

Karin Reinprecht<sup>1</sup>:  
**Developing rural service markets, taking into account cultural  
and social contexts and systems**  
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*This article makes the case for why to look at culture and values when building BDS markets. Values which are lying beneath our BDS supporting and BDS providing activities are analysed and discussed and a closer look is taken at the cultural influence on transaction costs, which BDS interventions often aim to reduce. Cultures usually change and BDS interventions always cause a cultural change – to bring about a positive change, BDS should take culture into account in a conscious way. Tools for a broader cultural analysis, which can be used in a general BDS market study or which can be adapted to the baseline research for a specific BDS intervention are suggested.*

### **Why is it important to look at the “culture”?**

“For BDS interventions to be both sustainable and locally owned, they must build on what is already there rather than supplanting it with imported visions and models.<sup>2</sup>” A very true statement made in the Blue Book of the Donor Committee on BDS interventions. As there aren’t many structures on which one could build a BDS market in rural areas, the solution the BDS practitioners suggested, is, to search for some entry points, which resemble market structures or have the potential to become one (e.g. teachers in rural schools who could become trainers for simple business accounting). In order to find these entry points, market studies are carried out. The problem with these, however, is that the questions usually asked in this context are very specifically addressing the existence and use of specific services and try to find out, if the small entrepreneurs and farmer-entrepreneurs are informed and knowledgeable about these services. They are not discussing visions and existing coping models and structures. For example, in a BDS market study in rural Senegal financed by the Austrian Development Co-operation, rural entrepreneurs were asked seven questions about 20 different services (ranging from legal, finance and tax consulting to packaging) to find out, if the rural entrepreneurs knew these services in principle, if they were using them or would be using them and how important these services were for their small and micro enterprises. The information, which most BDS market researchers and also designers of BDS programmes are not looking for, is information on the culture prevailing in the rural areas where BDS markets should be built and strengthened<sup>3</sup>.

BDS market interventions always take place in the context of existing cultural and social structures

Why is it important to look at the “culture”? Because culture matters, when it comes to succeeding with outside efforts in developing inside structures – and this is what BDS interventions and market building efforts try to do. If one only asks

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<sup>2</sup> p.8, Guiding Principles for Donor Interventions (Blue Book), 2001

<sup>3</sup> Only a few donors conscientiously integrate culture in their thinking. SIDA for example discusses it in the context of entrepreneurship development, saying that the social and cultural sphere determines attitudes towards entrepreneurship and private enterprises in general as well as the creation of a positive entrepreneurial culture. ILO mentions the cultural influence exerted by traditional law. The Austrian (ADA) private sector policy mentions the influence by development projects on culturally formed social roles esp. of women entrepreneurs.

for certain services and their importance for the rural entrepreneurs, they will probably be overlooking the entry points, which would truly lead to BDS market development, and they will ignore the structures, which could be supportive for there intervention – and those which could make a failure out of it.

*“One program in a predominantly Muslim country where cultural norms limit a woman’s interaction with (usually) male service providers originally intended to reach both rural women and men in remote villages using informal, “barefoot” providers. The project organised participants to facilitate access to suppliers, however the women were slow to organise and take leadership positions, and no women suppliers came forward to participate. The result was a project serving 90% men. Such stories abound.” (Miehlbradt, McVay, 2004)*

### **What is a cultural system?**

All human beings are living and working in a system of cultural and social structures or institutions which regulate how they live their lives and how they live together with other people. So everywhere, where a BDS market building takes place, it is taking place in the context of these existing structures and institutions.

What are cultural and social structures and institutions? Some of these institutions are very tangible like government institutions, laws, fiscal and tax regulations, financial market institutions, often dealt with in development programmes for the creation of an enabling business environment. Others are usually not so tangible and even sub-conscious like values, norms and habits and are therefore mostly not taken into account conscientiously. Institutions make up the structures of a society. The institutional economist Douglass North defines structure in the following way: „By structure I mean those characteristics of a society which we believe to be the basic determinants of performance. Here I include the economic and political institutions, technology, demography and ideology of a society.<sup>4</sup>“, by ideology meaning the general value system of a society.<sup>5</sup>

### **Why are values important?**

Why is the value system then and why are values important? Because values, and the attitudes, norms and habits based on them, are strongly influencing how we behave, think and live – also economically. Values are determining which concept we have of our existence, what goals we are having in our lives, what is important for us and what not. They specify what is right and what is wrong and our general preferences, they influence the selection of means, ends and action. Values are shaping our expectations and thus our economic reasoning<sup>6</sup>. Hofstede sees values as a part of nations’ “collective mental programming” reflected in traditions,

Values are shaping our (economic) identity ...

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<sup>4</sup> North, 1981

<sup>5</sup> For the sake of brevity, institutions and structures are seen as similar elements and processes making up cultural and social systems, which might also be simply called culture or society in the following.

<sup>6</sup> The importance of culture and values for a human being’s identity is captured in the statements below, made by Kuper, 1996: “A person can only be free in the appropriate cultural arena, where his or her values are respected.” “The concepts of identity-building and of culture (...) were and could only be born together.” “Once a cultural identity has been established, the pressure is on to live it, even if that means sacrificing one’s individuality.” ( p.136) „The inner self finds its home in the world by participating in the identity of a collectivity (e.g. nation, ethnic group, political or religious movement, social class). (p.235)

behavioural norms, language and laws – and I would like to add beliefs. Values affect attitudes, perceptions, needs and motivation.

Norms and habits regulate the attitude displayed vis-à-vis other people, e.g. family members, business partners, government officials, friends, foreigners. They shape the behaviour, we show to others and others show to us, thus allocating the different social roles we play in different social contexts. These social roles in turn are influencing how and the extent to which people can access finance, licenses information on markets, business ideas and opportunities – crucial for the BDS market development. It is social roles, which make people confident that they will be able to succeed in any endeavour, also an economic one. And it is the social role, which makes it difficult or easy for the members of a society to succeed in a specific social systems. In the end, social roles determine, if market actors like owners of small businesses will be able to reach their business goals and other objectives of their lives.

