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# UNIVERSAL BASIC INCOME: A CRITIQUE

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## Abstract

*The Universal Basic Income (UBI) is a snare and a delusion. It is bad enough that our friends on both the right (conservatives) and the left (who knows what they are now calling themselves, it keeps changing) favor this system. It is horrid that even libertarians have been taken in by this egalitarian measure. The present essay is devoted to showing the flaws in UBI.*

**Keywords:** Welfare; poverty; egalitarianism; Universal Basic Income

**JEL Classification:** D60, D63

## I. Introduction

Universal Basic Income Will Only Make Our Problems Worse

Thanks to presidential candidate, Andrew Yang, UBI (Universal Basic Income) is becoming increasingly popular to both sides of the political spectrum. From the egalitarians of the left to the self-proclaimed freedom fighters of the right; even some libertarians find themselves in agreement with this basic income initiative.<sup>1</sup> It almost seems that this is one of the rare policies to which virtually everyone, from all reaches of the political spectrum can agree. Mr. Yang mentions that this not a new idea and that even major influential economists such as Milton Friedman – a lukewarm advocate of free markets<sup>2</sup> - supported it.<sup>3</sup>

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<sup>1</sup> “Libertarians” who support UBI include Murray, 2006, 2016; undated; Tanner, 2017; Varney, 2018; Walker, 2017; Zwolinski, 2013; libertarians, God bless them, who oppose UBI: Caplan, 2019; Dowell, 2019; Ezrati, 2019; Hunter, 2017A, 2017B; Mitchell, 2018, 2019; Smith, 2017, 2018; Vance, 2014, 2017. Acemoglu, 2019 is a mainstream economist who criticizes this policy. Varney (2018) mischaracterized Murray as a “conservative.” But no one who wrote Murray (1997) can properly be characterized in that manner.

<sup>2</sup> For the case undermining his free enterprise credentials, see Block, 1999, 2003, 2010, 2011, 2013; Block and Barnett, 2012-2013; McChesney, 1991; Rothbard, 2002; Friedman and Block, 2006; Kinsella, 2009; Lind, 2012; Machan, 2010; North, 2012; Vance, 2005; Wapshott, 2012; Wenzel, 2012; Wilcke, 1999

<sup>3</sup> Contrary to Orfalea, 2015, Milton Friedman (1962) did not support UBI but instead proposed his own Negative Income Tax which focused on only giving money to those who fell below zero on

In section II we disparage UBI on the ground that it gives more power to the government which they use to rule over the people. The burden of section III is to demonstrate that this initiative is not a solution to the challenge of poverty. We demonstrate in section IV that UBI will create an artificial demand in goods and services but will not truly aid in the creation of wealth. Nor will the wealth gap be appreciably closed as a result of this policy, as shown in section V. We conclude in section VI.

## II. More Power to Government Over The People

There is a serious danger that many of the proponents of UBI are missing and it is the further empowerment of our already disturbingly powerful government. A universal basic income will create a behavioral dependence strikingly similar to that of public welfare. Many of the recipients of public welfare begin to depend heavily on those government handouts and then begin to make decisions based on that dependency.<sup>4</sup> This can be seen in the film "Work & Happiness: The Human Cost of Welfare"<sup>5</sup>. The fact that this policy inherently creates more dependent than self-reliant behavior should be an immediate red flag to all of us.

After enough time, society will adapt and simply expect that X amount of dollars like they do the mail. People will begin to model their behavior around that money and make decisions they normally would not make had they not been given this "free" check/cash. While Yang promises this compensation to be given with no questions asked or any requirements, it does not guarantee that this will be the case. In an article posted on Mises.org the weaponizing of UBI is described,

"Once this relationship between individual and state has been established it will be hard to go back. We will enter into a frightening era where the UBI can be weaponized by the government to threaten people with benefits sanctions for not behaving as our rulers see fit. Criminals first. Then unpopular groups. Then political dissidents with opinions like our own. We will be threatened into silence with the threat of the removal of our UBI."<sup>6</sup>

It is inevitable that over time, if not at the very outset, the government will begin to place certain rules on who gets that income and begin to use such determination to its advantage in forcing demographics into making certain decisions or voting a certain way. If we simply look back at the history of governments (ours especially) failing to keep its promises or lying to the people about certain policies or actions it took, we can find a great many reasons to be skeptical about the promise of UBI.

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the income tax bracket. In sharp contrast, Andrew Yang proposes giving everybody \$1000 a month, no questions asked.

<sup>4</sup> For the case against this program, see Anderson, G., 1987; Anderson M., 1978; Block, 2001A; Block and Fryzek, 2017; Brown, 1987; Delery and Block, 2006; Engelhardt, Lingenfelter Block, 2016; Fast, O'Brien, and Block, 2017; Higgs, 1995; LaBletta and Block, 1999; Murray, 1984; Olasky, 1992; Piven and Cloward, 1993; Rothbard, 1996, 1998; Sowell, undated A, B; Tucker, 1984; Sowell, 2016A, 2016B, undated A, B; Thorner, 2014; Williams, 2014, 2019.

<sup>5</sup> [https://www.google.com/search?rlz=1C2CHBF\\_enUS724US724&source=hp&ei=oRgsXbD8Nqb m0gK2jrG4DQ&q=Work+%26+Happiness%3A+The+Human+Cost+of+Welfare&oeq=Work+%26+Happiness%3A+The+Human+Cost+of+Welfare&gs\\_l=psy-ab.3..0.2676.2676..4967...0.0..0.73.73.1.....0....2j1..gws-wiz.....0.uobDuVQBcwe](https://www.google.com/search?rlz=1C2CHBF_enUS724US724&source=hp&ei=oRgsXbD8Nqb m0gK2jrG4DQ&q=Work+%26+Happiness%3A+The+Human+Cost+of+Welfare&oeq=Work+%26+Happiness%3A+The+Human+Cost+of+Welfare&gs_l=psy-ab.3..0.2676.2676..4967...0.0..0.73.73.1.....0....2j1..gws-wiz.....0.uobDuVQBcwe)

<sup>6</sup> <https://mises.org/wire/4-new-reasons-fear-universal-basic-income>

According to that old aphorism, “He who pays the piper, calls the tune.” There is more than a modicum of good sense in this saying. Who will be paying the piper in this case? The government of course. Thus, they will inevitably call the tune in terms of increasing their power to control the population.

### **III. It Does Not Solve Poverty**

Some advocates argue that this policy will aid us in the struggle against poverty. But does simply handing out “free” money really aid in the production of wealth? Of course not. We tend to believe that those who are impoverished simply don't have enough money for what they need. If this were so then why doesn't Washington just print more dollars and hand them out?<sup>7</sup> Poor countries could just print more money to reduce the populations living in poverty. Clearly, there is more to poverty than just a lack of cash. Zimbabwe, a very poor country, for example, is in the habit of printing trillion-dollar bills. What is the key in ending poverty is increasing the amount of wealth a country has, not merely the amount of its fiat currency.

It is important to understand what causes poverty in the first place. This, of course, consists of a lack of goods and services. But what leads to their creation? Capital goods and a skilled population. And what, in turn, generates that state of affairs? Why are some countries rich, and others not? It is not natural resources; Hong Kong, Japan, do not have any natural resources to speak of; Brazil is greatly blessed in this regard. Skilled workers may be necessary, but they are not sufficient. When Israel was a socialist country, it was very poor. Smith (1776) pretty much said it all: the free enterprise system, including a strict respect for private property rights, is by far the best means toward that end.<sup>8</sup>

Ironically, some commentators claim that we need a basic income because of automation. Robots and technology will more and more replace human labor in producing goods and providing services. This will cause people to lose their jobs and increase unemployment. This is fallacious. Yes, certain jobs will end but new ones will become available. Consider the fall of the horse and buggy industry and the rise of automobiles; not only were new jobs created but now we have a more reliable and efficient form of transportation.

But what about “super” robots? Stuff and nonsense. There will always be employment as long as there is scarcity. People will want more than they have forever. We will continue to desire a cure for all diseases, infinite life expectancy, instantaneous travel to other solar systems, etc. Given this, there will continue to be a need to produce the additional goods and services. And if, somehow, we achieve a post scarcity society, accomplishing all these tasks, why, then, we will all be fabulously rich, and there will be no need for any more wishes to be fulfilled. Poverty will have long since disappeared, and there will certainly be no need for UBI.<sup>9</sup>

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<sup>7</sup> Not that the Fed is not already doing this, albeit not for the purpose of promoting UBI, which does not yet exist.

<sup>8</sup> For empirical evidence supporting this claim, see Gwartney, 1996.

<sup>9</sup> Of course, this is an utter impossibility, however nice it is to contemplate such a situation. There will always, necessarily, be opportunity costs. No matter how rich we are, there will always be a limit on just how many things we can do at any given time. Perhaps super dolls will be able to

Handing out "free" money will also reduce the incentive for people to work which leads to a decrease in the production of wealth. It's not that people working fewer hours is a bad thing, it's *why* they would be working less that should concern us. Why should we bribe people into doing any such thing?

Imagine a shoe factory that loses some of its employees and sees a decrease in working hours from the remaining employees all because with that X amount of dollars they no longer need to work as extensively, or, even, intensively. The shoe factory begins to sell less output not as a result of decreased sales, but because of reduced production. When supply falls but demand stays the same or even increases<sup>10</sup>, prices are going to go up and not as many people will be able to buy shoes.

Now apply this same scenario to all the shoe factories and all of the other industries (car, clothes, food, healthcare, etc.). *UBI will decrease production while increasing desired consumption.* This type of pressure leads to poverty. When automation occurs it allows for more production with fewer hours required from human labor which reduces the overall cost. This naturally leads to lower prices, higher quality products, and higher wages.<sup>11</sup> This allows people to work less *and* increase the wealth created. The fear behind job loss has no ground to stand on either. Let us re-imagine the former example:

A shoe factory invests in machines that are able to produce more quality shoes at a lower cost. This then reduces the need for labor from factory workers. Factory workers are let go and the factory does one of two things (or even both if they are creating enough profit):

Option a): They lower the price of shoes allowing customers to save more money. With this additional money leftover in the customers' pockets, they are then able to spend more on other products or services. Increased consumption in these other areas will create a natural increase in demand from still more businesses. These firms will then have a higher demand for labor which will create a shift in the job sector. Old jobs lost, new jobs made.

Option b): the shoe factory invests in more capital (machines, physical buildings, research & development, etc.) which then creates more demand for human labor in other these other areas of production. New jobs are still created. Thus, increased wages for the employees who still have their jobs as well as new wages that come with the new jobs that become available in different areas.<sup>12</sup>

#### IV. Artificial Demand

*UBI can only be funded through taxes, which constitute theft. Because this is a government program it will be funded the only way that any government program can be: taxes. Whether they are taxing businesses or individuals is irrelevant. Taxation is compulsory. It requires that the government threatens the life of people themselves guilty*

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replicate Marilyn Monroe, Albert Einstein, Wolfgang Amadeus Mozart, but we will all want, well at least some of us, to be friends with the real ones. Thus, scarcity will still exist.

<sup>10</sup> as it would when more people have "free" money to spend

<sup>11</sup> This is because wages tend to equal marginal revenue product, the value of what a worker produces. With additional cooperating capital, this amount rises. When we dig holes in the ground for the foundations of buildings with picks and shovels, each worker can account for a certain value-added. When we do so with steam shovels, this amount radically increases.

