (i.e. just the afternoon drinks/canapés bit). Just wanted some advice as to what would be appropriate attire for this?

How smart do we need to be?

Thanks for any advice. Obviously, this is our first Belgian wedding experience and I haven't got a clue!

mean this is your first experience? Congratulations you have just lost your ‘bad service in Belgium’ virginity. It gets easier with time.”

While those types of conversations are by no means exclusive to this Q&A or expatriate interactions in general, it is noteworthy that unification against a common enemy image creates clear discourses of “us” and “them”, although the initial post might emerge from a (supposedly) genuine question for market guidance. The expatriate’s socialization process is thereby guided by the way in which the consumption community draws borders between in- and outsiders, framing their

consumption practices as different from Belgian consumption practices.

Manipulating the Socialization Process

In market manipulation, the role of the surrogate consumer is one of intervening in the actual transaction due to increased access to information. In the case of socialization into the expatriate community, certain discourses remind of this manipulation role. Beyond providing evaluations of various norms and behaviours, the findings show that discussions on the platform intervene

in socialization in a more intense way, by defining hierarchies and differentiations between different types of expatriates in Belgium. On the platform, one group in particular is singled out and stereotypically characterized in a negative way: the posters regularly use a number of inside jokes about a neighbourhood in the periphery of Brussels, Tervuren, where a high number of expatriates gathers due to the presence of British schools in the neighbourhood. The discourses about Tervuren derogatively describe its inhabitants as rich expatriates who are dissociated from local life, a difference illustrated in their clothing choices (Laura Ashley), their food (*StoneManor* is a shop selling British products such as Robertson jam) and their cars (“4x4”, often Range Rover cars). On top of that, members of this community are assumed to spoil their children, who are in private schools, deemed to be elitist:

*How would you know about the locals in Tervuren?
It's wall-to-wall expats.*

[Ironic post in answer to the announcement of a jumble sale] A wonderful sale for all the English ladies to wear their Laura Ashley skirt and matching flat sandals, so that they can drive their 4x4's to Stonemanor to buy their Robertson jam and marmalade and a lot of chocs to sit in front of the telly (that is on all day) and watch their soaps until it is time to collect the spoilt kids from school, so roll up for your skirts, one bought, one free!

[In answer to a poster contesting this stereotypical image] Oh no, you are still looking like Laura Ashley as you are always in groups talking about your rich husbands and spoilt children and the huge amount of money you spend on your houses in Tervuren. We live in Tervuren and are locals and know it. We have been here before you and know that you wear Laura Ashley skirts and sandals; we have seen it at the jumble sales!

These negative characterizations influence to a large extent those expatriates who consult the platform to orient themselves about desirable neighbourhoods in preparation for their move. Instead of finding information that would facilitate their orientation, the initial posters find themselves involved in satirical discussions, whilst they are unaware of the particularities of the conversation. The market manipulation taking place in this case relates then to the negative associations created for particular brands and products, which are devalorized in the consumption community.

On top of those satirical referrals to the neighbourhood Tervuren, conversations regularly emerge about supposedly fraudulent product offers on the platform, which are attributed to people coming from exactly this neighbourhood. These responses further confuse some initial posters, and hinder the adequate orientation of expatriates, whether in terms of general adaptation to the new context, or in terms of consumer acculturation.

These interactions also point to the diversification of expatriate communities, both on the Q&A platform and offline. On the website, the community of expatriates living in the neighbourhood Tervuren is for instance set apart. This finding coincides with Scott (2006), who points out how expatriate communities nowadays are diversifying, with professional families, young professionals, graduate lifestyle migrants, bohemians, and mixed-nationality relationship migrants evolving in different ways as numbers of expatriates grow. In result, consumption practices that until now were considered specific to expatriates, such as the maintenance of multiple bank accounts in different countries, the extensive import of specific food products, or cosmopolitan consumption practices in general, need to be reconsidered in light of the changes ICTs generate in socialization.

Table 1. Summary of the types of interactions on online Q&A platforms

	Orientation	Socialization
(Market) Simplification	Information about particular stores, or the availability of brands in the new context	Information about local norms and values, also in terms of consumption practices
(Market) Guidance	Recommendations and evaluations of quality and prices for diverse products and services	Discussions about validity and rationality of local customs, evaluations about specific behavioural traits
(Market) Manipulation	Sales intermediation, influencing of markets through boycotts	Hierarchization of expatriate communities, depreciation of neighbourhoods or practices

6. DISCUSSION

The findings in this book chapter provide conclusions as to the way in which information and communication networks simplify foreign marketplaces, but also on the way in which they structure socialization into international consumption communities. Table 1 summarises those insights, presenting different types of interactions on online platforms.

The table structure provides an opportunity for understanding the dynamics at play on the platform, in particular its dysfunctions. Indeed, misunderstandings and conflicts arise at times due to answers mismatched to the initial question. The table provides insights into the reasons for those dysfunctions, as it can for instance highlight how manipulations efforts for particular types of socialization emerge in answer to orientation questions for market simplification. Feelings of imbalance and unhelpfulness can arise in consequence, which may encourage respondents to avoid the platform henceforth. It is hopeful that the recently introduced registration will help solve this issue, even if only to a small extent.

Considering the use of this type of platforms from a broader perspective, the insights obtained in this study provide contributions on two levels. Firstly, this book chapter opens to a discussion of the meaning of national belonging in a digital age, with potentially unexpected consequences in the case of expatriates. Secondly, contributions for the idea of surrogate consumption arise in a digital

context, highlighting the power of collaborative knowledge construction in supporting consumer acculturation.

6.1. Changes in Expatriates' National Belonging in a Digital Age

The findings indicate that digital information and communication have an influence on national belonging and consumption by expatriates. On the one hand, the ease of finding products from one's country of origin may decrease the need for adaptation, and in result uphold the feeling of national belonging. Instead of evolving through the new consumption environment through trial and error, which serendipitously introduces the consumer to the local culture, the expatriates have the possibility of seamlessly maintaining previous consumption practices.

On the other hand, the numerous negative discussions about the local population may similarly result in maintenance of nationalism in relation to the host population. The expatriates might shy away from seeking contact with locals due to the negative preconception conveyed on the platform.

In consequence, the usual assimilation between expatriates and cosmopolitans can be questioned in this context. While expatriates have traditionally been presented as ideal illustrations for a cosmopolitan mind-set (Hannerz, 1990; Thompson & Tambyah, 1999), increasing numbers of expatriates move to suburban environments, and settle in – often ethnically homogenous – communities

in the peripheries, while simultaneously maintaining quasi exclusive national attachment. The question arises in consequence whether openness to cultural diversity, or cosmopolitanism, remains for a majority of expatriates, or whether the ease of remaining in contact with the culture of origin that ICTs provide might not dissolve cosmopolitan tendencies for this population group. In this light, further research needs to investigate the link between nationalism, cosmopolitanism and expatriation in a digital age.

6.2. Collaborative Knowledge Construction as Surrogate Consumer Acculturation Tool

Various authors have discussed surrogate consumption in recent years. Both Hollander and Rassouli (1999) and Gabel (2006) insist on the fact that surrogate consumers can only be hired by consumers for performing the tasks of market simplification, guidance and manipulation. The present chapter contradicts this assertion, claiming that in a digital age, financial retribution for information and recommendations is not necessarily required.

Indeed, in a digital age, collaborative knowledge construction as it increasingly develops on the internet has the potential for serving surrogate consumption. This corresponds to a common business pattern in a digital age, which generates income through other means than by selling services to the visitors of their sites (O'Reilly, 2007).

Several theories support the importance of collaborative knowledge construction and the wisdom of crowds in creating a pool of information on which individuals can rely (Arazy, Morgan, & Patterson, 2006; Golub & Jackson, 2010; Surowiecki, 2004). Similarly, in the marketing context, Kozinets, Hemetsberger and Schau (2008) highlight how online interactions generate additional consumer knowledge and encourage consumers to participate in product innovation. Wikis, forums and other platforms based on incremental and

collaborative user content constitute hence a rich base of information for consumers. Despite the anonymity of these platforms, the law of numbers guarantees the quality of the information, developing into a source of expertise for individual, rendering surrogate consumption possible without direct financial retribution.

6.3. Limitations and Opportunities for Future Research

Two potential limitations characterize this research context. Firstly, the focus on online tools could misrepresent the realities of expatriate life. The mobile character and the high literacy of the studied population however lower this risk, large (on- and offline) studies of the expatriate population in Brussels further supporting this assumption. The second potential limitation is the sporadic presence of disruptive posts in the online discussions, posted by so-called trolls. Although interventions by these trolls have been observed, they did not prove overly troublesome; they were often ignored or put back their place by other posters, which reduces their disruptive potential of this study. On the contrary, one could even argue that their provocative statements might have led to the verbalization of otherwise unspoken rules within the community.

Despite the advantages that can arise from the use of ICTs, the risk of over-emphasizing the revolutionary role of ICTs is high. The example of Facebook's failure to live up to investors' expectations during its first IPO illustrates a tendency to idealize ICTs both in academic and public discourse. Similarly, the digital divide remaining both in richer and poorer countries limits the conclusions of this paper. Although D'Haenens, Koeman and Saeys (2007) indicate that the digital divide between mainstream population and migrants in immigration countries is narrow, limited internet connection, and literacy issues remain problematic and hinder full use of ICTs by individuals in sending countries (Ndan-

gam, 2008). Therefore, the insights in this chapter call for replication in other contexts, especially in consideration of literacy problems, which are relatively low for expatriates.

7. CONCLUSION

This book chapter discussed expatriates' secondary socialization through an online Q&A paper platform on the basis of a differentiation between orientation and socialization on the one hand, and through referral to the three mechanisms of surrogate consumption on the other. Collaboratively constituted knowledge serves as surrogate for consumers unfamiliar or unskilled in particular consumption environments. Performing a qualitative investigation of a Q&A hosted by a website for expatriates, the chapter argues that the recently revived notion of surrogate consumer (Gabel, 2005; Solomon, 1986) is not limited to remunerated intermediaries such as brokers or fashion advisors. The case of the platform indicates that consumers are willing to delegate different steps of their decision making to a completely anonymous platform, relying on an abstract wisdom of crowds to ground their decisions, with significant consequences for national attachment.

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KEY TERMS AND DEFINITIONS

(Consumer) Acculturation: Acculturation relates to the continuous cultural change emerging from contact between cultures. In anthropology, this notion usually refers to contact between cultural groups, while in sociology, acculturation also encompasses individuals' socialization into new environments. Nowadays, this acculturation takes place to a large extent through consumer acculturation, which is defined by consumption researcher Lisa Peñaloza as adaptation to new consumption environments, which may or may not be in a different national or cultural context.

Acculturation Agents: Acculturation agents are individuals or organizations that enable migrants' connections with their cultures of origin and of residence. Traditionally, acculturation agents are media, family, friends, schooling and other institutions, shops, and so on. In a digital world, these agents diversify, and take up a stronger role due to the wide availability of information and communication tools, which enable learning about other contexts without physical mobility.

Consumer Culture (Theory): The notion of consumer culture defines today's westernized

societies, where a multitude of social interactions are mediated by markets. Individuals in consumer cultures rely to a certain extent on commercial processes for constructing and communicating their culture. Consumer Culture Theory is a research field that studies consumers, markets and cultures through a plurality of social theory perspectives, in order to gain a better understanding of today's societies and individuals' interactions within them.

Expatriates: Expatriates are often defined as migrants whose stay in a particular national context is limited in time. Often, though not always, they possess a relatively high educational level, and a comfortable socio-economic position. In the past, the notion of expatriate mainly referred to employees sent into another country by an employer from their country of origin. Nowadays, the concept, along with its more colloquial alternative "expat", is however used more widely, referring to all high-skilled temporary migrants.

Information and Communication Technology: Information and Communication technology refers to tools and services enabling computer-mediated human-to-human communication. By extension, this also includes mobile- and smartphones, digital cameras or other types of devices for electronic communication. Often, information technologies relate especially to the storage, retrieval and transmission of information, and are thus relatively unidirectional, such as online newspapers and other websites. In contrast, communication technologies refer to more interactional technologies, such as internet chats, mobile telephony, or the multitude of social media available to individuals in most parts of the world.

Secondary Socialization: Secondary socialization is a notion that has been used by many sociologists in the past to qualify the thorough and extensive learning of rules and norms underlying a societal context foreign to an individual. This socialization takes place after primary socialization, which means that the individuals have to adapt their social references and norms to adjust to a different context than their primary one.

Surrogate Consumer: The notions of surrogate consumption and surrogate consumers have been introduced by consumer researcher Michael R. Solomon in 1986. Surrogate consumers support and guide individuals through purchase decisions in new and unfamiliar market settings. In modern consumer societies, where an individual's family and friends may live in other cities or countries, those surrogates replace the social network that initially supported an individual's decision. Consumers insecure about a market environment typically delegate tasks considered too time- or effort-consuming to surrogate consumers.

Chapter 8

Extended Assistive Technology: The Impact of Interactivity of Human– Computer Interfaces on Independence, Employment, and Organizations

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ABSTRACT

The purpose of this chapter is to analyze the history of technology and its founding purposes. The evolution of technology resulted in the creation and development of assistive technology. The impact of interactivity of human-computer interfaces on independence, employment, and organizations is analyzed and addressed in relations to disabilities. The utilization of assistive technology, in the disabled community, as well as in relations to the independence of the disabled are covered via the paradigms of assistive technology trainer and job developer for the disabled in the United States of America—capital of technology—Google, Yahoo, Microsoft, Cisco Systems—and capital of assistive technology.

INTRODUCTION

Tran (2014) states that technology can be interpreted as being a nonrival good: in economics a good is considered to be nonrival if its consumption or use by one individual makes it use by someone else no less difficult (Pindyck & Rubinfeld, 2001). However, before the advent of modern societies, technology was probably also a nonexcludable good: a good is considered to be nonexcludable if its use by one individual who has not paid for it is ineluctable (Pindyck & Rubinfeld, 2001). Goods that are both nonrival and nonexcludable

are called public goods (Pindyck & Rubinfeld, 2001). For most of human evolution, technology was probably a public good.

Technology produced by one individual could easily be copied and used by others. Due to the fact that technology is usually costlier to produce, in terms of time and energy, than to copy or imitate (Tran, 2014), the interaction between the individuals in a population producing and using technology can be regarded as a producer/scrounger game. In this game, the individuals of one type, the scroungers, make use of the behavioral investment of individuals of another type,

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the producers (Barnard & Sibyl, 1981; Giraldeau, Caraco, & Valone, 1994). More often than not, the technology developed by producers might be copied by scroungers, thus interaction between the two can also usefully be regarded as an individual/social learner interaction.

Here, Tran (2014) states the individuals of one type, the social learners, copy or imitate the behaviors or artifacts that have been generated by the other type, the individual learners, through trial-and-error learning, insight, or deduction (Boyd & Richerson, 1995; Enquist & Ghirlanda, 2007; Rogers, 1988; Stephens, 1991; Wakano, Aoki, & Feldman, 2004). The evolution of technology, and the origins of economic growth, can thus be framed in terms of the producers/scroungers game, as well as in terms of the coevolution of individual learning and cultural transmission, in which technology can be regarded as a suite of cultural practices. Throughout human evolution, technology is also likely to have increased the vital rates of individuals, that is, it is adaptive. However, technology may become maladaptive, and decrease the vital rates of individuals using it (Tran, 2014).

As such, the purpose of this chapter is to delve into the focus and purpose of human-computer interaction (HCI) in relations to disability, and how HCI plays a part in people with disability. In so doing, this chapter will begin with the coverage of the relationship between assistive technology and human-computer interaction. The chapter will then cover human-computer interaction, the history of human-computer interaction, the history of adaptive automation, the history of assistive technology, the history of disability, human-computer interaction in relations to disability (independence and employment), and the evolution of human-computer interaction in relations to disability. The chapter will conclude with the status of human-computer interaction as technology advances with time.

DISABILITY

The experience of stigma is common among human beings (Crandall, 2000). As noted by Crocker, Major and Steele (1998), “A person who is stigmatized is a person whose social identity, or membership is some social category, calls into question his or her humanity—the person is devalued, spoiled, or flawed in the eyes of others” (p. 504). All persons, according to Parette and Scherer (2004), have experienced some degree of stigmatization at some point in their lives, whether it is feelings of isolation, alienation, exclusion, or embarrassment resulting from being different in some way. References to the phenomenon of stigmatization of individuals having disabilities may be found throughout the extant literature (Barker, 1948; Fine & Asch, 1988; Goffman, 1963; Gray & Hahn, 1997; Jones, Farina, Hastorf, Markus, Miller, & Scott, 1984). For persons with developmental disabilities, stigmatization is often a reality having varying effects, including, but not limited to:

1. Less than ideal treatment (Crocker et al., 1998);
2. Disrupted social relations (Goffman);
3. Person avoidance, anxiety, and depression (Crandall & Coleman, 1992); and
4. A distorted self-image and resulting poor self-esteem (Wright, 1983).

Some people may even attempt to hide their developmental disabilities from others to avoid the stigma (de Torres, 2002; Liu, 2001; Lopez-De Fede & Haeussler-Fior, 2002; Miller, 2002; Napier-Tibere, 2002; Pinto & Sahu, 2001). Stigmatization has also been suggested to be associated with assistive technology (AT) usage for persons with acquired disabilities in later life (Brickfield, 1984; Luborsky, 1993; Zimmer & Chappell, 1999), often resulting in abandonment of devices. For example, elders with disabilities may choose not to implement AT that is not routinely

used by the general population given the message communicated to others that they are vulnerable, or if it creates social barriers (Lebon & Boess, 1998; Luborsky, 1993; Polgar, 2002). Persons of any age, however, can feel stigmatized by devices that signal loss of function.

While the extant literature has references to the stigmatization of individuals having developmental disabilities (Barker, 1948); Fine & Hahn, 1997), little information exists that explains why these persons feel stigmatized, and what the potential impact of stigma is on professional recommendations regarding service delivery. This becomes problematic given the relative ‘youth’ of the field of AT (Edyburn, 2000). Numerous models have emerged to assist AT teams in decision-making about devices and services for persons with disabilities (Bowser & Reed, 1998; Chambers, 1997; Institute for Matching Person and Technology, 2002; Melichar & Blackhurst, 1993; Williams, Stemach, Wolf, & Stanger, 1995; Zabala, 1998). However, Watts, O’Brien, and Wojcik (2004) note that little reliability and validity data are currently available to support effectiveness of such approaches for AT decision-making. Adding to this problem are:

1. The expectations of family and user input and active participation in decision-making processes that is deeply embedded in many decision-making models; and
2. Lack of sensitivity on the part of teams to cultural and family issues during AT decision-making (Kemp & Parette, 2000; Parette, Brotherson, & Huer, 2000; Parette & Huer, 2002; Parette & McMahan, 2002).

As such, the term “handicapped” is no longer appropriate; instead, “person with a disability” is more widely used. This phrasing reflects a positive approach by putting people first not the disability. Many physical barriers are caused by attitudinal barriers resulting from misconceptions and unfamiliarity. The following sections, accord-

ing to Cowan, Fregly, Boninger, Chan, Rogers, and Reinkensmeyer (2012), define and describe some of the more common disabilities. The intent is to increase knowledge and understanding of these disabilities.

Developmental Disabilities

The term developmental disability is used to describe those conditions that affect, or appear to affect, the mental and/or physical development of individuals. Disabilities included in this category are mental retardation, cerebral palsy, autism, epilepsy, and, in some cases, head traumas. In order to be considered a developmental disability, an individual’s condition must manifest before the age of eighteen, continue indefinitely, and represent a significant limitation for the individual. The first criterion states that the disability must originate sometime before eighteen years of age. Developmental disabilities are caused by trauma to the developing brain and nervous system. However, in many cases, it is difficult to determine the exact cause of the damage, or the time the damage occurred. The second criterion indicates that the condition will continue indefinitely, or can be expected to continue indefinitely. An individual may become more independent or acquire new learning skills and behaviors, but, nevertheless, the condition is still present. The third criterion is that a developmental disability constitutes a severe impairment in the individual’s ability to function in daily life. Life activities that may be affected are communication, learning, mobility, self-care, self-direction, economic self-sufficiency, and the capacity for independent living.

Hearing Impairments

Hearing impairments vary greatly from mild hearing loss to profound deafness. The term “hard-of-hearing” describes those who have mild to moderate hearing loss. Mild hearing loss includes those who are able to hear everything

except very high-pitched sounds. Moderate hearing loss describes people who are unable to hear a conversation without amplification. Deaf includes people with sever to profound hearing loss, who are unable to hear anything but the loudest sounds, such as a jet airplane. Hearing loss can occur before birth (congenital) or any time after birth (adventitious). Factors contributing to hearing impairments include injury, medication, illness, aging, sudden or prolonged exposure to loud noise, and genetic factors. According to the Americans with Disabilities Act, a public entity must provide appropriate auxiliary aids and services to ensure that communication with individuals who have a disability is as effective as communication with others. Auxiliary aids and services for people with hearing impairments include assistive listening devices, qualified interpreters, video captioning decoders, and telecommunications devices for deaf persons [Text Telephone (TTY) and Telecommunication Device for the Deaf (TDD)].

Mobility Impairments

The term mobility impairments is used to describe numerous disabling conditions which affect movement and ambulation. Conditions range from chronic pain to quadriplegia. Mobility impairments may be caused by accidents or other traumatic events, or chronic events, such as disease or a condition that proceeds slowly from birth. A mobility impairment may occur before, during, or after birth.

Visual Impairments

The term visual impairment is used to describe many degrees of vision loss, including low vision, legally blind, and totally blind. The definitions of what constitutes “low vision” vary, but generally low vision is defined as an uncorrectable visual impairment that interferes with a person’s ability to perform everyday activities, or as having 20/70 acuity in the best eye, with correction. The term

“legally blind” encompasses individuals whose central visual acuity does not exceed 20/200 in the better eye with corrective lenses or whose visual field is less than an angle of 20 degrees. The individual with 20/200 sees at 20 feet what a normal sighted person sees at 200 feet. Total blindness is the complete absence of vision and light perception. Visual impairments are caused by injury or disease, or are congenital. Congenital blindness occurs at birth or within the first five years of life. An individual who is congenitally blind does not have visual memory and therefore does not lean by visual image or picture. This individual relies on his or her remaining senses for orientation. Adventitious or accidental blindness is that which has occurred after the age of five. This individual may use the visual memory of his or her environment and of objects for orientation.

Improved User-Technology Integration: Power Wheelchair Based Mobility

Power wheelchairs are traditionally operated by a joystick and one more switches which change the function that is being controlled by the joystick. These functions include wheelchair movement, seat tilt, backrest recline, footrest elevation, and seat elevation. Not all persons who could experience increased mobility cognitive and neuromuscular capacity needed to navigate a dynamic environment with a joystick.

Shared control has been considered before for powered wheelchair mobility (Millan, Rupp, Muller-Putz, Murray-Smith, Giugliemma, Tangermann, Vidaurre, Cincotti, Kubler, Leeb, Neuper, Muller, & Mattia, 2010). In a traditional shared control system, the assistive technology *assists* the user in path navigation. Shared control systems typically have several modes that vary the assistance provided and movement algorithms. Millan et al. (2010) suggest shared control approaches can be classified in two ways:

1. Mode changes triggered by the user via a button or trigger, or
2. Mode changes hard-coded to occur when specific conditions are detected (Millan, Rupp, Muller-Putz, Murray-Smith, Giugliemma, Tangermann, Vidaurre, Cincotti, Kubler, Leeb, Neuper, Muller, & Mattia, 2010).

Both approaches have potential problems. Requiring the user to trigger mode changes imparts a substantial mental load, can be tiring, increases complexity, and decreases user-friendliness. Hard coding mode changes may not allow customization to the individual and their specific abilities.

Other approaches toward improving powered mobility are seeking to exploit better the user's inherent capabilities for controlling the chair through better input devices. One approach is to design an interface that can be operated by an alternative body part. In a related approach, a group at Georgia Institute of Technology in Atlanta, Georgia, USA, has developed a tongue interface that is not dependent on a physical interface between the tongue and sensor. Other related work has explored how information from sensors placed anywhere on the body can be automatically mapped to wheelchair control signals, again allowing a person to use parts of the body that they are capable of moving well to control the wheelchair (Casadio, Pressman, Fishbach, Danziger, Acosta, Chen, Tseng, & Mussa-Ivaldi, 2010).

Another way to better make use of a user's inherent capabilities is to use a brain computer interface (BCI) to detect, decode, and communicate intended movements from brain electrical activity. A previous National Science Foundation (NSF) study examined recent progress in BCI technology is characterized by a low information transfer rate (low bandwidth), which is a challenge for real-time wheelchair navigation. Low bandwidths can result in substantial delays between when a user initiates a maneuver and when the wheelchair responds, introducing a potential safety hazard (Rebsamen, Guan, Zhang, Wang, Teo, Ang, &

Burdet, 2010). In addition, BCI driven wheelchair navigation typically requires extensive training, imposes a substantial cognitive load, and can be very tiring. If BCIs are to mature into a realistic option to control power wheelchairs, these issues must be resolved in a cost-effective manner.

Prosthetic Limb Control

Prosthetic development challenges include replacing both the efferent nervous system and the afferent nervous system. Adequate prosthetic limb control will be achieved when both efferent and afferent systems are adequately replaced. Three novel approaches were observed in Europe for better interfacing the user and their prosthetic:

1. **Computer-Vision Enhanced Control:** Which is an example of improving both the device and the shared control system;
2. **Peripheral Nervous System Interfaces:** An example of improved interfaces; and
3. **Kinematic/Kinetic Based Control:** A strategy which improves the mechanics of the limb through software and provides a better interface.

The first two approaches target upper limb prosthetic control and the third targets lower limb (Cowan, Fregly, Boninger, Chan, Rogers, & Reinkensmeyer, 2012).

Computer-Vision Enhanced Control

When an individual reaches to grab an object, the hand assumes a given orientation and opens to accommodate the object. Typically, prosthetic hand control has a high mental burden, as the user must plan the grasp and generate step-by-step commands to position and shape the hand. Although a high degree of control can be achieved by this method, users prefer intuitive controls requiring less conscious involvement. In pursuit of a less demanding control strategy, researchers at the

University of Aalborg have developed a camera-based shared control system that uses image recognition to autonomously select the proper hand orientation, grasp shape, and grasp size based on the images of the object being manipulated (Dosen, Cipriani, Kostic, Controzzi, Carrozza, & Popovic, 2010).

Peripheral Nervous System Interface (PNS) Control

Upper extremity prosthetic control is challenging due to both the number of possible motions to be controlled and the limited number of sites for traditional control interfaces. An appealing option is controlling a prosthetic arm or hand via the same nerve that once carried afferent and efferent information between the arm and brain (Micera, Citi, Rigoza, Carpaneto, Raspopovic, Di Pino, Rossini, Yoshida, Denaro, Dario, Rossini 2010). Potentially, this approach would be more intuitive to the user and provide a pathway to sensory feedback. At Scuola Superiore Sant'Anna in Italy, Dr. Silvestro Micera has explored this option by implanting thin-film longitudinal intrafascicular electrodes in the median and ulnar nerve of a trans-radial amputee. The subject was implanted with a prosthetic hand mounted directly to the distal end of the residual radius. A less invasive approach for improving the control of an artificial hand is being pursued by Dr. Peter Veltink, Dr. Hans Rietman, and co-workers at the University of Twente in Enschede, in the Netherlands. Rather than using muscle activity signals from implanted electrodes to control a prosthetic hand, the Myopro Project is pursuing the use of an array of surface electrodes. Traditionally, prostheses controlled by surface electrodes have had limited control ability due to the use of a small number of electrodes.

EXTENDED ASSISTIVE TECHNOLOGY AND HUMAN-COMPUTER INTERACTION

Despite the growing focus on user-centered interface design promoted by human-computer interaction researchers and practitioners, there remains a large and diverse user population that is generally overlooked: users with disabilities. There are compelling legal, economic, social, and moral arguments for providing users with disabilities access to information technologies (Bergman & Johnson, 1995)¹. With that said, the needs of users with disabilities are typically not considered during software design and evaluation. Until recently, there was little contact between human-computer interaction (HCI) organizations and the sizable disability community of people with disabilities (McMillan, 1992), leaving many software designers unaware of the needs of users with disabilities². Nevertheless, designing software that takes the needs of users with disabilities into account makes software more usable for all users: people with disabilities who use assistive technologies, those who use systems “off the shelf,” as well as users without any significant disabilities. Examples of extended assistive technology and human-computer interaction are:

1. The bell that chimes when an elevator is about to arrive [which was designed with blind people in mind (Edwards, Edwards, & Mynatt, 1992)].
2. The curb cut ramps common on street corners in the United States [were introduced for wheelchair users (Vanderheiden, 1983)].
 - a. Curb cuts have benefited people pushing baby carriages and shopping carts as well as those on bicycles and roller blades.
 - b. It was difficult or impossible for people in wheelchairs to cross a street or for baby carriages, shopping carts, bicycles

- and roller blades to maneuver between streets and sidewalks.
3. Systems that allow use of keyboard shortcuts instead of the mouse increase efficiency of sighted users as well as providing access for blind users or users who have disabilities that affect mouse control.
 4. Android Mobile Phones, Smart Mobile Phones, Android Tablets, Tablets, and Xbox Kinects (Kinects for Xbox) are human-computer interactivity based on motions activated and controlled and voice activated and controlled for the general population as well as the disabled population who may or may not require accessibility to the exchange for suitable accommodation.

Providing accessibility means removing barriers that prevent people with disabilities from participating in substantial life activities, including the use of services, products, and information. The general public see and use a multitude of access-related technologies in everyday life, many of which the general public may not recognize as disability related when the general public encounters them (Edwards, Edwards, & Mynatt, 1993; Vanderheiden, 1983). Accessibility is by definition a category of usability: software that is not accessible to a particular user is not usable by that person. As with any usability measure, accessibility is necessarily defined relative to user task requirements and needs.

Vanderheiden (1991) makes a distinction between *direct* access and access through add-on assistive technologies. Vanderheiden (1991: 2) describes direct access as “adaptations to product designs that can significantly increase their accessibility...” A major advantage of this approach is that large numbers of users with mild to moderate disabilities can use systems without any modification. As such, assistive access means that system infrastructure allows add-on assistive software to transparently provide specialized input and output capabilities. Thus, according to Berg-

man and Johnson (1995), in order to truly serve users with disabilities, accessibility must mean more than simply providing direct access through assistive technologies bundled with system software, and more than providing the capability to add such assistive technologies. It also must mean designing application user interfaces that are easier to use for the users with disabilities as well as users without disabilities by taking their needs into account when system and application software is designed.

In doing so, accessibility provides benefits for a wide range of people and not only for those with disabilities. As such, people working on accessibility have been tackling such design issues for years, typically with little or no input from the HCI specialists (Bergman & Johnson, 1995). Clearly, there needs to be a better communication exchange between the disability access and the HCI communities. Communication exchange between the disability access³ and the HCI communities are paramount because there are ample incentives for fostering a connection between design for access and design for general audiences.

Research on communication devices for the deaf led to the development of the telephone, whereas the development of an easy to use talking book for the blind led to the cassette tape (Edwards, Edwards, & Mynatt, 1993). HCI theory and practice can benefit from better understanding of the difficult issues that are already being addressed in the disability domain. Newell and Cairns (1993) cite designers who thought they had created novel interfaces, which were actually reinventions of disability access technologies such as foot-operated mice and predictive dictionaries⁴. As McMillian (1992) suggested, cooperation among these different communities will require better communication among professionals in the fields of rehabilitation education and HCI⁵. Such two-way interactive communication between professionals in the fields of rehabilitation education and HCI is paramount in establishing common

ground, meeting of the minds, and a shared agreed upon definition of usability.

Currently, there is no common agreed upon definition of usability. Usability has multiple dimensions. Usability is the quality of a system with respect to ease of learning, ease of use, and user satisfaction. For Vohringer-Kuhnt (2002), usability components are effectiveness, efficiency, and satisfaction. The factors that make a system more or less usable are complex and are still the topic of considerable research. Rosson and Carroll (2002) identify three distinct perspectives, dependent and related, that have contributed to modern views of usability: human performance, collaboration, and human cognition. Carroll and Rosson (1985) highlight that usability has a relationship with the interaction scenario from the usability engineering point of view. Carroll (2000) argues that the basic argument between scenario-based methods is the descriptions of people using technology, because scenarios describe the behaviors, and experiences of actors. Carroll (2000) presents characteristics elements of user interaction scenario: setting, actors, task goals, plans, evaluation, actions, and events.

Current efforts on improving usability focus on making things easier. However, it seems that there is more to usability than ease of use. Laurel (1993) considers that engagement in computer mediated activity is as much about emotional and aesthetic relations as it is about rational and intellectual ones. In other words—usability is important. From the user's perspective, usability is important because it can make the difference between performing a task accurately and completely or not, enjoying the process, or being frustrated. On the other hand, from the developer's perspective, usability is important because it can mean the difference between successes or failures of a system.

Since the inception of HCI more than three decades ago, HCI has been metamorphosing through different stages, somewhat aligning with the trend of cognitive psychology with which HCI is coupled—from absolutism to relativism,

from cognitivism to situatedness, and from individualization to socialization. Notwithstanding its scientific flavor as exemplified by its roots in theories of cognition, being driven by the rapid growth of technological innovation, HCI focuses one-sidedly on the practice of usability but tends to neglect the study of usability—understanding usability with reference to a coherent set of theoretical frameworks and assumptions. With that said, the term usability engineering has widely been propagated since Jakob Nielsen's seminal book appeared in 1994. Consequently, usability is strongly associated with practical results rather than with underlying theories, perhaps because of the implication of the word engineering, which is defined as “the application of science to the needs to humanity; this is accomplished through knowledge, mathematics, and practical experience applied to the design of useful objects or processes⁶.”

Gillan and Bias (2001) coin the term usability science, aiming to substantiate the scientific base of the work on usability. Specifically, Gillan and Bias (2001) assert that practical problems users experienced when interacting with different technologies can inform the theorizing process of human cognition and perception. Usability science, as stated, is akin to William James' (1975) pragmatism in the sense that the value of a scientific theory is proved by its application in the real world, where the latter provides the ultimate testing ground for the former. This notion is consistent with Donald Stokes' (1997) use-inspired basic research.

Traditionally, research was dichotomized into two categories, namely basic research with the goal of understanding and applied research with the goal of use. Furthermore, it was assumed that the knowledge acquired from the former could be transferred to the latter. Note also basic research was regarded as more prestigious than applied research. Indeed, today some researchers still behold the misconception that science will be degraded or its purity will be contaminated if it is to be applied

(Fischer, Bouillon, Mandl, & Gomez, 2003). In its place, Stokes (1997) proposed two-dimensional model by conceptualizing goals of understanding and goals of use as two distinct continua. Three different perspectives on the relation between theory and practice arise from that assumption, such that, the goals of understanding and the goals of use, can be combined and translated into one goal—interaction—human-computer interaction to be exact.

Dix, Finlay, Abowd, and Beale (1997) consider interaction as the communication between user and system which must be seen in a context whenever it is physical, social, and organizational. According to Guirdham (1999), to understand the concept of interaction one need to understand the communication theories, for communication can be a particular form of behavior. On the other hand, Levinson (1983) defines interaction as “the sustained production of chains of mutually-dependent acts, constructed by two or more agents each monitoring and building on that acts of the others.” Whereas for Laurel (1993), who argues that “a dramatic view of human-computer interaction is amenable to the notion of situated actions in that it attempts to dynamically represent changing situational elements and to incorporate knowledge of them into both the decision-making processes of computer-based agents and the understanding of the actions of human agents in representational context.” With that said, almost all definitions of interaction in literature have basis on the concept of interaction theory of metaphor. Max Black, as cited in Kirkup, Janes, Hovenden, and Woodward (2000), defines interaction metaphor as “metaphor that joins together into cognitive and emotional relation with each other two different things, or systems of things not normally so joined.”

THE HISTORY OF HUMAN-COMPUTER INTERACTION

In the early days of Human-Computer Interaction (HCI), the notion that computer systems and software should be designed and developed with the explicit consideration of the needs, abilities, and preferences of their ultimate users was not taken seriously. Most writings about computing from the mid-1970s are stunningly dismissive of usability and rather patronizing of users⁷. After only a decade, the computer industry and the discipline of computer science were transformed. The case had been made for a user-centered system development process, a process in which usability was a primary goal. People began to distinguish sharply between technology-driven exploratory development, which is now often accompanied by explicit disclaimers about usability, and real system development, in which empirically verified usability is the final arbiter.

Through the past two decades, HCI emerged as a focal area of both computer science research and development, and of applied social and behavioral science. As such, the beginning of HCI is sometimes traced to the March of 1982 (U.S.) National Bureau of Standards Conference, Human Factors in Computer Systems, though related conferences and workshops were conducted throughout the world at about that time. It is surely true that after the Bureau of Standards conference, HCI experienced meteoric growth. However, four—largely independent—threads of technical development from the 1960s and 1970s provided the foundation that allowed this interdisciplinary program to gel so rapidly in the early 1980s. These four threads, according to Carroll (2001), were:

1. Prototyping and iterative development from software engineering,
2. Software psychology and human factors of computing systems,
3. User interface software from computer graphics, and
4. Models, theories, and frameworks from cognitive science.

HUMAN-COMPUTER INTERACTION

Human-Computer Interaction (HCI), also known as Man-Machine Interaction (MMI) or Man-Machine Interfacing (MMI) (Karray, Alemzadeh, Saleh, & Arab, 2008), is the study and the practice of usability (Carroll, 2001; Hartson, 1998; Te'eni, Carey, & Zhang, 2007) and functionality (Te'eni, Carey, & Zhang, 2007). The entire field of HCI shares the single goal of achieving high usability for users of computer-based systems. Usability can be broadly defined as ‘ease of use,’ including such measureable attributes as learnability, speed of user task performance, user error rates, and subjective user satisfaction (Hix & Hartson, 1993; Shneiderman, 1992). Usability of a system with a certain functionality is the range and degree by which the system can be used efficiently and adequately to accomplish certain goals for certain users. The actual effectiveness of a system is achieved when there is a proper balance between the functionality and usability of a system (Nielsen, 1994). Functionality of a system is defined by the set of actions or services that it provides to its users. However, the value of functionality is visual only when it becomes possible to be efficiently utilized by the user (Shneiderman & Plaisant, 2004).