Norms determine our social roles

*In a project to support business start-ups through financing by local banks and consulting by local consultants and institutions in the north-east of Germany (former GDR), the most important factor for remaining in business was financing (soft loans), second came motivation and education (often a university degree) and the third most important factor was being male – so obviously the social role, which came along with being male. The least important success factor was, interestingly, drawing on the consulting opportunities provided by the BDS project (Brüning, Klandt, 1996). Luís Afonso Bermudéz from Brazil's Anprotec says: "Some are born to be entrepreneurs, but in order for these vocations to develop, they require time, a favourable environment and the right tools." (Microenterprise Americas, IDB) But even if the personal character counts very much, why is it then that, as cited in the same magazine, the typical entrepreneur in Latin America is male, originating from middle class, starting their business between in the age of 26 to 35 and half of them having a university degree. In both cases, the answer probably is, because the culture prevailing in Germany and in Latin America is favouring this type of person (male, educated) over other types of people, attributing to them **social roles** which allow them to become more successful entrepreneurs.*

Clarify, if the values guiding the economic transactions in your target region are contradicting the silently assumed values of a market economy

### **Are the values behind our BDS market building efforts universally accepted?**

When planning our interventions for BDS market building, we are silently assuming specific values which are typical for market economies, although often the values prevailing in our target regions are contradicting these. The rules and values concerning economic self-interest and fairness on which transactions in the money economy are based and by which they are guided, are often unknown to people living in different economic traditions and value systems:

*In an anthropological experiment the economic behaviour and fairness of different types of economic actors<sup>7</sup> were tested. This economic experiment*

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<sup>7</sup> See Ensminger: This economic experiment (ultimatum game) was carried out in the USA, Africa and Asia and involved people who were fully, partly or not at all involved in the market economy. The experiment tested the level of co-operation, self-interest and altruism in the context of transactions typical for cash-market economies. The game: one randomly chosen person got in cash the amount of a daily salary of a worker and should share this with another person in an

*(ultimatum game) was carried out in the USA, Africa and Asia and involved people who were fully, partly or not at all involved in the market economy. The experiment tested the level of co-operation, self-interest and altruism in the context of transactions typical for money market economies. The game: one randomly chosen person got in cash the amount of a daily salary of a worker and should share this with another person in an anonymous setting. If the other rejected, because the offer was too low (happened often in the USA, because the game partners found the offer “unfair”), no one of the two players got anything.*

*The Machiguenga from Papua New Guinea for example “made **very low offers** to their partners compared to all other known studies of the ultimatum game (a mean of 26% versus a typical mean of 40 to 50 percent in the United States), and these offers were almost never rejected.” The reason might be that “(...) the **pay-off for a good reputation** is greater in a market economy than in a non-market economy. Among other things, the signalling value in a market may be higher because of the greater flow of information, which corresponds in part to the higher population density of the market populations.”*

*“(...) the Au and Gnau of Papua Guinea (...) made a lot of **hyper-fair offers** (greater than 50 percent). Even more curiously, these offers were as likely to be rejected as were low offers. This is “(...) quite consistent with what one might expect from a competitive gift-giving society or potlaching society, which indeed these are.” The pastoral Orma of north-eastern Kenya “(...) offer 58 percent, at the high end of the range that we commonly see in the United States. It is interesting that the Orma immediately identify the game as the “harambee game”, (which) is a widespread game throughout Kenya as a mechanism for raising funds for the common good – school building and water projects, for example.” These two examples show that these people decide according to a set of completely different norms and values than people living in market economies do – and that they decide on the basis of the known structures and institutions (potlach, harambee game).*

*In certain cultures, where economic success and success in general are defined differently, Adam Smith’s „natural **economic self-interest**“ is not leading to the same results and maybe doesn’t even exist in the way described by the classical economists (and which is still used as the assumed basis of thinking by neoliberal economists). In the dictator game, where you can decide, if you take all money or share with another co-player, the result was that while it was common to find 30 to 40 percent of players taking all of the pot in the United States and Canada, one finds a much smaller percentage of purely self-interested players among the Orma from Kenya (9 percent).*

*A short test with these two games in Austria showed that those people which are the most successful in the market economy (proven by the fact that they manage and own thriving enterprises), are also those who know the fairness rules best which are guiding the market economy and are therefore able to be just fair enough to remain in the game, but nevertheless get the most out of it.*

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Fairness norms have a big impact on pricing – and they are not the same everywhere

Economic decision making based on use-values, not on corporal needs

Some authors are even challenging that the motives of actors in market economies are always the basic needs (drinking water, food, clothes, shelter) which are posited by many Western thinkers. It is rather use-values, which are important to people because of the role which the produced good plays in their value system and for their social roles:

*For John Locke the human **corporal needs** are „the only spur to human industry“, but further thinking from anthropologists came to the result that it is „the pertinence of meaningful values rather than mechanical causes“<sup>8</sup>, which lead to human industry and thus economic efforts. The anthropologist Sahlins continues to say, that for Western countries, production is „a natural-pragmatic process of need satisfaction ... raising the alienation of persons and things to a higher cognitive power. (With this) one ignores the cultural code of concrete properties governing ‘utility’ and so remains unable to account for what is in fact produced. (Which is) the production of **use-values**. This determination of use-values, of a particular type of house as a particular type of home, represents a continuous process of social life in which men reciprocally define objects in terms of themselves and themselves in terms of objects. (...) (Thus) **Production ... is a cultural intention.**” To accept this is not only necessary to understand economic transactions in general, but it is also the basis of all marketing efforts, one very important Business Development Service.*

Production is a cultural intention not a natural-pragmatic process of need satisfaction

The ethnologist Evans-Prichard says in his account of the Azande in Africa that the rational thinking is the same in all human beings (cause : result), but that the premises on which they are based, are determined by culture. So another principle which is the basis of our market economy – that results have specific causes – might be interpreted differently in different cultures. An example is witchcraft, often given as cause for a certain result like economic success in Africa<sup>9</sup>. The Senegalese author Diallo states that in Africa prosperity is often seen as being unrelated to diligence<sup>10</sup> and rather related to occult practices. As the causes identified for certain results influence, what actions can be taken to achieve aimed at results, it is crucial to know, how the relation between cause and result is usually seen in a culture.