<sup>12</sup> One of the best explications of this phenomenon is provided by Hazlitt, 1946

of no crime.<sup>13</sup> They do so, of course, presumably, in order to take a portion of their income and give it to somebody else or some other cause. Let us stipulate that this is true. But that cannot gainsay the fact that this is still robbery.

Mr. Yang tries to hide this form of corruption behind the guise of a Value Added Tax. Simply put, he wishes to raise the cost of producing goods and services which will lead businesses to charge more for their products/services, provide less of them and decrease wages or lay off employees. This will ultimately boomerang to haunt us, the consumers because we will be spending more on the things we need while obtaining less of them. Yang claims this to be a "fair tax" making sure that companies pay their "fair share". But what constitutes as the "fair share" of someone else's income? There is no such thing. Also, in what way is it fair to forcibly take money from one group, against their will, and give it to somebody else? Are we really going to acquiesce in the notion that it is suddenly okay to steal just because a greater portion of society voted on it or because politicians want to legislate it? Hardly.

Moreover, the process is null, at least for the rich. Mulcting tax proceeds from a millionaire like Bernie Sanders, and then giving it back to him in the form of a UBI, is nugatory. Filthy rich men like him will pay the same amount in taxes as they will receive in the form of this grant; so, they neither gain nor lose any money from UBI, when both sides of the transfer are taken into account. We are left with the fact that some of his hard-earned funds will be given to others, who pay less tax than him. That is, his taxes will have to be raised, if poor people are now given money not presently available to them. UBI seemingly papers over this fact, but the point is, money will still be transferred from the rich to the poor as in the case of all other welfare schemes.

Some supporters advocate that UBI replace the present welfare programs. It is far more likely, in the event, that, instead, this new initiative will be added to the plethora of welfare programs already in place. There are too many powerful vested interests for any such total replacement to occur. But suppose, *arguendo*, that a total replacement did indeed occur. No more welfare programs, no more socialized medicine, no more food stamps, no more anything else of that nature. Would this be an improvement? It is difficult to say. On the one hand, such a system would certainly be more efficient. Many fewer people would be needed to administer it. They could shift themselves to doing honest work. On the other hand, recipients might reduce their supply of labor hours, decreasing wealth. It is difficult to say, since this is an empirical question. But there is one thing for sure on the debit side: forcibly taking money from some people in order to give it to others is theft, and it is difficult to make the case for more efficient robbery.

## V. The Wealth Gap

The wealth gap between groups will not be magically decreased through UBI. If everybody receives \$12,000 a year then that means the super wealthy will also get this "free" income, not just the single parent working two jobs or the recently laid off college

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<sup>13</sup> Rothbard (1998, p. 162) writes: "Taxation is theft, purely and simply, even though it is theft on a grand and colossal scale which no acknowledged criminals could hope to match." For a further elaboration of this insight, see Chodorov, 1962, 2017; Hoppe, 2008, 2011; Rothbard, 1978, 1998; Vance, 2006, 2007

student. The gap between them and the billionaires will not be reduced to any appreciable degree more than any other income transfer from rich to poor.

But this leaves open a question: why should it be a desideratum in the first place to decrease any income or wealth gap? If it emanates from government transfers from the impoverished to the wealthy, then well and good. This is indeed a problem, but can only be solved by taking money from the specific people who have stolen it, and giving it back to their victims.<sup>14</sup> On the other hand, if the diversity in well-being arises from market forces, any reassignment would be unjust, since laissez-faire capitalism makes awards in proportion to contribution to prosperity. Any attempt to do so would arise from envy, or an unwarranted fetish for egalitarianism.<sup>15</sup> Those that so strongly desire to help others they find worthy of such aid are welcome to do so from the generosity of their own private efforts.

## VI. Conclusion

Last but not least, if UBI is implemented, there will soon arise a movement promoting “UBI rights,” along the lines of present support for “welfare rights.” But it is a contradiction to say there is a “right” to take innocent people’s money, even for good causes. It is also difficult to see UBI as a good cause.

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<sup>14</sup> For reparations for past injustices that makes this case, see Alston and Block, 2007; Arceneaux, 2005; Block, 1993, 2001B, 2002; Block and Yeatts, 1999-2000; Ward, 2014

<sup>15</sup> On this see Block, 1990, 2000, 2014A, 2014B, 2019; Heller, 2019; Howden, 2013; Mack, 2002; Nozick, 1974; Rockwell, 2015; Rothbard, 1971, 1974, 1997, 2005; Salerno, 2013; Schoeck, 1966; Sowell, 2012; Williams, 2019

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# ACTIVATING SYMBOLS WHEN CREATING CULTURE – THE DEVELOPMENT AND DISSEMINATION OF “ASUKA PRIDE” AND NYK CRUISES CO., LTD. IN JAPAN

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## Abstract

*The Cruise industry is a growing market which represents, 24.7 million global passengers in 2016, 25.8 million in 2017, and an estimated 27 million in 2018 (FCAA 2018, CLIA (Dec) 2018). In addition, this industry is providing over 1.1 million full time jobs, with \$45.6 billion accumulated wages and salaries (CLIA (Nov) 2018). Lieberman explains that Cruise companies encourage early booking, and target 95% occupancy rates. Customers are skewed towards the more affluent. For example, the world cruise fare on Crystal Cruises departing January 6 2020, ranges from \$30,447 to \$202,099 per person (Garay et al. 2019).*

*A wholly owned subsidiary of Nippon Yusen Kabushiki Kaisha (NYK), NYK Cruises offer cruises to the Japanese market aboard Asuka II, the company’s luxury cruise ship. NYK Cruises’ guest population is predominantly Japanese. This is with the exception of non-Japanese guests residing in Japan, Japanese speaking foreign visitors or foreign visitors travelling with Japanese friends or family.*

*In 2017, the NYK Group CEO (NYK 2017) stated that 30 years ago, the greater majority of their employees had been Japanese. Presently however, non-Japanese represent 85% of office workers and seafarers worldwide.*

*According to Radic (2017) English is the first language aboard ships and aboard NYK’s Asuka II, crew staff consisted of 86% non-Japanese employees, 38% of whom could not speak the language and did not interact with guests directly.*

*Of the NYK Cruises’ land talent, Japanese employees mainly communicated and delivered services to Japanese guests in their native language. This situation led to a cultural split caused mainly by the different use of language (Cohen et al. 2017), and also by the nature of business operations. In other words, the crew on board Asuka II could not see what happened on land, while the land communicators, organizational engineers, talent operators and corporate executives did have a direct appreciation of what happened at sea.*

*This paper uncovers how IBM Japan helped a group of corporate communicators, organizational engineers and talent operators at NYK to utilize modern technology. In addition, along with their social engineering practices, to enhance internal communications, stimulate*

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*internal collaboration, strengthen engagement and modernize talent practices to transform the cruise operator's corporate culture.*

**Keywords:** Symbol, Talent, Communications, Cognitive, Organization, Japan

**JEL Classification:** M14.

## I. Introduction

NYK's history parallels that of modern Japan - a maritime nation. Established in 1885, NYK is one of the oldest and largest shipping companies in the world (Katayama 1999). A full member of the Mitsubishi Group (*Mitsubishi keiretsu* 三菱系列) – a business conglomerate of autonomous Japanese multinational companies operating in a variety of industries. NYK is headquartered in Chiyoda-ku, Tokyo and manages a fleet of 792 ships, including container ships, bulkers and woodchip carriers, tankers, Liquefied Natural Gas (LNG) carriers, Multi-purpose carriers and cruise ships (NYK 2019).

In an effort to provide wealthy Japanese guests with a uniquely Japanese cruise experience, NYK established Crystal Cruise Japan KK in January 1989, and later changed the company name to NYK Cruises Co., Ltd. in September 1990. NYK Cruises started by acquiring a new Japanese manufactured cruise ship and hiring cruise operators from the market (Coggins 2019). NYK Cruises was principally focused on constantly exceeding guest expectations by developing and delivery high quality hospitality services. Aligned with market expectations and using cultural elements, they attempted to provide an authentically Japanese cruise experience. Brdar et al, (2015) suggest that creating authenticity can play an important factor in tourists' decision choices. Talent operators paid careful attention to the talent acquisition process as well as the development, engagement and retainment of highly performing crew.

In March 2003, NYK Cruises purchased the first *Asuka* cruise ship from the holding company, NYK, and welcomed Japanese guests on board in May the same year, offering a new cruise experience, further anchored in the Japanese culture. Guests on board *Asuka* experienced not only a wide variety of cuisine, starting with Japanese *teppanyaki* 鉄板焼き and continuing with modern French, Italian and Chinese options, but also a wide range of entertainment offered daily at the on-board theatre: Japanese performing arts, traditional *shamisen* 三味線 music, Japanese vaudeville *yose* 寄席, comic monologue stories *rakugo* 落語, and many other forms of performing arts.

The atmosphere on board was reminiscent of that of a traditional Japanese inn known as a *ryokan* 旅館, with heavy emphasis on Japanese hospitality practices known as *omotenashi* おもてなし and legacy operations. Kostic et al, (2011) suggest that employees working in tourism need English language skills to provide effective hospitality to international travelers. Conversely, aboard the *Asuka*, where the guests were predominantly Japanese, the guests found comfort in the welcoming and familiar environment and enjoyed the convenience of services offered by Japanese hospitality professionals in their native language, especially aboard round-the-world cruise journeys.

In February 2006, the company sold the first *Asuka*, acquiring at the same time a new and larger ship named *Asuka II*. In an effort to provide the growing market of cruise lovers a revamped cruise experience, NYK Cruises focused on developing a new offering. This had more diverse entertainment on board with the touch and feel of an international cruise. Japanese speaking international talent was immediately acquired from the Philippines, Thailand, Eastern Europe and Latin America and positioned in various capacities, ranging from reception to restaurants, theatre to room service and mechanical functions.

By the end of 2017, NYK Cruises was employing 135 land operators and 36 permanent cruise staff, 86% of whom were non-Japanese employees, with a further 38% of the non-Japanese talent who could not speak the Japanese language and did not interact with guests directly. This led to a rapid growth of unseen communication barriers, caused not only by the variety of languages spoken by the crew on board, but also augmented by the physical distance from the land team.

## **II Research Objectives, Method and Objects**

### *Objectives*

The main objective of this research is to illustrate the benefits for businesses to constantly probe for communication silos, cultural gaps and talent bank disconnections and to seek the development of sustainable working cultures of inclusion, integration and co-creation. As a second objective, this research will provide a use case of successful collaboration with providers of professional consulting services in corporate culture development and international business management.

### *Research Objects*

NYK Cruises land operators working in Corporate Communications, Talent and Organizational development practice, corporate executives and cruise crew.

### *Research Methodology*

We conducted research based on an actual business case study. Additionally, the authors of this research engaged in first-hand participant observation<sup>1</sup> of this change management process. Therefore, we could observe various stages of cultural disconnection, miscommunication, corporate confusion, and various stages of decision making, along with the whole process of organizational and cultural integration, with the eyes of in-house full-time team members, from the start of the project until the implementation stage.

IBM define Design as the “intent behind an outcome” and Design Thinking as focusing on user-centered design, engaging multidisciplinary teams and continuous reinvention (IBM 2018). At the end of each Design Thinking session, we conducted qualitative research through focus group interviews with all participants in an effort to determine in-depth emotions, perceptions and affinity with key cultural symbols. Symbols are mechanisms organizations can use to signal their management philosophy to workers (Fuller 2011). Patton (2002) relates that focus group interviews aim to collect

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<sup>1</sup> Yin, Robert (2003), *Case Study Research: Design and Methods*, SAGE Publications, Inc; Third ed.

high-quality data in social contexts which help encourage elaboration and maximize interaction within the group (Khan et al. 1992). Quantitative data was collected between December 1<sup>st</sup> 2017 and December 20<sup>th</sup> 2017, consisting of a self-completed questionnaire. The authors ensured that the respondents answered all questions in order to reduce the number of missing values.