According to Carroll (2001), HCI is about understanding and creating software and other technology that users will want to use, will be able to use, and will find effective when used. HCI is a field of research and development, methodology, theory, and practice, with the objective of designing, constructing, and evaluating

computer-based interactive systems—including hardware, software, input/output devices, displays, training and documentation—so that people can use them efficiently, effectively, safely, and with satisfaction. HCI is cross-disciplinary in its conduct and multi-disciplinary in its roots, drawing on—synthesizing and adapting from—several other fields, including human factors, ergonomics, cognitive psychology, behavioral psychology and psychometrics, system engineering, and computer science (Hartson, 1997).

In order to design a user interface, or any system, to meet the needs of its users, developers must understand what tasks users will use the system for and how those tasks will be performed (Diaper, 1989). Due to the fact that tasks, at all but the highest levels of abstraction, involve manipulation of user interface objects, tasks and objects must be considered together in design (Carroll, Kellogg, & Rosson, 1991). A complete description of tasks in the context of their objects is a rather complete representation of an interaction design. The process of describing tasks and their relationships is called task analysis and comes to HCI primarily from human factors (Meister, 1985). There are various task analysis methods to address various purposes. In HCI the primary uses are to drive design and to build predictive models of user task performance. Given the fact that designing for usability means understanding user tasks, task analysis is essential for good design, but unfortunately, it is often ignored or given only minimal effort. It is often ignored or given minimal effort because more often than not, when designing for usability, designers often do not elicit or incorporate users’ perspectives.

A significant legacy from cognitive psychology is the model of a human as cognitive information processor (Card, Moran, & Newell, 1986). The Command Language Grammar (Moran, 1981) and the keystroke model (Card & Moran, 1980), which attempt to explain the nature and structure of human-computer interaction, led directly to the Goals, Operators, Methods, and Selection (GOMS)

(Card et al., 1986) model. GOMS-related models, quantitative models combining task analysis and the human user as an information processor, are concerned with predicting various measures of user performance—most commonly task completion time based on physical and cognitive actions of users, with place holders and estimated times for highly complex cognitive actions and tasks. Direct derivatives of GOMS include NGOMSL (Kieras, 1988), and Cognitive Complexity Theory (CCT) (Kieras & Polson, 1985; Lewis, Polson, Wharton, & Rieman, 1990), the latter of which is intended to represent the complexity of user interaction from the user's perspective. This technique represents an interface as the mapping between the user's job-task environment and the interaction device behavior.

Another area feeding HCI theory and practice is sometimes called work activity theory (Bodker, 1991; Ehn, 1990). Originating in Russia and Germany and now flourishing in Scandinavia, this view of design based on work practice situated in a worker's own complete environment has been synthesized into several related mainstream HCI topics. With that said the task artifact framework of Carroll and Rosson (1992) and, to some extent, scenario-based design follows an ethnographic focus on task performance in a work context. Scenarios are concrete, narrative descriptions of user and system activity for task performance (Carroll, 1995).

While not theory per se, formal methods have been the object of some interest and attention in HCI (Harrison & Thimbleby, 1990). The objectives of formal methods—precise, well-defined notations and mathematical models—in HCI are similar to those in software engineering. Formal design specifications can be reasoned about and analyzed for various properties such as correctness and consistency. Formal specifications also have the potential to be translated automatically into prototypes or software implementation. Thus, in principle, formal methods can be used to support both theory and practice.

A BRIEF HISTORY OF ADAPTIVE AUTOMATION

Several approaches have been proposed that challenge the traditional division of human-automation task responsibility in complex systems, specifically automation of as many tasks as possible and assignment of a human to the role of monitor. This has been labeled Adaptive Automation (AA) or Dynamic Function Allocation (DFA) (Corso & Moloney, 1996). AA has been defined as the dynamic allocation of control functions to a human operator and/or computer over time with the purpose of optimizing overall system performance (Hancock & Chignell, 1988; Kaber & Riley, 1999; Kaber, Riley, Tan, & Endsley, 2001; Kaber, Wright, Prinzel, & Clamann, 2005; Parasuraman, 1987; Rouse, 1977; Scerbo, 1996).

HISTORICAL CONNECTIONS OF DISABILITY AND ASSISTIVE TECHNOLOGY

Disability encompasses most physical and mental conditions that affect ability or are perceived by others as affecting ability. This includes conditions that are visible and those that cannot be seen. Disability includes intellectual impairments and learning disorders. As such, a large number of competing theories concerning the nature of learning disabilities has left the field with no universally accepted definition. The present legal definition, accepted by most school practitioners, as stated in the Education for All Handicapped Children Act of 1975 (Public Law 94-142), rules out all known causes of learning disorders except neurological impairment. As such, the term 'learning disability' and the term 'disability' are commonly used interchangeably as an umbrella term, when referring to disability.

Historically, according to Hallahan and Mercer (N.Y.), Lenker, 2000, and Post, 2009, who researched on the various types of learning dis-

abilities claim that although the federal government's involvement in learning disabilities through task forces, legislation, and funding has only been evident since the 1960s and 1970s, the history of (learning) disabilities' roots back to at least the early 1800s. Thus, although learning disabilities may be one of the newest categories officially recognized by the U.S. Department of Education, but the origins of its conceptual foundation are as longstanding, or nearly as longstanding, as many of the other disability categories. According to Hallahan and Mercer (2002), the history of learning disabilities is divided into five periods: European Foundation Period (1800-1920), U.S. Foundation Period (1920-1960), Emergent Period (1960-1975), Solidification Period (1975-1985), Turbulent Period (1985-2000). Others before Hallahan and Mercer (Lerner, 2000; Mercer, 1997; Wiederholt, 1974) have also divided the history into roughly similar periods.

Motor disability, as a physical disability, and as a physical discrimination was added in 1976, and mental disability was added in 1985. Motor disability, manipulative and locomotive disabilities (Kumar, Rahman, & Krovi, 1997), physical disability, and mobility disability are commonly used interchangeably. Motor disability refers to the ability to move. There are varying degrees of motor impairment.

The field of assistive technology (AT) and rehabilitation engineering, according to Lenker (2000), who referenced Cook and Hussey (1995) and Hobson (1996), has its roots in the years following World War II. From the beginning, it was a needs-driven specialty area. The polio epidemic of the 1950s, birth defects resulting from the use of thalidomide by pregnant women in the 1960s, and injuries incurred by those who served in the Vietnam War all resulted in new forms of disability, each presenting with unique challenges for accommodation. The United States Department of Health, Education, and Welfare and the Veterans Administration responded to these societal needs by forming a number of Rehabilitation Engineer-

ing Centers (RECs) around the country throughout the 1970s. The RECs typically had unique areas of specialization, which range from wheeled mobility and seating to prosthetics and orthotics to environmental control. A separate group of engineers and clinicians, whose focuses was on augmentative communication and computer access, also began meeting in the mid-1970s at the self-organized Systems and Devices Conferences (Hobson, 1996).

These two groups began meeting together informally in the late 1970s, culminating in the formation of the rehabilitation Engineering Society of North America (RESNA) in 1979. Nowadays, RESNA's 1,100 worldwide members come from backgrounds that encompass occupational therapy, physical therapy, speech-language pathology, special education, engineering, and political advocacy. In order to reflect the evolving professional diversity of its membership, RESNA has changed its name to the *Rehabilitation Engineering and Assistive Technology Society of North America* while keeping the RESNA acronym because of its name recognition value (Lenker, 2000). Throughout its history, RESNA has had an ambitious agenda that has juggled support of virtually all arenas comprising the field of assistive technology: clinical service delivery, research, new product development, legislation and funding initiatives, and consumer awareness and empowerment.

Simultaneous to RESNA's inception was the birth of what became the personal computer revolution. The potential of computers for persons with disabilities was tremendous; truly portable devices could facilitate writing and speaking for those who needed alternative means of self-expression. The impact of this phenomenon was felt throughout the fledgling assistive technology and rehabilitation engineering fields; occupational therapists, special educators, speech-language pathologists, and rehabilitation engineers found themselves confronted with new challenges as they attempted to avail their clients of the opportunities

that were not possible before, through computers and augmentative communication device.

However, along with these new technological challenges came a void in professional preparation. With the exception of a half-dozen universities, assistive technology was not included in the pre-professional curricula for either allied health, or engineering programs. Most practitioners picked up their assistive technology skills on the job, learning from colleagues, and through personal trial-and-error. Continuing education seminars at selected conferences began to emerge, with RESNA's annual conference, and the Closing the Gap conference leading the way throughout the 1980s. Both conferences offered state-of-the-art content and exciting opportunities for attendees to mix with the leaders of the field. Several additional conferences emerged with a second wave that came to fruition in the late 1980s, among them the CSUN conference on Technology and Persons with Disabilities, the International Seating Symposium, and the Council for Exceptional Children's Technology and Media Conference.

Another piece of the professional puzzle fell into place with the initiation of two peer-reviewed journals, *Assistive Technology*, founded in 1989, and *Technology and Disability*, founded in 1992, both of which were dedicated to publishing research-oriented papers that advanced the clinical practices of the field. Recognizing the importance of assistive technology as a tool-of-the-trade for occupational therapists, the American Occupational Therapy Association (AOTA) began endorsing the discipline in the early 1990s through formation of the Technology Special Interest Section, acceptance of papers with assistive technology-related content in the American Journal of Occupational Therapy, and sponsorship of the *Tech Lab* that is held at AOTA's Annual Conference and Exposition. Thus, by the middle of the 1990s, the field of assistive technology included a dedicated professional society, a number of annual conferences that included platform presentations as well as product expositions, two peer-reviewed research journals,

and special interest sections within the various allied health and special education professional associations. What was lacking was a mechanism for verifying a minimum of level of competence for professionals who were practicing in assistive technology. Such standards were needed to ensure a minimum level of service quality and therefore protect the ultimate consumers of these services, namely, children, adults, and elders with disabilities.

DISABILITY, HUMAN-COMPUTER INTERFACE ON INDEPENDENCE, AND EMPLOYMENT

Disability, namely physical disabilities, can be the result of congenital conditions, accidents, or excessive muscular strain. By the term 'physical disability,' I am referring to disabilities that affect the ability to move, manipulate objects, and interact with the physical world. Many users with physical disabilities use computer systems without add-on assistive technologies. These users can especially benefit from small changes in interfaces accessibility. Some users with physical disabilities use assistive technologies to aid their interactions.

Perhaps the fastest increasing disability in today's computerized workplace is repetitive strain injury (RSI). The Occupational and Health Safety Administration reported that 56% of all work place injuries reported during 1992 were due to RSI, up from 18% in 1981 (Furger, 1993). RSI is a cumulative trauma disorder that is caused by frequent and regular intervals of repetitive actions. Common repetitive stress injuries are tendonitis and carpal tunnel syndrome, although other types of injuries also occur.

Nevertheless, arguments typically leveled against designing for users with disabilities include the claims that costs are too high, and the benefits serve too small a market (Glinert & York, 1992). These arguments should sound familiar to HCI practitioners, who have historically faced initial

resistance or even opposition to the introduction of HCI processes into product development. Just as organizational understanding of the design process must be changed for HCI to be accepted, so too must the standard HCI conceptualization of *the user* change, to recognize the needs of people with disabilities.

There is a common belief that software engineers typically design for themselves, while HCI professionals follow a process based on understanding user characteristics, needs, tasks, and environments. In spite of this claim to the domain of user needs, Bergman and Johnson (1995) argue that most HCI research, literature, and practices hold forth a relatively limited view of who constitutes the user. On the other hand, Nielsen's (1993) usability engineering, for example, discussed the user in a section titled *Categories of Users and Individual Differences*. Nielsen focuses on user experience with computers in general, the system in particular, and the task at hand. Nielsen (1993) noted that "users also differ in other ways than experience" and went on to list such attributes as age, gender, spatial memory, and learning style. Users with disabilities are not mentioned, in spite of the explicit focus on *Categories of Users*. In fact, disabilities are only mentioned in a few brief sentences in the entire book.

It is in the design and evaluation of operating systems⁸ and desktop environments that designing for people with disabilities is most critical. Without the appropriate system software infrastructure, no amount of effort on the part of application developers can improve the accessibility of applications. On the other hand, there are many ways to improve the accessibility of applications within the constraints of current systems. Perhaps the most obvious way to enhance accessibility is to consider the needs of people with disabilities in all stages of the design process, including requirements gathering, task analyses, usability tests, and design guidelines. Other strategies include evaluating the usability of software in conjunction

with popular assistive technologies, and testing under simulated disability conditions.

Usability testing with even one user from each of the general disability categories can have significant benefits for all users, not only those with disabilities. Depending on their disabilities, users can be especially affected by usability abilities. Users with physical disabilities affecting movement can be sensitive to tasks that require an excessive number of steps or wide range of movement. Usability testing with these users can uncover usability defects that are important in the larger population.

The traditional view of people having a disability or not having a disability is overly simplistic. All users have a range of capabilities that varies across many dimensions depending on the user and his or her life stage, task, and environment. As more of the population approaches their middle 40's, there are increasing number of users peering through bifocals at their screens (Bergman & Johnson, 1995). A nontrivial portion of the population experiences some degree of hearing loss, and may not always notice software alert sounds. As we age, more of us will develop age related disabilities—25% by age 55, jumping to 50% at age 65 (Vanderheiden, 1990). In fact, a significant number of user requirements for people with disabilities apply to almost any user, given the right circumstance or task context (Edwards, Edwards, Mynatt, 1993; Edwards & Mynatt, & Rodriguez, 1993; Newell & Cairns, 1993). As McMillian (1992: 144) observed, "...from the point of view of a computer, all human users are handicapped."

THE EVOLUTION OF HUMAN-COMPUTER INTERACTION

From the perspective of HCI, trends and their associated questions and uncertainties, pose a number of imperative questions whose reach researchers and practitioners are currently struggling

hard to grasp. For instance, according to Fallman (2011), first, while the concept of designing for user experience is rapidly catching on in HCI as an alternative to traditional usability metrics, few well-developed notions exist with regard to what would constitute a *good* user experience. Second, the current pervasiveness of digital technology in our everyday life, including the Web and the mobile phone, further complicates this matter, as it is becoming increasingly difficult to distinguish a ‘user experience’ from any other kind of experience. Third, the trend towards networked digital artifacts primarily interacting with each other, and with computational power embedded in the environment rather than with human users, blurs and thus challenges the concepts of ‘users,’ which has been a crucial element of most methodological and theoretical approaches on HCI. These three examples also illustrate that the kinds of problems with which HCI is concerned—in designing technology and in understanding the interactions that occur between technologies, humans, and environments—have become considerably more complex (Rittel & Webber, 1973). Such problems typically bring with them a range of concerns that seem to persist on a level beyond design, use, and evaluation, thus challenging not only our theoretical and methodological approaches, but also old truths in the field regarding its scope, purpose, and aim.

Human-Computer Interaction’s First Wave

Through the term usability, traditional HCI taught that interactive systems should be designed to be effective, efficient, engaging, error-tolerant, and easy to learn. By maximizing metrics constructed from these terms, usability sought to improve all interactive artifacts by enhancing their usability, in making them more useful. A shared technical terminology, a set of techniques, methods, and tools, and a common goal have been successfully constructed around these guiding notions. ‘Usability’ is hence a collective term for a particular

set of ideas developed primarily in HCI about the relationships between users, analysts, designers, artifacts, and the context in which design takes place.

To understand why usability developed this particular focus, it is necessary to briefly go back to the dawn of modern HCI—the early 1980s. At this time, there was substantial confidence in how cognitive psychology would come to contribute to the field of HCI (Rogers, 2004). Computers were difficult to learn and use, as users often had to strictly follow the computer’s model of how to approach tasks. To improve the user’s position, the accumulated corpus of knowledge and the credible, structured approach of cognitive science came to be seen as HCI’s knight in shining armor.

Various information processing theories were adopted and adapted to advance new design principles and guidelines, methods, and analytic tools for the field. For instance, Norman’s (Norman, 1986) theory of action focused on modeling people’s goals and how they were met, while Card, Moran, and Newell’s (1986) model enabled quantitative predictions about user performance that could be used to evaluate different kinds of interfaces and assess their suitability for a given task. Such predictive models became a keystone of the usability movement, allowing usability-driven HCI to assess our designs and test our systems to ensure that they actually behave as we expect and meet the requirements of the users (Dix, Finlay, Abowd, & Beale, 2003). Information processing can thus be seen as the theoretical foundation of HCI’s first wave.

Human-Computer Interaction’s Second Wave

Towards the end of the 1980s, however, questions were raised as to why the theories and approaches imported from cognitive psychology were found neither conceptually influential nor useful in the, at the time, rapidly expanding commercial practice of designing computers and interfaces (Landauer,

1991). Seminal books by Suchman (1987) and Winograd and Flores (1986) further revealed the limitations of information processing as the key theoretical approach to HCI. Following what has been described as a theoretical crisis in the field (Rogers, 2004), more encompassing theories and associated methodological approaches were proposed during the early 1990s, including participatory design (Ehn, 1988), ethnography and ethnomethodology (Heath & Luff, 1991), phenomenology (Dourish, 2001; Winograd & Flores, 1986), ecological psychology (Gaver, 1991), distributed and external cognition (Wright, Fields, & Harrison, 2000), and activity theory (Nardi, 1996). Thus, the primary focus of these second wave approaches was to move the center of attention away from the first wave's rather disembodied emphasis on a single user operating a single application. The focus, thus, were shifted to particular work settings to well-defined communities of practice such as teams collaborating using a variety of applications, and to issues of context (Bodker, 2006).

Human-Computer Interaction's Third Wave

However, according to Fallman (2011)⁹, as computing and digital technologies started to become ubiquitous in our daily lives during the end of the 1990s, the boundaries between public and private, as well as work and leisure, started to blur. Technology changed from being a tool for work to something through which the world could be experienced. In the early to mid-2000s, it became increasingly obvious and accepted that HCI could no longer just be concerned with Western people using technology at work. To remain relevant, HCI needed to broaden its scope substantially: it needed to study and design for technology use in a wide variety of contexts.

In the early 2000s, to find ways of tackling these new challenges, HCI became rapidly interested in issues such as meaning, complexity,

culture, emotion, lived experiences, engagement, motivation, and experience—HCI's third wave (Bodker, 2006). Theoretically, third wave HCI tends to relate and integrate technology design and incorporate more cultural analysis, critical theory, philosophy, values, and history than either sociological or psychological theories (Bardzell, 2009; Bodker, 2006; Friedman & Kahn, 2003; McCarthy & Wright, 2004; Sengers, Boehner, David, & Kaye, 2005). Through approaches such as Critical Design, Ludic Design, Reflective Design, Value-Sensitive Design (VSD), and Value-Centered Design, third wave HCI has reacted against the second wave's strong commitment to users in favor of a more design-oriented, exploratory, interpretative, playful, ambiguous, and at times taken on an activist attitude (Blythe & Wright, 2006; Cockton, 2004; Dunne, 2000; Fallman, 2003; Fallman, 2008; Gaver, 1999; Gaver, Hoker, & Dunne, 2001; Gaver, Beaver, & Benford, 2001; Hallnas & Redstrom, 2001; Sengers & Gaver, 2006; Zimmerman, Forlizzi, & Evenson, 2007).

RECOMMENDATIONS

According to Cowan, Fregly, Boninger, Chan, Rodgers, and Reinkensmeyer (2012), Europeans suggest there are several areas that limit the advancement rate in assistive technology. First, the components used to build the assistive technology limits us. Any assistive technology is only as durable, light, and small as the available building blocks. Second, a core limitation is the relative immaturity of our control algorithms. Third, if the developed technologies are to gain user acceptance and widespread adoption, control interfaces must be intuitive, seamless, and non-obtrusive. Component advancements will achieve seamless and non-obtrusive interfaces. Control algorithm advancements will achieve intuitive control. However, only persons with disabilities can provide design specifications for intuitive, seamless, and non-obtrusive. If researchers and

practitioners do not make consulting persons with disabilities a priority, the arena of assistive technology will not meet the demands of the end users, history will not only repeat itself, but the limitations will continue (Tran, 2014), and the technology will be abandoned.

CONCLUSION

HCI is a relatively young and broadly diverse field with a rapidly growing impact on the world of computing. Usability is now recognized as the crucial driving force for user interface design and evaluation. The future of HCI in this context can be viewed from a perspective of product and process. A rich part of the future of HCI is in its application areas, which are growing more rapidly than the HCI methods needed for their development.

Despite intense and wide-spread research in virtual environments, very little work has been applied toward developing the usability methods that will be required to evaluate their new technology; a necessary coupling if virtual environments are to reach their full potential. Similarly, groupware and computer-supported cooperative work (CSCW) (Baecker, 1993; Grudin, 1994), multimedia (Blattner & Dannenberg, 1992), hypermedia, and interface access for the disabled and impaired (Williges & Williges, 1995) will require development of new methods for design and usability evaluation. Educational technology for the classroom, the Web, and the home is emerging as a giant application area. Perhaps nowhere is usability more important than in the discipline of education where understanding and communication of concepts and ideas is the stock and trade.

The development of future HCI processes will struggle to keep pace with these new application areas and interaction styles. One area that is already changing among real-world system developers is the representation of roles and skills within interactive system development teams.

Usability specialists, human factors engineers, and HCI practitioners are starting to take their long-overdue places alongside systems analysts and software engineers. These new roles imply the need for new kinds of training in HCI methods. In the future these roles will also be joined by those with technical writing and documentation skills and especially by those with graphic and visual design skills (Mullet & Sano, 1995; Shubin, Falck, & Johansen, 1996; Tufte, 1983).

Thus, the research of HCI entered its third paradigm, and it is much broader in its remit than the information processing approach of the 80s-90s of the 70s-80s (Harrison, Tatar, & Sengers, 2007). Harrison, Tatar, and Sengers propose that researchers seek multiple interpretations to obtain a more complete overall understanding of the nature of interaction of the phenomena being observed and analyzed. Similarly, a set of third wave challenges has been outlined for HCI (Bodker, 2006) which suggest that the second wave should not be abandoned but studied alongside the third using a range of methods and conceptual approaches. With that said, in a more far-reaching and forward-looking report, *Being Human*, Abigail Sellen, Tom Rodden, Richard Harper, and Rogers (Harper, Rodden, Rogers, & Sellen, 2008; Rogers, 2009) summarize the many changes afoot and suggest a new frame for understanding society's relationship with technology. Abigail Sellen, Tom Rodden, Richard Harper, and Rogers (Harper, Rodden, Rogers, & Sellen, 2008) propose, and I too agree, that HCI needs to put human values center stage, considering both positive and negative aspects of the diversity of new technologically-mediated experiences.

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KEY TERMS AND DEFINITIONS

Adaptive Automation (AA): Or Dynamic Function Allocation (DFA), AA has been defined as the dynamic allocation of control functions to a human operator and/or computer over time with the purpose of optimizing overall system performance.

Deaf: Includes people with sever to profound hearing loss, who are unable to hear anything.

Disability (Developmental): Is used to describe those conditions that affect, or appear to affect, the mental and/or physical developmental of individuals.

Disability: Encompasses most physical and mental conditions that affect ability or are perceived by others as affecting ability.

Hard-of-Hearing: Describes those who have mild to moderate hearing loss.

Hearing Impairments: Vary greatly from mild hearing loss to profound deafness.

Human-Computer Interaction (HCI): Also known as Man-Machine Interaction (MMI) or Man-Machine Interfacing (MMI), is the study and the practice of usability and functionality.

Legally Blind: Encompasses individuals whose central visual acuity does not exceed 20/200 in the better eye with corrective lenses or whose visual field is less than an angle of 20 degrees. The individual with 20/200 sees at 20 feet what a normal sighted person sees at 200 feet. Total blindness is the complete absence of vision and light perception.

Low Vision: Vary, but generally low vision is defined as an uncorrectable visual impairment that interferes with a person's ability to perform everyday activities, or as having 20/70 acuity in the best eye, with correction.

Mild Hearing Loss: Includes those who are able to hear everything except very high-pitched sounds.

Mobility Impairments: Is used to describe numerous disabling conditions which affect movement and ambulation.

Moderate Hearing Loss: Describes people who are unable to hear a conversation without amplification.

Stigma: A person who is stigmatized is a person whose social identity, or membership is some social category, calls into question his or her humanity—the person is devalued, spoiled, or flawed in the eyes of others.

Usability: Has multiple dimensions. Usability is the quality of a system with respect to ease of learning, ease of use, and user satisfaction.

Visual Impairment: Used to describe many degrees of vision loss, including low vision, legally blind, and totally blind.

ENDNOTES

¹ The ADA and the Constitution of the United States are just two, among others, are example of compelling, legal, economic, social, and moral arguments.

² Many companies such as Adobe, Apple, and Microsoft have a long history of working for and with the disabled community but not all companies have a quality assurance department dedicated to representing the disabled community in the software design process. A toll free number is provided by each of these companies regarding questions regarding certain and specific software at hand in relations to its accessibilities for individuals with disabilities.

³ Disability access is access for individuals who are legally disabled whereas accessibility is access for individuals who may or may not be disabled.

⁴ Predictive dictionaries speed typing by predicting words as the user types them, and offering those words in a list for the user to choose. Originally intended for users with movement related disabilities, predictive dictionaries are now becoming popular for users with RSI and as a way to boost typing speed.

⁵ The disability domain refers to any and all domains that are related to and/or in connection with the disability field, whether it is an organization, an agency, a department corporation, a company, or a firm that have individuals who are actually involved in actual reinventions of disability access technologies for individuals with disabilities.

⁶ en.wikipedia.org/wiki/Engineering.

⁷ Example of these writings is hard to derive because articles and textbooks dating back to the mid-1970s are quite scarce. Those that are obtained either mentioned very little of, if any, regarding usability, especially in a posi-

- tive manner regarding usability. Please refer to additional readings for more information.
⁸ For a detailed analysis on the topic of (computer) operating system in relations to people with disabilities and accessibility, please refer to Christopher Pincemaille's (2008) article titled, Systems and Interfaces for Disabled People.

- ⁹ For a detailed analysis of the first wave and second wave, please refer to Daniel Fallman's (2011) article. While Fallman covered the first waves and the second wave in his article, both the first wave and the second wave, are not his original concepts.

Chapter 9

Culture-Based Creativity in the Regional Strategy of Development: Is Russia in Game?

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ABSTRACT

In the knowledge-based society, economic growth depends on the implementation of new ideas. Creative people, creative industries, and creative economies are considered as the crucial drivers of the economic prosperity and change management. This chapter analyzes regional specificity of Russia in creation and support of creativity within social and economic development, using the Global Entrepreneurship Monitor, Impact Report, and the G20 Entrepreneurship Barometer. Using data from Inglehardt's World Values Survey, the analysis of cultural assignments in the decision-making in Russia will continue compared to diverse European practices. It will be a valuable basis for further exploration of collision between global economic systems, demands for creativity and innovation, internal Russian institutional and societal resources for support/rejection of innovation, and culturally indoctrinated behavioral patterns of young researchers and intellectual entrepreneurs, articulated as drivers of the new economy.

CONCEPTUAL FRAMEWORK

Culture is one of the most discussable concepts in extant academic literature. It exists on three levels of analysis: meta, mezzo, and micro (with implications to organization, corporate and other forms of culture). There are several dimensions of culture that could be found within the academic milieu: culture and cultural differences in management,

social psychology, and linguistic anthropology. On the meta-level of analysis since the 1950s, we can see the changes in perception of culture away from the objectivist framing the concept as a way life, including traits, values, and behavioral patterns (Herbig & Dunphy, 1998). The new wave of reassessment of culture came into being during the 1980s called the "cultural turn" (Jameson, 1998). It helped to develop a more flexible definition of

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Hofstede (1997) who defines culture as “the collective programming of the mind which distinguishes the members of one group or category of people from another”. Here, we are interested not only in a specific values set, but also in differences in culture at the mezzo-level of analysis that distinguish one region from another. That is why we will follow Kim and Markus (1999) who theorize cultures as constantly changing, open systems of behaviors, attitudes, and norms. Such systems also include institutions that are continuously reinforced through various ways of engagement, participation, networking, etc.

Today, we clearly see the intervention of culture in economic systems and sociality. As Paul du Gay (2002) has highlighted, ‘culture’ is accorded a privileged position in this endeavor because it is seen to play a crucial role in structuring the way people think, feel, and act in organizations and beyond. Cultural discourse in economy is not simply about beliefs, values, and symbols, but rather is a form of representational and technological (that is culturally defined) practices that constitutes the regional spaces within which economic actions and events are framed and formatted. On one hand, the logical constructions of Paul du Gay are located around direct relationship between production and consumption processes; therefore, the ability of producers to frame this relationship concludes in assemblage of economic knowledge and different forms of cultural practices. On the other hand, leading economic and financial centers are characterized by information flows and streams, and the ability to launch and maintain a network of their own contacts.

Cultural dimensions are the most influential and feasible in the context of international cooperation and communication strategies (for more details see, for instance, Burt, 1984; Kaufman, 2011). First, these dimensions focus on human values, and precisely shift economic development, directly linking to organizational process and communication. Second, we suppose the dimensions of Hall and Hofstede as the most

recognizable in studying cross-cultural issues in networking. Finally, the most important dimension is the context of intercultural communication. For instance, while describing international financial sectors and the role of cross-cultural communication abilities, Thrift (1994) stressed that one of the significant skills is the ability to construct relationships of trust and to be part of the interpretation of what is actually occurring. The economic models and the results of regional financial engineering are composed and put in play, being simply indications of the culturally shaped imaginations of space-time and display of a collective trust.

Since the mid-1990s, we have lived in a world in which economic existence is constantly being culturalised (Castells, 2000; Urry & Lash, 1994) and associated with creativity and innovation. Entrepreneurs whose business involves the production and distribution of cultural hardware and software have become among the most innovative and creative economic actors in the world. Today, the ‘culture’ industries are broadly defined and other so-called ‘soft’ knowledge intensive industries not only represent some of the most important economic growth sectors, but also offer paradigmatic instances of the de-differentiation of ‘culture’ and ‘economy’ in terms of their own business practices. Being an entrepreneur means acting on the assumption of creative and risky nature of economy, hardly described and calculated; doing ‘cultural economy’ means acting on the assumption that economics is performed and enacted by the very discourses of which they are supposedly the cause.

Interconnections of ‘culture’ and ‘economy’ are clearly resumed in the Impact Report provided by the European Commission in 2009 (Impact, 2009), and embodied in culture-based economy as the leading concept for recognition of the European economic prosperity. It is based on the idea of what constitutes creative and cultural. We can assume that creativity is an intermediary of culture and economy. Usually creativity is considered under

the themes of product, process, personality and environment. Creativity as a process associates with human ability (Mayer, 1989; Lubart & Sternberg, 1998). Personality creativity relates to cognitive abilities to produce novel thoughts, ideas, and images (Wason, 1968; Fisher, 1922; Trompenaars, 2004). On the macro- and mezzo-levels of analysis, creativity is considered the necessary condition of social environment. To be creative means to be not simply novel for experts who agree upon it, but also to be socially appropriate, valuable, and useful. In this case, appropriateness is defined by socio-historical and cultural circumstances. Therefore, culture feeds creativity to the extent of conventions under which community exists and influence sociality through cultural environment (including education and training), cultural capital, and specific skills. It is when creativity is the expression of human sensibility (such as imagination, intuition, memories, affects) that it becomes culture-based creativity¹. Culture-based creativity and then culture-based economy requires: personal abilities to think independently, imaginatively; technical skills; a social environment (mostly education and learning). On the micro-level in a business organization or corporate culture context, a creative environment introduces opportunities for people engaged to develop their potential and to produce creative communications and interactions.

Often creativity is associated with innovation. Barnett (1953) described innovation as a qualitative jump from habitual patterns. Therefore, if creativity is an ability to produce something novel and appropriate, innovation is the result of ability. In other words, innovation is the answer to the question "how to produce", and only after that "what to produce". The reason behind change is differences which produce conjunctions of cultural materials and as consequence inspire innovations. However, Florida (2002) suggests innovations are technological creativity. This description links economic and cultural spheres of human existence.

The concept of culture-based economy correlates with ideas about existence of specific social group of people, engaged in innovative and creative areas. This creative class includes creative core, professionals, and bohemians. This stratification is extremely generous, but provides us a basic impetus for further consideration. The creative core consists of people directly involved into production of cultural goods. The professional group is mostly engaged in fostering innovations. The bohemians belong to the group with cultural occupation such as arts and fashion. Florida (2002) states creative people are well-skilled and talented who possess marginalized ideas what to consume; additionally, they are those who actively set up technological innovations into every-day life. To resume, creativity is becoming an influential driver of the regional and global development with overwhelming contribution of technological devices in the growth mechanisms.

METHODOLOGICAL APPROACH

In the second half of the first decade of the 2000s, there were constant attempts to measure cultural differences between regions in the European Union (EU) and beyond for further allocation for regional competitiveness and implementation in organization management. The World Values Survey of Inglehardt and the cultural dimensions of Hofstede concern so-called national and supranational cultures in which less attention is paid to intraregional dimension. Ingelhardt (2000), in particular, depicts the coherence of economic development (with division on industrial and postindustrial societies) and cultural heritage (including pre- and post-Communist history). As the result, three cultural variables made significant headway: a Protestant cultural heritage is associated with the high level of well-being, trust, self-expression value and tolerance, while an Orthodox heritage demonstrates a negative attitude to the same values. Ingelhardt (2000) concludes that the crucial influence on

cultural changes is made by personal experience of socio-economic security; namely, in the case of sustainable development of socio-economic sphere cultural values change in direction of universality, self-determination, risk-accepting, and self-expression.

In agreement with the approach based on the modernization theory and provided in the World Values Survey, we follow the explanatory model of culturally-based creativity acknowledged in 2002 which has transformed from an answer to the question about “what to produce” to “how to produce”. While talent was still considered an essential component of the regional economic development (Glaezer, 2009), there were voices who revised the idea of creativity, linked closely with the phenomenon of cultural indoctrination (Kaufman, 2007). Kaufman suggests differentiating creativity in so called “Big - C” and “Mini- c”. He counts down the concept of creativity across cultures, China, India, and the USA. Basically, there are two main conceptions. The first is creativity as the ability to produce something unique, unexpected, and novel. The second emphasizes appropriateness of the product, usefulness, and ease of adoption. These two directions are usually chosen for description of creativity. The “Big-C” is mostly about genius, eminent creativity that is genius personality, everlasting, or about the result of such creativity—creative product. The “Little-c” concerns every-day life, non-expert, and ordinary personality participating in creative activities. That means wide distribution of creativity and creative people. In other words, the “Big-C” relates to creativity as personality while the “Little-c” is associated with creative environment. Moreover, as Kaufman and colleagues demonstrated, there are very few differences based on ethnic, gender, and some other characteristics (Kaufman, 2011). The insights provided by this research show that discursive differences are located in perception of creativity itself. For instance, American academic discourse positions creativity as unconventionality, freedom, and imagination (Sternberg, 1985).

Chinese experts emphasize value of “goodness”, “input to society”, and interconnections of different types of knowledge (Wu, 1994).

Differences occur when attempting to define “meaningfulness” of creativity. The question of culture and indoctrinated values toward creativity, novelty and, finally, entrepreneurial character of creative production immediately appears (Niu, 2006). That means the cultural differences between West and East (individualistic and collectivistic) are part of the Oecumene. While in the West the characteristics of uniqueness and individual attribute of creativity prevail, in the East interests of society are more valuable (Lubart, 1999; Sawyer, 2012). In such communities, the results of creative production are owned by all members of the entire society, being an inevitable product of societal efforts. For this reason, demands for creativity itself are connected with the “little-c” - socially approved, culture-based creativity. Therefore, we expect to see creativity as an environment, influential for social - economic modernization.

Based on a set of European and Global databases, we focus on the research hypothesis locating Russia within the group of “little-c” countries, where creativity is considered through environmental lenses. By “environmental”, we understand social and economic milieu and a system of institutional support for creativity and entrepreneurship. We also quote from available statistical data which can be used for highlighting cultural differences in perception of innovations and entrepreneurship within and across Europe; namely, Monocle, the Global Entrepreneurship Monitor, or the G-20 Entrepreneurship Barometer. Additionally, a number of analytical reports (e.g., NUTS, 2012; TRANSFORM, 2008) provides data covering the aspects of open-mindedness of people towards innovation (including technological) and entrepreneurial activities. We recognize that national differences which can be extracted in survey-based statistics must be interpreted carefully because of inter- and intraregional variations and the difficulty to use it in the cross-cultural

research (Harkness, 2003). Although few reports include Russia, while analyzing Greater Europe we will attempt to see the Russian model within the European context.

CREATIVITY AND INNOVATION IN THE CONTEXT OF REGIONAL DEVELOPMENT

The economy of the 21st century demands attention to innovation. Technological and non-technological innovations produce and provide high level of competitiveness in the regions. As soon as innovations do not exist without creativity and culture-based creativity is considered a form of innovation, it is as a key driver of a new type of economy. The most interesting effect of the implementation process is that culture-based entrepreneurship results not just in products, but also in new experiences and networks. Therefore, culture is a tool for conducting effective business. New entrepreneurship is not about the direct socio-economic effects, but rather about indirect benefits of new values, belonging, and identity for regional competitiveness. According to Jurgensen (2004), in the 1950s the Western economy represented around 64% of the world gross production. However, by the 1980s this proportion had declined to 49%. Furthermore, in 2013 the Western economy (cumulative of the EU) represented only about 30% of the world gross production. Simultaneously, since the 1980s the role of culture as a driver of economic, social, and political prosperity has been expanded. We can assume the phenomenon of cultural diplomacy and processes of culturalization of economy and policy are also new faces of the contemporary world. The problem becomes more feasible through radical structural and cultural changes coming together with the annihilation of cultural barriers on one hand, and the promotion of cultural and biological diversity on the other.

Since the 2000s, attracting creative people has become an important task for regional decision-makers and urban planners as they see creativity as a way for economic, politic, social and cultural emancipation of spaces and territories. As Hall (1997) highlighted, the regional level of innovations depends on a combination of creativity and diversity (including cultural diversity) in the urban space. Furthermore, regions with high concentration of creative people reach a significant success in its economic competitiveness, as soon this sector produces more innovations and gains high level of entrepreneurship. The beginning of the 21st century will possibly be remembered as the flourishing time for creativity of young, well-educated, and globally mobile individuals. These individuals are seen as an important source of growth in the modern urban economies. As Boschma and Fritsch (2007) found, a regional economy depends on four explanatory variables (indicators):

- **Economic Condition of the Region:** Including job density, past economic growth, high economic growth and profit opportunities;
- **Population Density:** It is a catch-point for some other indicators such as infrastructure model, land prices etc.;
- **So Called “Regional Culture”:** Which is associated with particular cultural discourse of regions. It could be tolerance and openness, multiculturalism, migration-friendly environment;
- **The Urban Amenities:** Such as public provision index and cultural opportunity index. The cultural opportunities index is measured by the share of cultural workforces, like restaurants, bars, sports, entertainment, whereas the public provision index is measured by the share of the labor force and public education.