Rational thinking (causes : result) can be found everywhere – causes, however, might be irrational

### **Are transaction costs culturally influenced?**

People, as we said above, decide in a rational way. That their decisions might be different from that what we assume, is not only because they interpret events and the world differently due to a different value basis, but also, because they face different transaction costs, because they are working and living in different cultural and social structures. Often, in our BDS market studies and BDS intervention programmes, we are not truly aware of the actual workings of social and economic transactions in a certain society. And sometimes, even if we are originating from this society, we simply apply the mechanics of the BDS

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<sup>8</sup> Sahlins, 2000

<sup>9</sup> About China’s economic development until the beginning of the 20<sup>th</sup> century, Max Weber explains that the rational economic and technological development like in Europe was not possible because the Konfuzian ethic which led people into remaining in their “magic garden” (“Zaubergarten”), a system of magic and irrational reasoning. (Max Weber, 1996, p.451)

<sup>10</sup> Cited by Chabol and Daloz, who also ask, “do we not need to use an approach which will allow us to understand how the irrational may be compatible with a certain type of development which differs fundamentally from Westernisation?” Chabal and Daloz, 1999, p.63, 64, 69

principles without actually acknowledging that they might not meet the intended response and thus result in not intended outcomes or even failure.

One example of this is, that we try to strengthen BDS providers, in order to bring about the provision of better service quality and in order to achieve a wider outreach. For this a certain formalisation of the providers and their organisation is necessary. As some authors, however, report (and this may well be the reason, why some interventions/projects didn't work in this respect), that not all cultures and social systems are open for formalisation.

*In her famous polemic book (see the annex on sources), Axelle Kabou says that Africans actually prefer the prevailing framework of informal, familial and clientelistic networks; that Africans refuse any rational approach to organisation. She says, that at all levels, there is systematic recourse to improvisation, tinkering and approximation. Also Daloz and Chabal stress the "significance of the process of **informalisation** and the reluctance to institutionalise." The authors diagnose in Africa the "inability or unwillingness to institutionalise more formal and more impersonal social relations. The primacy of the informal is deriving from a different logic and resulting in a distinct type of modernity which goes against the grain of most existing models." <sup>11</sup> This is a lesson, we have to learn, when we try to build BDS markets, especially what concerns the efforts to formalise the exchange between clients (entrepreneurs) and service providers.*

In our BDS market studies and in our BDS project design, we often overlook the **real transaction costs** and the real decision making process of our target group<sup>12</sup>, the owner-managers of small enterprises (which might be the reason why people are against formalisation). The cultural anthropologist Chayanov<sup>13</sup> gives an example for this: „...one reason why people don't transact in the market is because the costs of doing so may outweigh the gains. It is costly to acquire information about the quality of labour and products, it is costly to monitor labour and suppliers, and it is costly to negotiate and enforce contracts." One must therefore understand under which constraints the individual households and enterprises work and make decisions. Also, the explicit and implicit assumption of economists as well as anthropologists that most people base their decisions on cost-benefit analysis, is challenged by some, thus actually giving us the lesson that it is even not enough to know the real transaction costs, but that we actually need to analyse and be able to make some predictions on how people make decisions. The anthropologist Henrich<sup>14</sup> „... challenges both, the ability of humans to make such (cost-benefit) calculations and the behavioural assumption that they actual do so in the real world. Instead, Henrich suggests that we consider the **process by which people acquire information**. (...) People selectively copy certain individuals and ideas." A practical example for this is the typical situation that a small manufacturer produces and sells exactly the same thing like his/her neighbour. So no cost-benefit-analysis, but a simple copying takes place – the

<sup>11</sup> Chabal, Daloz, 1999, p.128 and p.132

<sup>12</sup>A business linkage project in Mexico aimed at reducing transaction costs for forging sub-contracts, considerably reducing the time "wasted in negotiation and promote the emergence of a consensus" (info Ceglie, Dini, 2000). It would be interesting to see, if these business relationships were lasting ones or if the communication shortcut was costly. A wider analysis of more transaction costs involved is suggested.

<sup>13</sup> Chayanov in Ensminger, 2002, p. xii

<sup>14</sup> Henrich in Ensminger, 2002, p. xviii

Question silent assumption like that formalisation is wanted by all BDS development partners

Understand constraints of individual households and their real transaction costs

Real transaction costs and learnt processes of acquisition of information influence our entrepreneurial behaviour

reason maybe being that the transaction costs for collecting information and doing a cost-benefit analysis are too big, but also, maybe, because this is the culturally or socially learnt way to go about decisions.

### **What value has taking into account values?**

The conclusion of all these arguments and examples is, to find out about and make conscious the value system and social and economic system in which people work and to build BDS interventions on these structures and systems or adapt the interventions to them. The destruction of functioning social systems through influences from foreign value systems could thus be prevented, and new information and knowledge made available, in a way, which is the most useful for the people, the target group of BDS projects. In the following, I cite two examples of very traditional societies, where presumably the value and social system is more different from our globalised market and money economy than it might be in other societies, in which BDS programmes usually are implemented and where features of the market economy were integrated in the traditional culture.