### **III The Culture Development Process – From “THEM” to “US”.**

The potential for communication problems such as misunderstanding and disagreement is high when cultural differences exist (Livia 2009). This is because culture implies shared beliefs and behaviors (Sussman 2000). In this case, the disconnect between Japanese and non-Japanese crew aboard *Asuka II*, along with the physical distance between land operators led to a breakdown in trust, coordination and communication.

In October 2017, NYK decided to utilize business consulting professionals to analyze the situation and to provide support with developing a culturally relevant, internal communications strategy. Its purpose was to install a culture of trust and collaboration.

The Talent & Engagement team of IBM Japan (Global Business Services) joined the NYK Cruises team in November 2017 in an effort to support the process of defining culture and installing an agile internal communications process needed in order to re-align expectations, mindsets and behavior between the Japanese land operators and the international crew. IBM proceeded with an immediate assessment module, aiming to identify communication blockers, psychological silos and key elements of disengagement. The assessment indicated a combination of issues, ranging from operational fragmentation to lack of trust and organizational confidence on both land and sea.

Land operators indicated a high level of anxiety regarding the efficiency of their communications, as well as lack of project ownership, caused by random executive communications and irregular decision making. The crew indicated lack of understanding of corporate culture, business purpose, values and direction, most internal communications taking place one way: from land operators to the crew.

Both parties frequently indicated that they lacked confidence the other party rarely understood or appreciated their efforts, referring to the others in disengaging terms, such as “them” or “they”. Even when the IBM team probed both parties separately about their culture, trying to determine common threads of emotional and cultural connection, both parties continued to talk about “them” and “they”, rather than anything that the land operators and the crew might have had in common.

The IBM team decided to address the cultural alignment as an immediate imperative, and subsequently resolve strategy and operational efficiency. According to Blanchard et al (2017), an awareness of cultural variations in interpersonal communication is essential due to rising globalization and human mobility. In addition, ontologies define main concepts and relationships in work environments. The IBM ontological approach sought to determine possible cultural and emotional elements that the land operators, and seafarers had in common.

As an initiative in determining common cultural threads, the IBM team invited both parties separately in a design thinking exercise, discussing typical employee and

guest personas, exploring frequent pains and gains and utilizing empathy maps in order to have a deeper understanding of how typical employees and guests feel, think and behave at various stages of engagement. Shareholder mapping was used to determine “who can do what, when, and how”, but the results indicated a total lack of project ownership, both land operators and cruise members voicing out concern about time being wasted in planning initiative escalations as long as the decision making process belonged in exclusivity to senior management and corporate executives.

The design thinking exercise helped to further illustrate the lack of organizational alignment and the immediate necessity of shifting mindsets from the distant “them” to a more inclusive “us”.

A later “pulse” survey conducted both on land and at sea further indicated a thorough lack of trust in organizational initiatives and a lack of shared vision of how the situation could ever be improved, 89% of the population interviewed indicating that they do not understand the corporate strategy, mission and vision, and an even more concerning 96% of the population indicating that they do not believe in a shared culture of collaboration, co-creation and inclusion, as most decision making and internal communications were taking place one way: top down and land to sea.

#### **IV. Discussions and Actions**

The IBM consultants discussed with the NYK Cruises executives the necessity of orchestrating internal communications and involving both land operators and members of the crew in the development of a shared culture that would be relevant to both parties in an equal manner.

NYK Cruises executives expressed concern about involving crew members in the culture development process, worrying that this would interfere with business operations and would create inconvenience for guests and crew members alike. A feasibility test, though, indicated that 96% or the crew members were happy to participate in culture development efforts and were ready to commit to extra work in order to contribute to the creation, prototyping and implementation of cultural initiatives and intelligent communication tools.

In December 2017, the IBM team split into two with half of the consultants joining the NYK Cruises land operators in daily business engagements, while the other half joined the Asuka crew at sea, working alongside crew members at various functions on board and delivering hospitality services to guests, while observing crew interactions with the guests and testing new initiatives.

At the end of the first week, both teams reassembled to share findings and to plan cultural integration initiatives. One of the early findings was the necessity to create a shared monthly engagement plan for the following year and to orchestrate internal communications at all levels. Another finding was the business imperative to determine cultural symbols that would be mutually understood, appreciated and embraced by land operators and crew members alike. Both parties expressed concern about the adoption of rigid corporate wording, which did not mean anything to anyone, leading to further disengagement and emotional split.

In the second week of December 2017, the IBM shared re-occurring key words, such as “pride”, “hospitality”, “love”, “inspiration”, “dedication” and “commitment” with both land operators and crew members, inviting both parties in another design thinking exercise, aiming to determine a common “way” of conducting business, addressing concerns and putting proposals forth. Furthermore, the teams were invited into graphically facilitated workshops to create road maps for behavioral change and cultural transformation efforts. As a result of this engagement, both teams indicated interest in adopting a shared culture of service, which would speak to both logic and emotion alike, in plain, unsophisticated language, that would be easy to remember even by non-native speakers of that language and would be culturally relevant to everyone involved.

By the end of the second week of December 2017, the teams had contributed with 2,649 words which would reflect emotions that they felt strongly about. The IBM team used AI empowered cognitive technology to analyze these words, define linguistic taxonomy, study generative relationships and interpret cultural implications. IBM further clustered key concepts into three main blocks, crafting simple sentences based on the taxonomic relationships of the key words collected from the NYK Cruises associates.

Don't rock the ship, rock the heart  
Heighten your standard, inspire yourself  
Pursue and offer “made-in-*Asuka*” services  
These key sentences were collectively named “*Asuka Pride*”.

During the third week of December 2017, the IBM team spent time working with NYK Cruises executives, communicators and talent operators to develop a communication plan for the following year. Gupta et al (2001), state that organizations which have internal cultures supportive of strategies have an increased potential for success. Therefore, NYK Cruises aimed to create a platform for the development of visual communications, digital tools, and engagement initiatives, both for land operators and for the crew to share “*Asuka Pride*” episodes and communicate recommendations and successful initiatives.

Satisfied workers tend to lack self-incentive to improve their work condition. Lyubomirsky (2010), suggests that passion and happiness are not lasting. This concept of hedonic adaptation which occurs in both positive and negative experiences has been widely established. Therefore, organizations must devise new methods on employee motivation based on employee characteristics (Aziri 2019). Additionally, the Project Management Institute proposes that communication describes the processes of distributing project information in a timely manner (PMI 2000).

In an effort to prevent hedonic adaptation, the IBM team created agile communication tools, which would involve everyone working at NYK Cruises. These tools would provide an opportunity for sharing use cases and individual episodes internally in a timely manner.

The IBM team pointed to the necessity of focusing on visualized communications. Visual representations of concepts, situations and emotions have been known to penetrate human consciousness faster and remain in memory longer (Alvarez et al, 2008).

According to Peters (1978), success stories can be utilized to achieve organizational goals. IBM recommended the development and timely distribution of videos, photos, storyboards, and clearly visualized success stories to help everyone align their behavior to the core elements of *Asuka Pride*. All employees were encouraged to share personal stories about how *Asuka Pride* worked for them. These stories were video recorded and shared both internally and externally.

In order to support timely sharing of personal episodes and meaningful insights, the IBM team recommended the adoption of AI empowered collaborative technology, providing cognitive assistance to users through Learning Managements Systems (LMS), mobile applications and internal communications technology. Robotic Process Automation (RPA) was later introduced to further support the automation of internal communications and engagement processes.

At the end of 2017, both land operators and seafaring crew were getting ready to celebrate the end of the year in style. They exhibited a camaraderie of sharing new cultural values, new communication practices and tools, and a shared belief that together they can provide world class hospitality services deeply rooted in the Japanese culture, for both Japanese guests and international visitors alike.

## V. Conclusion

Organizations frequently underestimate the importance of timely and meaningful internal communications when developing and sustaining a healthy culture of inclusion and innovation. By engaging talent at all organizational levels in the culture development and dissemination exercise, NYC Cruises managed to secure early buy-in and commitment to strengthening and perpetuating the *Asuka Pride*, both on land and at sea.

NYC Cruises employees adopted and continued sharing the *Asuka Pride* because:

1. It was a culture they had developed themselves
2. They saw themselves as the main actors of the culture
3. They were empowered to become ambassadors and supported by senior executives
4. They were enabled to share emotional stories and personal episodes in a timely manner by collaborative technology.
5. Cascaded corporate communications messaging initiatives were aligned with key *Asuka Pride* elements and reiterated the mindset and commitment to creative and delivering authentic and emotionally engaging hospitality services both at land and at sea.

The adoption and utilization of collaborative technology and visual communications further contributed to the enhancement of an agile organizational architecture to support the perpetuation and timely revision of the corporate culture.

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# TRADE, GOVERNANCE AND THE MEDIATING ROLE OF INNOVATION

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## Abstract

*The purpose of the study is to review the direct and indirect effect of governance and innovation on International Trade and the mediating effect of innovation on the indirect relation between governance and international trade. Simple and multiple regression analysis was used on data from 119 countries to test the simple mediation model in this study. A significant direct relationship is evident between country's governance and innovation as well as between its innovation and trade. But governance indirectly influences international trade as the relation between them is partially mediated by innovation. In this complementary partial mediation, the 65% of positive effect of governance on international trade is through innovation. Consequently, governments should focus on its governance to facilitate innovation in their countries in order to better perform in trade globally. The role of innovation will be high-lightened in paper in shaping the relationship between governance and international trade. Moreover, the nature of influence of governance on international trade was identified in the paper.*

**Keywords:** international Trade, Governance, Innovation, Export, Mediation

**JEL Classifications:** F18, O31, C30

## 1. Introduction

The importance of good governance cannot be denied in upholding the investment and business in a country (Klapper, Amit and M. 2010, Busse and Hefeker 2007, Kaufmann, Kraay and Zoido-Lobaton 1999). Governance is the process through which authority is conferred on government, through which they make the rules to govern, and through which those rules are imposed and amended (Mayntz 2003). In this era of globalization, a country's economic progress significantly depends on its involvement in international trade. International trade may take many forms, but the most common form of international trade that governments usually favor is its exports as it is an indication of the nation's competitiveness in global trade and a way to accumulate foreign currency reserves (Shan and Sun 1998). Export occurs when a firm, individual or government of a country sales goods or service produced in that particular country to a firm, individual or government of another country. Another aspect of development is innovation. The contribution of innovation in national economy is significant as study shows, it

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contributes to 65% growth of developing countries and 75% growth of developed countries (Santacreu 2015). Innovation is considered as the creation, adaptation and application of new thoughts, processes, products or services (Baregheh, Rowley and Sambrook 2009).

The major theories on international trade considered the governance and innovation as an influencing factor for international trade and except some theories. But, none of the theories does not considered both governance and innovation as a combined determinant of trade. Even recent studies found that governance of a country is crucial for the development of international trade (Groot, Linders and Rietveld, Institutions, Governance And International Trade: Opening The Black Box Of OECD And GDP Per Capita Effects In Gravity Equations 2005, Berden, Bergstrand and Van Etten 2014). Even it has significant effects on innovation of nation (Pippidi 2015, Moon and Bretschneider 1997). Similar effect of innovation was found on firm level foreign trade, specifically on export (Lages, Silva and Styles 2009, Roper and Love 2002, Golovko and Valentini 2011). Even though, studies found significant influence of governance on innovation, governance on international trade and innovation on international trade, no study was conducted on the collective impact of governance and innovation on international trade. This study will attempt to reveal the answer of three questions. First, what is the combined impact of governance and innovation on trade? Second, what is the distinct nature of impact of each factor on international trade, whether they are direct or indirect relation? Third, whether innovation mediate the effect of governance on international trade?