According to Florida (2002), Boschma and Fritsch (2007), and others, the regional cultural climate, diversity, and openness welcome creative people. Simultaneously, public provision, perception of creativity has a significant positive effect on regional economic development and cultural employment, in particular. People from the so-called “Bohemian” group of community have a considerably positive input to creative professional employment. In addition, “Bohemians” reveal the relevant cultural identity and specificity, including identity of the city in the personalized and differentiated forms. As the result, “Bohemians” could become a new driver of the development and maintenance of “creative city”. As Boschma and Fritsch (2007) stress, “the idea is that a high proportion of Bohemians indicates a kind of local culture, lifestyle and set of values that are different from the mainstream. Being artistically creative, bohemians add a meaning of liveliness to a particular place (‘the place to be’) and tolerance (openness to different lifestyles and values), which makes a region attractive for the other two categories of the creative class”².

Interestingly, Lorenzen and Frederiksen (2008) pay attention to the extent of how creative people perceive the values of a tolerant environment as being extremely positive, diversity serves as a source of inspiration for innovative activities. In fact, Florida (2002) has found that the cultural creativity, technological creativity (that is innovation) and economic (that is entrepreneurship) creativity are interconnected and reinforce each other. Creative people shift creative industries as a matter of culture and cultural diplomacy. The new economy discloses new circumstances and consequences of functioning. Among them include the following:

- Speed and digitalization as its result (better to share than to sell).
- Individualization and strategy of uniqueness shifting.

- Intangibility of values (cultural value is as important as economic).
- Socio-cultural effects prevail purely technological innovations.

We are witnessing the transformation of the global economy from a property- to a network-based entity. Networking is reflected in one of most important trends – digitalization of society. And this phenomenon has changed the picture of the world which has unveiled new players. Serge (2013) describes the impact of digitalization on the economic growth and jobs by regions. The most significant impact in 2011 was produced by East Asia and the Pacific (US\$55.8 billion and 2.3 million jobs created). Eastern Europe (including Russia) earns a more modest place with US\$7 billion creating only 0.15 million jobs. Interestingly, Western Europe in its entirety accumulated US\$31.5 billion, but produced only 0.213 million jobs.

Digitalization is closely connected to the “sharing economy” (Impact, 2009; Rifkin, 2000) in which traditional ownership is no longer the focus; instead, the local cultural resources become the new commodity and cultural goods are to be accessible and shared. Massive adoption of technological devices and Internet increase the growing importance of the network-driven economy. By 2015, experts forecast (GITR, 2013; Serge, 2013) approximately 60% of the world population should be online and 40% of the households should be connected to the Internet. However, the connections of culture, networking and entrepreneurship have not been adequately analyzed.

For instance, some explanations were given in the academic literature at the end of the 1990s; namely, a comparative analysis of Italy, Norway, Sweden, and Greece regarding cases of the influence of culture on entrepreneurship networking (Aldrich, 1989; Greve, 1995; Dodd, 2002). The precise results were promising in their conclusions about the coexistence of generic characteristics of entrepreneurial behavior and cultural differences

influencing networks. Moreover, socio-cultural networking is a way of creating and supporting identity as culture defines framework for accepted and non-accepted behavior. Culture plays an important role of convention-makers when people interact with each other and exist in the institutionalized forms, meaning culture defines and moderates entrepreneurial network in the institutionally-supported frames. In response to new demands, entrepreneurs must demonstrate an ability to accumulate potentially beneficial strategies of business-creativity cooperation in their activities. Among these strategies one can find an operational level in the management of cultural resources together with integration of creative potential and functions while the strategic level represents the use of culture in communication, promotion, and networking with the public.

At the cross-roads of economy, digital communications and culture investment regional policy models are constructed. As Serge (2013) explained, most countries regard the government strategic implications embed investments into a digital agenda including an effective e-government strategy. Obviously, the creative economy could be a source of socio-economy growth, jobs, and innovation while contributing to social inclusion, cultural diversity and sustainable development. As a result, beyond the resource of creativity, development-planners and policy-makers pay attention toward agglomeration and spatial distribution as important for influencing creativity and culture (Anderson, Quigley, & Wilhelmsson, 2005). The

agglomeration and spatial factors could lift territorialization as a key driver of competitiveness and investment-attractiveness of a region.

CULTURE-BASED CREATIVITY AND ENTREPRENEURSHIP IN RUSSIA

Russia became one of the rapidly developing countries after the collapse of the administrative planning economic system at the very end of the 1980s. Since the 1990s, the country has demonstrated growth and significant effort in creating positive environment for entrepreneurship. We understand that creativity we seek within the economic discourse can be clearly presented in the sphere of entrepreneurship because this way of conducting business is based on networks and information flows. For this reason, we use data from the G-20 Entrepreneurship Barometer (Barometer, 2013).

Since 2006, the G-20 Entrepreneurship Barometer has been designed as a source of feasible data on supportive environment for entrepreneurship activities applied to five core indicators: access to funding, taxes and regulations, education and training, entrepreneurship culture, and coordinated support. Under an entrepreneurship culture, the Barometer shows tolerance of risk and failure, preference for self-employment, innovation and research culture, celebration of self-made wealth. It is important to note that the Barometer indicates best practices and their applicability to different socio-cultural circumstances.

The results of the qualitative and quantitative analysis show that culture can play not only a beneficial role as a resource for innovative economy, but also as a role of barrier to entrepreneurial activities. While Ingelhardt (2000) concludes with influence of personal experience of socio-economic security for sustainable development and value dynamics toward self-determination, risk-accepting, and self-expression, some 10 years later the situation changed significantly. As an

Table 1. Basic facts about Russia

Key Facts about Russia	
Overall Barometer Ranking	Quartile 3
Population	143.553 mln
GNI per capita (PPP)	US\$22,760
GDP growth	3.4%
Exports as % GDP	31.1%

(The World Bank, 2012).

Figure 1. Best practices and their applicability to socio-cultural circumstances
Source: The EY Entrepreneurship Barometer 2013.

Ranking	Access to funding	Score	Entrepreneurship culture	Score	Tax and regulation	Score	Education and training	Score	Coordinated support	Score
1	United States	7.12	United States	7.67	Saudi Arabia	6.40	France	6.58	Russia	6.23
2	United Kingdom	6.86	South Korea	7.53	Canada	6.34	Australia	6.53	Mexico	5.89
3	China	6.75	Canada	7.45	South Korea	6.34	United States	6.50	Brazil	5.87
4	Canada	6.62	Japan	7.28	United Kingdom	6.19	South Korea	6.40	Indonesia	5.84
5	Australia	6.48	Australia	7.18	South Africa	6.10	EU	6.25	India	5.76
6	South Africa	5.95	United Kingdom	7.00	Japan	6.07	United Kingdom	5.98	China	5.75
7	Japan	5.81	Germany	6.88	Germany	5.84	Germany	5.89	Turkey	5.66
8	South Korea	5.75	EU	6.07	Australia	5.75	Argentina	5.85	South Africa	5.65
9	Brazil	5.67	France	5.68	Russia	5.65	Canada	5.81	Argentina	5.64
10	Indonesia	5.53	Russia	5.05	EU	5.48	Brazil	5.78	Germany	5.53
11	India	5.48	India	4.95	Turkey	5.45	South Africa	5.67	France	5.41
12	EU	5.41	Brazil	4.88	Indonesia	5.38	Saudi Arabia	5.66	Saudi Arabia	5.39
13	Saudi Arabia	5.25	Italy	4.67	United States	5.33	Italy	5.47	EU	5.37
14	Germany	5.23	South Africa	4.33	Mexico	5.21	Russia	5.46	South Korea	5.36
15	Russia	5.04	Turkey	4.30	France	5.12	Mexico	5.32	Australia	5.31
16	France	4.74	Argentina	4.06	China	5.07	Japan	4.72	Canada	5.29
17	Turkey	4.57	Mexico	3.96	Brazil	4.83	Turkey	4.39	United Kingdom	5.19
18	Mexico	4.42	China	3.88	Italy	4.76	China	4.35	Japan	5.04
19	Italy	4.03	Indonesia	3.80	India	4.39	Indonesia	3.88	Italy	4.97
20	Argentina	3.27	Saudi Arabia	3.38	Argentina	4.31	India	3.49	United States	4.85

example, the Barometer 2013 shows that tolerance toward business and supportive practices in networking with local communities, financial investors, and entrepreneurs improved. However, an interesting point is the fear of failure still exists, a fact which could play the role of barrier from one attempt to another.

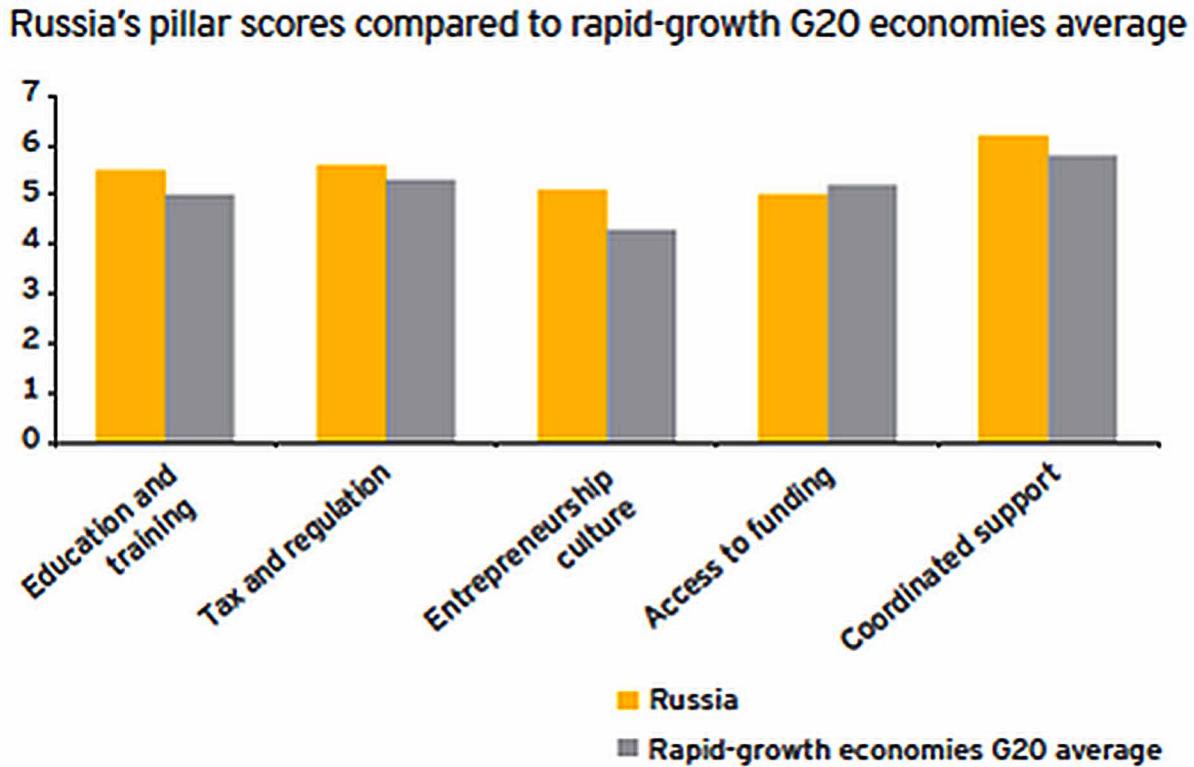
According to “The EY G20 Entrepreneurship Barometer 2013” report, Russia is located in Quartile 3. Quartiles represent leadership potential of countries in fostering entrepreneurship. This overall ranking is highly representative for further consideration if we recognize that the EU takes the second quartile, whereas Russia, China, Mexico, Brazil, and Saudi Arabia are located in the same position with more or less a similar country score.

As was highlighted in the report, only entrepreneurs from Indonesia are more positive about the recent improvements in the conditions faced by entrepreneurs.

Russian entrepreneurs reported an improved access to business incubators, entrepreneurial networks, and mentorship programs. Improvements concerned also include areas of education and access to funding. However, what we are most interested in is the so-called “entrepreneurship culture” meaning values, social context, informal regulations, and the cultural barometer of risky activities such as entrepreneurship. Russia ranks 10th with the score of 5.05 points under the ranking scale of entrepreneurship culture, and 1st place with the highest score of 6.23 under coordinated

Figure 2. Russia's pillar scores compared to rapid-growth G20 economies average

Source: *The Power of Three. Together, governments, entrepreneurs and corporations can spur growth across the G20. Barometer, 2013.*



Source: *EY G20 Entrepreneurship Barometer 2013*

support, that is institutional environment for encouraging young entrepreneurs.

Some interesting insights were provided by the G-20 report. In particular, only 15% of all respondents think their culture fully supports entrepreneurship. In Russia and the EU, less than 50% consider culture as a supportive factor for entrepreneurship. Most respondents use the concept of stigma to depict the position of entrepreneur entering risky business. The lack of communication and networking links influence the decisiveness of young people, immigrants, and other socially-neglected groups to implement an innovative idea in business. Needless to say, within the context of “glocalization” it is important not simply to include localization of business together

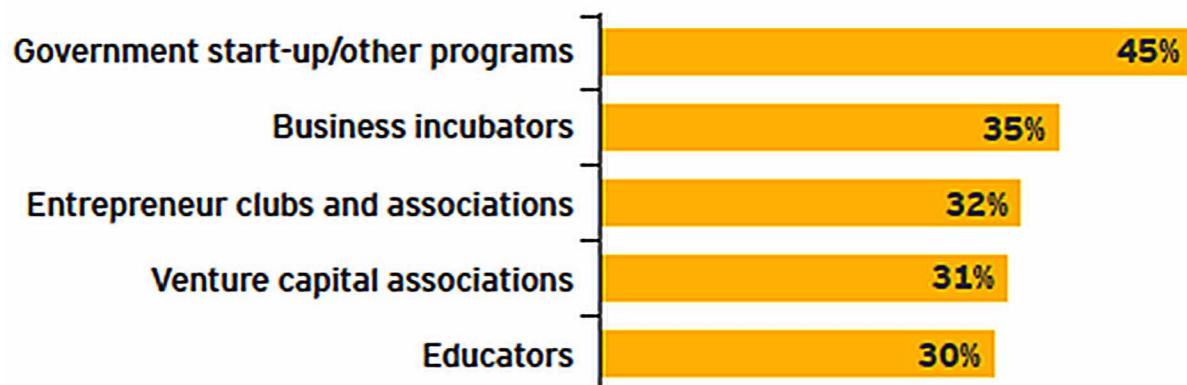
with globalization of consumerism society, but also to include modeling as the process of adaptation of business to the local culture and specific environment.

This idea corresponds with insights provided by multiple surveys used by Barometer-2013, Creative Economy Report-2008, and the Global Entrepreneurship Monitor – 2012 in which a positive impact of innovations is seen as the most powerful way to improve national perceptions of entrepreneurship and creative industries at all. To a large extent, regional entrepreneurship culture depends on historical circumstances and cultural indoctrination of communication and networking. For instance, in countries in which the state plays a traditionally significant role in maintaining and

Figure 3. Top initiatives and organizations to improve long-term growth of entrepreneurship

Source: *The Power of Three. Together, governments, entrepreneurs and corporations can spur growth across the G20. Barometer, 2013.*

Top initiatives and organizations that can most improve long-term growth of entrepreneurship

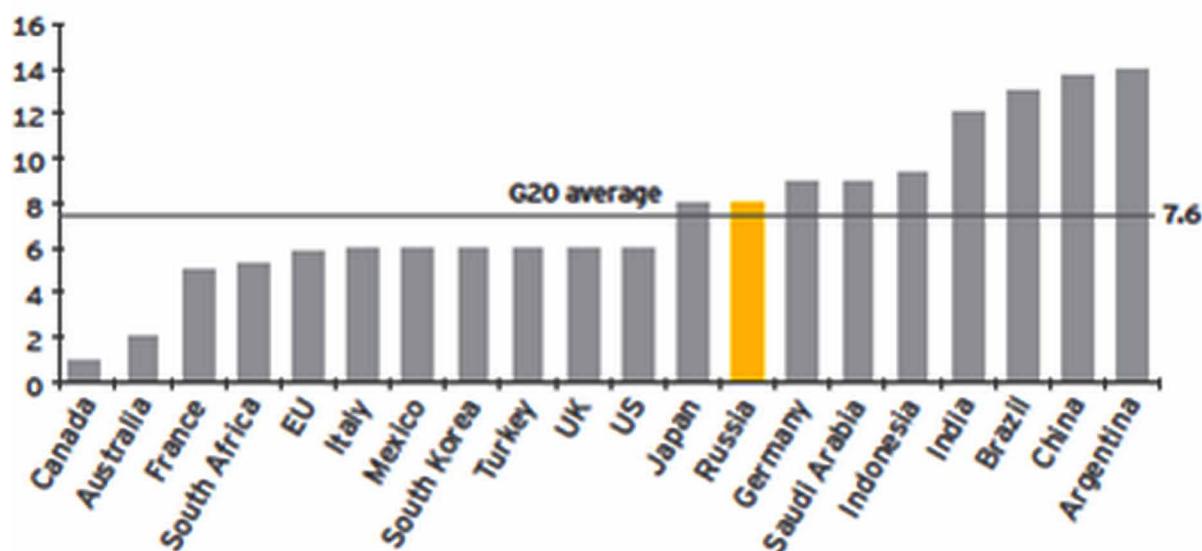


Source: EY G20 Entrepreneurship Barometer 2013

Figure 4. Number of start-up procedures

Source: *The Power of Three. Together, governments, entrepreneurs and corporations can spur growth across the G20. Barometer, 2013.*

Number of start-up procedures



Source: The World Bank, 2010-12 average

developing decision-making model, the concept of entrepreneurship as a driver for innovations and creativity is still unusual.

While Russia is developing a positive institutional environment for culture-based economy and creative space of entrepreneurship, up to the present entrepreneurs are viewed with suspicion. The first obstacle is perception of control level which is articulated in the concept of trust. Low power distance dictates high extent of trust and, as the result, high extent of social and cultural capital. Trust is the key factor for innovation implementation. One more obstacle is culturally-defined anxiety/uncertainty management, which also connected with security. During the innovation implementation period creative people are expected to follow standards and behavioral patterns, accepted in a society. In the Russian context, the level of uncertainty in management is extremely high. It includes expectations for institutional support and bureaucratic acceptance. Finally, internal locus of control plays an important role in building eco-sphere of innovative entrepreneurship. Cultures with high power distance (Russia is a good example) positively correlate with conformity and collective decision-making and negatively interacts with internal locus of control. In this case, control is to be external.

As Barometer-2013 demonstrates, the lack of trust and supportive attitude is interpreted as culturally indoctrinated entrepreneurship patterns. Only 13% of all respondents fully agree with the statement that “Russian culture encourages entrepreneurship”. A total of 87% of respondents believe that the stronger communication links are developed the better perception and attractiveness of entrepreneurship are demonstrated. Among characteristics of supportive institutional environment one could see the creation of networking opportunities, aspiring participants to move beyond the borders geographically and technologically.

As for the culture of innovation, Russia is under great pressure to boost its “research and development” (R&D) sector. The country still

bases its potential on aerospace and nuclear power. Cultural industries as an innovative high-added value sphere are at the very beginning of the development. The precise logic of the development and institutional environment can be found in the recent academic analytical reports (Midler, 2010; Valdaicev, 2005), where innovations are positioned as a resource of dominance in the coordinate system of socio-economic effectiveness and an investment model in accordance with the national and regional specificity. Interestingly, Russia demonstrates regional differences in defining priorities at the mezo-level of economic development. For instance, southern Russia has changed priorities from innovations to investments, such declaration results in expenditure of extensive factors without qualitative effect³. One of the reasons lies in institutional environment of innovations. The second point is the historical and socio-cultural heritage, which greatly influencing vector of postindustrial development at the macro- and mezzo-level.

One of the particularities of Russian regional culture is risk perception – the extent of how a society accepts the idea of risk. In the case of Russia, acceptance of risk is not fully justified. A failure fair is a common characteristic indoctrinated in modern Russian society. Paradoxically, at the same time the Barometer score for Russia indicates greater tolerance to entrepreneur failure (even higher than the average score for G20 – 5, 6) than in the EU where cumulative score is less than that of Argentina, India, or Russia (as rapidly-growing countries). A curious contradiction lies in perception of access to entrepreneurship among policy-makers; namely, who can or cannot be allowed to go to business such as underestimated groups including young people, women, and migrants. Paradoxically, young people are more likely to be willing to take risks by entering new, innovative, and creative business, but in reality they fill the lack of awareness and institutional support. The same situation is with participation of women in the creative sector of economy.

As for migrants, extant academic literature (OECD, 2010; Turkina & Thai, 2013) demonstrates that migration is one of the most powerful factors for creative economy development. It is a complex political, social, and cultural phenomenon with great potential influence. There is no government in leading countries which does not consider an approach to attract global talents. Moreover, GEM (2012) states that migrants exhibit a higher rate of entrepreneurship, especially in high-added value spheres, than do non-migrants, but their role as innovation economy drivers is still underestimated.

INSTITUTIONAL ENVIRONMENT OF THE CULTURE-BASED ECONOMY IN RUSSIA: TOWARD A NEW REGIONAL STRATEGY OF DEVELOPMENT

The role of the Russian state is traditionally very important for strategic development of different economic sectors, including innovation and creative industries. However, since the 1990s the situation has changed when the Russian government recognized R&D as an important resource for economic development. In order to manage formatting business models, administration has produced several organizational steps – start-up support programmes, business incubators, associations of entrepreneurs, venture capital associations, and education. A total of 23% of all Russian entrepreneurs ensure that access to state start-up programs has improved greatly in the past three years; namely, nearly four times as many as the G20 average. Still, decision-making process depends greatly on the presence of institutional support.

On April, 22, 2013, Russian President Vladimir Putin signed a decree announcing 2014 as an official “Year of Culture” in the Russian Federation (Decree, 2013). Consequently, the government is now required to deliver to parliament an annual report presenting “objective, systematic and ana-

lytical information about the condition of culture in Russia and trends in its development”, as if cultural values are increasingly thought as a fossil fuel. As Impact (2009) shows, this position is mostly associated with direct socio-economic benefits gained from different spheres of national economy, and clearly peculiar to a highly-industrial society.

This metaphor settles the equivalence between cultural, innovation resources, and natural sources of energy, and is not merely a rhetorical figure. It is also a reflection of principles under which the state shapes the manufacturing of values, including cultural, and the representation of these values at the institutional level. Therefore, the production of innovative goods follows the same logic dictating the control of the Russian government over the acquisition and distribution of natural resources. In the Russian academic discourse, innovations are understood as a non-linear process with multi-directive vectors of interactions between diverse actors. In this context, national innovative system (author’s emphasis) and its mission is considered an institutional basis of innovation modernization of Russian socio-economic development. National differences are presented as determinates of effectiveness of innovation flows.

Some experts (Midler, 2010; Kozlova, 2011) mention an innovative core, consisting of effective institutional mechanisms which provide initiation of innovative needs and their realization in the framework of the national innovative system. The main idea is that essential knowledge and innovations settled by the national systems, not by simply business-structures, has a principle importance for future strategy of the Russian economy. The precondition of this process is “intellectualization” of all relations and aspects of goods production, including enlarging human capital and other extra-economic multipliers. The function of the state is proposed in upbringing of effective and adequate mechanisms for transformation of knowledge, creative skills, and diverse impulses into innovations. Such mechanisms should provide a direct socio-economic effect.

The core role is to be played by networks and horizontal links between creative sectors, business structures, and state institutions. However, some factors are influential for this merging process. First, behavioral patterns of actors are formed in the conditions of fundamental uncertainty and limited rationality where the core path lies in routine actions. Innovative impulses strike on inertial dominating templates. Second, there are some ruling dominants in the economic sphere. In the case of Russian regional development, the core role is played by economic elites which constitute a specific milieu, environment, and concentration for socio-economic development. Third, specifically historical and cultural context of innovation mechanisms formation depend on the previous trajectory in the development mean that transformation toward new technological platform is possible only through revolutionary movements. That is why one of the interesting aspects of the Russian regional development is its imitational character⁴.

To the present time, the decentralized network of actors for building of innovative environment cannot be found in the Russian context. Large-scaled entrepreneurship is not interested in the active participation in the market of creativity and innovations by the reason of its resource character and orientation. The processes of production are widely spread and territorially dispersed. Creative spaces are not included in the system of economic relations with Small- and Middle-sized Entities (SMEs), and also have dispersive impulse. Innovative potential is not equally spread and represented among Russian regions. Finally, in the conditions of traditionally hierarchical system of management and governance, together with ignoring individual interests, creativity-oriented type of regional development may have fewer results than expected by entrepreneurs in Russia.

At the same time, considering the role and power of the state in regional development, entrepreneurship promotion, and support of innovation and creative initiatives, it is important

to mention the Monocle ranking (Monocle, 2013) where the aim of the index is to push the debate on soft power forward to encourage critical thinking about the resources that contribute to a nation's soft power. Via this Index, a total of 50 countries are compared in accordance with the quality of: their governance; diplomatic infrastructure; cultural output; capacity for education; and appeal to business. The framework is built upon five categories: government, culture, diplomacy, education, and business/innovation.

According to the IfG/Monocle ranking – 2012 (Monocle, 2013) of soft power, the United Kingdom ranks 1st (score 7.289), followed by the USA (score 6.969), and France (score of 6.472) as the country with a traditionally strong state position in the sphere of culture and service. Interestingly, Russia ranks 28th (score 3.564) following a long list of European and other leading countries in the world. This means that within the context of changes in the political and economic landscape, the fundamental shift is driven by a set of factors; namely, diffusion of power, access to technology, rising networks, and globalization of citizenry. The total sum of these changes addresses the major challenges which are increasingly multi-layered and will require collaborative, network-dependent action.

Being attractive for global business, Russia demonstrates some important but culturally indoctrinated characteristics which impede successful innovation and creativity implanting:

Hierarchical relations at all levels of cooperation and “little-c” type of culture; innovations are perceived through community-acknowledged lenses, including high ranked trust and informal networking together with high level of external control. In this case, to be recognized and visible for administration and large-scale enterprises is crucially important;

1. Contradiction between open-mindedness of young generation of Russian entrepreneurs and high power distance;

Table 2. Soft power index

Rank	Country	Score	Rank	Country	Score
1	UK	7.289	21	New Zealand	4.249
2	USA	6.989	22	China	4.237
3	Germany	6.484	23	Portugal	4.217
4	France	6.472	24	Ireland	4.160
5	Sweden	5.752	25	Poland	3.817
6	Japan	5.613	26	Singapore	3.759
7	Denmark	5.598	27	Mexico	3.590
8	Switzerland	5.553	28	Russia	3.564
9	Australia	5.534	29	Israel	3.437
10	Canada	5.417	30	Thailand	3.347
11	South Korea	5.350	31	Czech Rep.	3.346
12	Norway	5.327	32	Chile	3.285
13	Finland	5.267	33	Greece	3.260
14	Italy	5.186	34	South Africa	3.117
15	Netherlands	5.161	35	Argentina	3.062
16	Spain	4.981	36	India	2.776
17	Brazil	4.675	37	Malaysia	2.606
18	Austria	4.650	38	UAE	2.416
19	Belgium	4.556	39	Egypt	2.351
20	Turkey	4.263	40	Indonesia	1.739

(IfG Monocle Soft Power Index 2012).

2. Security and power distance still have priority among Russian entrepreneurs together with openness toward new ideas and creative decisions;
3. Intraregional diversity in Russia, which produces barriers for free circulation of innovations and the tendency to substitute innovation policy principles by the policy of investments.

CONCLUSION

It is important to consider the remarkable economic growth over the last decade based on cultural and creative production. Besides direct economic impact, we are witnessing the considerable indirect impact of cultural production and its

influence on effective regional development. At the same time, we should be aware that the new paradigms of cultural production as a vital factor for successful regional stories do not necessarily consider market as the value-generating platform.

The contemporary stage in the globalization processes could be depicted as culture-based sociality and economy which is characterized as “Culture 3.0”: communities of practice, networking communities generating turnover but also indirect non-market value, user generated content, and a brand-new dimension – culturalization of the economy and culturally-mediated value. Culture forms an important part of the entrepreneurial environment, represented in a set of values, beliefs, and informal regulations. The obvious success will occur in case of social support of conducting business without being stigmatized as

over-risky action. At the macro-regional level, each region has its own mixture of direct and indirect culture-based value generating processes and defines a specific local model, clustering pattern. Obviously, the developmental potential of culture requires that it is seen not as a promising, isolated economic sector, but instead as a corner-stone of a new knowledge and culture-based economy that influences all aspects of daily life. In the contemporary context, culturalisation of policy and cultural diplomacy are seen as a major lever of mezzo- and macro-regional policy.

While we seek the best regions basing their success on a culture-indoctrinated economy, we rarely see Russia among such regions. There are some reasons for this position. Usually, the effect and indirect impacts of creative and cultural cluster to the regional development are counted around a set of indicators: innovation, welfare, sustainability, social cohesion, new entrepreneurship, soft power, local identity, and a knowledge economy. In the highly-ranked European countries, culture is positioned as a pre-innovation platform which makes possible to activate cultural participation and, moreover, to build capabilities of people to attitude toward un-expected phenomenon or product. In the case of Russia, we must assume that we deal with the society standing at the threshold between late-industrial and postindustrial stage of development in which culture is considered as one of the resources for direct socio-economic benefits and innovation platform for producing specific goods.

Among the direct and indirect impacts of culture-based economy, one would assume that as in most European countries culture is strongly connected with entrepreneurship potential of regions, but Russia still seeks instruments of soft power. At the macro-level, regional development is tightly connected with articulated soft power. There is no surprise that Russia attempts to use this resource. Creativity and innovative productivity expect to contribute to a great extent of visibility

and authority of a country at all levels of relations – from political to economic.

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KEY TERMS AND DEFINITIONS

Creativity: An act of creating and valuing new ideas and implementing them to reality.

Cultural Indoctrination: The process of tracing ideas, norms, values, behavioral patterns in a given cultural paradigm.

Culture-Based Creativity: Creativity, which is dependent on the cultural context and lies in the frameworks and patterns of a specific culture; the ability of people to use cultural patterns in the new ideas implementation.

Economy of Innovations: A complex economic system, propelled by innovations as the key drivers of changes.

Innovation Culture: An environment, which supports creative thinking and shapes a cultural framework to drive innovations.

Innovation: An application of the best solutions to the real-life problems, meeting new requirements and unarticulated needs with flexibility.

Knowledge-Based Society: A type of society, where competitiveness and success as well as economic and political dynamics depend on and cohere with operation of knowledge, where knowledge is the driver of societal development and change.

ENDNOTES

¹ According to The Impact of Culture on Creativity - a Study prepared for the European Commission (Directorate-General for Education and Culture) in June 2009.

² Boschma Ron A., Fritsch, Michael. Creative Class and Regional Growth – empirical evidence from eight European countries, Jena Economic Research Papers, 2007-066, Friedrich-Schiller-University Jena, Max-Planck-Institute of Economics (2007, pp. 248).

³ As it is presented by Midler (2010, pp. 139).

⁴ As it is presented by Midler (2010, pp. 56).

Chapter 10

Creativity with Institutionalization:

Cooperatives as an Alternative Way of Starting a Creative Business – Cases from Finland

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ABSTRACT

Typically, creativity and institutionalism are not closely related. However, when talking about cooperatives (or co-ops), the authors introduce, in addition to the paradoxical tension between institutionalism and creativity, perspectives and cases in which institutionalism is a channel for creative production. People often associate cooperatives with institutional characteristics because of their collective manifestations in history, such as agricultural or financial cooperatives. Furthermore, co-ops typically consist of several entrepreneurs working under the same “umbrella” organization. However, according to the outcomes of the chapter, cooperatives could also be a source of, or at least a channel for, contemporary creativity. In this chapter, the authors introduce Finnish cases in which the planners and designers of creative industries have established cooperatives successfully. These cooperatives have already created sustainable paths in their business activities to provide younger and youthful entrepreneurs with business possibilities and at least modest profitability. They also consider neo-cooperatives and light cooperatives, which provide services to cooperatives and allow them to focus on their main area of creating and innovating new business. Creativity cannot flow if there is no time or will to secure large investments and financing, or if the marketing and brand-building are problematic and the decision-making slow. Cooperatives could provide a suitable arena for innovative and creative business if there is a will to change and renew the idea of cooperative institutions, law, and practice.

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1. INTRODUCTION

The contemporary cooperative business can be much more than a stereotypical traditional cooperative with the archetypal features of institutionalism. Cooperative organizational models have evolved from the traditional agricultural business to those that have proportional tradable shares and which can be managed in a similar way to a limited company. This means the importance of the traditional cooperative ideology is increasingly lost in the tradable shares model, as mainstream economic thinking becomes more important (Nilsson, 1999, pp. 5–6). However, the changes in the cooperative business model have led the cooperative format to become more seductive, thus enabling innovation.

Typically, cooperatives have been seen as institutions (Godfrey & Wilfred, 2006), and in institutions creativity is a problematic theme (James et al., 1999). We study in this chapter this form of paradoxical tension (see e.g. Jarzabkowski & Van de Ven, 2013) between institutionalism and creativity using co-ops as an example. As institutions, cooperatives might offer a safe learning community, a working environment where some members encourage development of the work, an idea of what the cooperative could be, and a focus on doing something new and different from the typical cooperatives (Kasanen, Lukka, & Siiotonen, 1993, p. 7).

A small cooperative is an enterprise like any other type of business, and it requires skill and consideration – even bureaucracy – to establish one. The new act on cooperatives in Finland, brought into force on January 1 2014, links them with new corporate-like characteristics, but the basic elements remain the same and the changes are both supported and opposed. Among the sources of worry is the blurred line between the structures of cooperatives and corporations, as, ultimately, a cooperative produces services and wages for its members, while a corporation yields profits for its owners.

Cooperatives have a conservative and static image because of their typical agricultural, financial sector, and retail branches (Global300 Report, 2010). However, Finland, for one, has witnessed a transformation in the phenomenon of cooperatives because of educational changes in polytechnics, high schools, and universities. Several higher education institutions have established student co-ops to support their entrepreneurial learning, and cooperatives linked with education are the gateway to subsequent entrepreneurship.

The greater importance placed on entrepreneurship and cooperatives associated with learning is based in the general development of wider society. Young people's unemployment levels have increased almost everywhere. The unemployment level among highly educated people in Finland increased by 25% last year, and 38,000 are now without work. This tendency is reflected worldwide; for example, generally in Europe and China the transition period of highly educated people from high school or university to work is lengthening, and transition patterns are becoming, according to Salas-Velasco (2007), less defined and less certain than they once were (see also Alajoutsijärvi, 2013; Li et al., 2013).

The cooperatives formed in higher education institutions can provide a source of independent entrepreneurship closely attached to the students' studies and allow them to develop their business ideas and networking (Eronen, 2012). After graduation, they are able to continue doing business through their own co-op. The world is changing and life is becoming increasingly unstable and complex, which demands an entrepreneurial touch and attitude (Kyrö & Ristimäki, 2008, p. 259).

There are theoretical discussions to support these ideas. For example, Ristimäki (2004, 12) defines entrepreneurship education as a lifelong evaluation process. Increasing entrepreneurship and the entrepreneurial attitude in society is a major goal of entrepreneurship education, and achieving it requires entrepreneurship to be a natural part of all school levels and an explicit

course of action (Vesalainen et al., 2006, 67). If this is the case, entrepreneurship, and especially cooperative entrepreneurship, could be something to reach for actively, and students' positive attitudes towards the cooperative business might persist after graduation.

In Finland, educational cooperatives are commonplace, especially in vocational colleges and universities of applied sciences, while work and hobby cooperatives have also been set up in high schools. Related university-level education is offered by Aalto University (Ruralia Institute) and Lappeenranta University of Technology, among others. In northern Finland, for example in the University of Lapland, there are 60 credit studies of entrepreneurship, which include lectures in cooperatives and innovativeness, while the main groups interested in entrepreneurship studies are students of art and leadership.

At the European Union level, e.g. in the COSME program, one of the aims is to improve the working conditions and the legal and administrative environment of social businesses, such as cooperatives, that produce goods or services. Furthermore, one of the aims of COSME is to ensure entrepreneurial learning is a basic feature in education systems. Promoting the cooperative mentality will require both universities and public service organizations to find financing, such as through the COSME program, in an effort to create new employment possibilities in northern Finland (European Commission, 2014).

This growth of cooperatives in higher education institutions has transformed their status and image, and contemporary cooperatives are now established by young and innovative people who familiarized themselves with the concept during their education. Thus, this is the reason for the paradoxical tension between "old," traditional, and institutional attitudes towards cooperatives and the "new" innovative attitudes. Furthermore,

given the introduction of neo-cooperatives and light cooperatives, which will be discussed later, the co-op institution has already begun to change.

The research questions addressed in this chapter focus on cooperatives, institutionalism, creativity, and innovation:

- Is it possible for an institution like a cooperative to be an innovative and creative enterprise?
- The chapter considers two case study cooperatives: What kinds of features do these cooperatives incorporate in their business activities?
- Is there really a tension between the structure of the cooperative and innovativeness and creativity? Where and how does this potential paradoxical tension appear?

Furthermore, this chapter generally considers the state and position of cooperatives in contemporary society, including the field of education and political decision-making.

This chapter is organized as follows. The literature review focuses on the four themes of paradoxical tension, cooperatives and their history, virtual cooperatives, and creativity and innovativeness in cooperatives. The third sub-chapter introduces the method and case studies, after which we discuss cooperatives as part of the culture of entrepreneurship in northern Finland and consider the question of whether the cooperative could essentially be a place to learn, a school. Within the discussion section we study the relationship between cooperatives and, for example, marketing, branding, investments and financing, efficiency, and decision-making, before finally we offer some conclusions.

2. LITERATURE REVIEW: PARADOXICAL TENSION: COOPERATIVES AS INNOVATIVE FORMS OF BUSINESS?

2.1 Paradoxical Tension

The business environment and business activities of an enterprise have a multifilament of characteristics, which include paradoxical situations, relationships, and tensions. These paradoxical elements often occur on micro, meso, and macro levels (Jarzabkowski et al., 2013), and Jarzabkowski et al. (2013, p. 246) note that paradoxical tensions are typical within strategic alliances and networks where managers attempt to simultaneously cooperate and compete with other organizations. Such simultaneous cooperation and competition is known as “coopetition” (or co-opetition) (see, e.g. Brandenburger and Nalebuff, 1997; Bengtsson & Kock, 2003).