*A positive experience where cultural structures from money economies and traditional culture were combined was made by a group of Australian Aborigines: The Arts and Crafts are the most appropriate sector for Aborigines, „because of the small scale (of these type of businesses) and (because) the possibilities of controlling these operations to accord with aboriginal perceptions of appropriate tourist behaviour are much greater. This reflects both its reliance on their own skills and knowledge, and the fact that the industry can be operated with **highly flexible production systems.**” This enables Aborigines to easily combine subsistence farming or cultural and social obligations with small business activities. The goal of the Aborigines is thus not to earn a lot, but to be flexible to make a living, but at the same time to have time for religious rituals and social events.<sup>15</sup>*

*The second example comes from the Inuit in Alaska<sup>16</sup>:“( ... ) The apparent cultural mystification of dependency produces an empirical critique of the orthodoxy that money, markets, and the relations of commodity production are incompatible with the organisations of the so-called traditional societies.” Which is not true in the opinion of Sahlins, who gives us this report. The Inuit, for example, “have not fundamentally altered their customary organisation of production, modes of ownership and resource control, division of labour, patterns of distribution and consumption; nor have their extended kinship and community bonds been dissolved or the economic and social obligations thereof fallen off; neither have social (cum “spiritual”) relations to nature disappeared; and they have not lost their cultural identities, not even when they live in White folks’ towns. But the real problem this poses for the people is not the unliveable contradiction between the money economy and the traditional way of life. The big problems come, when they cannot find enough money to support their traditional life. Within the villages, moreover, the greater a person’s or family’s successes in the money economy, the more they participate in the indigenous order. (...) The people with the greatest outside experience in education or employment are as much or more engaged as anyone in local subsistence culture. If this helps to explain why seemingly acculturated people are commonly traditional leaders, it*

<sup>15</sup> Elsbeth Young, 1995, p.222

<sup>16</sup> Sahlins, 2000, p. 520, p. 521

**Conclusion:**  
Make the value system conscious and adapt interventions to them

*also invites the question of why they ever came back to the village – which leads to another area of enlightenment offered by the indigenisation of modernity.”*

The second example showed, how people successfully take new influences and integrate them into their social and economic system, thus slightly changing the structures of this system which eventually will also lead to changes in the value system (something which was not demonstrated by these example).

### **Do cultures change?**

So cultures – social and economic systems and value systems – change. Under which circumstances does change take place and can BDS interventions be a part of these positive changes?

Values are usually our spur for change and decide also about the direction and extent of the change<sup>17</sup>. Usually change works by marginal adjustments to rules and the assimilation of the foreign in the logics of the familiar<sup>18</sup>. At the same time, however, values and norms also curb social and technological change preventing by this slower pace of change social destabilisation and leading to a more sustainable and extensive economic development<sup>19</sup>. Stability is brought about by strong hierarchy of rules, where it is more costly to change than the previous one and by habits. North says that customs and traditions are just “words we use to note the persistence of informal constraints. The strength of these customs and traditions determine the speed and direction of change. So often it happens that the formal rules change, but the informal constraints do not – which is why we need to address those, when we aim for change.

What is also important to not is that “this set of stability features in no way guarantees that the institutions relied upon are efficient - stability is a necessary condition for complex human interaction, it is certainly not a sufficient condition for efficiency.”<sup>20</sup>

Despite of the strong stability tendency of cultures, change is possible and occurring constantly, as cultures (and thus values) are unstable and discursive fabrications. “Every culture is fragmented, internally contested, its boundaries are porous.<sup>21</sup> A culture is thus better seen as a series of processes that construct, reconstruct, and dismantle cultural materials, in response to identifiable determinants.”

In short, values incite cultural, social, economic change, they determine the direction of the change and they influence the speed and extent of the change and the process of change is an incremental one.

*The famous Chinese sociologist and anthropologist Liu Xin describes in his books<sup>22</sup>, how **radical change of culture and value systems** could harm the*

<sup>17</sup> Building on Freud’s idea of the collective consciousness (kollektives Bewusstsein), further developed by Durkheim, Talcott Parsons posits that ideas and values are inciting social change.

<sup>18</sup> Sahlins, 2000, p. 519;

<sup>19</sup> Hoselitz, 1969

<sup>20</sup> After note 19: North, 1995, p.81 – 84; p.91, p.92

<sup>21</sup> Kuper 1996, p.239 and p.246

<sup>22</sup> Michael Reinprecht, 2004

Change happens slowly, because informal constraints continue to exist

Change starts small – and incrementally gain ground among all cultural structures

Positive changes which eventually lead to the improvement of economic transactions,

*identity and life perspectives of the members of the society. In the beginning of the 20<sup>th</sup> century, China was according to him a society, which was completely oriented to the past, which brought about stagnation. Then the communist period turned around the situation completely, destroying the “values of the past” and orienting the society into the other direction, the future. Communism, however, destroyed itself and deprived people of being inspired and animated by its new values. Liu Xin diagnoses that this leaves today’s Chinese in a value and identity vacuum, where people are deprived of personal and collective identity and “human values”, trying to fill this with the new cultural system offer, which was made to them – the Western money economy.*

## **How is cultural change usually brought about?**

The path of change is shaped for example

- by different resource endowment, which is depending on the value and social system - very often the most important component by which donors influence local value systems;
- by incentives imbedded in the institutional framework to acquire knowledge (which includes that trial and error is accepted in a society – also concerning entrepreneurial activities);
- by rules that encourage the development and utilisation of tacit knowledge (thus allowing for the development of a creative entrepreneurial attitude)
- by decentralised decision-making processes to explore alternative ways of solving problems;
- by a effective structure, which not only rewards successes, but also vetoes the survival of maladapted parts;
- by a change in relative prices or preferences (alter the incentives of individuals in human interaction; and the only other source of such change is a change in tastes).”<sup>23</sup>

So if our BDS market interventions change relative prices (and transaction costs) for attaining certain objectives, certain attitudes and behaviour might change as well (if not the norms and values) and might lead to the restructuring of the social and cultural system.