The purpose of this study is to examine the impact of governance and innovation on international trade. More precisely, this study will to evaluate the direct and indirect effect of governance and innovation on international trade and the mediating effect of innovation on the indirect relation between governance and international trade.

The study will guide governments and other non-government agencies in formulating policies regarding trade, governance and innovation by providing insights on how these variables are related to each other. It will show the importance of innovation in developing international trade of a nations as well as the evidence of governance acting as an instrument in facilitating innovation in a country.

## **2. Review of Literature**

### **2.1. Innovation and International Trade**

The classical free trade theories on international trade identified absolute and comparative advantages of nations as the determinant of their international trade (Ricardo 1891, Smith 1986 [1776]). According to Smith, the advantages a country can have over other countries may be of two categories- natural and acquired. Acquired advantages includes a countries innovation in product and process technology. Afterwards, the factor-proportions theory introduced that the variation in land and capital factor endowments among nations is determinants of their trade (Heckscher 1991). But further study found that innovations in a nation concentrates on industries those use factor endowments which are expensive and this innovation in industry based on rare factor endowment indirectly influence the export (Davidson 1979). The International product life cycle theory suggested that country that invent a product, dominates the international trade of the

product throughout the product's three stages of life cycle except the last stage (Vernon 1992). Likewise, study on SMEs found innovation directly leads to increased export and thus to high growth rate for firms (Golovko and Valentini 2011). Even, the trade performance significantly depends on R&D capabilities of firm (Lefebvre, Lefebvre and Bourgault 1998). Although it indicates the importance of innovation in trade, but earlier empirical evidences in some studies suggested that the theory does not always comply in some cases (Ayal 1991, Mullor-Sebastian 1983). Another study found some evidence of negative relationship of export and scale of innovation activities in firms (Roper and Love 2002). Thus, earlier studies except a few, conforms that the innovation has a significant influence on international trade.

## **2.2. Governance and International Trade**

Studies considering the individual dimensions of governance found mixed effects on trade. In this section the outcomes of some of these are discussed. The importance of governance on trade cannot be denied as institutional quality, as an outcome of good governance, has significant influence on trade (Anderson and Marcouiller 2002, H. L. Groot, G. J. Linders, et al. 2003, Groot, Linders and Rietveld 2005, Linders, et al. 2005, C., et al. 2018). Similarly, corruption, in absence of good governance, has reverse effect on trade (Torrez 2002, Thede and Gustafson 2012, Ali and Mdhilat 2015, Wang, LI and Wang 2018). On contrary, the finding of studies focused on the relationship between trade and corruption may vary based on the category of the country (Wang, LI and Wang 2018, Roy 2014) or may depends on the methodology of the study (Knack 2003) or even in some cases have found insignificant relation (Abdella, Naghavi and Yin Fah 2018). Another dimension of governance is political stability. Political stability found to be beneficial for country's economic, trade and investment growth (Muhammad, D'Souza and Amponsah 2011). Another study on political stability found it as a factor decreasing international trade of nations (Berden, Bergstrand and Van Etten 2014). Therefore, the effect of governance on trade vary, depending on the dimensions and the type of country on which the study was conducted.

The classical mercantilism theory of international trade supported the role of government in creating barriers to countries import and supporting export to maximize the reserve (Vaggi and Groenewegen 2016). Albeit, it support the role of trade policies in influencing the trade, but ignored the role of aggregate governance, which includes not only policies but also factors like- corruption, rule of law, political stability and so on. Some studies even disbelief that high level of governance has a positive effect on trade (Decker and Lim 2007, Li and Reuveny 2003, Tavares 2007). Consequently, the effect of overall governance on trade may not be significant.

An indirect relationship between governance and international trade of nations may be exist, which explain the presence of insignificant direct relationship between these two factors. People's tendency to engage in invention depends on the availability of government support. Consequently, a country with good governance will upsurge the innovation. Furthermore, product and production innovation of a country will increase the demand of its products in global market, which in turn, will increase the volume of trade. Finally, if governance can create an environment where innovation can flourish, the

nation's capability to trade will improve. The foregoing argument proposes that the relationship between governance and trade is probably indirect and this indirect relation is probably mediated by innovation. Based on which, the three hypotheses are proposed below:

Hypothesis 1: There is significant positive relationship between Governance and International Trade.

Hypothesis 2: The relationship between governance and international trade is significantly indirect.

Hypothesis 3: The relationship between Governance and International Trade is mediated by Innovation.

### 3. Methodology

The study is conducted based on a cross sectional data of the year 2017, collected from different secondary sources like-the World Bank, Cornell University, INSEAD, the WIPO, The United Nations, The World Intellectual Property Organization and Transparency International. Primarily 188 countries, covered by world governance indicator project of World Bank, are selected for the study. Later, Judgmental sampling method is used to select 119 country cases based on two criteria: availability of data and data normality. Country cases with complete data on governance, innovation and trade indicators are considered for the study.

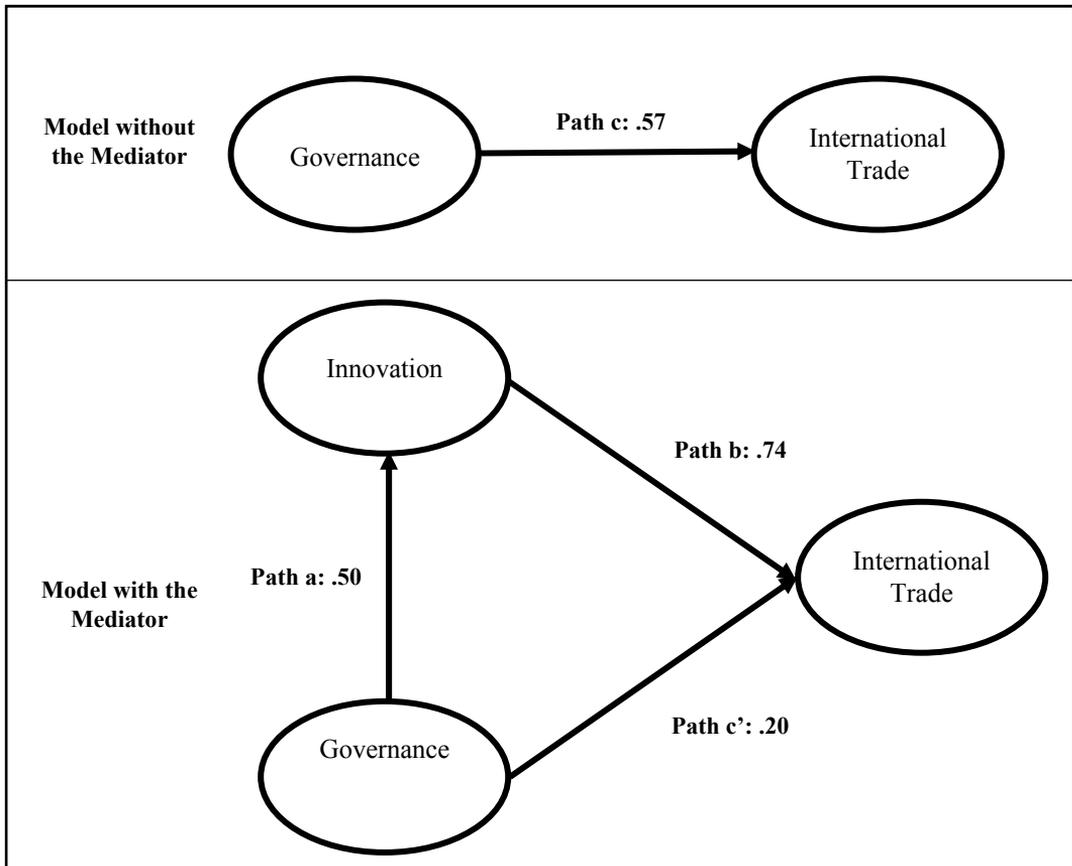
**Table no. 1 Country distribution by continents**

Subcontinent	Number of countries
Asia	33
Europe	40
Africa	24
North and South America	19
Oceania	3
Total	119

Some country cases are deducted from the list as they were outliers in the dataset. Some basic information about the selected countries are given in the table 1 and the name of countries are given in the appendix A.

#### 3.1. Measurement Variables

The model of the study is shown in **Figure 1**. The model consists of one exogenous paradigm (Governance) and two endogenous paradigms (Innovation and International Trade). Governance was measured by the mean value of five factors: Political Stability (X1), Regulatory Quality (X2), Control of Corruption (X3), Government Effectiveness (X4), and Rule of Law (X5). Innovation by the mean value of three factors: Global Innovation index (Y1), Research and Development Expenditure as Percentage of GDP (Y2), Patent application by Residents (Y3); Trade by one factor: Export (Y4).

**Figure no. 1 Proposed and tested model of mediation**

Political Stability, Regulatory Quality, Control of Corruption, Government Effectiveness and Rule of Law factors are indexes developed by World Bank measured on a scale between -2.5 (weak) to 2.5 (Strong). Global Innovation Index is annually published by Cornell University, INSEAD, and the World Intellectual Property Organization. It is measured on scale of 0 to 100. Research and Development Expenditure as Percentage of GDP was collected from the World Bank. It includes capital and current expenses in the four key areas: Business enterprise, Government, Higher education and Private non-profit. R&D covers basic research, applied research, and experimental development. The Patent Application by Residents was sourced from the World Intellectual Property Organization. Globally patent applications are submitted through the Patent Cooperation Treaty procedure or with a national patent office for exclusive rights for an invention. A patent offers security for the invention to the proprietor of the patent for a limited period, generally 20 years. The World Bank provides Export data annually, which includes export value of goods and services of countries and measured in billion USD.

### 3.2. Data Analysis

The IBM SPSS Statistics 23 software package was used to analyze the model. In the beginning, the assumptions of the model were tested. Data were log transformed to achieve normality. Then, The normality and variability of data were checked. In this regard, the Shapiro-Wilk and Kolmogorov-Smirnov test and Q-Q plots and Histograms were used to check the normality of variables. Skewness and Kurtosis were also be verified to check the normality of the samples. Afterwards, independence of samples were checked to verify the randomness of data set. Linearity and Homoscedasticity were tested to found out the correlation between variables and the homogeneity of variance. As a final point, multicollinearity was tested to find out whether independent variables in the model are correlated.

In order to assess hypotheses, simple linear regression and multiple linear regression between the variables were used. The mediation model was tested by using regression analysis (Baron and Kenny 1986, Hopwood 2007).