In contemporary management literature, paradoxical perspectives and tension has emerged as one of the most popular new themes in considering activities and relationships within networks. For example, Jarzabkowski et al. (2013) consider how organizing, belonging, and performing paradoxes coevolve on micro, meso, and macro levels. In doing this they partly follow the work of Smith and Lewis (2011), who categorize organizational tensions into learning (knowledge), belonging (identity/interpersonal relationships), organizing (processes), and performing (goals). Both Jarzabkowski et al. (2013) and Smith and Lewis (2011) emphasize competing values, and especially competing strategic demands, in the context of paradoxical tension.

Calton and Payne (2003) study paradoxical tension in the relationships between stakeholders and their separate interests. According to them, dialogic practices are a means of decreasing tension, and they focus their study on the pluralist sense-making processes of multi-stakeholder learning dialogues and traditional corporate deci-

sion processes, such as strategic management and organizational change. However, between these two perspectives there also exists paradoxical tension.

Thus, paradoxical tension occurs in and among coopetitive organizations. Typically, cooperatives consist of several actors in the same industry or branch, that is, competing individuals/entrepreneurs. In other words, cooperatives involve a simultaneous competition and collaboration situation, which results in the micro level tension of coopetition. Furthermore, there might be meso or macro level paradoxical tension associated with cooperatives; their general structure is complicated by having several important decision-makers in the same organization, which can prevent cooperatives from implementing important innovations and fast decision-making processes.

In addition, the cooperatives are seen as being directed towards traditional and static industries and branches, such as agriculture, financing, and retail activities. These traditional fields contrast with the “new” tendency for cooperatives involving young people to be directed at creative and innovative branches of business. There appears to be a macro level paradoxical tension between cooperatives’ traditional and new tendencies. This chapter focuses on this paradoxical tension in particular.

2.2 History of Cooperatives in Finland and Worldwide

The earliest known cooperative was founded in 1761 in Fenwick, Scotland by the Utopian thinker Robert Owen (1771–1853). Despite the first co-ops not functioning effectively, they provided the pulse for founding cooperativism (Laurinkari, 2004).

The cooperative movement continued in Europe, mostly in England and France, during the 19th century, with the purpose of preventing financial and social problems. In Europe were born three different types of cooperatives: in England, consumer cooperatives; in France, la-

bor cooperatives; and in Germany, credit unions (Laurinkari, 2004). There were also two other cooperative types; agricultural cooperatives were first established mainly in Germany and Denmark, while the first service cooperatives originated in Sweden (*Osuustoiminta – vastuullista suomalaista johtajuutta*, 2005).

Operating in the middle of the nineteenth century in Rochdale, England, the Rochdale Pioneers are generally regarded as the prototype of the modern cooperative society. The store they opened in Rochdale's Toad Lane in 1844 represented the first push of consumer cooperatives (Rauhala, 1924; Inkinen, 2005; Simola, 2005).

At the same time, Finnish society was in transition, and the first pre-cooperative experiment was established in 1899. The birth of cooperativism in Finland did not just provide an alternative to the financial movement; it also provided people with opportunities to solve social problems and increase their contentedness. In the early 20th century, Finnish co-ops were split between the bourgeois and left-wing cooperative movements, although today there is little difference between the movements (Laurinkari, 2004; Seppelin, 2000).

Hannes Gebhard (1864–1933), the father of Finnish cooperativism, brought cooperatives to Finland after being influenced while gathering and comparing information about cooperative

movements in different countries. His main goal was to create a social movement to enhance the economic position of the entire population, with an aspiration to create a form of company that could keep up with the fast-developing market economy in the countryside. His wife Hedwig also carried out remarkable work for Finnish cooperatives, and was an example to women and youths in aiming to create gender equality (Laurinkari, 2004, pp. 18–19; Seppelin, 2000, pp. 26–28).

The difference between Finnish and European cooperatives was in the reaction of the peasants. In Finland, the idea of a cooperative was first brought to learned and civilized people, who then influenced the farmers in countryside and inspired them to establish their own cooperatives. Generally in Europe, the development of cooperatives was based not only top-down, but also bottom-up direction. (Seppelin, 2000).

The contemporary international situation of cooperatives is still based on the underlying history, as, for example, agriculture and forestry continue to play an important role among the 300 greatest global cooperatives (see Table 1).

Today, Finland is arguably the world leader in cooperatives, with about 3000 in existence and over four million cooperative members out of a population of 5.5 million (HE 185/2012). In Finland, a cooperative can be founded for acquiring goods

Table 1. Sectoral revenue among the world's largest cooperatives

Sector	Revenue (USDbn)	%
Agriculture/forestry	472	28.85
Banking and other credit unions	430	26.27
Consumer/retail	354	21.66
Insurance	282	17.23
Workers/industrial	35	2.16
Health	27	1.65
Utilities	18	1.13
Other	17	1.04
Total	1635	100

(Global300 Report, 2010).

and services, and a boom in small cooperatives was seen after the recession of the latter half of the 1990s, as attempts were made to remedy the impact of the recession through worker cooperatives, among other things.

2.3 Innovativeness and Creativity in the Context of Cooperatives

Traditional cooperatives are not generally associated with efficiency, brands, and innovativeness (Beverland, 2007). However, some contemporary studies have discussed the possibilities for cooperatives in the development paths of marketing, branding, innovation processes, and quality processes (Beverland, 2007; Kontogeorgos, 2012; Rodrigues & Guzmán, 2013). Based on some examples from the literature, this sub-chapter focuses on the possible tension between innovativeness and cooperatives, and considers whether cooperatives might be innovative.

Beverland (2007) studies the effectiveness of the marketing of New Zealand farm products, as carried out by farmers and cooperatives, and finds that traditional cooperatives may be able to develop innovative marketing programs. Despite this, there is one problem associated with long-term marketing efforts, namely the ownership structure of cooperatives. In the case of new generation cooperatives, this problem is less evident, as members understand the value of long-term intangible assets, such as branding (Beverland, 2007). Beverland (2007) introduces six cooperatives as case study examples, all of which had moved from “commodity selling to brand marketing,” which creates a sustainable form of competitive advantage.

Kontogeorgos (2012) studies brands in the context of Greek agricultural cooperatives, and it is noteworthy that the idea of competitive advantage connects this study with that of Beverland (2007). Indeed, Kontogeorgos claims that brand processes enable cooperatives to achieve higher value-added in the competitive landscape of the food industry.

Furthermore, he emphasizes the importance of quality systems in the brand development strategy of cooperatives seeking a more market-oriented approach through brands. Kontogeorgos (2012, p. 79) also notes the substantial criticism of “cooperatives’ organizational structure and their ability to undertake market strategies including brand development.” For example, achieving collective branding and a “collective product” appears problematic. According to Kontogeorgeous (2012), the solution to these problems is the development of a quality system that incorporates Total Quality Management and connects the entire production line with technical and administrative issues (Kontogeorgeous, 2012, p. 80).

Rodriguez and Guzmán (2013) concentrate on innovations in social economy firms, such as cooperatives. The outcomes of their Spanish-based study demonstrate that innovation in social economy firms appears to be determined by the same set of variables at work in traditional firms. They also state that previous experiences and contact networks are the key factors in the innovative capacity of social economy firms (Rodriguez and Guzmán, 2013, p. 995).

Meanwhile, some studies focus on the creativity of co-ops. Exploiting qualitative analysis, Haedicke (2012) studies food cooperatives – actually described as “countercultural co-op stores” – following institutional analysis associated with the creativity of organizational members. In his study, the locality and local cultures appear to be essential elements of co-ops. Traditionally, the business focus of German credit cooperatives, for instance, is locally oriented, and business success is linked to the inducement and monitoring of local borrowers (Machauer & Schiereck, 2004). Machauer and Schiereck (2004) also note that Church-based credit cooperatives in Germany are not particularly locally oriented, although they have been extraordinarily successful over recent decades, and in this way they help explain the business success of credit co-ops without a local orientation.

Although there are studies and viewpoints that doubt the innovativeness and effectiveness of cooperatives, these two themes have been studied simultaneously by several researchers (Beverland, 2007; Haedicke, 2012; Rodriguez and Guzmán, 2013), and there does not appear to be any insuperable juxtaposition between the two, as this sub-chapter showed.

Generally, listed below are what appear to be the main tensions associated with cooperatives, as suggested by practitioners and scholars:

- They do not enable large investments and financing (P1).
- The marketing and brand-building are problematic (P2).
- Slow decision-making (P3).
- They are not a suitable arena for innovative and creative business (P4).

In what follows, we consider (P4) and attempt to determine whether the neo-co-ops in northern Finland are actually innovative and creative.

2.4 New Co-Ops: Virtual, Digital, Light, Creative, Neo-Co-Ops

The contemporary global business environment is changing rapidly. According to Tienari and Meriläinen (2010), the global economy has five drivers: technologizing, multi-culturalism, media-centrism, finance-driving, and ecologism. In particular, technologizing and media-centrism appear in the forms of digitalization and more effective

communication methods. Digitalization also has an effect on the activities of cooperatives, as they can now operate virtually despite members being physically far-removed from each other. Has this virtuality led new co-ops to work more creatively and innovatively than former traditional co-ops? Can the co-op institution be virtual?

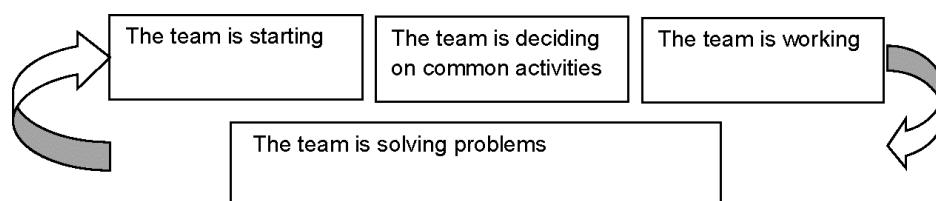
Virtual Teams

It is argued that information is exchanged more easily in a face-to-face connection, and leadership is less fluent and organized through a virtual-only connection. Meeting in person allows you to trust people more quickly, while body language allows you to avoid misunderstandings (see Johnson et al., 2002).

Johnson et al. (2002) and Norman Patnode (2003) consider group dynamics while guided by “the father” of the field, Bruce Tuckman, who in 1965 modeled the process employed by a successful group.

Virtual teams must have a common understanding of the main item under consideration, and if this is not clear then a face-to-face meeting is required. Second, there must be time enough to determine the function of the team, work out a common plan for carrying out the work, establish trust, share the work with team members, and draw up a timetable. The team needs all materials and limiting rules when starting work together, which helps ensure all are equal from the beginning and able to develop together into a real team (Johnson

*Figure 1. The virtual team process
Tuckman (1965).*



et al., 2002). In light of this, do the neo-co-ops work as active, innovating teams?

Norman Patnode (2003, p. 43) explains that while some teams are successful, others are not. According to Patnode, the idea of rotation in Tuckman's figure is crucial, as if there is a crisis and the need to brainstorm, the team could learn something new. You must have the courage to express your opinion and take an active role to get involved with a situation that is not going as planned. Therefore, do virtual co-op teams face crises creatively? Furthermore, Patnode (2003, p. 45) states that all team members have their own individual interest to succeed in the teamwork. Does this create competition among the members?

Virtual teams are increasing, and becoming more relevant to cooperatives' organization. We have far more global possibilities today, given that virtuality is cheap, techniques and skills have improved, and more people have the required access. People must know how to lead work in virtual teams, and the leader must know how to use the team as a learning space. The skills involved in group dynamics are now learnt from kindergarten onwards, meaning future generations will be much more adept at working in groups.

Light Co-Ops: Eezy.fi and Ukko.fi

The Finnish Ministry of Employment and the Economy has provided guidelines for monitoring and directing the work of a cooperative. Mere membership of a cooperative is not enough (a so-called billing cooperative); if the only goal is to have a billing channel, it recommends using another form of cooperative, such as light co-ops (e.g. Eezy or Ukko). These are cooperatives focused on employer services, such as settling bills and taxes for temporary workers, which themselves obtain short-term commissions from other firms.

In Finland, virtual cooperatives are a common form of business, with some, such as Eezy, having over 10,000 virtual members (Eezy, 2014). In addition, the case study examples of Nonas and Lilith

are networked cooperatives with strong virtual elements in their intra-organizational activities and relationships between the members, who are drawn from the media, art, and design fields in different parts of Finland (Lilith), or at least from different parts of northern Finland (Nonas).

Ukko.fi was established in 2012, and has four members and around 6200 users. The members are highly educated; all have their own firms and it was a relatively whimsical idea to choose a cooperative as a business type after weighing up the pros and cons of cooperatives and limited companies (Ukko, 2014). One of the main reasons for setting up a cooperative was that:

*It was radically cheaper than a limited company.
- Kumpulainen, 2014*

Ukko.fi has launched a light-entrepreneurship concept to the Finnish market, defined as follows:

Light-entrepreneurship is entrepreneurial activity without your own firm. Those people are heroes, who work incredibly hard to earn their living, on their own initiative and voluntarily. - Kumpulainen, 2014

The concept of light-entrepreneurship is described in more detail in the Ukko.fi guide:

*Entrepreneurship is rewarding, liberating and empowering. There are also risks starting your own business and loads of paper work. Bureaucracy and the degree of risks are not insurmountable barriers. They are only little humbs to being your own master. We at Ukko.fi want to help you to start your journey. We smooth over humps and give you a boost. That is light-entrepreneurship.
- Kumpulainen, 2014*

The idea of Ukko.fi is simple. You test your own business idea and invoice your work through Ukko.fi, and after the test period, and once you have attracted enough customers, you can then

start your own business. The cooperative members encourage users to achieve this, and hope that their old users then use them to hire their first employee (Ukko, 2014), as they believe in continuity.

Ukko.fi also has a virtual development forum based on the idea of crowdsourcing. Users can give feedback, while everyone can put forward ideas and others vote on how meaningful they are (Ukko, 2014). Although there are not many users brainstorming, the results can be significant. As we mentioned earlier, virtuality is cheap, while techniques and skills have improved and are available to more people, so it is wise for Ukko.fi to take an advantage of users' ideas in developing a service.

On the basis of which things are considered important, then they are selected to be developed together. - Kumpulainen, 2014

As Ukko.fi continues to attract new users and new ideas for developing the service, they have to ensure they exploit the ideas (Ukko, 2014); they get more opinions and ideas from the virtual team than the four members can possibly come up with.

There might be a challenge involved in developing a cooperative based on a virtual team structure, as the planning and decision-making might rely on virtual discussions and relatively rare face-to-face meetings. Furthermore, the levels of individual learning and development, and the process of the virtual co-op as a team of participants of different ages and in different locations, provide a range of challenges.

Neo-Co-Ops

Compared to traditional agrarian, banking, and retail-related cooperatives, neo-co-ops represent a new wave of cooperative thinking to emerge in the past 10 years. They are young, small communities where the members are committed and have a direct influence on decision-making (Pellervo, 2014). Thus, there seems to be a paradoxical

tension between the “traditional” cooperatives and neo-co-ops. However, the existence of some traditional massive cooperatives shows the growth possibilities of neo-coops; the form of cooperative is not an obstacle for realizing a large-scale business.

Neo-co-ops, especially those with a virtual team structure, raise several questions, such as: Is there competition between co-op members? Does the democratic decision-making represent a barrier to speedy conclusions? Are these neo-co-ops innovative, creative, and rapid?

3. METHODS AND CASES

3.1 Research Design

This chapter outlines the case study research strategy, which involves utilizing several perspectives and methods to determine the most essential features of the case (see e.g. Yin, 2003; Eriksson & Kovalainen, 2008). The most important sources of information for this case study are interviews and meetings with two Finnish cooperatives, Nonas and Lilith, and project plan meetings regarding the development of co-ops in northern Finland.

Furthermore, this research is based on qualitative methods, especially interviews, content analysis, and story-telling. In fact, this study contains two main stories, namely those detailing the activities of two cooperatives in (northern) Finland, Nonas in Rovaniemi and the nationwide Lilith cooperative. Both of these cooperatives focus on the creative industries. In addition to interviews and stories, the experiences of the authors as members, and even founder members, of various cooperatives have an effect on the study. Furthermore, the authors are participants in a project focusing on cooperatives and cooperative thinking in northern Finland. However, this study is not particularly ethnographic or autoethnographic.

The interviews with the young cooperatives – Nonas from Rovaniemi, Lapland, and the wider-

reaching Lilith – focused on their opinions about entrepreneurship and cooperatives. Furthermore, the Rovaniemi Regional Development Agency Ltd and Business Oulu were interviewed on the subject of their services designed to guide young people who plan to start their own firm. This was how we determined whether there was an innovative attitude within these cooperatives, and how this potential innovative attitude could help in starting a business, finding a way to help earn your living, and what society should do to change attitudes towards cooperative entrepreneurship.

In addition, the authors of this chapter are participating in entrepreneurship studies as lecturers, planners, and students, and promoted the KOVI project to research and develop the idea of co-ops in northern Finland. The project plan is to organize two workshops for young students on high-level education, cooperatives, and guiding services. The project will produce two reports concerning the attitudes and experiences of young students in the Oulu Southern Institute and Nonas cooperative members in Rovaniemi. Therefore, these are also underlying sources of information and knowledge utilized in the study.

3.2 Materials and Sources

This study is based on a range of materials and sources. In addition to the literature on cooperatives, such as their development and the relationship or tension between their creativity and institutional structure, the other materials emerge from the interviews, meetings, and seminars related to co-ops. In addition, all of the authors are active members of co-ops, and some are founders of co-ops in northern Finland (see Table 2).

There are a small number of influential cooperatives in northern Finland, and we took two as examples: Nonas, which operates mainly in Lapland and especially in the city of Rovaniemi, and Lilith, which has several members in northern Finland and especially in the city of Oulu, although its main focus is in southern Finland. Both cooperatives are involved in the creative industries, such as design, arts, and music. These cooperatives are, in addition to research targets, also members of the underlying project to which this study is linked. In addition to talking with active members of these cooperatives, interviews were conducted with other firms and officers of local entrepreneurial development organizations (see Table 2).

Table 2. Case study material

The Type of the Case Study Material	Number of Units
Personal Interviews:	
Face-to-Face	5
By Phone	3
Group Interviews (Face-to-Face)	2
Official Meetings Linked with Co-Op Projects:	1 (board meeting)
In the planning phase	9
In the implementation phase	5 (4 of them integrated meetings (face-to-face with simultaneous virtual connection); 1 face-to-face)
Seminar	3 (integrated meeting)
Authors' Memberships (e.g. In the Role of Founder Member) of Co-Ops	1 (face-to-face with about 30 participants)
	About 20

3.3 The Case Studies

3.3.1 Nonas Cooperative, Rovaniemi

In 2011, seven former art, media, and design students from the University of Lapland decided to start a cooperative called Nonas. They had graduated from the Faculty of Arts and Design, were friends, and some already had their own company. The idea to start a cooperative emerged when they received an offer to organize a large project that no one of them could complete alone, and thus they required a channel through which to run the project (Nonas, 2013).

The Nonas members share common values; they appreciate sustainable development and locality, they have completed a high level of education, and have some proof of their skills. One member of Nonas crystallized the main idea of their cooperation:

If you want to go quickly, go alone. If you want to proceed slowly, please go together. - Nonas, 2013

This comment relates to the main content of the literature review; a cooperative is, in addition to an alternative form of company, also a networked institution with several participants, which means decision-making might take more time. However, membership of a cooperative is open, in addition to individual persons, to other forms of companies, which in fact increases flexibility. This is the case with Nonas, which has companies among their list of members. However, this fact is paradoxical, in that unlike the framework of the conservative institution, a cooperative enables a flexible structure involving individual specialists and companies.

Nonas focuses on creative industries. It is striving for a design company, and there are now 15 members, all professionals from the textile and design branches. Two members have their own companies, and these are also Nonas supplementary firms. One of the members lives in Oulu, the others in Rovaniemi, and all share

a northern view with their activities profiled to Lapland. The members of the cooperative do sell their own products and services, and take part collaboratively in, for example, environmental competitions (Nonas, 2013).

Member A is testing his own company in this (cooperative). - Member B, Nonas 2.5.2013

The goal of Nonas is to employ its own members, not only to seek big profits. One of the members stated that:

The activity of Nonas is a modern sense of a community, although everyone is working on her/his own professional area. - Nonas, 2013

The guiding board of Nonas meets once a month, and the co-op is currently deciding whether to increase its number of members in the same skill area or to widen its professionalism by recruiting other experts. At the moment, Nonas is a close-knit working community, where the members cooperate and develop new ideas and projects together. In spite of this, all members are able to use the cooperative as a foundation for their own work, meaning that the guiding board has started to consider whether it is better to individualize the invoicing to a supplementary firm name (Nonas, 2013).

Although the structure of cooperatives is based on inter-organizational cooperation, they do not necessarily have any connections to similar cooperatives.

Two members took part in a course organized by Tampere Entrepreneur center through Rovaniemi Regional Development Agency Ltd. The education was meant for Business Advisors, but there were none taking part from the Rovaniemi office. - Member C, Nonas 2.5.2013

One member has taken part in a five-day course for entrepreneurs, and when starting the coopera-

tive some members got help from the University of Lapland's Training Manager, Seppo Särkkä. According to those members, the help and guidance proved to be a remarkable stimulant.

Nonas succeeded in securing economic assistance on starting up, with the first draft financed by the Creodemo fund. In 2013, Nonas welcomed a trainee from the University of Applied Science for three months, who was looking for new possibilities for business and developing their work. One member receives a one-day-a-week salary for taking care of everyday activities, such as negotiating with a book-keeper and paying the bills (Nonas, 2013).

The Nonas members acknowledge that they would have liked some entrepreneurship tuition while at university, as some have never had any entrepreneurship training. One member voluntarily participated in ECTS studies on entrepreneurship at the University of Lapland (Nonas, 2013).

Oh, if we just have had (some entrepreneurship studies)! In crafts and design studies and visual art education we didn't have any (entrepreneurship studies), neither in teachers pedagogical studies. - Member B, Nonas 2.5.2013

To get together with other young entrepreneurs in town, some Nonas members are taking part in a Morning Coffee event, where the entrepreneurs and entrepreneurship developers meet under the banner of "Would you like to try? Would you like to entrepreneur?" as organized by the Rovaniemi Regional Development Agency Ltd.

The members plan, if Nonas grows in the future to be as big as Lilith, to employ someone outside of the cooperative, e.g. as a book-keeper.

At first we employed one of our members to a part-time book-keeper; she is working one day a month and gets a salary. Then we made a decision to develop the idea of our cooperative and got foundation from Creodemo. - Member B, Nonas 2.5.2013

Employing someone outside the cooperative might be one good extra to the idea of Nonas. - Nonas, 2013

3.3.2 Lilith: Northern Dimension

Lilith was established in 1996 by Kikke Heikkinen and Maritta Kuula, who wanted to form a business involving their own music and cultural activities. Kuula took part in a start-up center, where she heard about the cooperative business. Although the effects of the mid-1990s economic slump caused initial problems (Heikkinen, 2013), these two women first established their own record company as a limited company, before establishing Lilith to maintain their independence and allow them to do business in their own way. One of the main reasons for establishing a cooperative was because it allows a member to remain an employee instead of being an entrepreneur; when a member owns less than 14.3% of a co-op, she/he remains an employee. This form of organization is known as an "artel" cooperative.

Lilith has two roles: doing business as an employee and developing the business together with its members. The cooperative obtains assignments and oversees the work of its members and employees (Heikkinen, 2013). Lilith had 195 members in April 2013, and like Nonas has a significant northern dimension, with members living in northern Finland, Oulu, Rovaniemi, and Iisalmi.

At this point, Lilith's line of business is culture and art, and to become a member you must apply and earn a recommendation from current members, before the board decides who can join the co-op. Member candidates must already have some customers and adopt a professional attitude to the work (Heikkinen, 2013).

Lilith is seeking a good level of growth in a steady and controlled way, as the bigger and more balanced the co-op is, the less costly it is for the member. Heikkinen (2013) explains that despite the collective organization, running the coopera-

tive is a brutal business because it is operating in the same field as other companies. However, revenue brings a balance and earnings for the members (Heikkinen, 2013). There appears to be a macro level paradoxical tension between the “soft” collective organizational form of the cooperative and the “hard” business laws to which the cooperative must adhere. Similarly, there is a tension between the main branch of Lilith (culture and art) and the general business logic, and both of these tensions are managed internally.

Lilith never received, or did not apply for, any financial support from the society when it was established. However, Finland has since joined European Union, prompting major changes to the forms of support available. The cooperative has gained some unemployment support to recruit personnel and won grants to fund a range of projects. Lilith was granted, for example, CreaDemo aid in 2012 for the “Pentujäsenyys” project, which is now at the testing stage (Heikkinen, 2013).

The cooperative has boldly faced the market demands and used its own assets. - Heikkinen, 2013

According to Heikkinen (2013), the cooperative has to be profitable. Members are seeking a good living, and businesses cannot be profitable without thinking of growth. Co-entrepreneurs own the business with the other members, and if it is not growing, there are no possibilities for the business to do well and organize occupational care, work placements, and other compensations for the wage earners. Usually, wage earners, because of indirect wage costs, have to produce at least twice as much as gross wage to be profitable for the employer. That is a similar situation also with the members of cooperatives. The cooperative’s core workers take a very important position; the cooperative must have a vision and a mission regarding what it is doing now and what it will do in the future, meaning administration and core workers must possess sound knowledge of both society and economics given that strategies and

goals are created based on the vision. Profitability will secure assets, and a cooperative can own, for example, properties. It also needs to have some savings in case of lean times or unexpected expenses (Heikkinen, 2013).

Starting a cooperative demands that a few core people work together towards the same vision. The business field can be extremely wide, and the people at the center must have the guts of an entrepreneur coupled with some psychological nous. The central people can be, for example, the members of the cooperative board; Lilith has at the moment two people hired to deal with administration and one apprentice, who are also members of the co-op, and occasionally gets financial support to hire staff (Heikkinen, 2013).

According to Heikkinen (2013), the book-keeping is carried out by a third party, someone to ensure the business is under scrutiny. This strategy allows the cooperative to focus on their creative human resources and efforts in their core competence, in other words, the main business.

4. COOPERATIVES AS PART OF THE CULTURE OF ENTREPRENEURSHIP IN NORTHERN FINLAND

The culture of cooperative thinking might be strong in Finland because there are 3000 cooperatives, over 100,000 employers, and over four million cooperative memberships. Thus, there are, on average, about 35 workers and 1500 members in each Finnish cooperative. However, our results reveal northern Finland does not have an especially strong culture of cooperatives. It seems that people are interested in membership of cooperatives, but not the entrepreneurial career or employment via a cooperative. Thus, there is a paradoxical tension between the popularity of membership and the entrepreneurship associated with a cooperative.

For example, according to Business Advisor Eija Jussila-Salmi (2013) from the Rovaniemi Regional Development Agency Ltd, only five

customers have asked for help in starting a cooperative. Indeed, instead of starting a cooperative, some have started a limited company. In Rovaniemi, there are 20 registered cooperatives, but it is not known how many of those are active (Jussila-Salmi, 2013).

Compared with Rovaniemi, according to entrepreneurship expert Tarmo Pallari (2013), there are 56 active cooperatives in Oulu, and 23 of which have the word “expert” in their name. There are 1200 companies set up in Oulu every year, so the number of cooperatives is small, and only a few customers have asked for assistance in starting cooperatives during past two years (Pallari, 2013).

However, according to Jussila-Salmi (2013), the cooperative might be a useful way for students to start up a business during their studies. In order to avoid the status of full-time entrepreneur, there have to be at least seven members in the cooperative and still possibility to have earning-related daily benefit.

A cooperative could also be advantageous to part-time entrepreneurs who are participating only for part of the year. Immigrant women and those who have finished their studies abroad might have a chance to start a business through a cooperative (Jussila-Salmi, 2013).

I'd love to see a cooperative set up for a special group (immigrants). - Jussila-Salmi, 2013

Business Oulu is also organizing education and networking gatherings to provide information on the different types of company.

5. DISCUSSION

Earlier we introduced some propositions, or stereotypes, about attitudes towards cooperatives. These considered the problems of cooperatives in relation to investments and financing (P1), marketing and branding (P2), rigidity in decision-making (P3), and the barriers to innovative and

creative business (P4). In this sub-chapter, we consider these questions again, this time based on the empirical research materials and experiences of cooperatives.

5.1 Investments, Financing, and Other Economic Issues (P1)

Jani Siivola from Reddo Partners Ltd, Rovaniemi, has been a chief executive officer for five years now. He believes there is no meaning to cooperatives because the private entrepreneurs can do business together anyway. Likewise, Siivola (2013) does not see cooperatives as an alternative for his own enterprise; he thinks only genuinely entrepreneurs can take risks, not members of a cooperative.

According to Pallari (2013), a cooperative is not the best option if a company wants to have asset investments. Through the eyes of a potential investor, a cooperative is a challenging form of business because they encourage equality in thinking (one vote/one member). In addition, Business Oulu recommends forming a limited company instead when turnover increases above 50–60,000 euros (Pallari, 2013).

When establishing a cooperative, an entrepreneur can obtain the same business advice as any other person planning to start his/her own business. For example, there might be a possibility of securing finance from a European Union innovation fund to develop the idea of cooperatives to highly educated persons. For example, in northern Finland there are 18 EU projects aimed at advancing employment (East & North Finland, 2014). The EU's new COSME program for 2014–2020 is designed to promote and increase the amount of small enterprises; if financing is easier to obtain, the company could have leverage to grow and new forms of enterprise could begin (European Commission, 2014). For potential members of cooperatives, we are suggesting a deeper examination of the COSME program in helping to promote cooperatives to highly educated

people in northern Finland and provide a model for future working communities.

We have noticed that a cooperative could be a limited project. In that case, the members could start out in a cooperative before later starting their own business, if the idea of entrepreneurship is worthy. In this case, the cooperative is a place to learn and a constructive way to work.

Although there are possibilities to allocate financing for cooperatives, the interpretation among practitioners and scholars that handling large investments and financing is more difficult in cooperatives compared with other company forms must be dispelled. These attitudes do not account for the fact that collaboratively, members of cooperatives have more underlying financial and non-financial resources. This wide base enables relatively easy joint investments for all members. Perhaps for this reason, the cooperatives largely focus on relatively narrowly branches of business, given that if the needs of the members are similar, joint investments will be easier.

5.2 Marketing and Branding (P2)

Some of those who have asked for help in starting a cooperative have eventually gone on to form a limited company. Therefore, the entrepreneurship development organization Rovaniemen Kehitys Oy is launching the *Let's do Together* project to promote cooperatives. A cooperative might be good possibility for business if this possibility is properly promoted, as according to Jussila-Salmi:

... a cooperative might be a reasonable possibility to those entrepreneurs who will start their own business in a daycare with service coupons. Another possibility might be to have a cooperative of immigrants as a form of earning a living.
- Jussila-Salmi, 2013

According to Pallari (2013), Business Oulu is guiding people who are interested in cooperative business to get more information from

the Tampere project, which is focused on the development of cooperatives. Pallari (2013) also presents the cooperative business as a purchase and marketing channel. For example, in Finland, the Tekniset chain, in the branch of domestic appliances, is making all of its purchases through a cooperative. Pallari, from Business Oulu, agrees with Jussila-Salmi's opinion about the possibilities of cooperatives.

A cooperative business has a lot of unused potential and there is a New-Renaissance going on. - Pallari, 2013

Although the attitudes of practitioners are changeable towards the marketing and branding possibilities of cooperatives, the case study targets have established a brand among members. For example, Nonas has used business cards that display the names of all cooperative members, and both of the case study cooperatives have their own uniform web pages to market the businesses of their members. Although brand building might be easier because of the joint resources being used, the level of collaboration between members is crucial to whether this kind of marketing investment is possible.

5.3 Rigidity in Decision-Making (P3)

It appears that (P3) relating to slow decision-making is unavoidably true, at least on some level, as the joint decisions of cooperatives require related administrative actions. However, each member of the cooperative has his/her own field where he/she can operate relatively independently. Only those moves that require joint investments or which mean changes in the operation models of the cooperative are more difficult to implement and call for joint decision-making. Therefore, the border between the common and individual decision-making circumstances must be clear in the cooperative's rules.

5.4. Creativity and Innovativeness (P4)

Cooperatives possess both creativity and innovativeness, and traditional and static features. Creativity and innovativeness result from the new tendency among young people, which educational institutions have supported by establishing or helping to establish, to view the cooperatives as ideal for their activities and studies. These actions are also encouraging young people to continue their activities in cooperatives after graduation. Both Nonas and Lilith focus on creative branches, and their business idea is based on a youthful stance. In Finland, this creative, innovative, and youthful brand of cooperatives is strengthening.

These new tendencies of cooperatives are a counterpoint to traditional mainstream attitudes, which see cooperatives as static business units focused on agrarian, financial, or retail branches. Thus, there seems to be a paradoxical tension between creativeness/innovativeness and cooperatives that have several institutional features. Institutionalism is not associated with creativity and innovativeness, but, in spite of this, young innovative people are ready to found cooperatives.

Among business authorities, for instance, there is some skepticism towards cooperatives, which is identifiable in the research literature. They do not see cooperatives as a suitable corporate form for innovative fast-growth business because of institutional reasons. Several (competing) entrepreneurs participate in decision-making about investments, enlargement, and strategy, and researchers see the structure of cooperatives as an obstacle to dynamic business development. However, the attitudes of young people, especially in the branches of creative industries, towards cooperatives form a strong contrast; they see cooperatives as an innovative and tempting place and form of organization, and somewhere that they can develop their business.

Although there is a micro-level tension among competing entrepreneurs who belong to the same cooperative, which as stated earlier is known as

“coopetition,” the strongest paradoxical tension seems to involve general attitudes about cooperatives. Some see them as a source of business growth, while others, especially business authorities, are more skeptical about the growth possibilities they offer. This view might become a source of embarrassment because in 2010, nine of the world’s cooperatives achieved revenues of over 10 billion US dollars (Global300 Report, 2010).

6. CONCLUSION

We can conclude that a cooperative serves many purposes; it is suitable for entrepreneurship studies in learning institutions and for business and marketing in various trades. The operations of work and marketing cooperatives are well-known, but a cooperative can also support various youth activities and offer a suitable environment for learning entrepreneurship skills with little financial risk. There are still challenges and obstacles to putting entrepreneurship education into practice. These include the somewhat rigid structures of schools, a pessimistic attitude towards entrepreneurship, a desire for control and management, the culture of doing things alone, and the fact that working communities do not always adapt to a new mode of operation.

The new law relating to cooperatives in Finland is mainly strengthening the notion of incorporating limited company features inside the cooperative form of business, and pushing the idea of cooperative institutions towards economical entrepreneurship, rather than providing a chance to innovate new cooperative models.

The cooperative institution in Finland is understood as a traditional means of entrepreneurship. However, there is a tense juxtaposition between the “traditional” cooperatives and new “neo-co-ops,” which are based on the educational cooperatives of students or, for example, professional artists in creative industries.

We need more understanding of new cooperative models, including virtual, neo-co-ops, and other innovative versions of cooperatives at all school levels, because currently, the guiding services are not ready to inform and promote the starting-up of a cooperative, or able to take new innovations to different kinds of co-op institutions.

The outcomes gleaned from the case studies focus on paradoxical tensions (see e.g. Jarzabkowski & Van de Ven, 2013) between creativity or innovativeness and institutionalism. The results show that the institutional form of entrepreneurship is not an obstacle to creativity and entrepreneurship in creative industries. It seems that paradoxical tension is on the “macro-level” in the literature and in general attitudes, and even among entrepreneurial development organizations’ views of cooperatives, and not at the operative micro level among the practitioners of cooperatives.

The case organizations, Nonas and Lilith, are focused on creative industries, such as design, music, videos, and content production. According to the interviews and case examples, institutionalization in the form of the cooperative seems to be the natural channel for entrepreneurship in creative industries.

However, the history of cooperatives is entrenched in the most traditional forms of business, such as agriculture and forestry, which is still the most important source of revenue among the world’s 300 largest cooperatives. However, the contemporary cooperatives are positioned at several branches of business, with the banking sector, for example, being nearly as important now as agriculture (Global300 Report, 2010).

There are several prejudices against cooperatives as effective agile enterprises. However, because of the gathering of several entrepreneurs within the same organization, the resources available for investments and marketing are higher than those available in micro-enterprises. Nevertheless, this requires that the member entrepreneurs in the cooperative are acting in the same branch of business, a situation that provides synergy effects

on joint investments and marketing. Both of the case study cooperatives are focused on certain branches, which provide an advantage for their business and sustainability in the market.

The inevitable fact is, however, that the institutional structure of the cooperative might have a detrimental effect on the speed of its decision-making. This is perhaps the only disadvantage, and the most challenging feature of contemporary cooperatives.

We considered the following tensional propositions about cooperatives, as held by practitioners and scholars:

- They do not enable large investments and financing (P1).
- The marketing and brand-building are problematic (P2).
- Slow decision-making (P3).
- They are not a suitable arena for innovative and creative business (P4).

Our analysis has shown that most aspects of these propositions are not relevant, especially P1, P2, and P4. However, because of the institutional structure of cooperatives, the decision-making can be relatively slow (P3). One important macro level paradoxical tension is between the “soft” collective organizational form of a cooperative, especially in neo-co-ops, and the “hard” business laws to which it must adhere.

However, the results of our study did not reveal any remarkable paradoxical tension in cooperatives, e.g. due to several competitors acting within the same organizational structure. Thus, any potential tension based on the intra-organizational coopetition is not relevant in the examples considered in this study. However, monitoring the possible existence of tension caused by intra-organization coopetition will require further studies in the future.

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KEY TERMS AND DEFINITIONS

Cooperative: The form of enterprise, which is jointly owned and engaging in the production or distribution of goods or the supplying of services, operated by its members for their mutual benefit.

Creativity: Ability to create new business ideas and products to the market.

Entrepreneurship: The channel for creativity. Also intrapreneurship is one possible form of entrepreneurship.

Institutionalism: Hierarchic form of organizing, the system of institutions or organized societies devoted to public similar purposes.

Light Co-Ops: Cooperatives focused on employer services, such as settling bills and taxes for temporary workers, which themselves obtain short-term commissions from other firms.

Neo-Co-Ops: Cooperatives, which are based on virtual teams and teamwork, and on the educational cooperatives of students or, for example, professional artists in creative industries.