## **Is cultural change due to BDS interventions ok?**

Cultures always changed and adopted features imported from other cultures, which is a major argument why donors and governments might continue to improve the BDS markets according to the BDS principles of the Blue Book without being afraid of inspiring change in stabile cultures.

Cultures  
always  
change, but ...

But as was said above, change by outside influences should not occur randomly. It would be necessary, to base the BDS market interventions on the analysis of the value and social system, a part of which is the local and traditional economic system. As the findings cited above about the reasons and ways of change tell us, it would also be wise to find the porous structures of a culture, where change can start and then grow incrementally. And Douglass North also supplies us with some suggestions, which features of a society should be especially scrutinised (transaction costs) and promoted (relative price change, allow for error), in order

Don’t bring  
about cultural  
change  
randomly, but  
in a planned  
way

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<sup>23</sup> North, 1995, p.81 – 84;

to bring about positive economic change – positive economic change being the growth of competitiveness of the economic actors and more economic well-being for all members of the society.

### **Are there tools to be used in preparing BDS interventions?**

Often, successful BDS interventions have already considered cultural issues – but in a more indirect, not very outspoken or systematic way. Usually, interventions to build BDS markets were relying on the cultural knowledge and sensitivity of the people implementing BDS projects:

*The importance of knowing the social and cultural system was acknowledged in UNIDO cluster and networking projects in Central America, where one of the success factors was that the network brokers would have the ‘invaluable extra-curricular skill as (...) deep knowledge of local social rules’ and social sensitivity (Ceglie, Dini, 2000).*

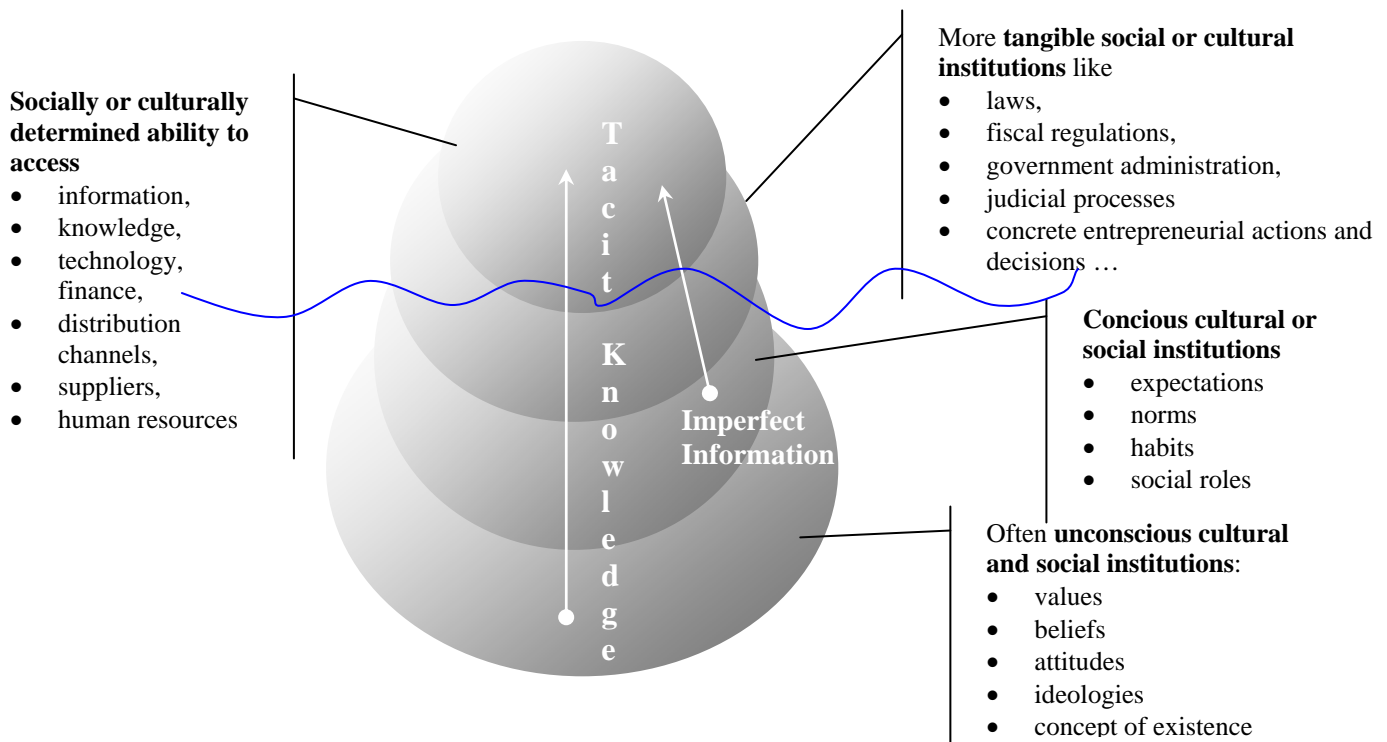
Another way of integrating cultural baseline knowledge in BDS projects relies on the ability of stakeholders to express their views in participatory workshops. These views and ideas, however, are often based on unconscious features of their culture (as was discussed above: values, culturally imprinted expectations, norms, habits, routines etc.) which are difficult to discern and thus difficult to express – thus messages from the asked people (the stakeholders) can be easily misunderstood by the asking people (the designers and implementers of BDS market building interventions).