### 4. Results

To test the assumptions of the model, a series of tests were conducted. First, the samples of study were approximately normally distributed. All the samples showed  $p > .05$  both in Shapiro-Wilk's (Shapiro 1965, Razali 2011) and Kolmogorov-Smirnov's (Goodman 1954, Lilliefors 1968, Rosenthal 1968) tests as well as normal Q-Q plots and histograms as shown in appendix B (Ghasemi 2012). The export, governance and innovation of countries had skewness of .011 (SE=.223), -.290 (SE=.223) & .271 (SE=.223) and kurtosis of -5.67 (SE=.442), -3.68 (SE=.442) & -.301 (SE=.442) respectively (D. Cramer 1998, D. & Cramer 2004, Doane 2011). Subsequently, The Durbin-Watson test for independence of sampling scores 2.153, where it should be in between 1.5 to 2.5 to be considered non-autocorrelated (Durbin 1950). In case of Linearity, the correlation between Export & Governance and Export & Innovation is not zero as suggested by the scatterplots in appendix C, indicating a linear relation between the pairs of variables. Later, the scatterplot, given in Appendix D between Regression Standardized Residual and Regression Standardized Predicted Values of the three regression model shows non violation of Homoscedasticity (Pryce 2002). Finally, to test the multicollinearity, we found tolerance value  $> .1$  and  $VIF < 10$  (Belsley, Kuh and Welsch 1980, Goldberger 1991, Hill and Adkins 2001). The  $R^2$  value of the overall regression model is 0.73, indicating a substantial model fit. (Hair, et al. 2014, Chin 1998, Cohen 1992).

Three hypotheses to be tested were recommended to evaluate the direct and indirect effect of governance and innovation on International Trade and the mediating effect of innovation on the indirect relation between governance and international trade. The first hypothesis projected, significant direct positive relationship between Governance and International Trade. It was tested by using a simple linear regression with governance as an independent variable and international trade as the dependent variable. As shown in table 2, the result supported the hypothesis, where,  $b=0.57$ ,  $t(116) = 7.47$ ,  $p < .001$ . A moderate regression model was found,  $F(1,116) = 55.84$ ,  $P < .001$ , with  $R^2 = .32$  (Cohen 1992). It verifies that one unit increase in governance will have a significant positive improvement in international trade by 0.57 unit.

Baron and Kenny (1986), Judd and Kenny (1981) and James and Brett (1984) advocated a four steps approach to conform a mediation (shown in figure 1): a. the independent (governance) variable significantly influence dependent (international trade) variable (Path c), already established with the acceptance of first hypothesis; b. the independent (governance) variable significantly influence mediating (innovation) variable (Path a); c. mediating (innovation) variable significantly influence the dependent (international trade) variable (Path b); d. In order to be a full mediation, the initially significant relationship between the independent (governance) and dependent (international trade) variable must become insignificant when the mediator role accounted in the process. The mediation will be partial mediation, if the relation still remains significant, but effect size reduces. If none of these two happens, it will means no mediation in the relationship. The table 2 and figure 1 summarizes the results of set of regression tests in order to verify the second and third hypothesis.

**Table no. 2 Coefficients of mediating effects**

Testing Paths	B	SE(B)	95% CI	$\beta$	SP <sup>2</sup>
<b>Path c: DV= International Trade</b>					
R <sup>2</sup> =.32, F(1,116)= 55.84, P<.001					
IV= Governance	1.89	.25	1.39,2.39	.57	.33%
<b>Path a: DV= Innovation</b>					
R <sup>2</sup> =.25, F(1,116)= 39.03, P<.001					
IV= Governance	1.19	.19	.82,1.57	.50	.70%
<b>Path b and c': DV=International Trade</b>					
R <sup>2</sup> =.73, F(2,115)= 157.23, P<.001					
IV= Governance(c')	.66	.19	.30,1.03	.20	.03%
IV= Innovation(b)	1.03	.08	.88,1.18	.74	.41%
Total indirect effect (a)*(b)				.37	
P <sub>M</sub> = [ $\frac{\text{Total indirect effect (a*b)}}{\text{total effect (a*b+c')}}$ ]				65%	

First, a simple linear regression was conducted considering governance as independent variable and innovation as dependent variable, where  $b=0.50$ ,  $t(116)=6.25$ ,  $p<.001$ . A substantial regression model was found,  $F(1,116)=39.02$ ,  $P<.001$ , with  $R^2=.25$  (Cohen 1992). The result shows a significant effect of governance on innovation as one unit rise in governance will improve.50 unit in innovation. It approves the second condition for mediation.

Finally, a multiple linear regression was conducted considering international trade as dependent variable and governance and innovation as independent variable. A significant regression model was found,  $F(1,117)=157.23$ ,  $P<.001$ , with  $R^2=.73$  (Hair, et al. 2014, Cohen 1992). The outcomes demonstrates a crucial effect of innovation on international trade with  $b=0.74$ ,  $t(115)=13.23$ ,  $p<.001$ . Which means a unit change in innovation will increase.74 unit in international trade. However, in case of governance where  $b=0.20$ ,  $t(115)=3.58$ ,  $p<.001$ . Even though the effect is highly significant, but it shows that one unit change in governance will only improve.20 unit in international trade,

a dramatic reduction of effect size from 0.57 unit in earlier model. These outcomes indicate the relation between governance and international trade has a significant indirect relationship as assumed by the second hypothesis. Subsequently, accepting the second hypothesis. This indirect relationship between governance and international business is partially mediated by innovation as the effect of governance on international trade in presence of mediator (innovation) in the model is still significant, but the effect size reduced significantly from .57 to .20 (Baron and Kenny 1986). As both of direct (.20) and indirect effect (.37) has a positive effect on international trade, representing a Complementary Partial Mediation (Baron and Kenny 1986). It specifies that a portion of the effect of governance on international trade is mediated through innovation, whereas governance still defines a portion of international trade that is independent of innovation. In that case, the  $P_M$  (proportion of total effect) can be used to measure the size of the mediation (Alwin and Hauser 1975, MacKinnon, Warsi and Dwyer 1995). In table 2,  $P_M = 65\%$  indicates that 65% of the effect of governance on international trade is occurred by innovation. The rest of 35% effect of governance on international trade is not mediated by innovation. Consequently, we accept the third hypothesis that the relationship between governance and international trade is mediated by innovation.

## 5. Discussion

The results of the study reveal that both governance and innovation has a significant impact on the country's international trade. Which means that when a country do better innovation, its performance in international trade accelerates. Governance is one of the significant contributing factor of innovation and governance indirectly influences country's international trade through developing innovation.

Studies have found that the positive impact of innovation on economic growth and development (Pece 2015, Malecki 1997, Fagerberg 2008). Since the findings lead us to conclude that innovation has significant impact on country's international trade, promoting innovation in a country is crucial for government to ensure the growth and development of country's international trade.

Berden et. al. (2014) earlier found that dimensions determining governance has a diverse impact on international trade. In their study, improved political stability and voice and accountability were found to decrease trade and better corruption control, rule of law and government effectiveness has a positive impact on trade. But, the results in this study found an overall significant positive effect of governance on international trade. It also recommend that governance has significant indirect relation with country's international trade as relation between them is partially mediated by innovation. A country with good governance ensures premises for innovation to flourish. The finding is also supported by earlier study which stated that some state of governance encourages a better innovation system in a country (Ebner 2007). Consequently, countries performing better in innovation will develop competitiveness (Carayannis 2014). Subsequently, innovation helps countries to perform better in trading globally (Kaplinsky 2005). This study suggests that in order to enhance a country's performance in international trade, a good governance must prevail in the nation-state. Since, without a good governance, the innovation will not develop and will not create trade competitiveness in global market.

Hence, governments have to focus on the state of governance they practice and its effects on innovation to improve their performance in trade with foreign countries.

This study is also entitled with limitations. The study evaluated the relationship between governance and innovation and their impact on international trade. These variables are comprised of many factors as mentioned earlier, like- political stability, regulatory quality, innovation index, research and development expenditure of GDP, export, etc. But the paper didn't studied the relationships among these factors. The partial mediation only expresses partial impact of governance on international trade through innovation. So, other factors are there which are mediating in the relationship between governance and trade, it is not yet explored. Moreover, there may be other factors which should have to be considered to measure more accurate relationship among the variables. For example, the study considered only export to measure international trade, but international trade includes varieties of variables like- import, licensing, franchising, etc. In addition, only 119 countries and the data of 2017 were covered for the study. But data from more courtiers and multiple year panel data will be able to determine the relation with better accuracy.

## 6. Conclusion

The study assessed the three direct and one indirect relationship between country's innovation and international trade. In addition, the paper examined the mediating role of innovation on indirect relationship between governance and international trade. The results suggested that the relation between innovation and international trade and, between innovation and governance is direct. Furthermore, the relation between governance and international trade is partially mediated by innovation. In this complementary partial mediation, innovation explains 65% of effect, governance has on international trade. As a result, to make progress in foreign trade in the competitive world countries depends on innovation. Likewise, governance of the country facilitates the innovation of the nation. Therefore, governments should emphasis on developing better governance to aid innovation so that their global trade improves.

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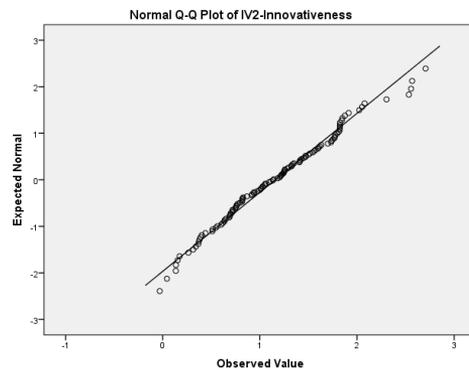
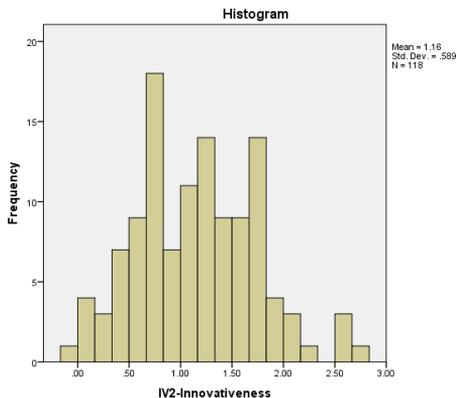
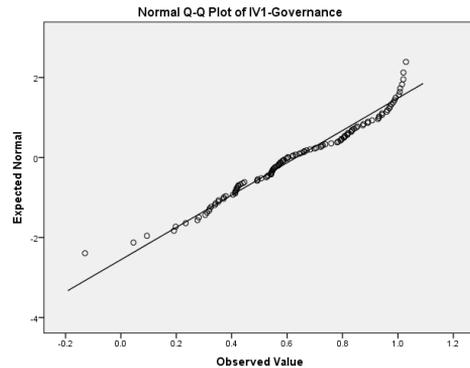
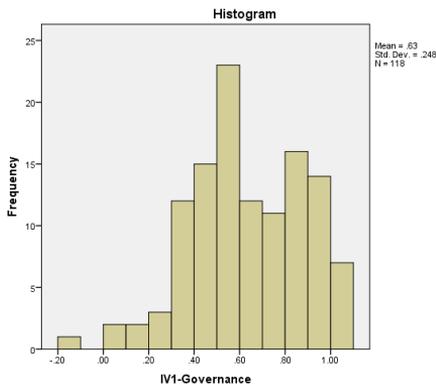
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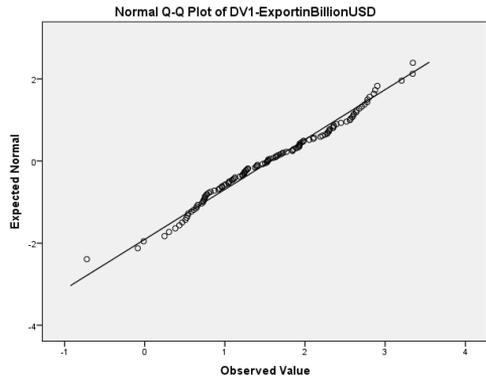
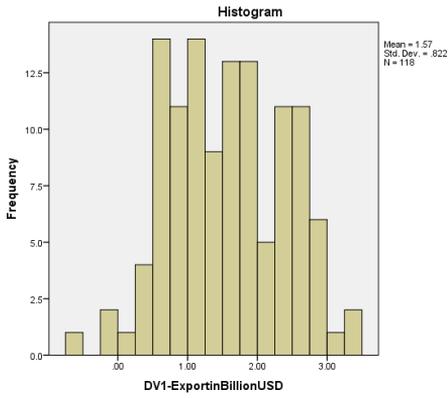
## Appendices