Virtual Teams: Teams, which are not based on face-to-face contacts. Challenging form of organizing, where the members must have a common understanding of the main item under consideration.

Chapter 11

Gender and Water: The Indian Context

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ABSTRACT

This chapter examines the welfare implication of wage revisions for two Indian unorganized sector female workers with opposite preference patterns for income and leisure in drought-prone zone. The female workers here face a gender-based wage gap and the inconveniences caused by water shortage adversely affect their effective incomes since females are the major users of water in the family. This chapter also makes a couple of recommendations for policymakers and legislators. It experiments with alternative utility functions in neoclassical microeconomic behavioural model framework.

INTRODUCTION

It is very difficult to understand why in this country so much difference is made between men and women. - Swami Vivekananda

Gary Becker in his Nobel Prize lecture in 1993 narrated the importance of modelling, not only the economic behaviour of an individual, but her behaviour in all spheres of life, i.e. family, society and polity. This spirit is also observed in many a great economist of Indian origin like Kaushik Basu, Amartya Sen and their students and followers. The topic of this chapter is precisely one of those, which imbued the above spirit in

last four decades. In traditional microeconomics an individual plays twin roles of consumer and supplier of a factor of production. For both of the roles her behaviour in terms of her responses to prices and other determinants is what determines demand for goods on the one hand and supply of a factor of production. This behaviour is essentially micro level behaviour.

In explaining the labour supply function in labour-surplus economies on the one hand there are analytical studies like Tendulkar (2010) while on the other hand there are structuralist studies like Basu (1987). The former indicated that the response of the labour supply function toward incentives or disincentives are determined by social,

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political, demographical and technological factors specific to a particular nation (Tendulkar, 2010, p. 126). The former follows an approach which is macroeconomic approach by nature (Tendulkar, 2010, pp. 117-118) while the latter follows an approach, which is microeconomic by nature (Basu, 1987, pp. 4-5). The latter examined the (dis)equilibrium in the labour market in a subsistence economy, where labour supply is infinitely elastic at an exogenously fixed rate of wage (Basu, 1987, p. 6-7), with reference to the efficient wage doctrine. Thus micro-level individual choice and structural constraint receive focus from the theories on gender inequalities.

Bardhan (1996) is among few which ignited academic interest in the efficiency wage doctrine in the rural India context. This interest may be traced back to Bardhan (1979). Mazumdar (1989) is an example of continuation of such example from 1980s onward¹.

Theorization of the role of water availability in determination of female welfare given the say of women in workplace as well as household took place in terms of unitary models and collective models. The unitary models revolve around the axiom of concentration of decision making power (i.e. say) in the hand of one while the collective models presume distribution of such power. In the context of rural India, the efficiency wage theory also gained attention. Labour markets in the developing economies are characterised by oversupply but at the same time downward rigidity of wage. The disequilibrium wage rate is determined by a host of economic and social factors, like involuntary unemployment, resistance to wage cut in slack season and deficit in rainfall.

Since full time work is the primary source of income of labourers in the unorganized sector, the remainder of this chapter is divided into a number of sections like background, objectives, existing literature, framework, modelling, policy implications, further research directions and conclusion.

In substantiating the economic arguments this chapter uses mathematics up to the high school

level, which is intelligible to readers without technical knowledge. The rigor of exposition warrants mathematical applications to understand the optimization behaviour of households which play the role of supplier in the labour market. Since this book deals with *inter alia* economic progress, this chapter likes to examine the varying behaviour of household in the labour market at different levels of real income, which may be taken as a proxy of economics progress.

CHAPTER OBJECTIVE

To analyze the impact of change in wage rate on economic welfare of the unorganized sector female worker, in terms of the Slutsky equation in the circumstances of gender-based the socio economic condition characterized by wage gap and water shortage in a comparative mode between two states:

1. Rajasthan, relatively water scarce area (ndtv, 2012), and
2. West Bengal, the second largest potato producing state in India (APEDA, 2013)².

CHAPTER BACKGROUND

Reporting by Baneria (2003) of the centuries old tradition that women everywhere have primary responsibilities for non-market (unpaid) house work and caring jobs, which leads to family constraints on their choice in terms of labour force participation and their access to paid employment, both formal and informal – was observed by Uppal (2007).

Claudia (2006) portrayed how the modern economic role of women is found to have emerged in four phases in USA. The first three were evolutionary; the last was revolutionary. Phase I occurred from the late nineteenth century to the 1920s; Phase II was from 1930 to 1950; Phase

III extended from 1950 to the late 1970s; and Phase IV, the advent of women liberation and feminism in the late 1970s and is still ongoing. Three aspects of women's choices distinguish the evolutionary from the revolutionary phases: horizon, identity, and decision-making. In India women play important roles in the Indian economy, undertaking a wide range of economic activities including farm operations and powering a high savings rate. However, changes in the employment scenario, rising inflation, social conditions and neglect by policy-makers have impacted adversely on women. This is true also in the case of availability to, distribution among and usage of water resources by women vis-à-vis men. As per World Bank (2011) women and men generally are deemed to play very different roles in water supply and sanitation (WSS) activities. These differences are particularly evident in rural areas. Often women are the main users, providers, and managers of water in rural households. Women are also the guardians of household hygiene. Men are usually more concerned with water for irrigation or for livestock. Hence women tend to benefit most when access to water, and the quality and quantity of water improves. Improvements in WSS infrastructure are likely to shorten women's and girls' time spent carrying heavy containers to collect water, thereby freeing up their time for income generating activities and school attendance, respectively. Given their long established, active role in WSS, women generally know about current water sources, their quality and reliability, any restrictions to their use, and how to improve hygiene behaviors. Yet for many years, efforts to improve WSS services had a tendency to overlook women's central role in water and sanitation. While women were often more direct users of water – especially in the household – men traditionally had a greater role than women in public decision making. It is essential to fully involve both women and men in demand driven WSS programs, where communities decide what type of systems they want and are willing to help finance³.

A typical picturesque description of how women participate in labour intensive low capital production processes in a drought prone area is available in Banerjee (1984).

EXISTING LITERATURE

In non-technical and naive language Mukhopadhyay (2007) narrated the issues of economic progress of women in West Bengal.

Uppal (2007) is an econometric study on quality and determinants of Female Employment in Unorganized Manufacturing Sector of India. This study is on the unorganized labour market characteristics, rather than the behaviour of the labourer.

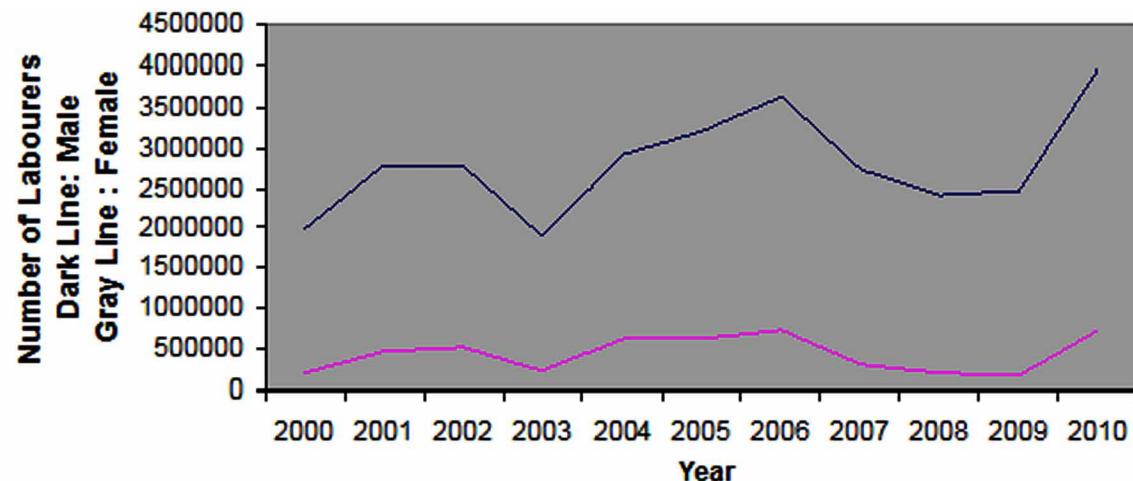
Atal (2010) highlighted the disutility of work outside home arising to the female. In the framework of utility optimization she derived the female labour supply and examined the impact on the same of changes in wage rate, technological upgradation in terms of purchase of consumer durable at home and family-related affairs like child birth. In this model it seems possible to introduce the problem of water scarcity and examine its impact on female labour supply. The work of Atal (2010) may be considered to be the continuation of Basu (2006).

Majumdar (2011) with econometric exercises found that

1. Work participation decision by women depends on personal attributes, household characteristics, local economic conditions, socio-religious traditions, and for married women also on husbands' characteristics, and
2. The push factors are stronger at the lower end of the spectrum while pull factors and opportunity cost of not working are stronger at the upper ends.

Mahajan and Ramaswami (2012) confirmed the observations from village level and local

Figure 1.



studies that high caste women refrain from work participation because of ‘status’ using statistical analysis of large data sets. They tried to distinguish between the effects of perfect substitutability and limited substitutability of female labour for male labour citing evidences from other countries like Peruvian Sierra. They expressed the relative magnitude of the cross price elasticities as a product of male to female labor supply and male to female wage ratio. They also brought into picture the role of agro-ecological conditions in agriculture and stated that ‘higher castes’ used their dominance to settle in better endowed regions. Water is considered to be a precious natural endowment in the regions of water shortage. Availability or scarcity of water could be a factor influencing the wage elasticity of labour supply to the projects where water is needed like plantation or construction.

The explanation given by Kabeer (2012) regarding low female labour participation appears to be very pertinent in the context of Figure 1. He mentioned the obstacles in different parts of the world like primary responsibility of men in earning bread for the family, taboos on women working outside home or in agriculture, exclusion of women from labour unions, legal differences between men and women which differentiated

their incentives or capacity to engage in waged work or to set up their own businesses, employers’ preference for male workers because of their being physically stronger than females, employers’ preference for female workers as low-wage earners or less trouble-makers and sexual harassment of female workers by male workers.

Subramanya (2013) reported female labour force participation to have been dropping at an alarming rate referring to the sources like NSSO and ILO. Around a decade back Majumdar (2004) reported that while Vietnam tops the UN list with 86.2 per cent FLPR, even countries like Bangladesh (60 per cent) are far ahead of India. As per Government of India (2014), the level of factory employment of adult female labourers during the last decade is much below their male counterpart (Figure 1).

As per Klasen and Pieters (2013) the main supply side factors were rising household incomes, husband’s education, stigmas against educated women engaging in menial work, and falling selectivity of highly educated women whereas on the demand side, employment in sectors appropriate for educated women grew less than the supply of educated workers, leading many women to withdraw from the labor force. They noted

a particular feature of womens' work in India to be U-shaped relationship between education and labor force participation. Their explanation is that participation rates are relatively high for illiterate women, lower for women with low and intermediate education, and highest for postsecondary graduates. Substitution effect and income effect are the factors, they argued, to explain the above pattern of relationship. The rate of wage is considered to be the price of leisure. When it increases, as substitution effect, the demand for leisure decreases in the basic static labor supply model, but at the same time when the level of income increases via means other than own work, e.g. work of another family member, the demand for leisure increases at the lower stage of development. Hence at a lower level of income, when wage rate increases, female participation increases in the subsistence sector.

Afridi, Mukhopadhyay and Sahoo (2013) explored a direct relationship between rural female labour force participation and the attendance of their children in school. Dasgupta and Goldar (2005) came up with econometric evidence to indicate that an inverse relationship exists between supply of labour and the number of earning family members and wage rate at low level of wage, especially for women in rural areas.

THE FRAMEWORK FOR MICROMODELING

Exploring the relationship between commodities (inputs) and utility (output) in the Euclidian preference space is using the standard Cobb-Douglas form is a common practice in standard economic literature (Board, 2009) and hence performed here also. The background of this shape of production function is available in Douglas (1976). There he described the managerial significance of this function in explaining the contribution of different inputs to the outputs in American and Australian manufacturing industries in terms of

returns to scale. In the neo-classical a two-good optimization framework has been considered for modelling welfare of an individual subject to her budget constraint. This framework befits a female labourer, who plays the role of wife and mother in a family where there may or may not be any other earning member. She devotes income from full timer work and income from part time work, which she enjoys during leisure or foregoes these incomes by devoting both work time and leisure to production of commodities including water storage required at home. In the spirit of Kapteyn (1985), utility function is considered to be the cardinal measure of welfare. We have taken utility functions of two females, 'A' and 'B', with opposite preference structures. The utility function of 'A' is highly elastic with respect to full time job hours. This is indicative of poverty. The utility function of 'B' is highly elastic with respect to leisure or part time work hours. This is indicative of affluence. The scope for modification of this form is kept open, if warranted to distinguish the preferences of above two females from different strata of the society.

THE MICROMODEL OF UTILITY MAXIMIZATION

In a water-scarce locality, a household owning a drinking water well or a pond must be valued in terms of their opinions and status above the rest of the households in the locality. Similarly, for two rice fields situated side by side in the water abundant state of West Bengal in India, it is for one with relatively abundant water to spend less on labour than the other with scarce water⁴, the former need to pay to the labourers who are working on supply of water. In the water scarce zone of western India like the state of Rajasthan, construction projects on a relatively water abundant location need to incur less of similar expenses relative to others⁵. Though ground water does not command a positive market price, but nevertheless, it poses

a shadow price to casual labourers and hence the utility maximization process described by Becker may involve an argument in the form of some convenience factor out of abundant water supply as a commodity. The pain to procure water in a water-scarce location may be deemed to take the form of the shadow price, provided there is no market for ground water. If there is any market for ground water at a distant location, the pain is measurable in terms of the sum of the purchase price of water and the transportation cost. This kind of pain led to action plans that culminated in water rationing or targeting in UK (Waylen, Thornback and Garrett, 2011). If fish and meat are means for production of health (Becker 1991, p. 25), there is no reason to include drinking water in the same category of fish and meat. In the model of Becker (1991, p. 20), the time to collect water is considered to be one of the arguments. In his opinion an individual derives utility from the commodities which she produces with goods and time. Such commodities include prestige, esteem, altruism etc. Availability of water determines convenience in kitchen and the level of sanitary utilities, which, *inter alia*, constitutes the standard of life or the level of prestige of a household in a locality. The analysis of the issue of maximization of utility starts with a model with under certainty. In the end the probabilistic utility maximization is referred to.

Case 1: Use of Cobb Douglas Utility Function

Let us consider a household with a female member (henceforth ‘female’). She has two sources of income – full time work and part time work. She may devote the leisure to home at the cost of income from part time work. The generic utility function of the female is

$$\hat{U} = U(T, L). \text{ Expression } (1)$$

$T \Rightarrow$ time for producing n commodities x_i in \mathbb{R}_+^n ;

These commodities may be bought with incomes if the female works outside home or may be produced at home in the sense of Becker (1991) if she devotes the same time to directly producing the same by sacrificing the incomes from working outside. So the utility function plays the role of a production function also.

$$\text{Total time devoted to production } T = \sum_{i=1}^n t_i x_i.$$

Expression (2)

x_i includes, *inter alia*, the store of water for use in household activities. So ‘T’ could be rewritten as $T = t_W W + \sum_{i=1}^{n-1} t_i x_i$. Expression (3)

Here W = water storage, ‘ t_W ’ is time to procure water per unit and is a direct function of the distance or length (l) between the point of use and the point of source of water and the cost of transportation (c) per unit distance, i.e. $t_W = t_W(l, c)$. Expression (4)

$$\text{Here } \frac{\partial t_W}{\partial l}, \frac{\partial t_W}{\partial c} > 0. \text{ Expression (5)}$$

If it is assumed that the required volume of water is fixed at \bar{W} , then for any decrease in ‘ t_W ’, (i) more time may be devoted to production of x_i keeping ‘T’ same such that more of x_i ’s are produced $\forall i = 1, 2, \dots, n-1$; or (ii) more ‘L’ may be obtained against fixed volumes of x_i ’s $\forall i = 1, 2, \dots, n-1$. The price of x_i is $p_i = vt_i$, where ‘ v ’ is rate of wage per unit of time. Household income is $M = v \sum_{i=1}^n t_i x_i + mL = vT + mL$. Expression (6)

This means if somebody does not work at all, the total sacrifice of income is $vT + mL = M$.

If we assume ‘ v ’ is the wage rate from full time job, it equals the opportunity cost of devoting time to production of above commodities in lieu

of joining a full time job in the household when it is housewife or in the workplace for an employed woman that consumes time T . Interactions with labourers in the unorganized labour market of Rajasthan including those in shops, a person may be considered to work for 16 hours a day. The length of time in full time job varies from '8' to '12' hours a day. The length of time in part time job varies from '4' to '8' hours. Let us call it the 'other job'. After the full time job the female gets utility from taking rest or spending with family members during the leisure or may earn extra income ' m ' by working during leisure. This is the shadow price of leisure. The shadow price of leisure equals the opportunity cost of foregoing the wage rate in a part-time job.

In the modelling exercise in this chapter, we shall map the inconveniences and losses caused by water scarcity on to a wage deflator by reducing the wage rate by the deflator $\psi > 1$ such that the effective wage is ' $\frac{v}{\psi}$ '. This deflator may be envisaged as measure of welfare loss (Berritella *et al.* 2007) or some shadow tax on water to the extent of $(1 - \frac{1}{\psi})$. It is uniform for male and female workers. But the effective wage for female is $w = w(\xi, \psi, v) = (1 - \xi) \frac{v}{\psi}$, where $w_\xi < 0$, $w_\psi < 0$ and $w_v > 0$. It is less than the male counterpart, where $0 < \xi < 0$ is caused by several reasons including the differences between men and women in productive capacity (Marquez, 1984), firm specific skills (Vermeulen, 2011) and some innate gender differences in strength and muscle fibre characteristics (Miller *et al.*, 1993). Karan and Selvaraj (2008) is worth reading in this context.

Maximization of utility subject to constrained income and prices would produce Marshallian demand and the dual counterpart of it, i.e. minimization of expenditure subject to constrained utility would produce Hicksian demand.

After modification of the Expression (6) by allowing for the effective wage facing the female $w = (1 - \xi) \frac{v}{\psi}$, the optimization problem with application of Lagrange multiplier stands as

$$\Lambda = U(T, L) + \lambda(M - wT - mL). \text{ Expression} \quad (7)$$

From the first order conditions, we have

$$\Lambda_T = 0 \Rightarrow U_T = \lambda w \text{ Expression} \quad (8)$$

$$\Lambda_L = 0 \Rightarrow U_L = \lambda m \text{ Expression} \quad (9)$$

$$\frac{U_T}{U_L} = \frac{w}{m}. \text{ Expression} \quad (10)$$

A rise in income from the full time job would increase the marginal utility of that job vis-à-vis the part time job. In terms of second order differentials $U_{TT} < 0$ but $U_{TL} > 0$ at a low level of aggregate family income, given the evidence about the shape of the labour supply curve available in Dasgupta and Goldar (2005), Klasen and Pieters (2013) and Majumdar (2011). Here $U_{TT} > 0$ at low level of income, where there is no other earner in the family and $U_{LL} < 0$. So it is difficult to determine whether the bordered Hessian of the second order condition is

$$\begin{aligned} \overline{|H|} &= \begin{vmatrix} 0 & w & m \\ w & U_{TT} & U_{TL} \\ m & U_{LT} & U_{LL} \end{vmatrix} \\ &= 2wmU_{TL}U_{LT} - w^2U_{TT} - m^2U_{LL} < 0. \end{aligned} \quad \text{E x -} \quad (11)$$

positive or negative. So it is difficult to conclude whether the indifference curve is strictly convex. If the standard Cobb-Douglas form

$$n = T^\alpha L^\beta \text{ Expression} \quad (12)$$

is attributed to the above production function where $0 < \alpha, \beta < 1$, and $\alpha + \beta = 1$. α and β are the input elasticities of output, in the process of utility maximization using Lagrange multiplier the equilibrium relationship between wage rate, the time to full time job appears to be rectangular hyperbola against the wage rate as follows:

$$T^* = \frac{\alpha M^*}{w(\alpha + \beta)} \cdot \text{Expression} \quad (13)$$

It indicates an inverse relationship between the full time wage rate and demand for time to devote at home. Here $\frac{dT^*}{dw} < 0$ and $\frac{d^2T^*}{dw^2} > 0$.

Also $\frac{dT^*}{d\alpha} > 0$ and $\frac{d^2T^*}{d\alpha^2} > 0$. This means when the elasticity of utility with respect to full time job increases, the female devotes more hours to full time job and vice versa. At lower level of income level, when opportunity of full time job increases, a female increases labour supply outside home, but when income level increases, she likes to have time for household and perhaps some educational activity also. Similarly an increase in ' ψ ', reduces ' w ' which induces ' T^* ' to rise. This is precisely the case of A.

Again

$$L^* = \frac{\beta M^*}{m(\alpha + \beta)} \cdot \text{Expression} \quad (14)$$

For 'A', possible values of $\alpha = 0.99$ and $\beta = 0.01$. The utility chart is in Figure 2A. The opposite case of 'B' with possible values of $\alpha = 0.01$ and

$\beta = 0.99$ is in Figure 2B. Preferences are convex here and the first case involves a corner solution.

Using the Expression (13) and the Expression (14), the maximized Cobb-Douglas utility function stands to be

$$n^* = \left(\frac{M^*}{\alpha + \beta} \right)^{\alpha+\beta} \left(\frac{\alpha}{\beta} \right)^\alpha \left(\frac{\beta}{m} \right)^\beta \cdot \text{Expression} \quad (15)$$

It does not have ' T ' in the argument. So one cannot mathematically understand the impact of the difficulty in procuring water on utility. But one can do so by deriving the equilibrium relationship between ' T ' and ' \bar{U} '. Rewriting the Expression (13) yields

$$M^* = \frac{w}{\left(1 + \frac{\beta}{\alpha}\right)} T^* \cdot \text{Expression} \quad (16)$$

Since $w, \alpha, \beta > 0$,

$$\frac{dM^*}{dT^*} > 0 \cdot \text{Expression} \quad (17)$$

Total differential of M^* in the Expression (16) is

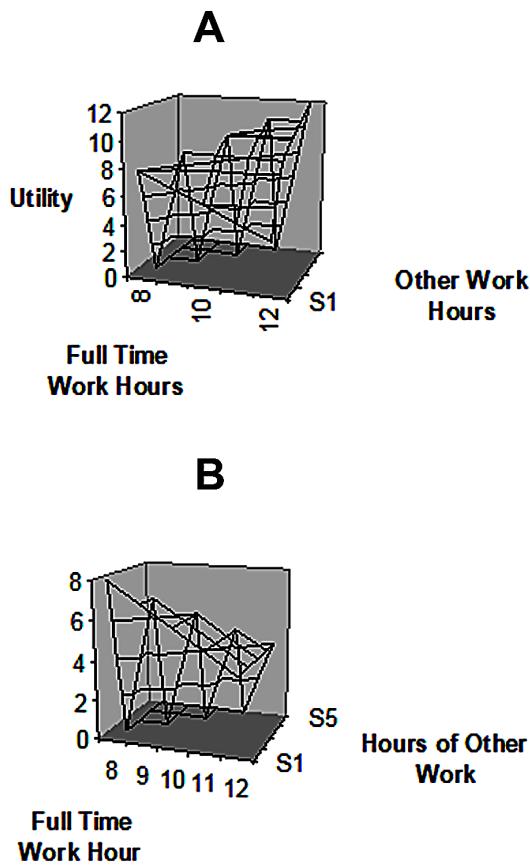
$$dM^* = \frac{w}{\left(1 + \frac{\beta}{\alpha}\right)} dT^* \cdot \text{Expression} \quad (18)$$

but $dT^* = T_l dl + T_c dc$. Expression (19)

Combination of the Expression (18) and the Expression (19) provides

$$dM^* = \frac{w}{\left(1 + \frac{\beta}{\alpha}\right)} (T_l dl + T_c dc) \cdot \text{Expression} \quad (20)$$

Figure 2.



A positive change in ' l ' *ceteris paribus* leads to a positive change in equilibrium ' T ' and consequently in equilibrium ' M '. This means

$$\frac{dM^*}{dl} = \frac{w}{(1 + \frac{\beta}{\alpha})} T_l > 0 \text{ Expression} \quad (21)$$

Similarly

$$\frac{dM^*}{dc} = \frac{w}{(1 + \frac{\beta}{\alpha})} T_c > 0 \text{ Expression} \quad (22)$$

Now substituting the Expression (8) and the Expression (9) in the total differential of \hat{U}^* , i.e.

$$\begin{aligned} dn &= U_T dT + U_L dL \\ &= l(wdT + mdL) = ldM * \text{Expression} \end{aligned} \quad (23)$$

produces the impact of change in M^* on change in \hat{U} . The result is similar in the case of a change in the cost of transportation.

Behavioural Interpretation

When the hardship in procuring water increases because of an increase in the distance between the point of use and the source of water or the cost of transportation, *ceteris paribus*, the hours in full time job ' T ' increases so much so that *ceteris paribus* total income of the family increases. So the optimum household utility level increases as many times as the 'Lagrange multiplier' level.

Implication for Policy

The government may provide for good conditions of roads, subsidized freight rates for water transport by railway etc for ensuring smooth transport of water since transport cost depends on, *inter alia*, road condition and freight charges also.

Case 2: Use of Haagsma Utility Function

The mathematical nature of the relationship between labour and its price is similar to the relationship in the case of a Giffen good, where mathematically similar relationship exists between demand and price though the economic theory is altogether different. So an affine transformation of the Cobb-Douglas form may produce a shape of the utility function like $= \alpha \ln(T-8) - \beta \ln(8-L)$. It is borrowed from Haagsma (2012), where '8' is the minimum number of hours of household

work in lieu of full time job as per the relevant employment practices in Rajasthan and hence ‘8’ is the maximum number of hours a person can devote to leisure or some constructive activity like joining adult education classes⁶ meant for illiterate villagers or slum dwellers in lieu of working part time having already devoted ‘8’ hours to household work. Out of ‘24’ hours a day ‘8’ hours is consumed by sleep etc. The above form of utility function is useful in the case when the person prefers to devote to full time job as less time as possible whereas she prefers to devote to part time job as much time as possible since she enjoys it more than the full time job. In full time, if her total stay is for ‘8’ hours, actual work hours may be ‘7’ because one hour is consumed in eating meal or snacks, smoking and spending sometime in washroom. The female may leave the place of full time job little before completion of ‘8’ hours and reaches the place of part time job before start of her time and therefrom she leaves a little late. So we can modify the above utility function a little to $= \alpha \ln(T-7) - \beta \ln(9-L)$. For the values of $\alpha = 0.99$ and $\beta = 0.01$, the utility chart is in Figure 3A. If $\beta = 0.99$ and $\alpha = 0.01$, the non-negativity restriction on the function requires further modification of the utility function to $= \beta \ln(9-L) - \alpha \ln(T-7)$. In this case the utility chart is in Figure 3B. The reader may check that the concave preferences here culminate in a corner solution in each case.

Here the substitute relationship between supply of hours to full time job and supply of hours to leisure or part time job arrived at through the utility maximization process is

$$L^* = 8 + \frac{w\beta}{m\alpha} (8 - T^*) \text{ Expression} \quad (24)$$

Placing of the Expression (24) in the Expression (6) yields the constrained family income

$$M^* = 8(m + \frac{w\beta}{\alpha}) + w(1 - \frac{\beta}{\alpha})T^* \text{ Expression} \quad (25)$$

The Expression (25) implies

$$dM^* = w(1 - \frac{\beta}{\alpha})dT^* \text{ Expression} \quad (26)$$

The Expression (26) is economically more meaningful for the kind of utility maximization dealt with in this chapter.

Behavioural Interpretation

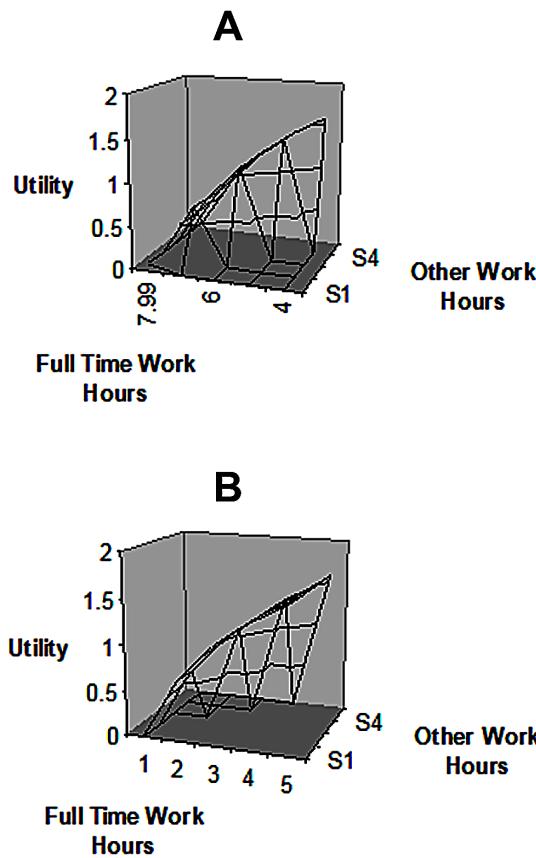
1. Given $\frac{dT}{dl} > 0, \frac{dM^*}{dT^*} \frac{dT^*}{dl} > 0$ Expression (26)

when $\beta < \alpha$ at a lower level of household income when full time labour has more influence on family income, i.e. the family prefers full time income to leisure or part time income. This happens when there is a wide difference between incomes from full time job and part time job or the cost of leisure is enormous. In this circumstance, more cost of procuring water leads to allocating more time to full time job.

2. Given $\frac{dT}{dl} > 0, \frac{dM^*}{dT^*} \frac{dT^*}{dl} < 0$ Expression (27)

when $\beta > \alpha$ at a higher level of household income when full time labour has less influence on family income, i.e. the family prefers leisure, part time job, non-labour income or part time income. This happens when the wage rate in part time job or the shadow price of non-labour activities like attending free-school or some social service activities is much higher than the wage rate in full time job or the cost of leisure is negligible, such

Figure 3.



that more cost of procuring water has a negative impact on the household income.

Here again comparative static exercises may be performed with respect to changes in ' ξ ', ' ψ ' and ' v '.

Implication for Policy

An upward revision of minimum wage rate for the female enough to give her opportunity for economic well-being and policing on whether the employers are following the relevant wage norms is prescribed for.

Case 3: Utility Maximization under Uncertainty

Much of the result of utility maximization exercise depends on the constraint function. If there are alternative forms of the constraint function with different probabilities, the optimum utility would be an weighted average, where the weights are the probabilities. An interested reader may refer to Yarrow (1973).

EXAMINING IMPACT OF WAGE REVISION VIA SLUTSKY EQUATION

Case 1: Use of Cobb Douglas Utility Function

A vivid derivation of the Slutsky equation from maximization of two-good generic utility function is provided by Chiang and Wainwright (2005). Applying the same in our Cobb Douglas utility function results in

$$\begin{aligned} & -\frac{\partial T^*}{\partial M^*} T^* + \frac{\partial T^*}{\partial w} \\ & = -\frac{\alpha}{w^2(\alpha + \beta)} (wT^* + M^*) < 0 \end{aligned} \quad (28)$$

The derivation is in Appendix 1.

Case 2: Use of Haagsma Utility Function

The Slutsky equation is

$$\begin{aligned} & -\frac{\partial T^*}{\partial M^*} T^* + \frac{\partial T^*}{\partial w} \\ & = \frac{w\alpha T^* + \alpha(M^* - 8(m + w\beta))}{(\beta - \alpha)w^2} \end{aligned} \quad (29)$$

Since $(M^* - 8(m + w\beta)) > 0$, the result of the Expression (29) is

> 0, if $\beta > \alpha$ in the case of affluent female;
< 0, if $\beta < \alpha$ in the case of A.

Derivation of the Expression (29) is in Appendix 2.

FINDING: CONTRIBUTION TO ECONOMIC LITERATURE

The Haagsma function is able to distinguish between the processes of utility maximization for 'A' and 'B', but the Cobb Douglas function is not.

LIMITATION AND SCOPE FOR FURTHER RESEARCH

The modelling exercise in this chapter is static in nature; there is scope for further theoretical exercise in terms of dynamic modelling like Egg-lezos (2007) or using other functional forms like Leontief function. Econometric verification of the above finding in terms of regression exercises involving field data would give a wholesome view of the welfare implication of unorganized sector wage revision. By nature this chapter is purely doctrinaire.

CONCLUSION

The theoretical study in this chapter found that under certainty condition while the standard Cobb Douglas form of utility function indicates uniform impact of wage revision on two females in terms of Slutsky equation, the Saagma form produces varying impacts depending on the nature of elasticities of the utility functions in consideration. This chapter examined the welfare impact of wage

revision facing a poor unorganized sector female worker with a utility function relatively sensitive towards full time work in a water-shortage zone in comparison with an affluent unorganized sector female worker with a utility function relatively sensitive towards leisure or part time work in the standard neo-classical two good framework of utility maximization.

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KEY TERMS AND DEFINITIONS

Elasticity: Sensitivity of the function to changes in the argument.

Lagrange Multiplier: A tool in finding the maximum or minimum value of the objective taking into consideration the constraint(s).

Leisure: Time for reproduction of work capacity for supplying labour input.

Optimization: Finding the maximum or minimum value of the objective.

Utility: measure of welfare.

Wage: Price of labour input.

Water: One of the Resources for living; may be used as goods or inputs of production; commands very high or low exchange-value depending on availability.

Welfare: Level or standard of life one derives from consuming goods and services.

ENDNOTES

¹ In the western context, of late Taylor (2004) is noteworthy, who related the efficiency wage theory to mark up pricing forced by the market power of labour. He further bough to the picture the principal-agent framework whereby the monopsonistic employer acting as principal in the form of Stackelberg leader extracts hours of work from labour acting as agent in USA and the monopolistic labour union forces the real wage to vary directly with the level of employment in Europe.

² APEDA: Agricultural and Processed food products Export Development Authority (of India).

³ Chakrabarty (2013) is worth reading in this context when particularly the question of policy and budget arise.

⁴ The role water plays in rice production is <http://www.fao.org/rice2004/en/f-sheet/factsheet1.pdf>, accessed February 2, 2014.

⁵ The reader may peruse ‘India’ a Water Crisis: When the rains fail’ available at <http://www.economist.com/node/14401149> and ‘Final Evaluation: Rajasthan Water Harvesting Project, By Aravali’ available at http://pdf.usaid.gov/pdf_docs/Pdabs790.pdf accessed January 24, 2014.

⁶ See more of NLM and Womens’ Empowerment. From http://www.nlm.nic.in/lit_women.htm, accessed February 4, 2014.

APPENDIX 1

From the Expression 16

$$T^* = \frac{\alpha M^*}{w(\alpha + \beta)}$$

$$\therefore -\frac{\partial T^*}{\partial M^*} T^* = \frac{-\alpha T^*}{w(\alpha + \beta)}$$

$$\text{and } \frac{\partial T^*}{\partial w} = \frac{-\alpha M^*}{w^2(\alpha + \beta)}.$$

APPENDIX 2

From the Expression 25

$$T^* = \frac{M^* - 8(m + \frac{w\beta}{\alpha})}{w(1 - \frac{\beta}{\alpha})}$$

$$\therefore -\frac{\partial T^*}{\partial M^*} T^* = \frac{-\alpha T^*}{w(\alpha - \beta)} = \frac{w\alpha T^*}{w^2(\beta - \alpha)}$$

$$\text{and } \frac{\partial T^*}{\partial w} = \frac{\alpha(M^* - 8(m + w\beta))}{w^2(\beta - \alpha)}.$$

Chapter 12

Religious Social Movements and Economic Welfare in Modern Turkey

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ABSTRACT

In all societies, there have been some movements that point out social, political, economic, ideological, or moral problems or aim at partial or complete change. This chapter discusses the new meanings attributed to the concept of social movements in the postmodern era. A theoretical framework is proposed to understand the nature of social movements since the 1960s and to demonstrate their differences from classical movements. Turkey provides a particularly rich context with high potential for social movements, both with secular and religious aspirations. Religious social movements have shown quite a tense relationship with the state throughout the history of the republic; yet, they have gained power and prosperity through evolving liberal economic policies since the 1980s. Therefore, resource mobilization and new social movement paradigms are used in this chapter to explain Turkey's religious social movements today.

INTRODUCTION

When community and social life are taken as a basis, it cannot be said that any society is entirely stable, closed to changes and differences at no time in history. Contrarily, in all societies from the most primitive to the most modern ones, social differences, rebelling to its location, struggling for changing its position and themes like change

have been taken into consideration. This emerged as in the form of transformation of discontent, oppression, marginalization into rebellion or a philosophy of one's own life and meaning the world into action socially and massively. From this perspective, it is possible to claim that many social movements have appeared with a variety of purposes and principles in all periods of history. Sometimes economic conditions and sometimes

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religious, cultural and political conditions have become the driving force of a social movement. Although, sciences, such as politics and sociology allow us to analyze the conceptual meaning of social movements, these sciences often are put forward by the modern era. As a result, most social movements that have been analyzed stem from the modern period. Here, especially, social movements which emerged in Western societies after the 18th century have been taken into account. However, no matter how different the reason, principles, objectives of a social movement; no society is isolated from social movement, demand and change.

When assessed in terms social movements, both traditional and modern Turkey provide us with a unique context to study social movements and economic prosperity. As in the past, many secular and religious movements are present in today's Turkey. For instance, in the protests of "Gezi" it has become highly apparent how easily social actors have been mobilized and turned into a social movement on the basis of a seemingly arbitrary problem refrained from religious or social objectives. Within the "Gezi-protests" all segments of society have been united over an environmental issue, making use social media and other alternative means of communication. However, a strong opposition has tried to transform this movement and made an end to the protests.

Ironically, these kind of movements have not been considered specifically in the general social movement literature. Only by tackling religious social movements or just secular movements in Turkey, we can identify dozens of different social movements. Many social movements can be examined in particular such as Feminist Movement of Turkey, other women's movements, environmental movements (like Bergama and Valley of Fırtına Boycott), movements related to human rights and humanitarian law violations, identity movements and political movements. Likewise, in the category of religious social movements, many individual mystical movements, political

and other movements struggle for participation in the public sphere. Although some of the religious social movements express historical continuity, many have emerged in the modern era and have been in constant change ever since. For Turkey, particularly the process of growing political and economic liberalism since 1980s has shaped social movements, especially in terms of religious social movements. From this period, religious communities have received a greater share of economic prosperity and have had the opportunity of better organization to make their voices heard. Departing from this observation, this chapter aims to review the concept of social movement in Turkey within the framework of three main periods: a) religious and social movements during the imperial period; b) religious and social movements between the years of 1923-1950 and; c) recent religious and social movements. With flourishing economic prosperity in the latter period, two social groups, that have turned into social movements and have achieved significant advantages to express themselves in the public sphere, step to the fore, i.e. the Kurdish ethnic movement and Islamic groups. Because classical theories of social movements are insufficient to explain social movements in both categories, a new paradigm is advocated.