*This communication gap, often encountered in BDS projects, was successfully bridged by EDA Rural Systems, which “developed a strong understanding of the culture and intricate marketing and production systems of leatherworkers, a low caste in India. In addition, they engaged with local design institutes and enhanced their interaction with the market in order to upgrade the leather product market in the region. This resulted in links between education, market and cultural systems.” (Kumar, EDA in Miehlbradt, McVay 2004)*

In order to approach the influences of culture on BDS building interventions in a more conscious/systematic way, some practical instruments, are suggested below, following the ideas on the importance of culture and cultural change discussed in the first part of the paper. These instruments could be used as a part of BDS intervention design and implementation. Their application seems particularly useful in rural BDS market development, as in rural areas usually more homogenous and more traditional societies (value systems) can be found, which often are particularly sensitive to external interventions.

Cultural sensitive people and involving stakeholders in participatory processes integrated cultural features in BDS interventions

Below, the “culture iceberg” – round with not very clear boundaries and edges.



### 1<sup>st</sup> step: Research or collection of information<sup>24</sup>

The investigation described below should be carried out by those trying to build a BDS market. They need to involve the major stakeholders for building a BDS market.

**A:** BDS market study studies, as usual, features of the existing BDS market:

- Existence of and access to certain **services** in relation to information, management and technical know how, packaging and distribution ...
- Existing **providers** and
- BDS **demands** and **needs** of clients

<sup>24</sup> Instruments, which could be used: (Participatory) Observation, Interviews, Workshops (workshop instruments, which demonstrate the relationship of different items like Chapati Analysis, Diamond Analysis; Hofstede's Onion, Pyramid Analysis (Coaching Instrument), Systemic Value Analysis (Coaching Instrument) or games)

**B: Describe values and norms related to ...**

<i>Different groups in the society or major stakeholders<sup>25</sup></i>	<i>Opinion Leaders</i> (example)	<i>Men</i> (example)	<i>Women</i> (example)
Items to discuss (their importance in the own life, in society, what is actually meant by it)			
economic success			
definition of success in general			
knowledge (based on experience, based on study)			
specific skills (like manual skills, negotiation skills, intellectual skills etc.)			
quick gains vs. long-term gains			
observance of and adherence to contracts			
communication (in the own group, outside the group; according to style and contents of communication etc.)			
fairness			
notion of time			
individual person vs. community			
open discussion vs. conflict avoidance			
importance of work (work ethic)			
showing energy (will to be active)			
nature			
relative importance of social obligations (family, extended kinship) vs. business obligations vs. obligations towards the state (nation, government) vs. my personal (god given) talents vs. religion (obligations towards God, my ancestors, the spirits etc.) ...			
Description of use-values of different (important, according to pattern of consumption) <ul style="list-style-type: none"> <li>• Goods (clothes, shoes, certain food items, certain home types, certain equipment and machines, ...)</li> <li>• Services (in relation to household work, beauty, health, business)</li> </ul>			

<sup>25</sup> Different groupings can be chosen according to the obvious characteristics of a society and according to the needs of the BDS market study. Groupings could be according to classes, according to different provider and client groups etc.

success, knowledge and information, mobility, ...)			
Etc.			

For example, Chang and Wong<sup>26</sup> presented a **quantitative analysis system** for Chinese values on the basis of a study carried out among 301 students in Singapur. For China, this on the one hand gives us a useful list of values and on the other hand presents a practical way to analyse values in a society.

**C:** According to the groupings used in the table above, describe existing **processes** of

- getting information
- decision making
- reasoning (typical cause : reason analysis)
- organisation of production of
  - (agricultural products)
  - processing of agricultural products
  - consumer products (local consumer)
  - equipment, inputs, machines for (local) businesses
  - arts and crafts
  - export products
  - services for local consumers, households
  - services for local businesses
- distribution of these products and services
- consumption of these products and services

and, as far as possible, try to describe the **real transaction costs** for these processes according to the groupings used in the table above.

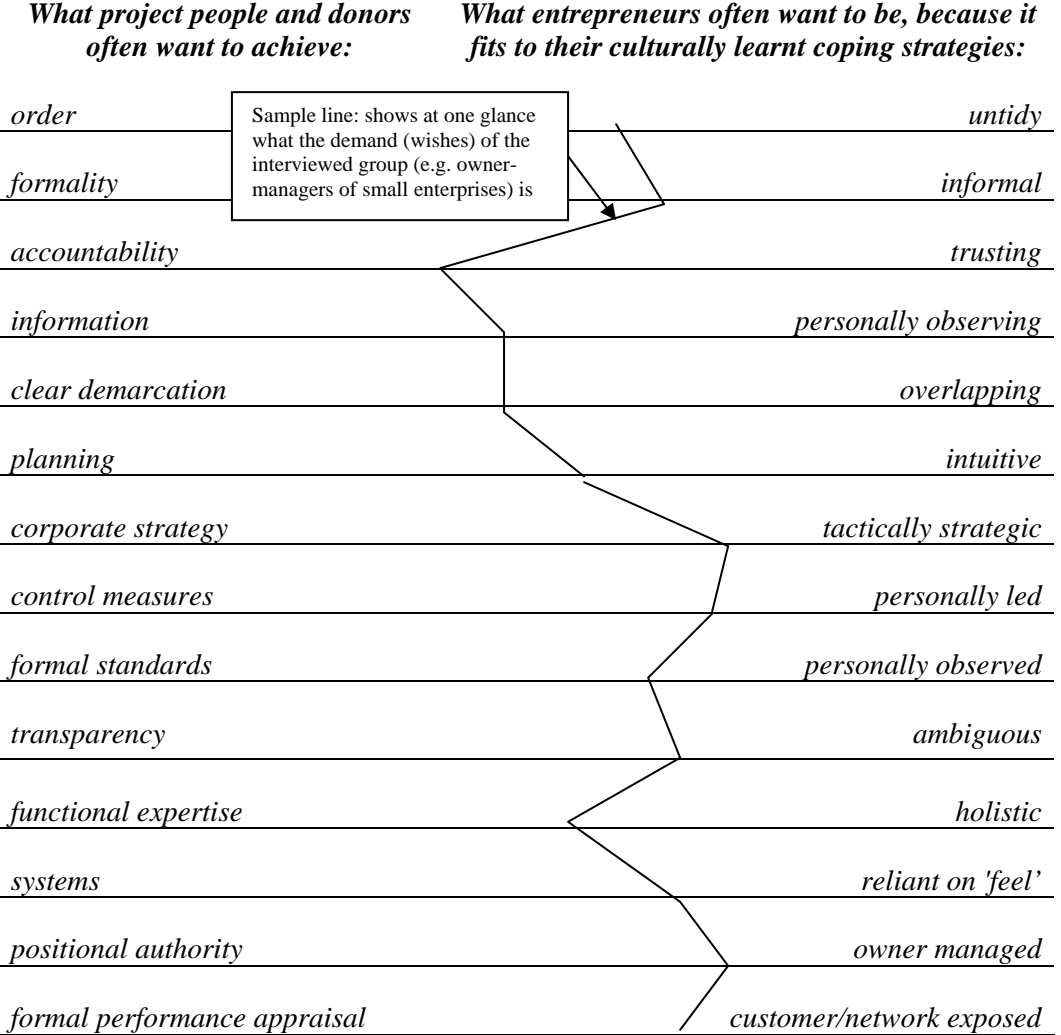
*An example here is the process to transfer knowledge in some traditional societies in Africa. Nigel Barley<sup>27</sup> mentions in his funny account of his ethnological research at the Dowayos in Cameroon that in this traditional society knowledge is seldom available for free. Knowledge is owned by certain people, who would be considered stupid, if they would pass on their knowledge for free since they had to pay for it themselves in the first place. After some learning, this process of passing on knowledge for payment was also recognised by the ISTAR project in Zimbabwe, where in the “traditional apprenticeship” programme “apprentices were required to pay their own way or find a sponsor (as) these tougher requirements mimic traditional practice more closely ...”<sup>28</sup> (traditionally, apprentices didn’t get paid (only in a few cases a small allowance) and they even had to pay for their training).*