### Appendix A: Name of the Nations

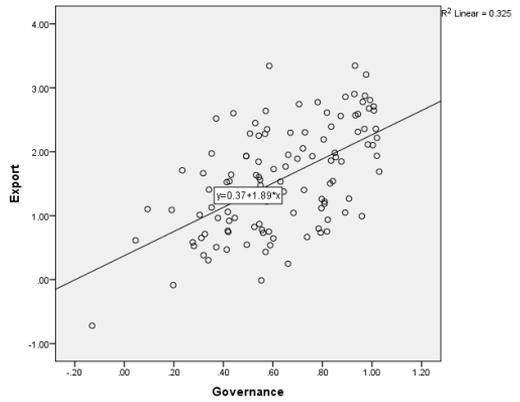
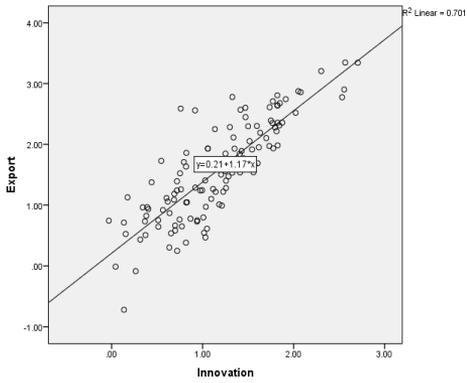
Albania, Algeria, Argentina, Armenia, Australia, Austria, Azerbaijan, Bahrain, Bosnia, Belarus, Belgium, Bolivia, Botswana, Brazil, Brunei Darussalam, Bulgaria, Burkina Faso, Burundi, Cambodia, Canada, Chile, China, Colombia, Costa Rica, Croatia, Cyprus, Czech Republic, Denmark, Ecuador, Egypt, El Salvador, Ethiopia, Estonia, Finland, France, Georgia, Germany, Ghana, Greece, Guatemala, Honduras, Hong Kong, Hungary, Iran, Iceland, India, Indonesia, Ireland, Israel, Italy, Jamaica, Japan, Jordan, Kazakhstan, Kenya, Republic of Korea, Kuwait, Kyrgyz Republic, Lao People's Democratic Republic, Latvia, Lebanon, Lesotho, Lithuania, Luxembourg, Macedonia, Madagascar, Malaysia, Mali, Malta, Mauritius, Mexico, Moldova, Mongolia, Montenegro, Morocco, Mozambique, Namibia, Nepal, Netherlands, New Zealand, Nicaragua, Nigeria, Norway, Pakistan, Panama, Paraguay, Peru, Philippines, Poland, Portugal, Qatar, Romania, Russian Federation, Saudi Arabia, Serbia, Singapore, Slovak Republic, Slovenia, South Africa, Spain, Sri Lanka, Sudan, Sweden, Switzerland, Tajikistan, Tanzania, Thailand, Tunisia, Turkey, Uganda, Ukraine, United Arab Emirates, United Kingdom, United States, Uzbekistan, Uruguay, Viet Nam, Zambia, Zimbabwe.

### Appendix B: Histogram and Q-Q plots of Variables





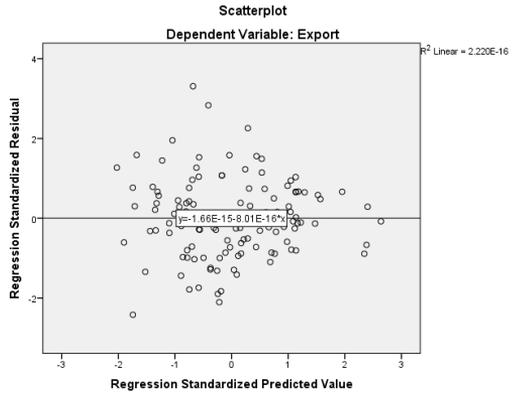
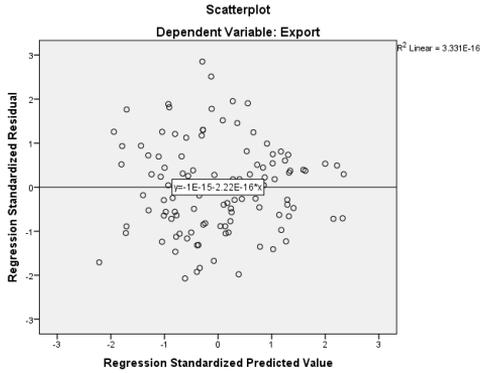
### Appendix C: Scatter plot between variables



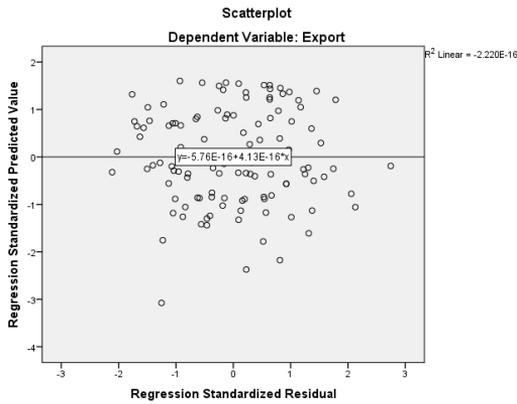
**Appendix D: Scatter plots: Regression Standardized Residual and Regression Standardized Predicted Values**

Dependent Variable: Export  
Independent Variables: Governance and Innovation

Dependent Variable: Export  
Independent Variables: Innovation



Dependent Variable: Export  
Independent Variables: Governance



# THE IMPACT OF CULTURAL INTELLIGENCE (CQ) ON GLOBAL BUSINESS

Ana Mihaela Istrate\*

## Abstract

*In nowadays business environment it is absolutely mandatory that we put the concept of culture in direct contact with the idea of leadership, because tomorrow's leaders have to be masters not only in what intelligence or emotional intelligence mean, but they also need to be equipped with cultural intelligence.*

*Cultural intelligence (CQ – cultural quotient), which is a recent concept in modern sociology, offers the ability to successfully operate across geographical and cultural boundaries, enhancing the set of skills needed in an efficient business world. Together with the IQ (intelligence quotient) and EQ (emotional quotient), CQ enables its possessors with the ability to bridge the gap between culturally different organizational structures.*

**Keywords:** cultural intelligence, Iceberg model of culture, Onion model of culture, cultural globalization

**JEL Classification:** D83

## 1. Introduction

The concept of CQ (cultural quotient) or cultural intelligence is related not necessarily with the ability of understanding the differences between cultures, but more with the problematics of adaptation to different cultural settings. So, the concept appeared from the need of solving the problems that international business people had to cope with, when relocating to distant spaces.

Cultural intelligence, or CQ (cultural quotient) is a core element in building interpersonal relationships, but also a very important tool that enhances skills such as creativity and innovation. In other words, a key aspect in international business.

Made up of four different components: CQ drive, CQ motivation, CQ strategy and CQ action, cultural intelligence can be built and strengthened through different communication channels: oral, written, verbal or nonverbal, through what specialists call *experiential learning*, or “learning through reflection on doing”. (Patrick, 2011: 1003)

## 2. Definition of Culture

The starting point of any study related to cultural intelligence should be the proper definition of *culture*. In this respect, from the wide range of materials available in the specialized literature, we have considered three of the most important definitions, whose

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authors, mainly anthropologists and sociologists, played an important role in shaping mentalities, raising awareness about the importance of the term, and helping develop a better understanding of the importance of cultural differences in the business environment.

Edward Hall is the author of the famous *Iceberg model of culture*, which will be explained in the next pages, Geert Hofstede is the Dutch sociologist who realized the importance of *cultural dimensions* in the business world, while Edgar Schein is the American management professor who realized that *culture* is like an onion with three layers, thus creating the *Onion model of culture*.

- “Culture can be likened to a giant, extraordinary complex, subtle computer. Its programs guide the actions and responses of human beings in every walk of life. (...) The essence of effective cross-cultural communication has more to do with releasing the right responses than with sending the right messages”. (Hall & Hall, 1990: 4)
- “[Culture] is the collective programming of the mind which distinguishes the members of one group or category of people from another” (Hofstede, 1994: 5)
- ”A better way to think about culture is to realize that it exists at several *levels*, and that we must understand and manage the deeper levels. (Schein, 2010: 21)

From the above given definitions of culture, we realize that *culture* is a way of doing things, sometimes as we are programmed, sometimes as the context dictates to us, some other times as the environment or the people around us suggest us to do. But it is mainly related to ideas, beliefs, customs and traditions.

Culture is more than a concept, it is a mode in which we are able to solve problems, as Fons Trompenaars suggests, but culture is visible at all levels: at family level, school level, group of individuals level, adult level, business level, corporate culture level, etc. “It is even found at the level of the whole industry because of the shared occupational backgrounds of the people industry wide”. (Schein, 2009: 19)

It is extremely difficult to make a list of all subcultures or how they impact society. They are sociological phenomena, changing in time according to the overall changes of mentality in a society, behaving as milestones or starting points.

There are different possibilities of presenting subcultures, but for the present study we will base our list on Nunez, Nunez and Popma’s study. Thus, we can talk about:

- Geographical subcultures: continental subcultures (European, Asian, North American, South American subcultures); country subculture (Japanese, Romanian, French, etc.); regional subcultures (Scandinavian, Bavarian, Moldavian, Transylvanian, etc.)
- Religious subcultures: Catholic, Orthodox, Jewish, Islamic, etc.
- Urban vs. rural subculture
- Gender
- Age: elderly, middle aged, generation Y, X, millennials, etc.
- Professional subculture: doctors, professors, economists, IT specialists, military, police forces, etc.
- Social status: middle class vs. rich people, for example.

- Corporate subculture: IBM vs. Oracle subculture, Vodafone vs. Orange subculture, ASE vs. RAU, etc.

Why are these elements important? Edward T. Hall suggests that they can help us learn the internal culture of other people and this is particularly true in our global society where working in multicultural teams, or with co-workers belonging to a different subculture from ours, is an absolutely normal fact. If we want to be efficient and proficient at the same time, we have to master the skills of cultural intelligence.

### 3. The Iceberg Model of Culture

In 1976, the American anthropologist Edward T. Hall, in his book *Beyond Culture*, developed the *iceberg analogy of culture*, which gives us a better understanding of what culture is, or more specifically of the fact that culture means more than what we see.

In his theory he compares culture with an iceberg, whose visible part, which is above the sea level, is smaller and less important than the invisible part, which is under the sea level, and which he calls the invisible culture.