DEFINING SOCIAL AND RELIGIOUS MOVEMENTS

The most rampant discussions about social movements entail the definition of what a social movement actually is, how it should be dealt with and for which social conditions and reasons it has appeared. In general, social movements have been conceptualized as an "organized effort expended by remarkable number of people to change one or more major features of society (or else resisting to be changed). This concept has been coined by Saint-Simon who had to describe the opposition movements in France in the beginning of the 18th century" (Marshall, 1999, p.746). Undoubtedly,

the meaning of the concept has developed and has been enriched throughout history. Today, the concept of asocial movement refers to movements outside of the general social, political and cultural body and quite often dissident or divergent identities, cultural features and lifestyle properties come to mind.

Many of today's social movements, like women's movements, gay and lesbian movements, occupy movements and landless movements, thrive on one of the most basic criteria of social movements, i.e. "difference". When difference, such as ethnic, religious, cultural differences or political preferences are taken as a basis, shared lifestyle differences and conspicuous consumption preferences become a way to build a collective platform. Even though it does not automatically turn into mass and political action, any collective body consisting of a group of integrated individuals by any purpose, meets the requirements of a social movement. Although not all movements come out in the public sphere with a cultural and political struggle, all lifestyles and understandings that differ from the main social body indirectly express a social challenge and struggle for participation. Especially, when religious differences are at the core of a social movement, these challenges and struggles become manifest.

In this respect, religious social movements are social movements that struggle for acceptance of an identity, lifestyle, or express religious and humanitarian demands in the public and cultural sphere. From the perspective of classical social movement paradigms, religious social movements have mostly been evaluated as fundamentalist movements and have not been a subject for scientific examination.

No doubt, some religious movements are willing to transform the world within the framework of certain religious and moral principles. However, mainstream religious movements cannot be explained in this way as they make up a new kind of social movement. They usually demand to (co-)exist in a pluralistic society with respect for their

own values and identities. Therefore we argue that today's religious social movements should be addressed through a paradigm that integrates resource mobilization and new social movement paradigms.

MOVING AWAY FROM CLASSICAL SOCIAL MOVEMENT THEORIES

Classical Social Movement Theories

When reviewing general sociological literature on social movements, two types of perspectives on social movements can be distinguished. In the first strand social movements originate in ideology, whereas in the second strand social movements are explained by structural causes. Both views are underpinned by classical theories which attempt to explain a process before postmodern thought. Also when assessed in terms of religious social movements, it appears that a single theory is not sufficient and that classical theories, whilst explaining the ideological dimension of religious movements, are far from explaining the socio-logical formation of social religious movements in today's world. Especially in Turkey, a new theoretical approach that combines resource mobilization and new social movement theory may be more explanatory in the new era. Over the last thirty years the development of religious social movements has been strongly intertwined with the distribution of economic resources as well as a continuous struggle to strengthen their positions in the cultural and public sphere in Turkey. In order to come to a better understanding of this social phenomenon, classical and contemporary social movement theories are briefly discussed, with an emphasis on two diverging approaches that explain the emergence of social movements either as a result of a structural crisis or as a social psychological phenomenon.

One of the most influential works within the structuralist approach is offered by Neil Smelser

in his *Theory of Collective Behavior* (1962), which explains social movement by collective action theory and discerns six consecutive elements shaping the development of a collective movement.

1. **Structural Conditions:** Express the most general social conditions for the emergence of a social movement. For instance, the economic boom, panic attacks, fashion fluctuations are not ordinary events for societies with strong traditions. Do some of the structural features of society feed collective orientation? To find out how collective orientations are intertwined with the economic boom, the economic structure and interrelationships need to be examined.
2. **Structural Tension:** As in the example of economic boom, an economic panic indicates a development that prolongs until property owners are bound to disappear. Real economic poverty is actually known as the most important factor triggering the rise of reform movements, revolutionary movements, and some of the new movements or hostile actions. Particularly extreme religious movements, ethnic, immigrant, anti-colonial movements etc. are known to blossom in poor regions of society.
3. **Outgrowing of a Generalized Belief:** Before collective action is approached, a meaningful situation needs to be created for actors, by reconstructing the meaning of the structural tension at hand. This meaning can be provided by generalizing beliefs about the properties and sources of structural tensions and then providing specific answers or solutions. The development and diffusion of these generalized beliefs are crucial preconditions in the breeding of collective action. Although, many of the generalized beliefs may remain without initiating a collective explosion, the occurrence of generalized beliefs along with other panic conditions is important.
4. **Accelerating Factors:** Structural conditions and tensions plus a generalized belief do not necessarily guarantee the emergence of a collective movement in a given time and space. Precise and sharp series of events, steering collective action and participation, are required to mobilize citizens.
5. **Mobilization of Participants for Action:** With the emergence of previous determinants, other elements impact actions within the group as well. At this point a particular signal that triggers panic, feeds hostility and/or drives further revolution and reform occurs. In this process, the behaviors of movement leaders become highly relevant.
6. **Social Control:** In the simplest terms, analyzing the concept of social control means the analysis of banning of above-mentioned determinants, even analysis of opposed inverting determinants. Therefore, analysts examine social control in two ways: One the one hand they examine the reasoning and social control exerted to reduce tensions with the purpose of preventing collective behaviors. On the other hand they audit the role of institutional organizations and agencies (like the police, courts of justice, religious authorities and the press, etc.) in exercising and maintaining control (Smelser, 1962, pp. 15-17).

Following Smelser's view that social movements originate from a set of structured conditions, we will consider the economic structure of a nation, i.e. Turkey, as a decisive structure. Other structural conditions are merely considered as coinciding factors that evolve around the economic structure that pilots collective movement. According to this mentality, inequalities in the development of modernity are the most important explanations for social movements to occur. However, according to the same logic, the equal development of modernity and its spread of blessings among all layers of society will eventu-

ally make social movements redundant. Smelser's theory of collective action are found inadequate at the point of the description of emerging new social movements and has been criticized, mainly for its lacking ability to analyze movements that do not demand economic and political power in the society. Meeting this critique, the new social movements paradigm (which we will address later on), has been accepted.

Next to the structural approach described above, socio-psychological perspectives have contributed to a better understanding of social movements and their origins. Le Bon (1997) and Hoffer (2011) can be considered as the main representatives of this approach, that evaluates masses and massive movements in a rather normative (i.e., negative) manner as the masses are seen as crowded people acting unconsciously or subconsciously. In our view, Le Bon (1997), considers masses as crowds having no moral and mental value. Crowded individuals make up masses regardless of their lifestyle, occupation, socioeconomic status, and are inoculated by a kind of collective spirit. This spirit makes every individual feel, think and act completely different than when he or she had been either alone or separate. Some of the thoughts and emotions only reveal in an individual in mass and turn into action. A mass is therefore like a temporary creature that is collected from heterogeneous factors joined for a moment (Le Bon, 1997, p. 22). When individuals come together as a temporary creature, which can do whatever the product of their subconscious minds would not be able to do on its own, it is difficult to spur any logic.

So, how can this temporary creature of a mass be explained? To answer this question, Le Bon connects the formation of masses' autonomous character to three dimensions. The first refers to the individual who is inside the mass, experiencing the comfort of being among an excessive number and majority, gaining an invincible power by surrendering to instincts one can control on its own. Moreover, due to the anonymous character of

masses, the sense of (ir)responsibility that controls individuals is lost. The second entails mental spread and attributes pervasive features to every emotion and every action within a mass. With the influence of this expansion, individuals may sacrifice their personal interests for the sake of the mass. Even though sacrifice generally opposes to human nature, this phenomenon does occur in the case of a mass. The third refers to mass psychology and reveals the occurrence of contrasting characters in comparison to lone individuals' characters (Le Bon, 1997, p.24). When speaking of the emotions and moral structures of masses, the concepts of extremism and exaggeration have been brought forward by Le Bon. Doing so, all the good and bad emotions revealed by the mass, are characterized as being exaggerated and simple. The individual in the mass is unable to understand the details, blinded by the larger picture nuances are lost. Moreover, the exaggeration and simplicity of mass emotions keeps the individual away from suspicion and doubt. Consequently, the mass easily moves to extremes without raising questions. Any suspicion which is raised, immediately turns into an indisputable fact.

In this respect, the masses mostly display a low level of morality, as a certain sense of hate in an individual can turn into wild and predatory hatred in the moral structure of the mass. Although, mass is prone to killing, fire and all kinds of murder it is also prone to behave more devotedly and loyally than individuals. Especially when feelings like honor, religion and patriotism are catered, help is expected from individuals (Le Bon, 1997, p.40, 45). As shown, mass and mass behavior encompass the manifestation of exaggeration, moral instability and a negative spiral. Mass has less mental level than that of an ordinary person. Even a brilliant scientist equals a fool in a mass, as not intelligence but emotions and feelings are raising masses.

From a similar point of view, Hoffer (2011) has studied the psychological structure of mass movements and defines the mass by extremism,

definite belief and hopelessness. According to this, each mass movement creates a sense of action conjointly with its supporters. Whatever the present program and the inspired doctrine, all of the mass actions trigger extreme, effort, expectations, hatred and intolerance. All of the mass actions require blind faith and loyalty from the participants in order to realize a strong flow of activity (Hoffer, 2011, p.7). As far as he is concerned, the majority of people who joined a developing mass action get attracted to and carried away by the possibility of change in its own life conditions. The definite belief in a better future contributes to an outer-directed appeal of mass action, next to the given promise to individuals to be different persons. For this reason, calls for mass action are also ego-directed. Hoffer explains that the most important emotion which leads the person to take part in mass action is hope, fed by the person's search for continuity in joining the mass action, impossibility and identification with the mass (Hoffer, 2011, p. 11, 15, 21). From this point of view, mass actions are generally fanatic, marginal and rootless actions. In similar crowd approaches, bursting unsatisfied ambitions and subconscious feelings have been the subject of analysis. Here the irrational situation that arises is handled as a perversion of protesters and their actions. This psychological reductionism of 'crowdedness' has produced an anti-rationalist trend, whereas rationalist trends explain social movements as a manifestation of rational actions of individuals. In the latter, action words are used in order to sensitize and gain consciousness rather than evoke particular behaviors. Mancur Olson, an important representative of this strand, therefore claims that all of the social movements actually are interest groups (Çetinkaya, 2008, pp. 20-21).

New Movements and Paradigms in a Globalizing World

Classical theories such as Collective action theory, crowds approach, and a rationalist approach are

to be developed, especially to understand social movements since the 19th Century. However, Western history has shown that scientific and intellectual development has occurred along with social movements, both playing important roles in obtaining political and social rights. Meanwhile, the process of capitalist development has played a significant role in the development and transformation of a wide variety of social movements and their strategies. Previous interactions of social movements with the Capitalist System have already transferred considerable experiences to present social movements. So, when assessing recent social movements, their historical background should be taken into consideration as well. This stems with the call for more efficient theories by many social scientists who evaluated the social movements of their times (especially after the 1960's).

During the 1960's and 1970's social movement theory has leaped due to the emergence of a variety of movements, such as environmental, ethnic, feminist homosexual/lesbian movements, both in America and Europe. Some theoreticians called these new movements due to the new ideals (like utopia and saving the world) that contrasted with the social movements objectives from the 18th and 19th centuries. According to this conception, the new movements reflect a search for identity in an increasingly globalized world. Connected to the new identities under construction, also the role and the limits of state and civil society are being discussed again (Çayır, 1999, p.8). In order to understand and explain this new situation and new kind of movements, classical approaches and concepts need to be complemented with new paradigms. New social movements have not emerged in response to a structural problem. Therefore, there is need for new theories that take into account identity, lifestyle, and cultural factors as well as economic and political conditions.

When viewed from this perspective, two paradigms are recommended to describe social movements in new terms. The first is the resource

mobilization paradigm, which suppose the actors come together on the basis of economic interests. The second is the new paradigm of social movements, which assumes that actors come together in their process of identity construction.

Resource Mobilization Paradigm

Resource Mobilization Paradigm is a continuation of the theory of collective action (as seen in the example of Smelser) and considers the social movement as either the result of a structural crisis or a common faith / unity of purpose. Yet, it differs from the classical sociologist view, as social movements are no longer treated as pathological movements that are marginal, rootless, temporary, without yielding rational results. The resource mobilization paradigm conveys social movements as ordinary and normal, while discussing their origins along a political and economic dimension: A social movement could either emerge as a product of a marginalized social groups' struggle for political participation, or as an expression of the demand for a reallocation of economic resources. Although resource mobilization theoreticians do not form a homogeneous intellectual integrity, consensus exist on the notion that the actors of collective movements act with an understanding of obtaining economic interests and political recognition (Çayır, 1999, p.20). However, the internal structure of contemporary social movements remains overlooked and the presence of movements not in pursuit of economic and/or political power is far from explained.

Other critics, like Melucci (1985) contend that the resource mobilization paradigm cannot escape dualism in describing social movements as the result of collapse or solidarity. The previously described theories of collective behavior and mass society reside under the umbrella of the collapse perspective, whereas a rather Marxist perspective (on class situations) follows a solidarity perspective by reading social movements as the expression of common interests (Melucci, 1985, pp.790-791).

According to Melucci both perspectives have their shortcomings, as collapsing theories neglect conflicts within the collective movement and easily marginalize them and theories of solidarity remain unable to clarify the transition from a specific social situation to a collective movement.

In accordance to the critical readings of Cohen (1985), we like to emphasize the common assumptions of structural functionalist models, collective behavior and mass movement theories that underpin the resource mobilization paradigm:

1. Social movements must be understood from the collective behavior's confrontational perspective;
2. There's no basic difference between institutional and non-institutional collective action;
3. Both of them incorporate conflicts of interest within the framework of institutionalized power relations;
4. Collective action includes the benefits of groups by defending them in a rational way;
5. Aims and complaints are the permanent products of power relations and they are unable to explain the formation of movements;
6. Formation of a movement depends on the changes in resources and opportunities;
7. Success comes true with the recognition of a group as a political actor or an increase of material benefit;
8. Mobility (mobilization) includes bureaucratic organization with large-scale, special-purpose. When analyzing resource mobilization, the objects of analysis of social motion are the collective actors from the group whose benefits are conflicting, not the social movement itself.

Analysis of resource mobilization does not major on the interpretation of ideology or understanding of collective actors itself. The focal point lies at the organizers' rules of the movement on the one hand and political conditions on the other hand (Cohen, 1985, pp. 675-676). Adding a his-

torical angle to this, Charles Tilly has synthesized resource mobilization studies and made invaluable theoretical contributions by examining social movements as the products of both historical and political conditions. Starting with the emergence of social movements in Western Europe and North America at the end of the 18th century (as of 1750), Tilly conveys social movements as political phenomena which comprise peculiar political conflicts and specific historical understandings. He discerns three elements that define the social movements that spread in Western societies during the 19th century and constituted political systems: a) Continuous, organized public initiative which is demanding common right against the targeted authorities; b) Fulfillment of various types of political action. This type of actions come true with the actions such as founding associations and unions, organizing people rallies, the official parades, seizures, demonstrations, petitions, statements to the media; c) Participants demonstrate principles, such as being reasonable, unity, and commitment to themselves or their voters (Tilly, 2008, pp. 16-17). Doing so, Tilly reviews today's conflicts at large and evaluates the emergence of social movements by the entrance of excluded marginal groups on the political stage during a certain political period. He supports the idea that large scaled structural changes affect the collective movement acknowledges that social movements went through various conversions in the 20th century (Çayır, 1999, p.21), but concludes that the mobilization of excluded groups has been provided with modernization.

Globalization, especially evaluated in the context of communication and the flow of capital, has provided flexibility to organizations as well as a wider playing field for social movements. Moreover, the process of democratization has contributed to the development of the social movements by providing formation of intergovernmental and supranational civil society. Tilly notes that all movements which are radical and reformist have adopted campaigns of social movement, which

tend to change in parallel with social movement activities and the communication devices available. In many cases, the actions of social movements have been normalized within political culture, as relations between social movements' organizers with local authorities and in particular, authorities providing public peace, have routinized (Tilly, 2008, p.133). Historical experiences of European and American society confirm that political processes, and in particular, the process of democratization, accelerate the formation of social movements. Yet, social movements strongly depend on peoples' sovereignty and those political entrepreneurs who achieve scale, continuity and efficiency. After social movements are constituted in a political environment, model-making, communication and collaboration may allow for support from other environments. However, in terms of structure, staff and claims, social movements remain subject to historical evolution, which means that social movements may disappear in the future or may turn into a very different political entity (Tilly, 2008, pp.64-66).

In addition to a political point of view, the capitalist economy and the institutions of the nation-state develop a logic for collective action. In this context, actors protect their material benefits and they aim for political power so as to control the state and market economy (Cohen, 1985, p. 677). McCarty and Mayer Zald, have therefore explained social movements and their actions through economic factors (McCarty, Zald, 1977, pp. 1212-1241). The organizational structures, including the economic structures of movements, are imperative to yield financial resources. Within this view formal organizations are considered key entities that pass a motion into action, as they transfer their beliefs to potential recipients, who collect resources and personnel in their turn. In this way, the social movement has the opportunity to grow (Çetinkaya, 2008, p. 24).

A different view on social movements in relationship to the capitalist economy is found in anti-system movement theory, which examines

the structures of unprecedented anti-system movements of the 19th century, which essentially were political movements. According to Wallerstein, both social movements and national movements with their own members, authorities and specific political aims emerged in opposition to the system at that time. Social movements were characterized by pressure in terms of pressure of bourgeoisie over proletarians, whereas national movements were characterized by pressure of ethnic and national groups over another group. Both types of movements - after solving important inner conflicts - reached the status of official organizations and shared mutual strategies and solutions. Both movements see the basic political structure of modern world as a state and attributes change to something that takes over the power of the state. Particularly in the 1960's and 1970's a shift in the structure of movements is observed as movements with varying origins, historical experiences, ideologies rise in order to gather against social and political events, like Vietnam (Wallerstein, 2004, p.36, 37, 40). Wallerstein, explicitly links this organizational change to political and economic conditions.

According to Touraine, the conversion of the relationship between culture and community has not gained as much research attention as the social structures and historical development of social movements. State has become the main actor of change, whatever its structure and features were during the period of industrialization, while social movements manifest themselves in an area of cultural conflict (Touraine, 1999, p. 44). When evaluated with the structural approach, rather than concentrating on the state, the tendency towards the combination of economic development factors with administrative class initiated. For this reason, the paradigm of source mobilization is maintained inefficient to explain contemporary social movements for as much struggles, statements, aims and participants' socio-economic conditions of contemporary social movements are not meshed with the solutions offered in

the source mobilization paradigm. To explain movements with no political aims struggling for identity and recognition in a completely cultural civic area, the paradigm of new social movements has been developed.

Paradigm of New Social Movements

The paradigm of new social movements deals with conflicts not in terms of economic-political subjects but in terms of cultural subjects. The new type of social movements that sprout from Postmodern thought did not have ideals such as changing the world or establishing a paradise on earth nor did they provide hope for the oppressed by overtaking control. It is a method of solution of old type movements that capture the state for saving humanity. Such old movements tried to create a classless exploitative, non-capitalist community by revolution. However, after 20 years of revolutions, conditions had often worsened. In contrast, new social movements rose on a lot richer historical and cultural heritage. For this reason, the purposes of the new social movements are not to seize the state, but to create awareness among a large audience by gathering participants with various socio-economic backgrounds and world views that form a movement around a specific issue. From this point of view, it is important to evaluate new types of movements with a new approach.

According to leading scholar A. Touraine modern social movements cannot be understood as a response to a given situation. Hence, the situation is a product of changing relationships among the actors. Society itself especially is not a given structure but produced over and over again. Social movements are the parts of a model of society that can be defined as the system of social power which is fighting for the control in the cultural field. Here the cultural field is understood to lie at the heart of the most fundamental conflicts. Social movements are confrontational in the social field, but they also encompass conflicted actions

directed to the cultural field (Çayır, 1999, p.23). These conflicts can give rise to cultural reforms or breaking of political system. Social movement is a conflict behavior that transforms cultural orientation and historicity field to a form of social organization. This process cannot be absolutely abstracted from class phenomenon. However, the thing which is distinguishing social movement and class is that social movement is action of an actor who is questioning the historicity even though a class can be defined as a situation. According to this, social movement is a confrontational movement of a social class which is defined as an addiction or domination over models of morality and information, cultural investment, historicity format. (Touraine, 1999, p. 48, 50, 51). According to him, modern movements are new movements as they struggle in an area which was opened by the post-industrial society. The struggle is not marked by a market or a state, but is contextualized by a civil society in which the boundaries between private and public are permeated. The dissolving boundaries between the private and public sphere have brought forward new conflicts in terms of public identities (Çayır, 1999, p.24), particularly when groups that were previously sentenced to the private area step to the fore (Touraine, 1999). Thus, the new social movements contribute to the expansion of the civil area outside of economic and political structures and colorize the civil area.

Now new social movements have been placed at the crossroads of a public and private sphere, the main purposes of new social movements are situated at the political non-institutional and unforeseen levels against a canvas of liberal democracy and welfare state practices (Offe, 1985). This is reflected in a continuous demand for recognition as political actors in order to affect the society at large, instead of the group itself. Describing new movements by their political impact and achievements, Offe has discussed four movement types. 1) environmental/ecological movements spurred by urban problems; 2) human rights movements, with feminist movements as the most prominent

ones protecting the identity of women and others sparring for equal participation regardless age, language, ethnic origin, sexuality or physical ability; 3) pacifist and peace movements; 4) movements aiming for community formation and alternative production and distribution of goods and services. The latter group of new social movements are particularly interesting as they may set any issue from daily life (like body, health or sexual identity) on the agenda by moving it from a particular neighborhood, to the city level and drawing regional or national attention. Although these issues are not new, they are novel with regards to being a ground of opposition and social movement. Moreover the structure of movements have been affected by this novelty. In new movements public and private roles, community (jemaah) and organizations, are fused into new structures; there is especially transitivity between the members' and official leaders' roles. In addition, new participants do not tend to define themselves with traditional political self-codes and previous markers like socio-economic class or ideological lines and political matrices, turnout invalid criteria for the self-identification of the movement and its members. Consequently, it is impossible to explain a new movement by the conflict models that are grounded in class conflict. The conflict is no longer staged by a single class, but a variety of classes, and mounts even non-class elements. This staged conflict has not crystallized from basic economic factors of production and consumption, but overcomes fundamental class differences by universal demands (Offe, 1985, p. 826, 828, 835). According to Melucci (1985, p. 793,795) new social movements shape conflict areas by strongly drawing upon cultural symbols that are created via opposition messages distributed throughout the system. In this view, new movements have transformative effects by constantly reshaping identities in social interaction. Melucci defines the social movement as a form of collective action, which is driven by solidarity and shakes the roots of a system by addressing a particular issue

of conflict. Today's movements are more driven by self-interested than the societal benefits, they ignore policy making and do not fight against power. As in the old social movements, they do not have great ideals and strong hierarchical organizations. On the contrary, they can be characterized as network organizations, constituted of various daily life inter-related groups. This type of organization networks allow multiple memberships and their actions are short-term and temporary. Nevertheless, individual time allocation to the group and emotional solidarity are desired conditions for participation. The actors mainly contribute by making problems visible, instead of battling for financial goals or participation in the system they fight for symbolic or cultural goals. By altering society they believe their life will also be changed (Melucci, 1985, p.793, 795).

Despite the fact that new social movements do not have the explicit purpose to achieve political change, Melucci (1985) also notes that new social movements do affect political institutions by creating a new elite that generates culture. As these movements generate modernity, they bring the demand for innovation forward, and push the system to reform. New social movements with their own structures, problems, and areas of action make up a new social field that goes beyond the dichotomy of traditional state vs. civil society. According to him, a "mid-public sphere" is created which further institutionalizes movements, forwards messages to society and does yield political effects.

SOCIAL MOVEMENTS IN TURKEY

The theoretical analysis of the concept of social movement provides a framework to come to a better understanding of the social movements that are emerging in Turkey. Although Turkey has a rich structure with regards to social movements, systemic studies have not been conducted on these movements up to now. The analysis about social

life and social movements has been total and reductionist. Turkey has a social structure, inherited from an empire, which attempted to modernize through prestigious ones. Further, Turkey has the structure of a society and a state that prohibits all identities and social movements rejecting the project of modernization. Different ethnic, religious, cultural and social movements did not obey to modernization projects for a very long time, and continued their resistance as underground organizations. It is possible to explain the social movements from this period by structural factors as most of them believed in transformative power of the state and established strategies for seizing the state. However, after the 1980s public and cultural space have been rediscovered with the transition to a more liberal economy, the end of the cold war and increasing economic well-being, public and cultural space. In general four phases can be discerned in the development of social movements in Turkey. First the pre-republic period, followed by a period of transition from the proclamation of the republic to a multi-party period (1923-1950). The third multi-party era (1950-1980) is less relevant to the development of social movements, although it preceded the fourth period in which social movements in modern Turkey flourished from the 1980s onwards. In our analysis of each period, the imperial period's structure of society, society and state relations and the infrastructure of social motion are given the required attention.

Pre-Republic Social Movements

Within Ottoman society, there have been social movements which emerged with various purposes and principles. Yet, after 18th century, when compared to the social movement emerging in the western world and affecting scientific, cultural, and political life very deeply, it can be said that Turkish movements did not have such a high conversion power or alteration rate. As social structure was founded on different planes (in terms of social class differences and state-society relationships),

the structural determinants of social movements are different.

Ottoman society stands out for its, dual structure comprised of a strong central state on one side and a strongly opposing community on the other side. Many scholars have mentioned problems in the relationships between the center and the periphery and the particular lack of intermediary institutions between state and society. Supposing state and state bureaucracy as the central in Ottoman, all of social elements except it have no opportunity to forward their demands with various actions, to specify politics or to participate to the bureaucratic prestigious. As all politics evolved around a palace bureaucracy no room was left to social groups to express their social, political, economic demands in a legitimate way. The most common way to express demands was rebellion. From this perspective, Turkish political history has produced mostly heroes and traitors. In this dual structure heroes proposed an ideological framework based on glorification of the state, whereas even the most ordinary or trivial demands were treated as treason.

As in all Islamic societies, legal persons in the Ottoman Empire were not given organization, legitimacy and freedom of movement (Mardin, 2010). The lack of institutions people could gather around for their aims and demands in combination to the principle of religious organization as a structuring factor have strongly shaped society. No structural ties existed between the individual and the state, but social mobility was easily achieved. Unlike the urban culture developing in Western cityscapes, no Turkish organizational structures were available between the individual and the state, forcing individuals to different refuge points.

As a result, jemaah (community) emerged from the individual need of citizens to protect themselves through primary ties and emotional bonds, rather than joining a legal entity of with privileged relations. Moreover, religion fulfills the functions of such a legal entity and is a cornerstone in jemaah structure. Religion is both preventive

and restrictive as it protects actors from the state and strengthens actors by providing legitimacy to their social actions (Mardin, 2010, p. 72, 74, 75).

Patriarchy has constituted the mental fundings for the emerging structure of this society. At this time the system revealed a patriarchal structure both in the state and in society, turning patriarchy into a rallying factor in society structure. Although the entire system was legitimated by Islam, its dependence on scholars as a controlling body and a lack of religious interventions, a relatively wide autonomous area remained for the state. So to speak, the state has gained absolute power over society from a patriarchal mentality (Mahçupyan, 1998, p. 27). This echoes in society's internal mechanisms and the institutions that are training bureaucrats in a closed system detached from society. This has turned policy making into an activity independent from the community subject to the state's power relations.

Considered within integrity, it is clearly understood that this system is based on three ideological and structural stands. The first balances on the dynamics between complementing administrative structures from authoritarian and patriarchal mentalities. Paradoxically each center is positioned against its own environment, while these authoritarian centers have taken their legitimacy from those surroundings' moral and legal norms, namely the patriarchal mentality of the jemaahs. In a similar vein, the authoritarian and patriarchal relationship between state and society seems valid for the intra- and inter-jemaah structures. Second, a complex hierarchical structure provides order in which each of the social elements has a predefined meaning and function, depending on the understanding of the human, the universe, and the nature of the patriarchal mentality. Again, this becomes apparent within and among the various communities. A third pillar of the system is the general conception of the world as a heterogeneous society. This concept provides an opportunity for differentiation in interventions by the state when facing social chaos. Overall, no single independent

person remained, as the state organized the whole society by sub-units of large and small jemaahs. Taking an hierarchical approach, the state is located at the top, with control over society as a whole (Mahcupyan, 1998, pp. 28-29), making it impossible to evaluate jemaah structures as autonomous structures or a union of actors that came together to express certain social demands.

When internally evaluating jemaahs three types of communities can be distinguished. The first and most highly placed jemaah within the hierarchy is the Sunni Hanafi Jemaah. It legitimizes the ideological grounds of the state more than any other community and is closest to the state. But, no matter how close to the state, the state has not shared its power with any jemaah. On the contrary, the political arena remains closed and poise and control approach continues.

However, a single entry to the political arena can be found at the '*madrassas*', where people were educated for bureaucracy by Islamic principles and under strict control of the state. This control is reflected in both foundation mechanisms as well as in preservation of *madrassas*. However, civility of foundations and autonomy is valid when they play the roles the state decides for them and when they are in the area which was determined by the state (Mahçupyan, 1998, p. 41). The Sunni Jemaah does not imply homogeneous structure. Akhism's guild organizations, the very large network of a sect (yet with different beliefs and practices, fall within the same rubric that is characterized by state control mechanisms.

A different imperial rubric of jemaah originates in traditional Sunni orthodox Islam. These communities are generally located outside the *madrassa*-system for their emphasis on folk tradition and have been accepted as marginal by the state, forming a religious traditions. The strongest tradition follows Alevi convictions and has been kept far away from the state.

The final type of jemaah is made up of minority communities, which in their eyes have a rather imperial kind of relationship with the state.

In accordance with the state's ideals, minority jemaahs are introverted, are able to build relationships with other jemaahs and societies (via the state) and have an authoritarian connection to the state hierarchy. Here, the state is considered an administrator which takes the legitimacy from its own ideology and the role of referee among the jemaahs (Mahçupyan, 1998, p.31).

When the role of the state in this type of structuralism is put aside and considered as a way of justification of the state, religion becomes an important marker. Many jemaahs emerged with charismatic leaders defending religious legal, moral or mystical meanings. Although they developed structures around belief, worship and unity of emotion, jemaahs adopted different interpretations of Islam and could not create dynamics of political, social and legal transformations like social movements. Hence, it is difficult to pinpoint collective factors that have determined the position of jemaahs as the foundation of collective action against the state. Political relationships between jemaahs and the state were never realized, leaving them empty-handed with no ownership over political decisions and limited opportunity to become a partner of administration, making demands or even expressing discontent. Their autonomy was clearly restricted to the role political authorities predefined for them.

In terms of economic structures, it is difficult to mention class and feudal structures in the Ottoman period (Keyder, 1999, p.13) for several reasons (Türkdoğan, 2013). For instance, both the Ottoman's social and economic system depended on a balance between the individual and the community: Dominance of individuals over others was not allowed in terms of power, economic success or exploitation relations. Success was determined on social, moral and religious criteria, rather than economic entrepreneurship. Religion spanned all structures, producing irresistible cultural codes and preventing the formation of class relationships. Another reason lies in the anti-socialist model proclaiming state-state balance. The Ottoman eco-

nomic regime was not a capitalist regime consisting of independent individuals nor a regime that had deprived individuals from their independence, but it had created a balance between the state and the individual. However, new economic models could never be installed without deteriorating this balance (Türkdoğan, 2013, p.105-106). In discussions in relation with Ottoman's economic structure, validity of the version of Asian type of production and different validity of feudal structure which revealed the existence of a class structure were asserted. The approaches which adopted Asian type of production deal with state class as a basic class. The state class in this economic structure is understood as a class which confiscates the production of villagers through tax and tribute. In this situation, the economic structure is made up with the relationship between state and villagers (Baratov, 2005, p.13). However, this class relationship cannot provide dynamism for social movements as in the West.

In the Ottoman, neither economic structural factors nor religious structural factors did create social movements due to the undisputed state control over all institutions and structures. However, it should be noticed that in Anatolia in different places and times, various short- termed revolts arose. Corruptions in military and economic structure caused for instance the Celali, Kaçgunluk and Dağlı revolts. Some say these revolts are a symptom of a weakening relationship between the periphery and center (Türkdoğan, 2013, p. 9). This type of movements directly fought against central authority instead of mastering political participation or evoking criticism and demands. Besides, they lacked a strong social base as well as the ideological tools to justify their actions.

Only from the 19th century, when nation states became popular, national movements emerged and continued till the collapse of the Ottoman. The national movements that embodied the cultural identities of different ethnic groups, caused the collapse of imperial and the establishment of independent states and the Ottoman Empire. In

this turmoil, different political (Jön Turks, the Committee of Union and Progress) and intellectual movements (Islamism, Turkism, Ottomanism) stepped forward to establish state reformations for more political participation. However, none of these elitist movements were developed bottom-up from community level. Instead of defending the interests of a particular social group, their front-men made use of the state to implement their own projects in the community for personal gain. Although the imperial state housed a lot of languages and religious, ethnic and cultural strands, these were not represented in the public sphere due to the hierarchic structure that only sparsely elicited (often surpassed) revolts.

Social Movements in the Republican Period (1923-1950)

Between 1923 and 1950 Turkey was marked by a very poor economic situation, which paved the way for strongly rooted religious movements that succeeded to mobilize citizens for the sake of religious and moral values (Ağartan, Choi, Hyunh, 2008, p.59). At this time, the administration of the single party provided a strong state sovereignty and no social differences were allowed. In fact, the whole republican history can be read from the general contradiction between a bureaucratic elite favoring modernization versus a community rejecting this project, with even the most exclusive state elite imposing modernity through an authoritarian mentality. Rooted in its unique past, Turkey's state tradition actually further impeded the development of a civil society and social movements. Attempts to legitimize the newly established nation-state developed in conjunction with efforts to suppress the public visibility of cultural differences and caused repressive acts (Sanlı, 2003, p.13), further homogenizing community. All kinds of media, associations, social movements, parties and social organizations that did not comply with the new understanding of society were forbidden and public social sphere

was made completely unitary. During this period political power was unlimited and absolutely dominated all political, cultural, and economic areas. By the beginning of the 1930's only the "Turkish Women's Union", "Masonic Lodges", and some other organizations seemed to survive. But only a few years later these were closed down as well, so all social institutions and actors bared the official ideology (Çaha, 1999, p.62) in order to modernize and create a modern society.

The process of modernization which was realized through authoritarian mentality meant to break jemaah-structure and to homogenize society through citizenship. However, the Republic could not remove formerly installed hierarchical structures from the Ottoman period. Despite claims of modernity the hierarchy in state-jemaah relationships was made permanent. To the satisfaction of Alevi communities and minority groups only the identity based on citizenship could survive the destruction of social structures. However, the door remained locked, as the relationship between the state and society and internal governmental relationships remained unchanged to the Ottoman period and patriarchal mentality continued (Mahçupyan, 1998, p.44). Equality among citizens did not mean anything in terms of political statement and participation in decision making.

Apparently a state elite blurred the boundary between state and society and melted the public and private sphere, but below the surface the real private sphere of the 1930s germinated. The realization of economic activities, became prerequisite for cultural, artistic and religious activities. For this purpose, ideological schools, "Public Houses" and "Village Houses" spread out in neighborhoods, towns and cities (Çaha, 1999, p.62). The citizen was thought to serve the state as a tool and citizenship was discussed in terms of responsibilities and duties. Despite all allegations, Turkish modernization could not end the jemaah structure and even a homogeneous citizen jemaah emerged that complied to state norms and

resided under the legacy of an unquestionable norm protector.

During the multi-party era, continuous communitarianism and strengthening patriarchy put communal demands on the agenda again, while secularism of the state erased religious demands from public life. Consequently, the Muslim community was alienated from politics, and a new breed of self-dependent congregation based on ideological background was legitimized (Mahçupyan, 1998, p.44). The relationship between religion and the history of Turkish modernization is paradoxical: On one hand, religious demands and Islam were banned from public sphere, on the other hand institutional control over religion was obtained. Sunni-Islam tradition was taken under state control and was supported secretly. So it did not approach state power but served the framework of ideals of religious discourse, education, modernization and rationalization (Göle, 2000, p.22). At the end of modernization, religious political power did not withdraw to its own area. Some of the newly built institutions had embraced a religious concept in line with the state's modernization project and were supported by the state, with a few exerting political power. In the end, Islam was never privatized as it was in the west. The clergymen who accepted state secularism were allowed to take new positions in the religious institutions (Davison, 2002, p.254).

De facto, the public sphere's homogenization was political, religious or cultural from time to time, but was always fostered by the politicization of sub-identities. A novel upper class, which held state power, emerged and considered itself as the owner and protector of the Republic. While the wealth of the region concentrated around the governing elite, conflicts concentrated in the poor and marginalized segments of population and affected religious and Kurdish parts of society. The state's elite's effort to impose their ideological identity created resistance to Islamic concepts and institutions, and constitutes the essence of

the political history of the Republican era (Yavuz, 2003, p.164).

In general, the years between 1923 and 1950, depending on the efforts of uniformity of social life, a strong authoritarian state did not allow difference and during this period social movements were excluded from the public sphere. Ethnic and religious movements, embodying difference, continued to exist as underground organizations. None of the actions, employing political, social, or cultural identity, were permitted until a light change occurred in the 1950s.

The Multi-Party Era

It was the period between 1950 and 1980 in Turkey that social movements gradually entered the public sphere, but remained under state control. From time to time the state even re-established political life by military coups. Especially after World War II, global politics increasingly affected Turkey. The defeat of totalitarian regimes in Germany, Italy and Japan, and the triumph of Western democracies inevitably affected Turkey which was always responsive to the political climate in the West. In the post war context, Turkey was increasingly isolated and Stalin's hostility forced Turkey's government to lean against Western powers. In this position, the state had to listen to criticism either internally expressed or from opposition (Ahmad, 1996, p.23). Although the state paradigm did not end and it was too early to speak of a spring air in terms of participation of civil society and the entry of social movements into public life, the multi-party system certainly conveys a turning point in Turkish political life.