<sup>26</sup> **Chang Weining; Wong Wing Keung** (1998) in Wang Lingchi; Wang Gungwu : “The Chinese Diaspora”, Volume II, Singapur 1998 cited by Michael Reinprecht in a Workshop Paper at the Institute of China Studies at the University of Vienna, 2004.

<sup>27</sup> P. 136 in Nigel Barley: Traumatiscche Tropen , Stuttgart 2001 (The innocent anthropologist, 1986)

<sup>28</sup> p.3 in Carlton/Hancock: “ISTARN”, conference paper 1998

**D: Demand Check<sup>29</sup>:** What do clients really want? Put a mark on the line, where the interviewed (potential) BDS client prefers to be. In this context, it is very important to be gender-sensitive and minority sensitive by explaining the different criteria in way that people can understand what is meant:



Certainly, a more in depth discussion of the criteria themselves can also add clarity to the actual attitudes of the people involved – and maybe it turns out that **additional criteria** should be added.

**E: Discussion with target groups<sup>30</sup>:** Find out, if the targeted enterprises are according to their **culture** more a **small** scale, **large** scale or small **growing** enterprise and discuss, which values actually need to be changed for a bigger growth and success of the enterprises and entrepreneurs and if they are prepared for this change. In this context, it is particularly important to be gender-sensitive and minority sensitive:

<sup>29</sup> The criteria in this table were formulated by **Pat Richardson** for the **ILO Workshop on Enabling Environment** in **November 2004**. Pat Richardson derived it from the Small Business Centre in Durham and Allan Gibb, 1987 The Enterprise Culture - its meaning and implications for education and training. Journal of European Industrial Training Vol 11 no 2 pp1-38 .  
<sup>30</sup> This table was presented by **Jim Tanburn, ILO**, in his presentation “Opportunities and limits of the BDS approach in rural areas: Synthesis” at the yearly **SDC Meeting** in Switzerland in January 2004.

<i>Large-scale</i>	<i>Small-scale</i>
<i>Predictable</i>	<i>Calculated risk</i>
<i>Visible, influential</i>	<i>Profitable</i>
<i>Powerful</i>	<i>Creative</i>
<i>Paperwork-based</i>	<i>Verbal/personal</i>
<i>Established</i>	<i>Flexible</i>
<i>Formal</i>	<i>Informal</i>
<i>Stable</i>	<i>Fulfilling</i>
<i>Balance of interests</i>	<i>Depending on 1 person</i>
<i>Demarcated</i>	<i>Multi-tasking</i>
<i>Liberal, individualised</i>	<i>Traditional, social</i>
<i>English ++</i>	<i>Vernacular</i>
<i>Organised globally</i>	<i>Not coherent</i>
<i>Permission-based</i>	<i>Trust-based</i>
<i>Merit</i>	<i>Patronage</i>

The way to discuss the opinions and attitudes of the target group concerning the above mentioned values needs to be adapted to the target group – it is very unlikely, that one can simply ask: What do you think, is it like this or like that? Here again an interesting experience from Nigel Barley’s study at the Dowayos. He says that he couldn’t ask people to “imagine” how they would act in a certain situation, but had to give an example of a person being in this situation. <sup>31</sup>

## 2<sup>nd</sup> step: Analysis

### A: Define,

which **values** were found (in the research, 1<sup>st</sup> step) to be **conducive for entrepreneurship** (and market building) and which are not and **analyse** the prevailing values of the target group (the target culture) accordingly. This might include aspects mentioned before like that people prefer an informal status to a formal one (analyse motivation), that people define success in different ways or don’t have the value to be successful. Or, that profit is not their major spur for operating a small business, but simply a necessity to survive (often being one of several livelihood activities).

