


# Chapter 10

## The Relationship Between Culture and Human Development: An Analysis Through the Lens of Innovation and Corruption

**Pedro Silva**

*Universidade de Aveiro, Portugal*

**António Carrizo Moreira**

 <https://orcid.org/0000-0002-6613-8796>

*Universidade de Aveiro, Portugal*

### ABSTRACT

*The human development is used to evaluate the richness of human life, focusing on the people, on their opportunities and choices, rather than simply on the richness of economies. As for national culture, it is understood as a set of characteristics that distinguish members and that may influence all aspects of social and individual life. This study hypothesizes that national culture, measured using Hofstede's six cultural dimensions, has an impact on corruption and on innovation, and that less corrupt and more innovative nations create better welfare conditions and human development for their habitants. To test the proposed framework, data were obtained from Hofstede's, Transparency International, Global Innovation, and United Nations Development Programme websites for the year 2012. Using PLS-SEM, the results show that cultural factors play a smaller role on determining innovation than corruption, and that decreasing corruption is more important to improve human development than increasing innovation.*

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## INTRODUCTION

Human development is a critical topic across the globe as governments of different countries are being held responsible for their performance regarding factors such as carbon emissions, economic challenges and human resources. One of the objectives of the United Nations is the promotion of a higher standard of living and of better conditions for economic development and social progress. The human development is considered of particular importance and can be defined as the process of widening people's choices (UNDP, 1990). The human development emphasizes that people and their capabilities are the best way to assess a country's development, rather than economic growth alone.

Culture is the foundation on which a society is built and has an impact on people's lives. According to Hofstede (2001), national culture is a set of characteristics, attitudes, norms and values that distinguish members across organizations, institutions or countries, influencing all aspects of social and individual life. The individual's role in society is likely to influence the decision to create new businesses, to act entrepreneurially and to live within the boundaries of the law. We believe that a country's culture can have a major role in how individuals behave and interrelate with other individuals and, ultimately, on human development. A country's culture may guide the behavior of its members by providing them with a dominant logic and cultural differences can be an explanation as to why some nations exhibit higher levels of economic development and corruption than others (Silva & Moreira, 2016).

We expect culture to influence the environment, the society and the economy, as there is evidence of the interdependencies between these variables and the acknowledgment that they are intertwined (Dyll-lick & Hockerts, 2002). As such, it is important to understand the basic cultural and economic factors that influence the human development of nations.

Considering the abovementioned factors, this chapter seeks to analyze how national culture influences innovation, corruption and ultimately, human development.

Despite the existence of research focusing on some of these links, research relating all these factors is scarce and presents some limitations. The list of studies examining the culture-innovation link is nonetheless extensive (e.g., Azar & Drogendijk, 2016; Dantas, Moreira, & Valente, 2015; Efrat, 2014; Gaygisiz, 2013; Mihaela, Claudia, & Lucian, 2011; Shane, 1992, 1993; Steel, Rinne, & Fairweather, 2012; Taylor & Wilson, 2012; Turró, Urbano, & Peris-Ortiz, 2013). However, most studies do not use the updated six-dimension of Hofstede's cultural framework (which includes pragmatic versus normative and indulgence versus restraint in addition to the previous power-distance, individualism, masculinity and uncertainty-avoidance dimensions), nor the Global Innovation Index (GII) that captures the multi-dimensional facets of innovation and provide the tools that can assist in tailoring policies to promote long-term output growth, improved productivity, and job growth. Instead, many studies carried out to date have used the old four cultural dimensions and traditional measures of innovation (e.g., number of patents or investment in R&D) (e.g., Efrat, 2014).

Although the relationship between national culture and corruption has also been analyzed (e.g., Barr & Serra, 2010; Davis & Ruhe, 2003; Huster, 1999; Sanyal, 2005; Sims, Gong, & Ruppel, 2012; Yeganeh, 2014), extant research lacks the use of complete cultural frameworks and findings are still inconsistent. There is research on the relationship between corruption and innovation (e.g., Anokhin & Schulze, 2009; Ulman, 2013), but no studies have used the Corruption Perception Index (CPI) and the GII simultaneously.

The links between culture and human development, and between innovation and corruption and human development have remained far less studied. An exception is perhaps the research of Ortega, Casquero

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