With multi-party, people expressed their political preferences for the first time, and voted against the statist tradition which had lasted for hundreds of years. The conception of the state as a father and centralized control was rejected by society, while top-down imposed reforms aimed to remove possible obstacles for capitalism. This progress constitutes the beginning of a transforma-

tion from bureaucracy dominated capitalism into the market dominated capitalism. Bureaucracy ruled the country during the empire, even during the 19th century reformist movements. When the bureaucracy started out to provide the transformation of the social structure, it had allied with the bourgeoisie which was chosen and developed by itself (Keyder, 1999, p.103). However, this alliance was completely under the control of the bureaucracy and (not surprisingly) both sides didn't trust each other very much. During this alliance, the bourgeoisie, giving up civil society rights and staying within the boundaries set by the state, achieved substantial gains. However, with multi-party life, several economic and social changes initiated the beginning of the end of this alliance.

Social mobility started with migrations from the rural to the urban: Between 1950 and 1960 the urban population in Turkey increased from 19% to 26%, with a rise up to 75% in the four major cities of Turkey. The economic vitality of cities increased employment opportunities and was clearly manifested by an increase of shanty houses and a cultural upheaval in the cities. The traditional city with economic and cultural superiority of the ruling class vanished. This spatial mobility formed the actual start of integration by confronting the cultures of center and the periphery. This situation represents a new era that constitutes the beginning of the articulation to the traditional bourgeoisie. The most influential industrialists and businessmen of the 1980s and 2000s went into professional life for the first time during these periods and mostly obtained their savings in this period (Keyder, 1999, p.111, 112). This period can be regarded as the beginning of a transformation in terms of both economic and social movements.

With this period, both the traditional social solidarity organizations in Ottomans and some newly established civil society elements began to emerge. Closed and prohibited religious communities, sects, foundations, *madrassas*, as well as political parties, associations, labor movements,

women's movements, political ideologies and even the media prospered for a while (Çaha, 1999, p.77). As the public sphere was less developed only private activities were not associated with the state. Gaps were created in the areas where the state gave up auditing on behalf of economic freedom, and these gaps were rather filled with individual expansionism than with building blocks for strong civil society. Since the civil society didn't flourish rapidly, the remaining gaps offered a chance for state penetration on behalf of the protection of political stability. In 1960 even a military coup took place, although that did not last very long (Keyder, 1999, p.114). The real development of both the bourgeoisie and civil society in Turkey took off in the 1970s.

Indeed, after the foundation of the Turkish Industry and Business Association (TÜSİAD) in 1971 a bourgeoisie community begin to emerge, which initially criticized political power from an economic perspective in the 1970s, but evolved to both an economic and political player in the 1980s. They yielded success with several alternative projects in monetary policy, education and other domains when the electoral system shifted to a constitutional system (Yilmaz, 2006, p.202). This was not just a transformation in terms of economic organization, but constituted a differentiation in religious, cultural and political domains of the public sphere.

Religious Social Movements in Turkey after 1980 from the Perspective of Resource Mobilization and New Social Movements

Turkey after the 1980s, witnessed the emergence of many different social movements which struggled for their existence in the public sphere. Both specific structural conditions in Turkey and more general political trends after the 1950s fed this process. The end of the Cold War vanished most security politics on external enemies, while more liberal policies were implemented. Con-

sequently, the underground processes of social identity construction started to surface with the rise of new interests and pressure groups. At this time debates centered on subjects like air pollution, health, tourism, environment, human rights, ethnic identity, religious rights and women's rights affecting particular parts of society and disclosed many social differences. More uniting subjects of concern, such as modernization, national identity, national solidarity were hardly part of public discourse. In other words, social differences were magnified rather than considering issues related to the protection of the state (Çaha, 1999, p.77). Thus, a new social movement period started in which different identity, politics, economic interests and rights and demands were staged on the social platform. And the public sphere became a place where Kurds, Alevis, and different religious movements contended.

So, until the 1970s the development of social movements in Turkey can be explained as a phenomenon with structural reasons. Until then the absolute power of the authoritarian understanding of the state was at stake. Almost all social movements emerged within this process, opposition movements and movements established to achieve politics targeted to the state and sought out the possibility of achieving their political projects by seizing the power of the state. We can evaluate this kind of movement as an example for a social movement in the old period. These movements, have survived as secret organizations until the present period. After 1980, almost all of these movements have engaged in fighting an identity in the public sphere.

Changing world conditions and Turkey's socio-economic conditions became effective on these social movements emerging from underground and retaking strategies. After the 1980s, new movements which developed strategies based on identity politics such as women's movements, environmental movements, human rights started to appear. Struggles started to move slowly to cultural areas.

Hence, social movements and organizations, which the state both deemed legitimate and considered dangerous, entered in the opened door together with enlivening of liberal approaches with economics and politics in the 1980s. The intensification of economic, social, political subjects met appropriate opportunities which would produce the massive organization. So a new public area was formed (Sanlı, 2003, p.15). With the participation of new actors to the newly formed public area, a new way to express social differences was found. A lot of commentators connected the development of social change in these years to the evolution of economic and political liberalism. In fact, there had been an economic structure that imposed the state-mandated traditional bourgeoisie to operate within confined boundaries. However, after the 1980s, there were new participations into the job market and the state's economic and political policies started to be criticized by this newly shaped bourgeoisie. Although the relations with the state still kept its traditional style, critical approaches developed via some associations based on voluntary membership, and the need for the state decreased (Buğra, 2010, p.53). Besides, through the slum culture that occurred in large cities as the result of a large wave of immigration in the 1950s, various cultural, economic social solidarity organizations emerged. Even in the 1990s, important holdings and entrepreneurial organizations in global business are rooted in the small manufacturing and service sector activities that entered the Turkish market back then.

Thus, the newly formed bourgeoisie developed independently from both traditional bourgeoisie and bureaucracy. The 1990s became the year of emergence of holdings, trade companies, organizations of businessmen, alternative banks in many places in Anatolia and they developed very fast. Until the years of 1980s, there were businessman organizations which represent the traditional bourgeoisie assisted by bureaucracy including just TUSIAD and TISK (Turkish Confederation of Employers). After 1980, many organizations

appeared such as MUSIAD (Independent Industrialists' and Businessmen's Association), AGIAD (the Association of Young Businessmen of Anatolia), and ASKON (Anatolian Lions Businessmen's Association) (Köroğlu, 2012, p.91). All of these developments provided the formation and strengthening of urban, educated new middle classes. This ambient also provided the participation of many different social structures having difficulty to translate their demands into political speech.

In 1990s, Turkey was a witness of long-term actions of social movements such as the civil constitution, The Citizens' Initiative for Bright, Bergama Environmental Movement, The Black Sea Environmental Action Network, The Saturday Mothers, Victims of Torture, feminist movements that put violence against women and women's education on the agenda. In addition, Ethnic Kurdish movements and dozens of Alevi associations were arising and began to compete. Within this social mobility, there is a special position of religious movements.

Some of the religious movements are historically internalized by the Republic of Turkey as structural elements of the Sunni school, forming the largest part of congregates of The Ottomans and being suppressed by the modernization movement. However, this frustration could not be reached to the point of destroying and eradicating. Traditional religious movements withdrew their activities to secret underground bases until the 1980s. After surfacing, conflicting and tense relations between Turkish modernization and religious movements have fuelled a more radical stance towards the state. There have always been in tension on the control of state-owned areas among the modernizing elite with traditional Islamic perspectives. In terms of the state, religion is understood as a system that is limited to the conscience of the individual, the fulfillment of the traditional ritual merely. In contrast, the desire of Islamic movements' transforming society by seizing the state has formed end point (Kirik, 2005, p.127).

However, after the 1980s, religious social movements have experienced a transformation within themselves. As a result of this transformation, they gave up the target of seizing the state and focused on participation in the public sphere and dominating the cultural field. The next process, has been a process of struggle for identity.

Seeing Islamic social movements, as it was not one homogeneous movement, as aiming for the state has been a classic reflex of authoritarian states. As a result, Islamic social movements in Turkey have hardly been modernized before the 1990s while they were detected as pathological movements aiming for the founding of a sharia state by seizing the state insidiously. Consequently, like many other traditional groups, religious movements have mostly been considered as a threat to the public sphere and they have been disadvantaged in terms of education, economic distribution and urbanization for a long time (Mardin, 2010, p.144).

When evaluated in general, religious movements in Turkey and fundamentalist religious movements in the general sense of piety are barely present. All of the religious and social movements have had criticism against the system. Most of the religious movements' criticism related to the system has been merely non-political and opposed to moral degradation, the spread of evil, or children moving away from religious values, etc. (Başer, 2000, p.150). The vast majority of the Islamic social movements emerging in the Republican period, predominantly expressed demands for religious freedom rather than seizing the state. However, power and power relations are a returning axis at the center of the state, just because traditional religious movements had, like any social movement, no other way of channeling their opposition than through the state.

Based on this context, the larger religious movements in Turkey (attracting wide social participation), can be divided into a few categories. The first and largest category consists of Sufi movements, which transferred the elements of sects from the Ottoman to the Republic of Turkey.

These movements represent a religious concept that emphasizes personal experiences and mystical aspects of religion (Atacan, 1990, p.23). Despite losses and prohibits in the sense of economic and institutional and religious rituals, the Sufi movements did not target the state, but focused mostly on worship and moral issues. They possessed a moral vision of society based on the individual's physical and mental training as mystical.

A second category is made up of the very active Nur movement and Süleymanizm movement. Nur has had many branches and was born in response to positivist approaches about faith in recovery and belief. Whereas, Suleymanizm has emerged as another important religious movement in response to difficulties on the point of raising the cleric, which was experienced in the first years of the Republic (Çakır, 1990, p.83, 130). These movements are centered on unity of belief. There is a sense of unity among them. They apply similar religious rituals. Together with these movements, radical movements that considered the state as the source of all problems have been in place too driven by the assumption that they may be able to solve both their own problems and the problems of the community by seizing the state. In that sense, radical movements are quite similar to the revolutionary movements of the 18th and the 19th century. Seizure of the state, as a golden age utopia for society, has fostered the main motivations of such movements. However, in the 1980s, especially after the 1990s, these movements entered in a serious transformation period exceeding their closed nature and sliding their struggles for the public, the cultural sphere.

CONCLUSION

When generally evaluating the development of social movements in Turkey, we can conclude that until the 1980s, religious movements acted either as a mere-faith movement within closed organizational structures, or with the aim and

strategies of state seizure. After the 1980s this changed, as religious movements entered in the market and economic sphere, participated in the intellectual sphere and at the same time they entered modern social and political life. On the one hand they dealt with educational problems by creating educational institutions, on the other hand they increased their economic prosperity by entering the market through holdings, Islamic banks and business associations. As a result, a bourgeois class was created that took significant shares of economic prosperity as well as an intellectual role by criticizing Western modernism in order to become recognized as a well-educated nation, instead of being represented as the other through representations of peasantry, ignorance, poverty, and being uncultivated. In addition to faith problems, religious movements drew attention to issues regarding inclusion of women, family, and social service needs, social differences, the environment, civil rights and freedoms, democracy, etc. Parallel to these developments, it would be wrong to evaluate Turkey's religious movements as a purely religious movement or to see them as temporary reactive movements that emerge from a specific situation or struggle for economic prosperity.

Although religious movements or people who have obvious identity of religiosity have been contesting for larger shares from the increasing economic prosperity, this has not been their only fight. Apart from this, they also demonstrated an intellectual position related to all kinds of social and political problems. And they have mainly tried to secure their position within the public and cultural spheres by their own discourses and claims for sovereignty. In other words, they bring forward identity politics.

In this regard, to make sense of religious movements in Turkey, we think that resource mobilization and new social movements' paradigms should be addressed as a theoretical whole. Of course the desire to gain economic resources and structural changes affected these movements, but today it

is not possible to demarcate Turkish religious movements solely by the transformations they went through and their current social position. Religious movements are both similar and different to new social movements in several respects.

These religious movements convey the same critical sensitivity as other Western contemporary movements in attitudes toward enlightenment and modernity. Their responses depend on their identity as well as issues related to religion, ethnicity, race, sex, or nature that have been pressed by modernism. They follow identity politics expressing local identities rejecting the modern project. Paradoxically, they revived by the politics of identity, particularism and localism against the canvas of abstract universalism and a tendency towards uniformity. From this perspective, religious movements resemble feminism. Religious movements have also defended the difference of Islam to problematize the universality of civilization. Besides, unlike structural political tradition, a cultural understanding of religion has put great emphasis on new movements (Göle, 1998, p.40, 136). New religious movements, are transforming religious definitions, form new actors and new autonomous areas and also question current cultural programs of ego and the modernity. Consequently, lifestyle is now expressed as an integral part of the cultural sphere due to the rise of new religious movements (Göle, 2000, p.30, 31). By these transformations new religious social movements distinguish themselves from the classic class movements or benefit source distribution movements.

In sum, being present in the cultural and economic sphere is crucial for new period religious movements. For these movements targeting the state makes no sense and has no charm. By means of the autonomous public spheres they formed, they seem to have obtained facilities and places that will enable them to live according to their own identity, differences, and values. Through religion new movements have attempted to give meaning to complexity in everyday life, doing so

they offer individuals a way to make sense of the world. It can be predicted that both the secular and religious social movements of the future in Turkey, will turn into movements that revive issues of identity and difference, next to environmental and local problems.

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KEY TERMS AND DEFINITIONS

Economic Prosperity: The status of economic development.

Liberalism: A system that market determines rules of it economically and politically.

New Social Movements Theory: A theoretical approach explaining social movement with identity and cultural elements instead of structural causes.

Religious Social Movement: A social movement that struggles for representation of religious identity in public and cultural sphere.

Resource Mobilization Theory: A theoretical approach explaining social movement with economic interests and apportionment relations.

Social Change: The modification of societies in the sense of cultural, economic, political and values in time.

Social Movement: A social association coming together for solving a social problem or any holistic or partial change.

Chapter 13

Cultural Indoctrination: A Theoretical Framework

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ABSTRACT

The purpose of this chapter is to examine the potential influence of Cultural Indoctrination (CI) on organizations today in an era of global hypercompetition. It is axiomatic that one of the fundamental realities of contemporary globalism is most organizations today must be able to function successfully across cultural (and national) boundaries to sustain a competitive advantage and remain profitable over time. Achieving this goal requires management to appreciate and understand the key factors affecting global business today. However, none of these factors considers in-depth the vastly underresearched area CI we all experience from birth. This chapter examines the following factors involved in cultural indoctrination: Child Development, Cultural Intelligence, Education, Institutionalization, Nationalism and Patriotism, Religion, Self-Efficacy, Social Capital, and Values Orientation Theory (VOT). It is from these factors that a conceptual model is developed for potential future application in management theory and practice.

INTRODUCTION

The purpose of this chapter is to explore the potential influence of cultural indoctrination (CI) on organizations today in an era of global hypercompetition. It is axiomatic that one of the fundamental realities of contemporary globalism is most organizations today must be able to function successfully across cultural (and national) boundaries to sustain a competitive advantage and remain profitable over time (Molinsky, 2007; Ohmae, 2005). Achieving this goal requires

management to appreciate and understand the key factors affecting global business today which include the following (McKinsey Global Institute, 2012; Institute for the Future for the University of Phoenix Research Institute, 2011; IBM, 2008):

- Productivity,
- Accelerating Globalization,
- Changing Global Demographics,
- Expanding Impact of Technology,
- The Great Rebalancing of Emerging Markets,

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- Destabilizing Cycles of Volatility,
- The Market State and Governmental Pressure,
- Globally Connected World,
- Rising Environmental Concerns,
- Evolving Society Relationships,
- Extreme (Human) Longevity,
- Rise of Smart Machines and Systems,
- Superstructured Organizations.

However, none of these factors considers in-depth the vastly underresearched area of CI we all experience from birth (Winn, 1983; Livermore, 2011; Christiansen, Yıldız, & Yıldız, 2014). As there is very scant research in the extant literature on CI, this chapter shall investigate the following factors I propose should be involved in the field: Child Development, Cultural Intelligence, Social Learning Theory Education, Cultural Institution-alization, Nationalism and Patriotism, Religion, Social Capital, and Values Orientation Theory (VOT). It is from these factors that a conceptual model is developed for potential future application in management theory and practice (Tolentino, 2008).

This chapter is organized in the following manner. First, I provide a thorough Literature Review encompassing a range of established work by theorists and other authorities in fields such as cultural anthropology, education, social learning theory, diversity management, cultural intelligence, theoretical development, social capital, and decision-making. This Review will form the basis of the remaining sections of this chapter. Second, I discuss the fledgling field of CI which includes our concept framework for further research and development. Third is the Discussion section in which I outline the challenges facing contemporary management in today's globalization and how these challenges are potentially connected directly to cultural indoctrination. Finally is the Conclusions and Future Research Directions section.

My work should encourage empirical research on CI which will contribute to existing manage-

ment research and stimulate serious debate on business performance in an era of global hypercompetition. Ideally, this chapter will be labeled as a "Builder" effort according to Colquitt and Zapata-Phelan's (2007: 1283) taxonomy of theoretical contributions for empirical articles. In that light, I propose the following proposition the reader should consider while covering the following pages, and which would form the basis of future empirical research as suggested in the Conclusion and Future Research Directions section:

P1: Cultural Indoctrination (CI) affects organizations in global hypercompetition.

LITERATURE REVIEW

The cultural anthropologist Clyde Kluckhohn (1949, 1951, 1962) argued that humans share biological traits and characteristics which form the basis for the development of culture and that people normally believe their own cultural beliefs are natural, but consider those of others as inferior or abnormal (Hills, 2002). Building on Kluckhohn's theory were Florence Kluckhohn and Fred Strodtbeck (1961) who developed three basic assumptions to which I shall refer as a basis of the proposed framework for CI further below:

- "There is a limited number of common human problems for which all people must at all times find some solution".
- "While there is variability in solutions of all the problems, it is neither limitless nor random but it is definitely variable within a range of possible solutions".
- "All alternatives of all solutions are present in societies at all times but are differentially preferred".

These assumptions formed the foundation of their Values Orientation Theory (VOT) which is

is incorporated into our proposed framework as mentioned above.

Dutch social psychologist Geert Hofstede departed from the anthropologists' interpretive methodology for comparing cultures by presenting the first large-scale quantitative study of national cultural dimensions via an extensive survey of 144,000 IBM employees in 50 countries and three multi-country regions (Hartmann, 2012). Using factor analysis on the data, Hofstede (1980) developed four dimensions of culture: 1) power distance; 2) individualism vs. collectivism; 3) masculinity vs. femininity; and 4) uncertainty avoidance. He later added a fifth dimension: long-term vs. short-term orientation. Hofstede's work continues to be the foundation of cultural studies or dimensions as it remains the most highly cited in the extant literature (Christiansen, 2012: 8). However, his work has been challenged or enhanced by a number of other notable theorists such as Schwartz (1994, 1999), Triandis (1995, 1996, 2002), Nakata (2000), Kirkman, Lowe, and Gibson (2006), and Trompenaars and Hampden-Turner (2010).

Özbilgin (2008) defines diversity management as a management philosophy proposing that recognizing and valuing heterogeneity can contribute to both organizational performance and the financial bottom line. There is a tendency to focus directly on the demographic diversity compositions of the workforce (Christiansen & Sezerel, 2013); however, diversity management encompasses more than these aspects to include issues such as disability, social capital, skillsets, language, creativity, personality, and satisfaction with managers (Tatli et al., 2006; Joshi & Roh, 2009; Lauring & Selmer, 2012). Diversity management is a process intended to create and maintain a positive work environment in which the similarities and differences of people are respected and valued (Patrick & Kumar, 2012).

Cultural intelligence (CQ) is still an emerging field (Gelfand et al., 2008) that includes four subdimensions: metacognitive, motivational,

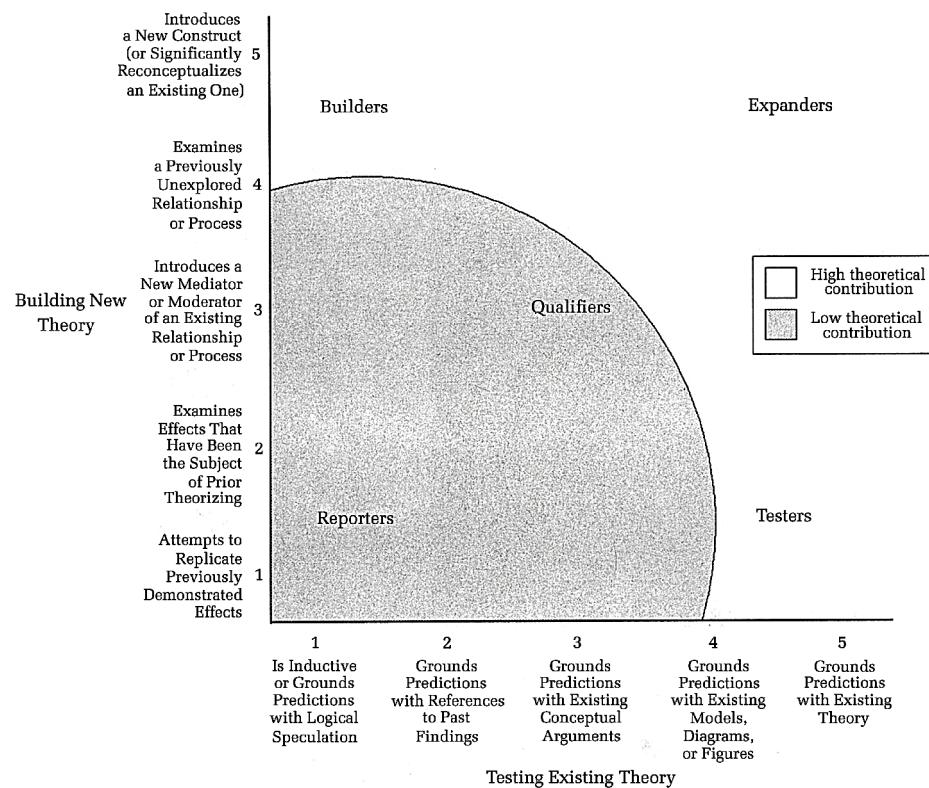
cognitive, and behavioral (Earley & Ang, 2003; Van Dyne et al., 2012). CQ has a definite impact on the corporate financial "bottom line" (Chen et al., 2012), so its importance within the context of this chapter cannot be underestimated due to the effects of global hypercompetition on business operations. Templer et al. (2006) state that contemporary globalism highly encourages mobility of labor across cultural and national boundaries, but operating in different cultures is a major obstacle for most people (Redmond, 2000). Therefore, motivational CQ is of particular note as individuals with high motivational CQ levels are more likely than others to engage in the intercultural interactions that all of us face increasingly both at home and abroad via work and pleasure (Black et al., 1991; Deci & Ryan, 1985; Molinsky, 2007). Dessler (2012) notes that extensive empirical research indicates there are high "hidden costs" of hiring people with inappropriate backgrounds to engage them in assignments which require finesse in multicultural settings.

Related to CQ is cross-cultural code-switching defined as the act of purposefully modifying one's behavior in an interaction in a foreign setting to accommodate different cultural norms for appropriate behavior (Molinsky, 2007). There is little extant literature focusing on the dynamics of cultural adaptation within single interactions, so cross-cultural code-switching attempts to fill this gap. Molinsky (2007) states that researchers believe a set of core cultural values such as power distance, individualism-collectivism, and honor are deeply ingrained in individuals through the process of socialization. Indeed, it is well-established that social intelligence (SI), emotional intelligence (EI), and CQ have a firm relationship (Crowne, 2009), but it is beyond the scope of this chapter to discuss these constructs as a group.

Colquitt and Zapata-Phelan (2007) suggest it is difficult to overstate the importance of theory to scientific efforts as the former permits scientists to understand and predict outcomes, and is the basic purpose of science (Cook & Campbell,

Cultural Indoctrination

Figure 1. Source: Colquitt and Zapata-Phelan (2007)



1979; Kerlinger & Lee, 2000). They developed a taxonomy of theoretical contributions for empirical articles which include five discrete categories as seen in Figure 1: reporters, testers, builders, qualifiers, and expanders.

I seek to have this chapter considered as a “Builder” effort as mentioned in the Introduction, since no theory currently exists to explain the concept of CI. Theory builders attempt to trigger research questions or guide the categorization of observations (Glaser & Straus, 1967; Locke, 2002; Suddaby, 2006), and are defined as fairly high in theory building but low in theory testing for inductive studies directed at developing new constructs, processes, or relationships (Colquitt & Zapata-Phelan, 2007). My proposed framework below should provide ample material for future research directions.

Decision-making is a multivariate and complex endeavor that can be greatly influenced by cultural behaviors and is a critical business activity in today’s global hypercompetition due largely to technology (Ang et al., 2007; Gates & Hemingway, 1999; Drucker, 2002). How well this core function is conducted can significantly alter corporate success over the long-term. Styhre et al. (2010) argue that uncertainty in industries is leading to more risk-taking in companies which, in turn, is affecting decision-making quality, cost, and speed. Game theory can assist in decision-making as the former is a mathematical tool to capture strategic situations of the involved parties and their mutual behaviors (Küçükmehtemoğlu et al., 2010), while Dadkhah (2011) stresses that many mathematical theories in economics and industrial organization require modeling the behavior and interactions of many decision-makers. Şen (2013) believes

organizations of all types must adopt globalization patterns for their decision-making success, but these must be based on effective, rational, logical, and systematic treatment of all possible inputs via fuzzy logic modeling. However, I believe if human decision-making is modeled as a search for global optimization simply by using rigorous mathematical rules, it will be incomplete in terms of offering a fair representation of reality. Therefore, it is necessary to consider qualitative as well as quantitative issues regarding corporate decision-making in an era of hypercompetition. Cultural factors based on CI is at the center of effective corporate decision-making as we shall propose below.

Social capital has earned an increasingly important place in economic development over the past 20 years (Cartwright & Singh, 2014). Sobel (2002) states that social capital is an attribute of an individual in a social context which can be transformed into conventional economic gains. Social capital varies from country to country, but is lacking in many emerging economies. Social capital can also act as a conduit for non-economic benefits (Woolcock, 1998). Nonetheless, an individual's overall socioeconomic status can still depend greatly on her or his social capital – especially in Asian and Latin American nations to which the lead author can attest from spending a total of 18 years in these two regions. Therefore, I shall include social capital as it relates to socioeconomic status within our framework for CI.

Religion can influence economic growth and economic growth can influence religiosity (Barro & Mitchell, 2004; Barro & McCleary, 2003; McCleary, 2007). However, Chandan (2014) notes that since Hofstede's (1980) national culture dimensions and economic growth rates vary among nations, religion alone is not sufficient to explain (for example) higher economic growth of emerging markets. Nonetheless, we include religion our proposed framework below on CI.

Bandura's (1977) social learning theory states that learning is a cognitive process which oc-

curs in a social context via observation or direct instruction. Possibly the most influential theory of learning and development, Bandura's added a social element to the field in which he argued that people can learn new information and behaviors by observing other people. I include this aspect in the proposed framework due to the increased interaction between people as the world becomes more interconnected—especially via technology (Gates & Hemingway, 1999).

The Organization for Economic Co-operation and Development (OECD) publishes *Education at a Glance* which provides in-depth, country-specific indicators examining the quality of learning outcomes, the policy levers and contextual factors which shape these outcomes, and the broader private and social returns that accrue to investments in education. The OECD has long emphasized that education and human capital drives economic development, and education development since 1961 has led to a fundamental transformation of OECD societies (OECD, 2011: Editorial). Education systems are the cornerstone of training people to meet the demands of the global job marketplace today (Bicerli, 2011), and in an era of the “Knowledge Worker” and the “Global Labor Pool” (Drucker, 2002) these systems must effectively train their constituents so they possess a rather different set of skills and personal qualities than were necessary in past generations. Graves (2010) states that increasing numbers of people around the world will require additional (continuing) education over their lifetimes to secure socioeconomic security for themselves and their families. Therefore, I include education within the proposed framework, especially since education is the foundation of child development.

Bronfenbrenner's ecological systems theory (Papalia & Feldman, 2012) explains how everything within an individual and her or his physical environment impacts and influences a person's growth and development. This is in line with Erikson's (1993, 1994) extensive work on childhood, identity, and the life cycle. A developmental

psychologist who served as a professor at Harvard and Yale Universities even though he lacked even an undergraduate degree, Erikson established the eight stages of life-stage virtues ranging from infancy to old age. These stages include: basic trust vs. basic mistrust, autonomy vs. shame, purpose, competence, fidelity, intimacy vs. isolation, generativity vs. stagnation, and finally ego integrity vs. despair. I view the first five stages as critical aspects of CI and include them in the child development and education sections of our proposed framework below.

Institutionalization, initiation, and indoctrination are often confused with education and training (McDonough, 2011), although some theorists believe all education emits from a particular ideological perspective with the intent that a person will adopt that ideology. Hocutt (2005) states that current disputes in academia raise the philosophical question regarding how education differs from indoctrination, and it is my viewpoint there is a definable difference between the two. This is why I separate them in the proposed CI framework.

CULTURAL INDOCTRINATION (CI)

Cultural origins can permit the prediction of individual behavior in an organizational environment under various situations (Trompenaars & Hampden-Turner, 2010; Hofstede, 1986; Hall, 1976). It might be surprising to read that nearly 100 years ago the terms indoctrination and education were considered nearly synonymous (Gatchel, 1972: 7), although there should be little doubt today that this is simply not the case. Nonetheless, as multilingual educators and culturalists, I state there is some overlap of the two concepts, especially during childhood (Erikson, 1993).

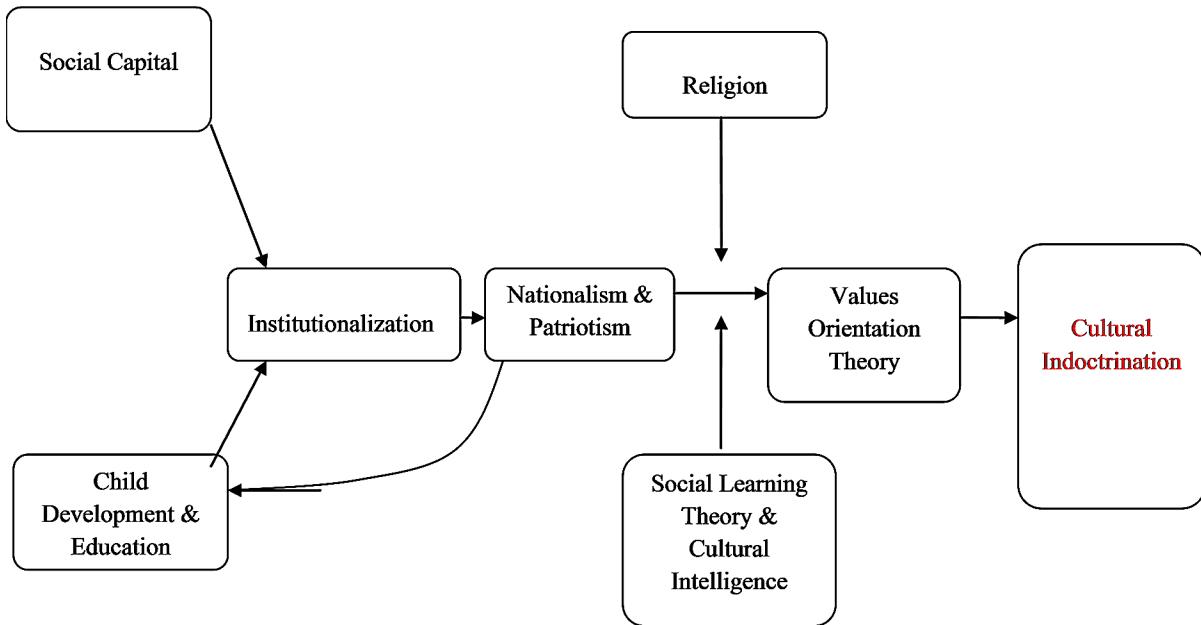
Indoctrination covers multiple aspects of human existence such as rationality, moral education, religion, freedom, and even intentions (Snook, 1972). The term often carries the negative connotation of “brainwashing” which was first coined

by Edward Hunter in 1950 from the Chinese word “hsin nao” or “cleansing of the mind” (Winn, 1983), but this is not the context in which I use the word “indoctrination”. In fact, I consider the concept a natural, necessary, and generally positive part of human existence from birth, especially since we are not able to really control our environment and experience until later when much of the (cultural) indoctrination process has already occurred. Obviously, our parents largely define our early understanding of and experience in the world; thus, we are all “indoctrinated” at an early age.

The key is when (and if) we realize this fact and eventually either: a) “break the chains that bind” our thinking and actions, or; b) retain the status quo. My own experience tends to indicate significant events must occur for the former to take place over the latter. Severe “reverse culture shock” can be one example, but extensive travel at a young age can also assist in achieving the former over the latter as is common with Third Culture Individuals (TCIs) (Pollock, 2001). I shall refer again to TCIs below as they are part of a special group within CI.

An etymological investigation of “indoctrination” shows the following (Gatchel, 1972): 1) the word indoctrination meant in its incipient phase the implanting of doctrines. In the Middle Ages under the autonomous control of the Roman Catholic Church, medieval European education became synonymous with the implanting of Christian doctrine; 2) although indoctrination originally indicated a liberal concept of implantation, it gradually assumed the connotations of a coercive type of education; 3) since about the 17th century, increasing expression of and experimentation with concepts of democracy have brought with them considerably different ideas about Education; and 4) the present truncated definitions of indoctrination make it inadequate to describe the highly developed processes of democratic education. Another word—enculturation—shows promise of filling this need, but even ‘enculturation’ carries some implications of ‘indoctrination’s’ limitations.

Figure 2. A proposed framework for Cultural Indoctrination (CI)



One of the essential elements of human activity is culture which has played an important role in social and commercial interaction, and it is from this point that we connect the two words “cultural” and “indoctrination” (CI) within the context of global business. Figure 2 shows my proposed framework for CI from which I will later suggest specific future research directions.

DISCUSSION

Peter Drucker (2002) listed “Five Certainties” in his seminal work, *Management Challenges of the 21st Century*, which have significance with respect to this section of the chapter: 1) collapsing birthrate in the developed world; 2) shifts in distribution of disposable income; 3) changing definition of (corporate) performance; 4) increasing global competition; and 5) growing incongruence between economic globalization and political splintering. It is within the context of this chapter that we focus on the first and fourth aspects as they have the most significance within the context of

this chapter: collapsing birthrates in the developed world and increasing global competition. Both of these undeniable facts bear significant influence on how organizations should be managed and led today, especially with regards to the growing “global skills gap” and strategic human resource management (Christiansen & Sezerel, 2013; Bal & Bozkurt, 2013; Barney, 1991).

The “Five Certainties” have significant influence on corporate performance in this century, and such performance is highly connected to executive decision-making. Cultural intelligence (CQ) is believed to be an important quality for global leaders (Li, Mobley, & Kelly, 2013), and how leaders and managers respond to different cultural mores is influenced greatly by their attitudes which are based on the relatively few, stable values they hold (Hills, 2002). Cultural norms vary widely and possess both concrete and abstract components such as clothing acceptable for certain occasions or religious beliefs, respectively (Hills, 2002). Motivational CQ represents one of the ways in which firms can obtain a competitive advantage by developing those employees with high intrin-

sic motivational CQ to become managers and eventually leaders within the organization. TCIs as mentioned earlier are a special group of people who naturally tend to possess high motivational CQ; therefore, I recommend academics and practitioners alike research TCIs within the context of this chapter.

Ang and Inkpen (2008) state there is an increasing consensus regarding the complexity of managing cross-cultural interactions effectively, and cultural adaptation is an important dimension of this complexity (Yamazaki & Kayes, 2004). CI is an important aspect of these concepts because when each of us eventually appears in front of our business managers or become business managers or leaders ourselves, how we interact with these individuals or make business decisions has its very foundation in our respective cultural indoctrinations. Campbell et al. (2012) proposed a comprehensive framework of human capital-based advantage which can be considered with our proposed CI framework because strategic human resource management scholars have acknowledged that general skills may actually lead to (higher) firm-level performance. The connection here is that I propose CI is an integral part of human capital and of general skillsets.

As mentioned in the Introduction, there are extensive, long-term changes occurring in the world today. Such radical changes mean businesses and their management can no longer rely on traditional and tangible sources of value creation such as land, labor and capital, and raw material to drive competitiveness; instead, these entities must now embrace “intangibility” (Andersen & Wong, 2013). CI is one of those intangibles, and our proposed framework represents one link between global hypercompetition and business management. We suggest engaging both scholars and practitioners in the further development of our proposed framework above via effective collaboration as it is no secret the research-practice gap is widely recognized and lamented (Bansal et al., 2012).

CONCLUSION AND FUTURE RESEARCH DIRECTIONS

Business globalization today is redefining how people work together (Thomas & Rablin, 1995). Therefore, one of the consequences of contemporary globalism is more contact between cultures than has ever been common. Examples can include interacting with people across cultures as expatriates, global managers, business travelers, and global leaders (Bücker, Furrer, Poutsma, & Buyens, 2014). In this chapter I have discussed how CI can potentially affect such interaction (Tolentino, 2008) and provided a proposed framework for future research.

It is critical to assess the effects of Drucker’s “Five Certainties” on business operations in an era of global hypercompetition because it is impossible to ignore such issues as drastically changing demographics (especially in areas such as the European Union or Japan), growing incongruence between political and economic reality (e.g., China), and major shifts in disposable income over time, especially in the developed world (e.g., USA, Europe). Executives who ignore these realities will do so at the risk of their respective organizations be they Multinational Enterprises (MNEs) or Small- and Medium-sized Enterprises (SMEs), business or government entities (Barratt et al., 2011; Briscoe et al., 2009).

In this chapter I have provided a thorough Literature Review in areas deemed pertinent such as cultural anthropology, education, social learning theory, diversity management, cultural intelligence, theoretical development, social capital, and decision-making. I would especially like to highlight the role of decision-making here because it is how executives engage in this activity that has a huge bearing on corporate performance as stated by Drucker. I have also discussed the fledgling field of CI which includes my concept framework for further research and development. Finally, I have outlined the challenges facing contemporary management in today’s globalization and

how these challenges are potentially connected directly to CI.