Above the sea level he includes elements such as: language, dressing code, folklore, rituals, customs and traditions, etc., in other words all the elements that we see at a first glimpse, when we get in contact with a new culture, while under the sea level we have the important aspects, such as beliefs, values, unconscious feelings, biases, etc., as can be seen in the image below. (Figure 1)

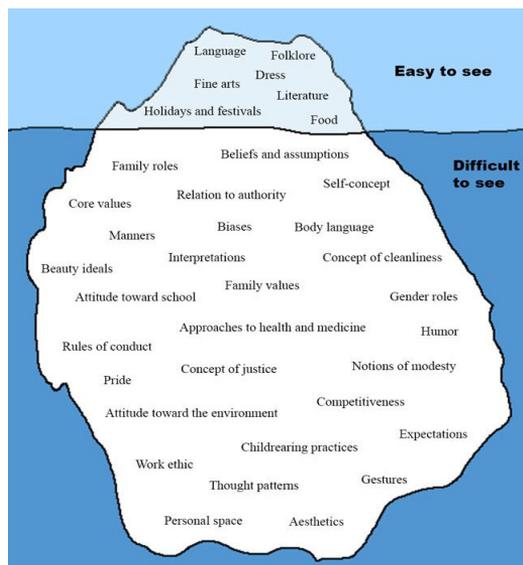


Fig. 1 The Iceberg Model of Culture

We cannot say that the invisible aspects are more important than the visible ones, on the contrary, they are equally important. However, an understanding of their role in shaping regional culture can help us gain a set of skills so that we can cope easier with cultural differences.

#### 4. The Onion Model of Culture

Edgar Schein, in the 1980s, developed the organizational culture model, also known as the onion model of culture.

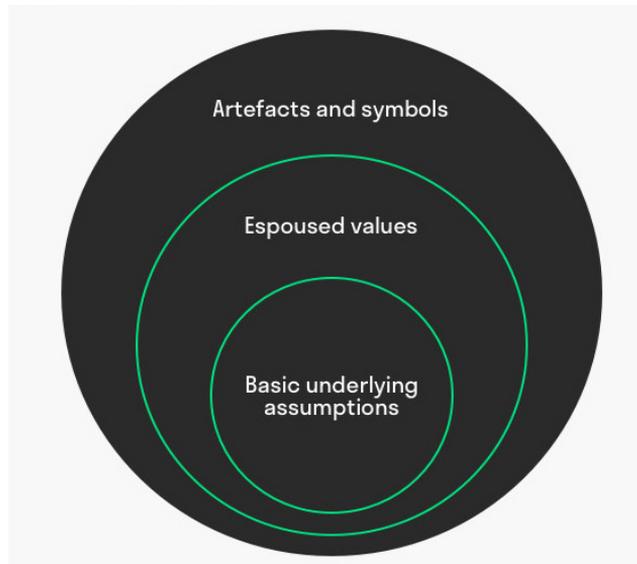


Figure 2. Onion Model of Culture

As can be seen in the picture above, this cultural model has three layers:

1. **Artifacts and symbols** which represent the external layer, that we face when we get in contact for the first time with a new culture. For example, when we travel to London, we immediately see that cars or trains travel on the “other” side, which is the opposite from the one we are accustomed to. Foreigners arriving in India will be immediately shocked at the style of dressing, in the street. The same is similar when coping with a company culture that is completely different from the one you were used to: companies have artifacts such as: logos, company style, dressing style, etc. “The most important point to be made about this level of culture is that it is both easy to observe and very difficult to decipher”. (Schein, 2010: 24)
2. **Espoused values and beliefs** represent the second layer of the model. As Nunez, Nunez and Popma suggest in their book, they are “written and unwritten standards of correct, desired behavior. (...) Norms and values are not as visible as artifacts. It takes some time to notice, let alone learn them. But with the necessary effort and observation they can be learned”. (Nunez, Nunez, Popma, 2017: 14)
3. The most important layer of the onion is made up of the **basic underlying assumptions**, which in our culture are assimilated to the so called *7 years from home*. Schein enumerates in this category the “unconscious, taken for granted beliefs, perceptions, thoughts and feelings (ultimate source of values and actions)”. (Schein, 2009: 21)

### 5. Cultural Intelligence (CQ)

Professor Guido Gianasso, from the Nanyang Technological University in Singapore speaks about the new *megatrends*, which can help us become global citizens, particularly at business level. He suggests that we, as a society, are at the crossroads of a couple of important issues: rapid urbanization, changing demographics, new technologies and accelerated innovation, and last but not least, hyper globalization.

That is why we need to develop new skills, in order to improve our personal portfolio. In this context, only the intelligence quotient (IQ), which is the total score designed to assess human intelligence, is no longer enough. New skills, such as emotional quotient (EQ) or cultural intelligence (CQ) become key aspects.

Emotionally intelligent individuals can master their emotions, even the negative aspects, such as frustration or sorrow. The American anthropologist Daniel Goleman who coined the term, speaks about five different components of EQ:

1. Self-awareness
2. Motivation
3. Empathy
4. Self-regulation
5. Social skills

*Cultural intelligence* represents the “capability to function effectively across a variety of cultural contexts, such as ethnic, generational and organizational culture”. (Livermore, 2011: 7)

The scope is not only to understand cultures that are totally different from our own, but to be able to solve problems, to adapt, overcome a culture shock and ultimately master a new culture, both for personal or business reasons. This happens because more and more people travel abroad for studies (annually it is estimated that more than a million students study abroad) and aim to find a job in a different country.

According to specialists, cultural intelligence is made up of four *capabilities*:

1. **CQ drive (motivation)** which refers to one’s trust and preoccupation with working and functioning in a culturally different environment;
2. **CQ knowledge (cognition)** which deals with one’s seek and understanding of how different or alike are cultures. This item is vital, as it develops in the individual a set of skills that will allow him/ her to function in a different culture;
3. **CQ strategy (meta-cognition)** makes us aware of the processes we need to follow in order to effectively experience culturally diverse environments;
4. **CQ action (behavior)** gives clear clues on how we need to adapt our behavior in order to tackle cultural challenges. It requires flexibility and immediate reaction in difficult situations.

All these four elements make up the cultural intelligence quotient, which can be assessed through different tests.

As Livermore suggests, CQ is not a fixed skill, but continuously progressing and improving, at the same time. “It can be helpful however, to think about them as four steps towards enhanced overall cultural intelligence”. (Livermore, 2011: 171)

One of the most important way in which we can improve cultural intelligence is by learning about the cultural values of any society. These values are “a society’s ideas about what is good, right, fair and, just” (Livermore, 2011: 88). However, we have to be very careful not to confuse these values with the cultural stereotypes, which are more abstract, rigid and unresponsive to reality.

## 6. Conclusion

Out of curiosity, triggered by the need to improve personal income or family revenues, or simply as a result of a need to change business environment, business people are sometimes tempted to make a drastic change, and settle in a new cultural environment, without even guessing the entire cultural shock that they are going to experience.

Culture shock theory was developed in 1954, by the Canadian anthropologist Kalervo Oberg, but improved since the present times. It appears in the shape of a U-curve, with four stages: honeymoon, negotiation, adjustment and adaptation, suggestive names which clearly explain the different phases until the final adaptation of the individual to a new environment. (Oberg, 2009)

If an individual is fully equipped with the cultural intelligence competences, he/she will be able to reach the fourth phase faster, or even skip the difficult negative stages. People will relate more effectively with neighbours, peers or co-workers and will have “a repertoire of strategies and behaviors to orient themselves when they encounter unfamiliar behaviors and perspectives”. (Livermore, 2011: 10)

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# USING TRANSLATION AS AN INSTRUMENT IN CROSS-CULTURAL INTERACTION

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## Abstract

*In recent years, an increase in cross-cultural relations has led to a huge interest in the process and products of translation. In this light, translation has become one of the most effective instruments that facilitate intercultural interactions. In turn, this has triggered a heightened awareness of the fact that translation is also an act of cultural transfer, besides being a tool for linguistic transference. Translation is the platform through which minor literatures become accessible to a significantly larger base of readers. Ideas, cultural values, principles and habits are spread in this way and contribute to the creation of a more comprehensive picture of a given culture. In this context, the figure of the translator as an agent of mediation between the two cultures acquires more relevance than ever before. This paper sets to take a look at the English translation of Filip Florian's acclaimed novel Degete mici. The purpose of the ST-TT analysis is to attempt an identification of the translator's agenda and the direction in which he guided the text. In doing so, we will make use of the notions of domestication and foreignisation put forward by Canadian researcher Lawrence Venuti.*

**Keywords:** translation, translator strategies, domestication, foreignisation

**JEL Classification:** Z10

## 1. Introduction

It is a reality, if not a condition for the survival of humanity, that cultures need to interact and that the forms of interaction should be as diverse and enriching as possible. There are few fields of interpersonal and intercultural communication which are more challenging and complex (on multiple layers) than translation. It is the link that connects the numerous and multi-layered manifestations of human activities, from artistic endeavours to commercial exchanges, social experiences or economic relationships. Information travels faster than ever, and in order to be put to good use, it needs the mediation of translation. "Globally, it is the age of mass-communication, of multi-media experiences and a world where audiences demand to share the latest text, be it film, song or book simultaneously across cultures" (Bassnett, 1996: 11).

It is a well-acknowledged fact that nowadays translation is culture bound and that, through the act of translation, a text is not only transferred from one linguistic system into another, it crosses cultural borders at the same time. "Otherness" is more present in

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translation than perhaps in any other form of intercultural manifestation. It is an extricable element of the translation process and the translator has a tremendous role in rendering the complexity surrounding the concept of otherness in the target culture. In the process of mediation, the act of translation touches upon some of the most stringent cultural issues: “the consequences of colonization in the interpretation of other cultures; the problems springing from the rebirth of xenophobia and racism; the understanding of the exotic, not in terms of false imaginary constructions, but as an historic reality in itself which must be respected disregarding hierarchical cultural boundaries. It could be said that translation is a provisional way to encounter the strangeness of languages, to paraphrase Benjamin, although it can also become a form of control, particularly if there are already a series of preconceived stereotypes about a given culture” (Alvarez and Vidal, 1996: 3).

Drawing upon the idea of translation as rewriting and of the source text, this paper aims to tackle the English translation of the novel *Degete mici* authored by Filip Florian. The analysis sets to identify to which extent the rewriting – i.e. the translation – of the Romanian text assists in signalling its otherness to target readers. As such, the analysis focuses on identifying the orientation of the translation towards domestication or foreignization and the strategies adopted by the translator in order to complete his task.

## 2. Context and analysis of the translation

*Degete mici* was published in 2005 at Polirom and represented the literary debut of Filip Florian, a former reporter in political journalism. It was received by the Romanian literary critics with great enthusiasm, and Florian was acclaimed as one of the most powerful voices of the Romanian new wave of novelists. The book received several prestigious awards in Romania and became highly visible on the international literary scene as well due to its translation into several languages such as Spanish, English, German, Slovenian or Polish. The novel enjoyed the same critical acclaim abroad as it did in Romania.

The novel reunites all the large themes that will recur in Florian’s later novels such as *Toate bufnițele* and *Zilele regelui*: revisitation of the past from the perspective of the present, memory and individual life as opposed to collective existence. In *Degete mici*, the plot revolves around the discovery of a mass grave in a small mountain town, where everybody knows everybody. This macabre discovery divides the town in two: some inhabitants support the expert opinion of archaeologists who state that the bones are the remains of a plague that affected the population several centuries before, while others are of the same opinion as the authorities, who claim that the grave is proof of a mass execution dating from the communist regime. The main story is interwoven with numerous side stories, which feature characters as diverse as a writer (the main hero) and his girlfriend, Jojo, a retired colonel (with a morbid fetish for little fingers, which he secretly collects), the monk Onufrie who seems to have a special communication with the Divinity, not to mention the plethora of minor characters who make shorter appearances in the novel.