### B: Analyse

- what changes in processes (e.g. concerning decision making, see 1<sup>st</sup> step C) would cause dramatic **changes in relative prices and in real transaction costs**

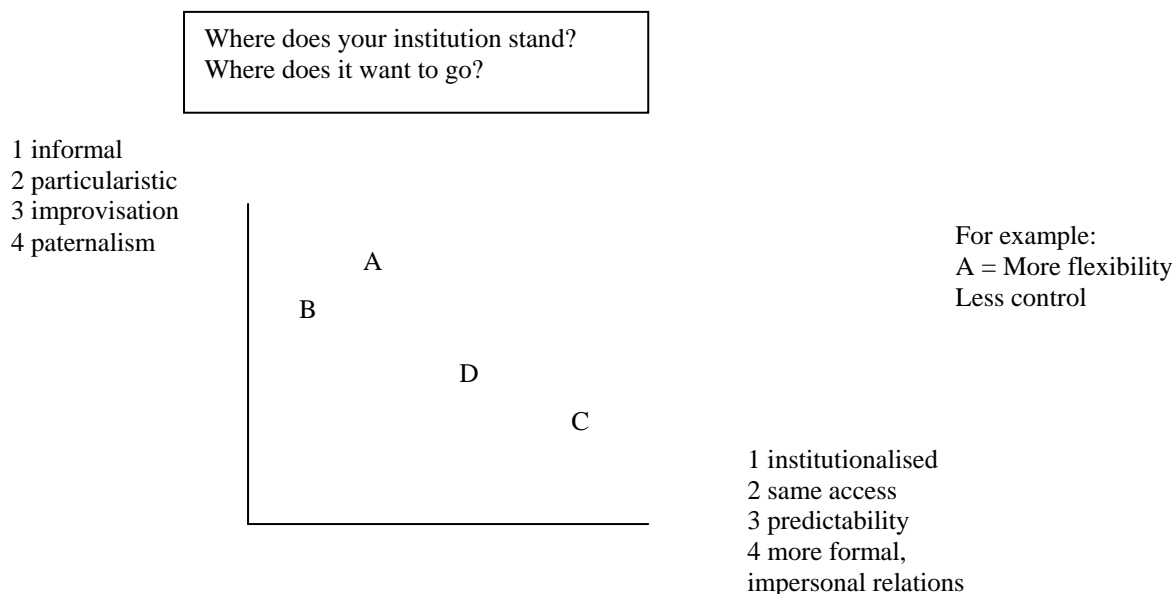
#### Example:

“(…) A final accounting of peasants decision making requires the incorporation of political economy variables (like social roles and values), as these set the actual preference for the trade-off between drudgery and leisure in the utility function. For the hierarchical Shan, there is **more individual return to drudgery** in the form of wealth exchange for prestige, while for the egalitarian Lisu, there is

<sup>31</sup> P. 119 in Nigel Barley: Traumatiscche Tropen , Stuttgart 2001 (The innocent anthropologist, 1986)

*not.”, so the relative price (effort) for a certain return (prestige which you aspire to or you don’t aspire to) is different in the two cultures depending on how high you value the return . (Chayanov about Thailand in Ensminger)*

- **‘porous’ elements** of the culture: certain values being questioned, certain groups wanting change (young people), new (externally caused) needs being suddenly felt ...
- **actual situation of BDS Providers’ Matrix**<sup>32</sup> below



### 3<sup>rd</sup> step: Design of BDS interventions

The following is a check-list of points which should be observed by the designer of BDS projects. The analysis and discussion tools mentioned above, which encourage an early discussion with the target groups and also stakeholders of BDS interventions, are the basis for actually being able to do, what is suggested below (e.g. to build on existing values). Doing, however, what the checklist demands, is still depending on the actual BDS intervention (e.g. building a BDS market for advisory services), the (cultural) framework conditions and, most importantly, on the creativity of the designers of the BDS intervention.

**A Build on values, norms etc. and the existing cultural and social system** which according to the analysis (2<sup>nd</sup> step) will remain strong in the target culture

**B Enforce** and contribute positively to **changes of values, norms etc.**, which will support **economic success** (successful income generation, higher profits, business growth etc.) using change agents and entry points for change found in the 2<sup>nd</sup> step.

<sup>32</sup> Also the newly developed **ILO-FAMOS Check** (Gerry Finnegan, Karin Reinprecht 2004) can be employed, which is an organisation development tool, in order to bring about a better service quality of BDS providers;

**C Aim at lowering real transaction costs** involved in information gathering, in decision making, in innovating products and **processes**, in the acquisition of technical and management knowledge and skills, in winning access to distribution channel and new client groups and in acquiring other major advantages which BDS interventions actually want to promote

**D Aim at lowering relative prices** for achieving economic goals by different social groups of the society

**E Use existing communication systems** of the society/culture and use them, when introducing new processes and systems (and be clear about your own cultural package, when communicating)

**F Build on actual values, objectives** and strategies of (potential) **BDS providers** and other partners in the BDS market

So, the third step, the design of the BDS intervention, is based on the value system, the culturally imprinted socio-economic processes, the communication system of the targeted society in general and of stakeholders in BDS market building in particular – all of this forming a part of the usual preparatory BDS market study.

In the case of a specific BDS intervention, focusing on a few issues (e.g. marketing of the dairy products of a certain region) and on a specific target group (e.g. processors of milk), the above mentioned instruments can be applied for a more in depth research and analysis of the reason lying behind the challenges and problems already identified concerning the specific BDS intervention (e.g. what is the reason for the low quality of the yoghurt?) – and for integrating the thus found explanations (e.g. not a traditional food item) in the project design (e.g. rather concentrating first on what can be done well and sells well: the traditional sour milk).

Some features of the above suggested instruments are similar to market studies, although in this case they are not only relating to potential clients, but also to potential providers. So partly they were tested by different BDS market building interventions already. The whole approach, however, which is suggested here, was not tested yet. It outlined to give an idea, what BDS interventions, which want to achieve a more sustainable impact by consciously integrating culture, can do.

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