With regards to future research directions on the proposed CI framework, I first suggest academics attempt to enhance my framework further by developing an algorithm to explain mathematically how the model can work in practice or in academia. Second, I suggest additional research into motivational CQ because this aspect of CQ appears to be the most promising (and manageable) within my framework with regards to improving and sustaining corporate “financial bottom lines”. In connection with this second suggestion, I believe it would be highly beneficial to embark on an updated empirical study of TCIs and their enhanced role in corporate leadership and management. Third, I suggest studying contemporary decision-making within the context of the framework above because decision-making highly influences long-term business and corporate fortunes. Last, I suggest reviewing the role of nationalism and patriotism within the framework and then conducting empirical research on how the two concepts affect economic performance today on a national and a global level (Verspagen, 2001).

After drilling troops during the American Revolution in the 1700s, Baron Friedrich von Steuben was said to have noted that while one could tell a Prussian what to do and expect him to do it, it was necessary to tell an American why he ought to do something before he would comply (DeRosa, 2006). This simple example resonates with the spirit of this chapter and appears to confirm the well-established fact that cultural origins can permit the prediction of individual behavior in an organizational environment under different scenarios as previously mentioned. I trust this chapter has at a minimum provided some serious “food-for-thought” regarding CI and global business performance for all concerned parties be they academic or practitioner.

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KEY TERMS AND DEFINITIONS

Cultural Indoctrination: The process of inculcating ideas, attitudes, and cognitive strategies during a person's formative years with the expectation that the individual will not question this process or its elements in adulthood.

Cultural Intelligence (CQ): The capability to relate and work across cultures.

Hypercompetition: Rapid and dynamic competition characterized by unsustainable advantage.

Institutionalization: The process of embedding a concept, social role, or particular value within an organization or society as a whole.

Nationalism: A belief, creed, or political ideology which involves an individual identifying with or becoming attached to a particular nation.

Self-Efficacy: The extent or strength of one's belief in one's own ability to complete a task or goal.

Social Capital: The expected collective or economic benefits derived from the preferential treatment and cooperation between individuals and groups.

Values Orientation Theory (VOT): The concept that people's attitudes are based on the relatively few, stable values that they hold.

Chapter 14

The Role of Cultural Dynamics in the Digital Age

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ABSTRACT

This chapter introduces the role of cultural dynamics in the digital age, thus explaining the theoretical and practical concepts of organizational culture, cultural values and belief systems, material culture and artifacts, language and communication systems, cultural interpenetration, deterritorialization, cultural pluralism, and hybridization; the categorization of cultural dimensions; and the application of cultural dynamics in the modern business world. Cultural influences are changing dramatically as cultures are no longer dependent on local resources to formulate their characteristic tastes, preferences, and behavior and are increasingly linked across vast geographic distances by modern communication media. Membership in a culture adapts to new cultural contexts while transporting elements of one culture to another. As membership in a culture becomes increasingly transitional, unique elements are less clearly demarcated or distinctive. Understanding the role of cultural dynamics in the digital age will significantly enhance organizational performance and achieve business goals in global business environments.

INTRODUCTION

The concept of organizational culture has long been central to theories of organizational action, performance and change. Organizational culture is reinforced by artifacts such as icons, stories, heroes, rites, and rituals reminding people for what an organization stands (Messner, 2013). This is supported by efforts to measure behavior and corrective actions when behaviors of some employees become unacceptable to the organization (Heskett, 2011). Organizational culture is

the values and norms which channel the actions, manners, behavior and attitudes of all employees in the enterprise (Kriemadis, Pelagidis, & Kartakoullis, 2012). Organizational culture has been shown to be a key determinant of innovation success (Laforet, 2008; Tellis, Prabhu, & Chandy, 2009), and it illustrates the rules, norms, and values within an organization (Colquitt, Lepine, & Wesson, 2009). In addition, Engelhard and Nagele (2003) stated that organizational culture is one of the most important issues in managing contemporary organizations. National culture differences impact on the adequacy of solutions

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to organizational problems in different countries as well as the validity of management theories in these countries, and the reaction of people to change (Kirsch, Chelliah, & Parry, 2012). National cultures influence the way in which organizations are structured, how employees are being motivated, and what approach to change will be the most successful (Kirsch et al., 2012). National cultures influence performance appraisal, adequacy of leadership style and management concepts.

Management methods and techniques are not generally cross-culturally transferable and that their cultural fit needs to be determined before a transfer is attempted (Schwartz, 2006; Molinsky, 2007). Culture has a profound influence on all aspects of human behavior (Craig & Douglas, 2006). Cultural influences change and culture evolves as political, social, economic and technological forces reshape the cultural landscape (Usunier & Lee, 2005). Cultural differences influence the appropriateness of recommendations for organizational change interventions and the adequacy of organizational characteristics such as reward systems, performance appraisal, teamwork and collaboration, organizational structure, as well as leadership style (Walumbwa, Lawler, & Avolio, 2007). Many researchers (Chang, 2002; Schneider & Barsoux, 2003) have questioned the cross-cultural transferability of management practice. Not only the transferability of management practices, but also the cross-cultural applicability of change management interventions is also questionable (Kirsch et al., 2012). Understanding the origin, changes, and impacts of culture is one of the most important aspects of organizational research (Alvesson, 2002). This chapter introduces the role of cultural dynamics in the digital age, thus explaining the theoretical and practical concepts of organizational culture, cultural values and belief systems, material culture and artifacts, language and communication systems, cultural interpenetration, deterritorialization, cultural pluralism, and hybridization; the categorization of cultural dimensions; and the application of cultural dynamics in the modern business world.

BACKGROUND

Organizational culture is described as the way things are done, referring to the shared norms, beliefs, and behavioral expectations that drive behavior and communicate what is valued in organizations (Hemmelgarn, Glisson, & Dukes, 2001). The cultural context must be considered in managing change and that in cultures with high levels of uncertainty avoidance, the amount of information provided through all channels needs to be increased to reduce the level of uncertainty (Kirsch et al., 2012). Most interventions and approaches to organizational change have been developed in highly individualistic and low power distance cultures. Change agents operating across national boundaries need valid and reliable information that allows national culture to be taken into consideration in change management strategies (Kirsch et al., 2012). Culture is viewed as the humanizing element of corporate business which helps to establish expectations between an employee and the organization for which the employee works, foster trust, facilitate communications, and build organizational commitment (Messner, 2013). In addition, culture is a tool to encourage commitment and achieve the goals of an organization (Lee, Lim, & Pathak, 2011; De Cleyn & Braet, 2012). Culture is a pervasive influence which underlies all facets of social behavior and interaction (Craig & Douglas, 2006) and is embodied in the objects used in everyday life and in modes of communication in society. The complexity of culture is reflected in the multitude of definitions of culture. Given the rapid pace of change, it becomes increasingly imperative to question dynamic character of culture and to understand the way the composition of culture is being transformed by global forces. Culture is related to all facets of human existence that it is often difficult to determine how and in what ways its impact is manifested (Craig & Douglas, 2006).

THE ROLE OF CULTURAL DYNAMICS IN THE DIGITAL AGE

This section explains the concepts of organizational culture, cultural values and belief systems, material culture and artifacts, language and communication systems, cultural interpenetration, deterritorialization, cultural pluralism, and hybridization; the categorization of cultural dimensions; and the application of cultural dynamics in the modern business world.

Concept of Organizational Culture

According to Ravasi and Schultz (2006), organizational culture is a set of shared mental assumptions that guide interpretation and action in organizations by defining appropriate behavior for various situations. Organizational cultures can be assessed along many dimensions, thus resulting in different models and theories. Organizational culture can be categorized as adaptability, achievement, clan, and bureaucracy (Daft, 2005). In addition, it can be categorized as clan, adhocracy, hierarchy, and market culture (Cameron & Freeman, 1991). Clan culture emphasizes also flexibility, but its focus is on the internal organization. Characteristics of clan-type firms are teamwork, employee involvement, and corporate commitment to employees (Naranjo-Valencia, Jimenez-Jimenez, & Sanz-Valle, 2011). Adhocracy culture emphasizes flexibility, creativity, entrepreneurship and risk-taking (Naranjo-Valencia et al., 2011). Market culture is externally focused, but it is control-oriented. The core values of firms with this market culture are productivity and competitiveness (Naranjo-Valencia et al., 2011). Hierarchy culture is also control oriented but also focuses on the internal organization (Naranjo-Valencia et al., 2011). Organizational culture can be defined as the values, beliefs, and hidden assumptions that organizational members have in common (Miron, Erez, & Naveh, 2004). According to Schein (1992), organizational culture is the most difficult organizational attribute to

change, thus outlasting organizational products, services, founders, and leadership and all other physical attributes of the organization. Verbal, behavioral and physical artifacts are the surface manifestations of organizational culture. Organizational cultures develop and persist because they help an organization to survive and flourish (Schein, 1992). Leung, Bhagat, Buchan, Erez, and Gibson (2005) defined culture as a multi-layered construct existing at different levels, global, national, organizational and group cultures, which encompass the individual.

According to Wallach (1983), an organizational culture can be a combination of three categories (i.e., bureaucratic, innovative, and supportive culture). Wallach (1983) stated that the Organizational Culture Index (OCI) profiles an organizational culture on the three stereotypical dimensions, and the flavor of an organization can be derived from the combination of these three dimensions. A bureaucratic culture is hierarchical, compartmentalized, organized, systematic, and has clear lines of responsibility and authority (Wallach, 1983). In bureaucratic culture, work is hierachal, systemic, and compartmentalized (Erkutlu, 2012). An innovative culture refers to a creative, results-oriented, challenging work environment (Wallach, 1983). In innovative culture, creativity and risk-taking are primary values to survive in the competition of capital markets (Erkutlu, 2012). A supportive culture exhibits teamwork and a people-oriented, encouraging, trusting work environment (Wallach, 1983). A supportive culture exhibits teamwork and a people-oriented, encouraging, trusting work environment (Erkutlu, 2012). An employee can be more effective in his or her current job, and realize his or her best potentials, when there is a match between individual's motivation and organizational culture. This has significant implications in recruitment, management, motivation, development and retention of employees (Shadur, Kienzle, & Rodwell, 1999).

Concept of Cultural Values and Belief Systems

The intangible elements of culture incorporate the dominant societal values and belief systems that characterize a society or culture and guide the patterning of behavior in that society (Craig & Douglas, 2006). Cultural values like the “on-giri” (Larson, 1997; Gelfand, Holcombe, Dyer, Obuchi, & Fukuno, 2001) concept in Japan require that any favor be returned and this influences how people in this culture are socialized in regards to reciprocity which in turn determines whether people can be trusted and depended upon in future. It is important to consider the layering of beliefs and value-systems as well as their scope or relevance to a particular behavior or consumption situation. Value-systems can be examined at the level of the society, specific groups or organizations within society, as well as at the level of the individual (i.e., personal values). Attention has been focused on cultural intangibles at the societal level and their impact on individual behavior. There are numerous other intangibles that impact individual consumption patterns and ways of behaving. These include ideals and aspirations, role norms and gender ideology, cultural myths, metaphors and signs. While complex and difficult to compare across cultures due to their subjective and existential nature, these are nonetheless key elements of culture that determine the patterning of daily life and behavior of consumers. At the societal level, a dominant stream of research has focused on identifying value-orientations in society.

Hofstede (2001) identified four dimensions: power distance, or acceptance of inequality in power in society; individualism, or emphasis on self-interest and immediate family versus collective goals; uncertainty avoidance or society’s tendency to cope with unstructured situations by developing strict codes of behavior; and masculinity versus femininity or the extent to which society values goals perceived as masculine such as competition versus goals perceived as feminine

such as nurturing. A fifth dimension, long-term orientation versus short-term orientation, was subsequently added when the study was extended to Asia based on a study of Chinese values. This revealed another dimension opposing long-term aspects to short-term aspects of Confucian thinking, persistence and thrift to personal stability and respect for tradition. These five dimensions are postulated to represent the collective patterning of the mind, and to constitute fundamental value orientations that underlie differences in managerial practices, organizational patterns and decision-making.

This has also been widely used in marketing to characterize the national culture of different countries and as an independent variable to explain or understand cross-national differences (Nakata & Sivakumar, 1996). This cultural value aspect is used in marketing and consumer behavior (Steenkamp, Ter Hofstede, & Wedel, 1999). These cultural value types were grouped into three cultural dimensions, conservatism versus autonomy, hierarchy versus egalitarianism, and mastery versus harmony. While Schwarz (1992) viewed the approach as distinctly different from that of Hofstede, there are some strong underlying similarities. The first two dimensions closely resemble the individualism-collectivism and the power distance value-orientations while mastery versus harmony parallel Hofstede’s masculinity/femininity dimensions. The similarities between the two value schemas provide further support for their validity as dominant value structures, which exist across societies.

Cultural orientation has been the central construct used in psychology and other social sciences (Oysermann, Coon, & Kemmelmeier, 2002) to understand and define culture (Aaker & Maheswaran, 1997; Aaker, 2000). This perspective has focused on examining cognition and cognitive processes and the universality of models and conceptual frameworks developed in one society or culture in another. Countries are selected as exemplars of either individualist or collectivist societies

and cognitive processes or behavior patterns of respondents in two or more countries compared. A key objective is to determine whether cognitive processes and constructs typically identified in an individualist society such as the USA can be generalized to collectivist societies such as Hong Kong, Taiwan, or Japan. In addition, cultural orientation has been studied related to marketing communications and cognitive processes. Differences have been found between individualist and collectivist societies related to the influence of consensus information on product evaluation (Aaker & Maheswaran, 1997), information content in advertising (Hong, Muderrisoglu, & Zinkham, 1987), emotional appeals in advertising (Aaker & Williams, 1998), and in the accessibility or diagnosticity of persuasion appeals (Aaker, 2000).

These studies suggest the existence of major differences in the salience of appeals between individualist and collectivist societies, notably related to the importance of the individual relative to the group. While cultural value orientations tap a central dimension of cultural variation and provide a highly parsimonious approach to studying culture, they constitute broad societal constructs which do not reflect more nuanced or process-oriented aspects of society or the importance of contextual variables in influencing behavior and cognition (Miller, 2002; Oysermann et al., 2002). A dynamic constructionist view of culture should be adopted, which focuses on identifying specific knowledge structures or implicit cultural theories that mediate social behavior in specific domains (Hong & Chui, 2001).

Concept of Material Culture and Artifacts

Each culture has its own vision of the world and set of culturally-constituted meanings that provide understanding and rules for its members which may be unintelligible to others (Craig & Douglas, 2006). A key mechanism framing interpretation of consumption is advertising in a society which

serves as a conduit through which viewers or readers are informed of the meaning of consumer goods (Tse, Belk, & Zhou, 1989). Material culture incorporates the rituals, artifacts, institutions, and symbols of a society that bind it together and establish rules and norms for behaving toward others within society, either in general or on specific occasions such as weddings and festivals. The meaning and symbolism attached to individual possessions and goods owned by individuals, families or social groups and the significance attached to gifts and gift-giving rituals are also important elements of material culture. Consumption patterns also demarcate life-styles and social class (Holt, 1998). The meaning attached to possessions is another integral component of culture. Wallendorf and Arnould (1988) stated that objects serve as the set and props on the theatrical stage of our lives and markers to remind ourselves of who we are. Favorite objects serve as possessions that reflect local cultures, and as such different values and social structure. In the southwest of the USA, favorite objects represent unique individual expressions of self or personal experiences, while in Niger they are fewer and more likely to represent links with other members of society.

While the specific objects differed between cultures, attachment to objects as distinct from materialism is a pervasive phenomenon in all cultures (Craig & Douglas, 2006). The rituals and institutions established by society are important indicators of the strength of cultural ties and the shared collective programming of society. In Japan, for example, the existence of formal rituals and customs is an important element binding the society and ensuring harmonious relations among its members. In the USA, the broad mix of cultures and national origins results in multiple and diverse cultural traditions and rituals which often intermingle and blend into each other. Rituals associated with consumption behavior, or specific consumption occasions provide insights into the way in which consumer goods are embedded in

and form an integral part of the cultural fabric of society (Belk, Wallendorf, & Sherry, 1989).

Gift giving has been one of the most extensively studied social rituals. The cultural practices surrounding the formalized nature of gift giving in Japan has been contrasted with gift-giving practices in other cultures. Study of gift-giving practices in Hong Kong has revealed these to be embedded in particular socio-cultural practices, which form a continuum from intimates to acquaintances (Joy, 2001). In addition, each culture develops its own gift-giving practices incorporating ties of obligation and reciprocity consistent with the network of social relationships within the culture. Brands serve as cultural markers (Holt, 1998). The meaning and set of associations surrounding a brand name as a brand category may vary from one culture to another (Joy, 2001). Studies of diffusion patterns and favorite objectives also underscore differences in preference formation from one culture to another and hence the importance of understanding cultural-specific factors underlying diffusion patterns in society (Wallendorf & Arnould, 1988).

Concept of Language and Communication Systems

It has been shown that national cultures differ in the way people communicate, which has spurred extensive research on cross-cultural communication (Kirsch et al., 2012). The view of culture as content focuses on interpreting the role of artifacts and the meanings consumers attribute to them (Craig & Douglas, 2006). Related to this aspect is the research that examines the meaning and implications of language as an interpretation of culture. While both streams may end up examining similar stimuli, the focus is different. Content studies examine the role and meaning of an object as it is used by consumers. Favorite objects of specific cultural groups such as Indian immigrants to the USA (Mehta & Belk, 1991) and Italian immigrants in Montreal (Joy, Hui,

Kim, & Laroche, 1995) have been studied. Communication studies examine the use of objects and language as the use of ideographic writing systems in brand recall (Schmitt, Pan, & Tavassoli, 1994). Communication is a key element of culture as it provides a mechanism for transmitting and interpreting messages relating to the world around an individual. All these influence and condition how a communication is received. Members of a culture share a common key for interpreting their social surroundings, which establishes rules for governing the interaction. Members of different cultures may not know how to interpret these signs, resulting in miscommunication. Modes of communication both verbal and non-verbal are an integral part of culture (Samovar & Porter, 1994) and provide links within and across cultural units.

Language is a key component of communication as it provides a mechanism for encoding and decoding messages (Craig & Douglas, 2006). A shared language is a key factor unifying members of a common culture. Language provides an organizing schema for interpreting and understanding the world. Eskimos have several words for snow to reflect different types of snow. In the United Kingdom (UK), there are multiple words for different types of rain. Language and communication give meaning to objects and symbols for the individual. Language and communication act as a unifying force binding together the members of a specific society and culture, and facilitating intra-group interaction, while hindering interaction with members of other societies and cultures. Rapid advances in communications technology have reduced the importance of geographic proximity for communication. Individuals can be in instant touch with others around the world by voice or written word. Information that took days or weeks to spread is available immediately. Physical proximity is no longer a key requirement for formation of a cultural entity. Language has many facets that relate to the meaning of consumer products. Linguistic structure plays an important role in the formation of cognitive processes such

as perception, judgment and choice (Schmitt & Zang, 1998) as well as in brand recall and recognition (Schmitt et al., 1994) and the encoding and recall of information (Tavassoli, 1999). Use of a minority subculture's language in advertising has been found to impact consumer response (Koslow, Shamdasani, & Touchstone, 1994). Examination of how bilinguals process information in advertisements further demonstrates the importance of language in message recall (Luna & Peracchio, 2001).

Language is shown to be an important thread of culture not only in communication within a culture, but also in categorizing cultural content and in retaining information relating to that culture. While language is a key element of culture, it provides only one aspect of communication in a culture. In addition, visual expression, gestures, and signs are the important elements of communication in certain types of cultures. Both language and visual modes of communication play an important role in social communication and issues such as message interpretation or misinterpretation which merit further attention related to communications between cultures. Intercultural communication, or face-to-face communication between people of different national cultures, gives rise to numerous issues of which differences in language constitute but one important barrier (Gudykunst, 2003). Differences in cultural background, values, and mores and self-identities may act as impediments to effective communication. Ways of expressing emotions, perceptions of self, others and of phenomena may differ and give rise to problems of miscommunication. As a result communication between peoples of different cultures is fraught with difficulties. Even within cultures different groups and communities may have their own particular modes of communication, binding them together, but excluding others (Abrams, O'Conner, & Giles, 2003).

Concept of Cultural Interpenetration

Flows from one culture to another result in the second culture being interpenetrated by the first (Craig & Douglas, 2006). When the flows are bilateral, both cultures become interpenetrated. As links are established across cultures, geographically localized cultural entities are rapidly disappearing. New contact zones or spatial patterns of interaction are established across national groups and cultures. As guest workers from developing countries enter into the work force of more affluent societies, they are able to retain contact with their homeland through global media, resulting in attachment to policies in their country of origin or bringing in products from that country. If there are sufficient numbers of immigrants, retail shops and restaurants will be established that offer products and services from their home country. In some cultural instances, such ties may result in disruption or discontinuities as dominance of an immigrant group gives rise to fears of disappearance of indigenous local habits and traits. In other cases, these intrusions are benign, and different cultures co-exist in harmony alongside each other, each respecting the boundaries of the other, and in some cases adopting certain habits or traits of the other.

Concept of Deterritorialization

One of the consequences of cultural interpenetration is that a specific culture is no longer confined to a defined geographic locale (Craig & Douglas, 2006). Linkages and scapes crossing many diverse cultures create an array of transnational contact zones or cultural contexts. They impact the homogeneity of the different cultures and on the other; establish linkages that transform locality to translocality (Featherstone, 1990). This deterritorialization of culture implies that geographic location is far less critical and at times misleading in defining culture and cultural particularity. A culture draws from different resources scattered

in multiple locations and through links established between locations. Localized cultural units no longer form the nuclei for the development of distinct cultures, but are replaced by geographically dispersed cultures linked together through modern communications technology. Cultural boundaries are becoming more porous, as contact is established between different cultural contexts through the various flows. In addition, values, attitudes, and behavior are becoming more amorphous and continually changing, particularly with regard to other cultures and cultural values.

Concept of Cultural Pluralism

Rather than rapidly assimilating into a host country, immigrants in many countries and contexts are retaining their own ethnic or cultural identity (Thompson & Tambyah, 1999). This is facilitated by the ease with which links can be maintained across cultural contexts. The proliferation of cultural groupings is also resulting in increasing cultural pluralism. Consumers belong to multiple cultural groupings (i.e., ethnic, linguistic or religious groups, and hence have multiple identities). For example, female Catholic Korean immigrants in California are members of the Asian immigrant culture in California, as well as the Korean culture, the Korean immigrant culture in California, and the Catholic Asian culture, etc. Some individuals identify strongly with multiple groupings. For example, a Pakistani Muslim immigrant may identify strongly with the Muslim religion, with his country of origin, as well as with his country of adoption, rather than shifting from identification with his country of origin to his country of adoption as is commonly assumed.

This situation raises the question of whether strong ethnic or cultural identification is a personality trait whether some individuals have a strong drive to identify with a group, while others have much weaker drives for group identification. Different identities may be operant depending on the specific context or situation. The ethnic identity of

origin may be operant in the home while that of the host culture dominates in the workplace. The importance of a specific cultural influence may vary depending on the product category. Religion may be operant in terms of food and sometimes clothing purchases, while ethnic origin influences choice of store, and language determines choice of information sources.

Concept of Hybridization

Hybridization occurs not only among elements of culture that are in harmony with each other, as the adoption in the USA of other elements of western cultures or Japanese art forms, but among cultures that are substantially different from one other (Craig & Douglas, 2006). European Americans adopt African-American music as Indian musical traditions have permeated western music, resulting in the emergence of world music (Featherstone & Lash, 1995). Co-existence of people from different cultures in close proximity may lead to hybridization of culture as they become intermingled through intermarriage or other forms of social interaction. Immigrants of different national or ethnic origins will become exposed to each other's cultural traditions, lifestyles and behavior patterns, as well as those of their common host culture. The customs or festivals of one group may be adopted by others; for example; Christmas has been widely adopted in many Asian countries by non-Christians. American sports such as basketball, baseball, and football have been adopted in other parts of the world, and soccer in the USA. In addition, cultural identities are continually changing and evolving over time and compositional elements are no longer specific to a given context as the fluidity of boundary lines blurs the lines of cultural demarcation.

Categorization of Cultural Dimensions

There is a wealth of literature on cross-cultural differences and the impact of cultural differences on organizational behavior (Kirsch et al., 2012). The best known studies are Hofstede's (1980, 2000) studies of cultural dimensions. In the 1970s, Hofstede conducted a large research project into national culture differences across subsidiaries of a multi-national corporation (i.e., IBM) in 64 countries. The major findings include the following:

1. Individualism versus collectivism is the degree to which individuals are willing to sacrifice their own objectives and prioritize the group. In individualistic countries – for example, the USA or Australia – people have a tendency to be concerned mainly with themselves, whereas collectivist cultures – for example Japan or many Latin American cultures – have strong cohesive groups that expect loyalty in exchange for support and protection. Individualism-collectivism is an important dimension of organizational culture (Hofstede, 2001). Individualism refers to the condition in which personal interests are accorded greater importance than are the needs of groups, while collectivism accords when the demands and interests of groups take precedence over the desires and needs of individuals (Wagner, 1995). Individualism emphasizes independence whereas collectivism emphasizes interdependence (Wuyts & Geyskens, 2005).
2. Masculinity versus femininity refers to the distribution of emotional roles between genders, as espoused in the distinction between tough and competitive males and tender and caring females. According to Hofstede (2000), Japan was found to be the most masculine culture, with a rating of 95 and Sweden was the most feminine with a rating of 5. Other examples of masculine cultures include the USA, Germany, Ireland, and Italy. Feminine cultures include Spain, Thailand, Korea, Portugal, and the Middle East. Masculine cultures are based on values that favor a materialistic and aggressive attitude (Kirsch et al., 2012). Feminine cultures value cooperation, collaboration and human development and are generally more nurturing and caring (Kirsch et al., 2012).
3. Uncertainty avoidance refers to the extent to which members of a culture prefer to avoid uncertainty and feel uncomfortable or comfortable in unstructured situations. It is reflected in the degree to which certain cultures try to control the uncontrollable. According to Hofstede (2000), Greece has the highest scores for uncertainty avoidance and is the most risk-averse culture while Singapore is the least. Protestant countries and those with Chinese influences score low, whereas Catholic, Buddhist, and Arabic speaking countries tend to score high in uncertainty avoidance.
4. Power distance is the extent to which unequal distribution of power is accepted. In high power distance cultures, less powerful members of an organization accept that superiors have much more power than they possess. Examples of cultures with high Power Distance Index scores include Arabic speaking countries, Russia, India, and China and those with low scores include Japan, Australia, and Canada. The level of power distance and individualism/collectivism would also affect the preferred communication means (Kirsch et al., 2012). In high “power distance” cultures, people would prefer ways of communicating that reduce the level of power distance and, therefore, use more written information and information from rumors and less direct information from managers (Kirsch et al., 2012).
5. Long-term versus short-term orientation refers to the extent to which members of a

culture accept the delay of gratification of their material, social and emotional needs. People in long-term oriented cultures are used to working toward building strong relationships and market positions and do not expect immediate results. Cultures with pronounced long-term orientation are China, Japan, and Korea, whereas African cultures (e.g., Ghana, Nigeria, Sierra Leone) and British cultures scored rather low on long-term orientation.

Trompenaars and Hampden-Turner (1998) distinguished seven cultural dimensions: universalism versus particularism (what is more important, rules or relationships?), individualism versus collectivism/communitarianism (do we function in a group or as individuals?), neutral versus emotional (do we display our emotions?), specific versus diffuse (is responsibility specifically assigned or diffusely accepted?), achievement versus ascription (do we have to prove ourselves to receive status or is it given to us?), sequential versus synchronic (do we do things one at a time or several things at once?), and internal versus external control (do we control our environment or are we controlled by it?). In addition, Schwartz (2006) categorized cultures: embeddedness, intellectual autonomy, affective autonomy, hierarchy, egalitarianism, mastery, and harmony. Project GLOBE (House, Hanges, Javidan, Dorfman, & Gupta, 2004) categorized nine cultural dimensions: performance orientation, future orientation, assertiveness, uncertainty avoidance, power distance, institutional collectivism, in group/family collectivism, gender egalitarianism, and humane orientation.

Significance of Cultural Dynamics

The level of involvement and participation by employees in planning and degree of accountability are likely to be affected by cultural characteristics (Kirsch et al., 2012), because participation and accountability are strongly related to the way in

which people have been socialized to act within acceptable norms and standards within a given culture. This influences the expectations from the various work roles and the supervisor-subordinate relationship. Organizations in countries that have large power distance typically do not permit much power sharing in the organization and that in those countries it is accepted that decisions are made at the top of the organization and individuals at the lower levels are expected to carry them out, without question. This would imply that the level of involvement is low in countries with high power distance. The concepts of employee participation, involvement, and industrial democracy originated in low power distance cultures and are therefore compatible with the values of those cultures; however, they are not necessarily transferable to high power distance cultures. In addition, the level of involvement will be lower in cultures with high power distance and that collectivism will be positively correlated to the level of involvement (Kirsch et al., 2012).

Another aspect is emotional reaction to various events that are impacted by cultural dimensions, mainly uncertainty avoidance (Kirsch et al., 2012). The level of uncertainty avoidance is correlated to the amount of fear experienced. In a culture with high uncertainty avoidance, organizational change would be accompanied by higher levels of fear (Kirsch et al., 2012). Highly individualistic cultures focus on the individual performance as opposed to the team and have a lower level of need for social interaction. According to the contingency model suggested teamwork and collaborative change would be easier to introduce in collectivist cultures such as China. The converse would be true for individualistic cultures such as the USA or Australia. Many change management interventions are developed in individualistic cultures and may not be transferable to collectivist cultures. The level of masculinity will also impact on teamwork because femininity values cooperation, collaboration, support, and care which are all conducive to teamwork. The degree of collectiv-

ism is expected to be positively correlated to the amount of teamwork. Masculinity is negatively correlated with level of teamwork. The level of collectivism may impact on the employees' awareness of the need for change. Individualism is negatively correlated to the awareness of the need for change. Feminine, caring and nurturing cultures would be more conducive to dealing with the fear and distress related to organizational change (Kirsch et al., 2012).

Application of Cultural Dynamics in the Modern Business World

Organizational culture is a critical factor that influences knowledge management or the effectiveness of knowledge sharing (Gold, Malhora, & Segars, 2001). Organizational culture consists of some combination of artifacts, values, and beliefs and underlying assumptions that organizational members share about appropriate behavior (Gordon & DiTomaso, 1992; Schein, 1992). Organizational culture involves beliefs and behavior, thus manifesting itself in a wide range of features of organizational life (Hofstede, Neuijen, Ohayv, & Sanders, 1990). As such, organizational culture refers to a set of shared values, belief, assumptions, and practices that shape and guide members' attitudes and behavior in the organization (O'Reilly & Chatman, 1996; Wilson, 2001). Long (1997) suggested that organizational culture defines the value of knowledge, and also explains the existence of the advantage of knowledge innovation in an organization. This kind of advantage further affects the willingness of employees to share and be involved. Organizational culture impacts the knowledge exchange, the combinative interaction, and the perceived value of organizational members (Tseng, 2010). Organizational culture has been connected to financial performance of the firm and its viability and future success (Sorensen, 2002).

Cultural dimensions affect the way in which people interact and the explicit and implicit expectations that they have in regards to the relationships

with peers, superiors, and subordinates (Kirsch et al., 2012). It is expected that close relationships will be strongly affected by cultural characteristics. It is assumed that power distance and collectivism will impact the perceived level of support from divisional leadership. The responsiveness of the unit/team might be impacted by power distance. This is related to the fact that in high "power distance" culture employees are more willing to accept the power difference, and therefore accept orders from supervisors without challenging or questioning those. This reduces the amount of time and effort needed to be spent on "selling" certain actions and increases the speed of implementation (Kirsch et al., 2012). Research might focus on studying in-depth a particular culture, thus examining how values and belief systems evolve, how patterns of communication change and new forms of material artifacts replace the old (Craig & Douglas, 2006). Given the importance of the global flows identified earlier, of even greater salience is the examination of how such flows impact cultural patterning and establish linkages across cultural boundaries. More detailed examination of such phenomena and the implications for marketing would undoubtedly provide fruitful avenues for understanding the dynamics of cultural change. A consequence of cultural interpenetration is cultural contamination. This implies that the central values of a culture are no longer distinct and readily measurable, but rather permeated by influences from other cultures.

The cultural mechanisms through which such changes in the cultural value system occur vary (Craig & Douglas, 2006). Some individuals who have been exposed to other cultures either passively through mass-media and communication systems or actively through living in or traveling to other cultures, will exhibit adaptability to different culture systems as they move from one culture to another. Such individuals have been termed variously "world minded" (Beckmann, Douglas, Botschen, Botschen, Friese, & Nijssen, 2000) or cosmopolitan (Cannon & Yaprak, 2002).

In a study of worldmindedness (Beckmann et al., 2000), qualitative research was undertaken in a preliminary “emic” stage of research to assess how individuals in the three countries studied, Austria, Denmark, and the USA, perceived the concept of worldmindedness or cosmopolitanism. This was closely related to the linguistic context of the study. More research is needed to assess how far language influences meaning and equivalency in different cultures. It is important to assess whether the same construct is linked to the same product related attitudes and consumption patterns in each country.

As cultural interpenetration and cultural contamination occur, the unique material associated with the “ethnie” core of a culture (i.e., its artifacts, symbols and rituals) will become less clear and readily identifiable. It will become increasingly difficult to distinguish one “ethnie” core from another. A blurring of the “ethnie” core will occur as objects and symbols transferred from one culture to another are adopted, and adapted in a new and different cultural context. Traditions and rituals become intermingled and merged as those of one culture are adopted and absorbed by another. As a result of this interchange, new food consumption patterns, clothing, or entertainment that reflect a fusion of two or more cultures are emerging, as for example, Afro Hispanic rhythms or Asian fusion cuisine. Increasing cultural interpenetration results in a resurgence of traditional rituals and artifacts among a small fragmented market segment.

Cultural dynamics influence the diffusion of objects and artifacts from one culture to another or the extent to which symbols of belonging to one culture have been adopted by another (Craig & Douglas, 2006). Given the increased fluidity of culture and the growth of inter-linkages between cultures, it is important that more time is spent examining the extent to which trade linkages and communication links such as media or travel as well as cultural similarity or geographic distance influence adoption of products from one coun-

try to another. As communication across broad geographic distances becomes increasingly easy, linguistic similarity of cultures becomes more critical than geographic proximity in determining diffusion patterns. USA films have been found to be more successful in English-speaking countries, countries with values similar to the USA, and those with more McDonalds’ outlets per capita (Craig, Greene, & Douglas, 2005). Given the fluidity of communication, research needs to capture the dynamics focusing on the impact of the rise of bilingualism or the increased use of loan words (Craig & Douglas, 2006).

In targeting immigrant bilinguals, the effectiveness of adapting advertisements to local languages requires further examination. Attention might be directed toward language preference differences between first, second, and third generation immigrants, as whether the similarity of their native language to the language of the country of adoption, or socio-economic status plays a role. The extent to which immigrants have learned the language prior to arriving in the country of adoption, as well as the reasons for choosing to immigrate to a particular country are also important. Use of loan words merits further investigation and is becoming increasingly significant as more individuals travel and are exposed to languages, customs, brand names and material objects from other countries.

FUTURE RESEARCH DIRECTIONS

Future research directions should broaden the perspectives of different types of cultures to be utilized in the knowledge-based organizations. In addition, future research should study a greater understanding of cultures and other KM-related variables (i.e., knowledge-sharing behavior, knowledge creation, organizational learning, learning orientation, and motivation to learn) in the knowledge-based organizations.

CONCLUSION

This chapter introduced the role of cultural dynamics in the digital age, thus explaining the theoretical and practical concepts of organizational culture, cultural values and belief systems, material culture and artifacts, language and communication systems, cultural interpenetration, deterritorialization, cultural pluralism, and hybridization; the categorization of cultural dimensions; and the application of cultural dynamics in the modern business world. This chapter developed a more thorough understanding of cultural dynamics and the different ways in which new sources of cultural influence are permeating and changing society. The analysis of the correlation between cultural dimensions (Hofstede, 2000; Hofstede, Hofstede, & Minkov, 2010) and aspects of change management stated that there are certain cultural dimensions that might have led to those differences and impact what works in a specific culture and what does not, what aspects need to be taken into account, and what the change manager must consider.

It is important to highlight that changing an organization's culture is a long-term endeavor. During this process, communication with all employees and stakeholders plays an important role in changing an organization's culture. Allowing employees to participate and get involved in making the changes in the culture can have a very positive impact and may facilitate the process of change. Emphasis is placed on examining the components of culture and providing a conceptual overview of the key forces impacting and changing culture. The parallel trends of globalization and multiculturalism make it increasingly important to develop a deeper understanding of culture and its various manifestations. Cultural influences are changing dramatically, as cultures are no longer dependent on local resources to formulate their characteristic tastes, preferences and behavior and are increasingly linked across vast geographic distances by modern communication media.

Membership in a culture adapts to new cultural contexts while transporting elements of one culture to another. As membership in a culture becomes increasingly transitional, unique elements are less clearly demarcated or distinctive. New hybrid cultures are emerging and blending elements of different origins. The dynamic and evolving character of these cultural influences greatly complicates research designed to disentangle the impact and meaning of culture.

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KEY TERMS AND DEFINITIONS

Attitude: A predisposition or a tendency to respond positively or negatively towards a certain idea, object, person, or situation. Attitude influences an individual's choice of action, and responses to challenges, incentives, and rewards.

Behavior: A response of an individual or group to an action, environment, person, or stimulus

Belief: Assumption and conviction that is held to be true, by an individual or a group, regarding concepts, events, people, and things.

Communication: Two-way process of reaching mutual understanding, in which participants not only exchange (encode-decode) information, news, ideas and feelings but also create and share meaning.

Culture: Broadly, social heritage of a group (organized community or society). Culture is a pattern of responses discovered, developed, or invented during the group's history of handling problems which arise from interactions among its members, and between them and their environment. These cultural responses are considered the correct way to perceive, feel, think, and act, and are passed on to the new members through immersion and teaching. Culture determines what is acceptable or unacceptable, important or unimportant, right or wrong, workable or unworkable. Culture encompasses all learned and shared, explicit or tacit, assumptions, beliefs, knowledge, norms, and values, as well as attitudes, behavior, dress, and language.

Globalization: The worldwide movement toward economic, financial, trade, and communications integration.

Organizational Culture: The values and behaviors that contribute to the unique social and psychological environment of an organization. Organizational culture includes an organization's expectations, experiences, philosophy, and values that hold it together, and is expressed in its self-image, inner workings, interactions with the outside world, and future expectations. It is based on shared attitudes, beliefs, customs, and written and unwritten rules that have been developed over time and are considered valid.

Value: Important and lasting belief shared by the members of a culture about what is good or bad and desirable or undesirable.

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