The time frame of the book is just as intricate as the labyrinth of stories and their protagonists; readers are carried through the interwar period, during the communist

regime, all these time scenes being placed against the background of the chaos dominating Romanian society after the 1989 Revolution. Actually, as critics mentioned several times, one of the merits of the book and part of its charm reside precisely in the complexity of the narrative fabric: “Adunându-se în jurul unui spațiu inedit, al unei intrigi ce izbucnește încă din titlu, crescând progresiv și mutiplicându-se în jocuri de suprafață, firul narativ se va lăsa, nu de puține ori, desfăcut, deșirat, reorientat către povești laterale, urmând să se reîntregească, într-un moment atent căutat, când povestirile aparent dispartate nu vor mai reuși să se sustragă mult-regizatei întâlniri” (Mărculescu, 2010).

The novel benefited from the English translation as a result of the translation programme TPS (Translation and Publication Support Programme), launched in 2005 by the Romanian Cultural Institute. The main aim of the programme was to make Romanian literature accessible and known to foreign readers, as the ICR covered the translation and the publication costs in some cases. The titles were proposed by the foreign publishing houses. The translation of Florian’s novel into English was performed by Alistair Ian Blyth and was published at the prestigious American publishing house Houghton Mifflin Harcourt in 2009. It sold in 2,000 copies in the first six months after publication.

Blyth has an extensive experience as a translator from Romanian and signed the English version of numerous contemporary Romanian authors such as Bogdan Suceavă, Dan Lungu, Lucian Dan Teorodovici or Ioana Pârvulescu. It is worth mentioning that he is also living in Romania, which means that he experiences the Romanian realities on a daily basis and has already acquired a significant amount of local cultural expertise. This is not a fact to ignore, as most postmodern Romanian prose writing is deeply embedded in the social realities of today.

*Degete mici* is not an easy task for the translator at multiple levels. The narrative unfolds in a sort of stream of consciousness manner, with juxtapositions of time periods and personal stories intermingled sometimes in the same sentence, which shakes the readers off their comfortable reading habit. This is completed by the language itself, whose masterly use has been considered one of Florian’s most significant creative accomplishments, a personal feature that sets him apart from other authors of the same generation. Here is what Dan Lungu, another powerful voice of postmodern Romanian writers, says about Florian’s writing: “Filip Florian e un bijutier, un miniaturist meticulos, un încăpățânat frumos. Într-o generație insurgentă și rebelă care a descoperit libertățile postcomuniste, Filip Florian e un călugăr franciscan. Dar unul care fumează. Îl putem plasa în descendența lui Ștefan Bănuțescu, Radu Petrescu sau, mai aproape, a lui Ștefan Agopian, adică în linia scriitorilor artiști, pe care o continuă la cel mai bun nivel” (Lungu quoted in Ilie, 2013). His craft as a language jeweller forces the translator to test his own skills at rendering the same level of linguistic craftsmanship in the target language.

Apart from these challenges that pertain to the literary and linguistic level, there are the cultural references, which cover various categories and which require distinct translation strategies. „Alegerea unei, să zicem, sintagme de către autor este rezultatul unei experiențe desfășurate într-o cultură circumscrisă istoric și geografic, comunicate unui cititor care se presupune că împărtășește aria de proveniență a acestei experiențe. Traducătorul va trebui în mod ideal să reproducă acest circuit la un nivel care să-l poată include pe cititorul din spațiul său cultural – operațiune deloc ușoară [...]” (Bican, 2013).

Indeed, the translator is faced here with the task of re-creating in the target text an atmosphere – with all the elements that help design it – that would replicate, at least to a certain degree, the same aesthetic response it elicits in the source readers.

In his translation, Blyth aligns with the principles of cultural translation, through which he strives to bridge the gap between the Romanian context and the background of English speaking readers. As we will see later, he takes the role of mediator between the two cultures interacting through translation, striving to reach a middle ground between his loyalty to the source text (with everything this entails – to the intention of the author, message transmitted, frameworks of reference) and his concern for the text readability and acceptancy in the target language. Cultural translation, as the term is used by Carbonell, occurs “whenever an alien experience is internalized and rewritten in the culture where that experience is received. [...] There exists a gap between the significative context of the cultural components involved, there is always an element of untranslatability that allows the modification of the originary meaning according to the structures of representation of the target language/culture” (1996: 81). It is precisely in this gap, or interstices as he calls them, that the translator expresses his/her own subjectivity and where his agenda of domesticating or foreignising the text becomes visible.

Despite the translator’s attempt to strike a balance between the foreignness of the source text and the norms, conventions and expectations of target text readers, sometimes there is a visible preference for one of the two poles of translation, which Canadian researcher Lawrence Venuti calls foreignisation and domestication (the same polarity is approached by Gideon Toury in terms of adequacy and acceptability). According to Venuti, foreignisation “signifies the foreignness of the foreign text by disrupting the cultural codes that prevail in the target language. In its efforts to do right abroad, this translation method must do wrong at home” (1995: 18-20). At the other extreme, the translator, in his/her attempt to make the text as easily recognisable with the target readers’ own familiar frame of reference, adopts a domesticating orientation, which is “a labor of acculturation which domesticates the foreign text, making it intelligible and even familiar to the target-language reader, providing him or her with the narcissistic experience of recognising his or her cultural other” (1992: 5). In other words, the translator either brings the reader to the text or the other way around, the consequence being inevitable loss on either of the two sides involved in this form of exchange.

Blyth’s translating agenda reveals a profound knowledge and awareness of Romanian culture, with its subtleties and peculiarities. Moreover, in his interviews he demonstrates that he truly wishes to contribute to making Romanian literature known to an English speaking readership. However, as we shall see, his translation has a clearly marked domesticating direction. But, given his commitment to the cause of Romanian literature and his self-assumed role as an agent of its visibility abroad, one could claim that his domesticating strategies could only be explained by the fact that he wishes to take the text as close to its target readers as possible, in the attempt to befriend them with the author and his creation.

ST: Vântul e recișor și parcă are gust, unul de mure, barca trece pe lângă un plop alb, peste apă stau risipite șuvițe de abur, pui de ceață, barca lasă în urmă un șir de sălcii pitice, ce noapte negricios-albăstrie, ca tușul! Barca înaintează pe fondul întunecat al

ierburilor și al tufelor fără culoare, ah! cât de destoinică e bărcuța lui de doisprezece crivace! Nici curentul nu i se împotrivese, e atât de liniște, dar se aud destule de pe maluri, sunete pe care nu toate urechile le aud, un șuierat slab, foșnete, un flfâit, mai multe, trosnet de vreascuri (...)

TT: The wind is chilly, and it has a taste, a taste of mulberries. The boat passes by a white poplar. Over the water stand scattered streaks of haze, whelps of mist. The boat leaves behind a row of dwarf willows. A bluish-black night, like ink! He advances against a darkened backdrop of colorless grasses and bushes. Ah, how agile is his little wooden boat! Not even the current opposes it. The night is tranquil, but much can be heard on the banks, sounds that not every ear can detect: a faint whistle, rustling, a flutter, more fluttering, cracking bushwood.

ST: În zațul uscat se citea neîndoielnic că vor sosi niște bani, o sumă frumușică, nu un mizilic, însă întrebările se strecurau cu duiumul: să fie amărâta de pensie? (ah, nu, nu cred, niciodată nu mi-a ieșit în cafea că vine poștașul), un cadou? (ha, ha, ha, nu s-a născut încă o persoană așa gentilă), să fie o moștenire? (pfui, ce prostie), un câștig la vreun concurs? (pușor, tu mă cunoști, m-ai văzut tu vreodată că joc la loto sau la bingo? M-ai văzut tu că decupez buline de pe cutiile de dero sau că strâng capace de bere?), o fi chiria (păi e chiar culmea, tu stai aici lângă mine, la doi metri, nu-mi zici tu nimic despre plată și-mi iese la ghicit...).

TT: In the dry coffee grounds it could unmistakably be read that some money was going to arrive: a tidy sum, not a trifle. But questions kept cropping up: could it be that measly pension (“Ah, no, I don’t think so, the fact that the postman is on his way has never come up in my coffee grounds”) A present? (“Ha, ha, ha, a person that courteous has yet to be born.”) Could it be a legacy? (“Phooey, what nonsense.”) A prize in some competition? (“Darling, you know me: have you ever seen me playing the lottery or bingo? Have you ever seen me cutting out tokens from boxes of laundry soap or collecting beer-bottle tops?) Might it be the rent? (“Well now, that’s the limit, I mean, here you are sitting two feet away from me and not a word about paying and you leave it up to come up in my fortunetelling...”)

As can be noticed from the comparison between the source and target text fragments, the translator interfered with the source text mainly at syntactic level. The former example is a description of the silent route of a wooden boat on the lake, at night. It is a telling illustration of Florian’s masterly use of language, of how he manipulates words in order to create impressions and sensations. Reading the passage feels like being right there, in the boat, caressed by the cool wind, listening to the mysterious sounds, plunging deep into the ink-like night. The translation manages to capture the atmosphere of the source fragment, except that the flowing rhythm of the long sentences in Romanian is somewhat broken in English, where the translator opted for shorter more telegraphic sentences. They imprint a different reading pace and imbue the text with distinct dynamics, more alert than in the original.

The latter example, although consisting of a single very long phrase, is actually a dialogue in disguise. It is a conversation between auntie Paulina, the landlady, and Petrus, her tenant. However, the interventions of the two conversing characters are not marked as distinct, and it is the reader who has to detect who is saying what; actually, the one launching the questions is Petrus, while the brackets contain Paulina's answers. In the target text, the Romanian phrase is turned into nine distinct other sentences. The comments in between brackets, which belong to Paulina, are marked as such. Consequently, one might conclude that the translator proves his visibility through his interventions at the syntactic and typographic levels. He thus facilitates the reader's task of decoding the dynamics between the two characters and of making sense of this interplay of assumptions and answers.

The fragment also displays a number of discourse markers of orality – “ha, ha, ha”, “pfui, ce prostie”, “păi e chiar culmea” and the atmosphere is faithfully captured in the target text with target language versions such as “ha, ha, ha”, “phooey, what nonsense” and “well now, that's the limit”. Apart from the narrator, most of the secondary characters are also defined by the register they use. Hatim and Mason claim that “social differentiation is also reflected in language” (1990: 42). Through their choice of grammar and lexis, characters such as auntie Paulina indicate the social category to which they belong through their middle-class talk abounding in the orality markers indicated above and in the use of certain lexical markers such as “puișor”, “mizilic” or “amărâta de pensie”. The translator has to grasp the idea of identity which is displayed thus by the linguistic code of the specific speech community whose members the characters are.

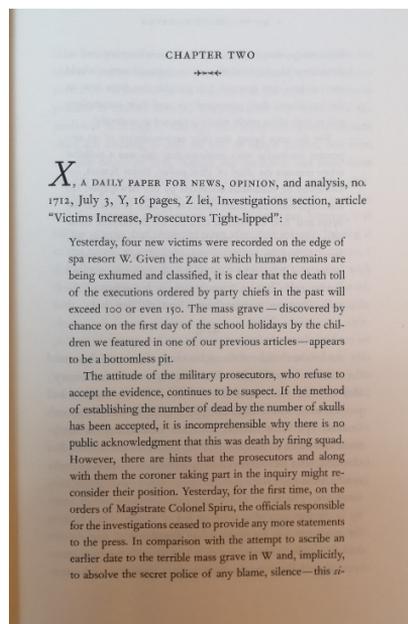
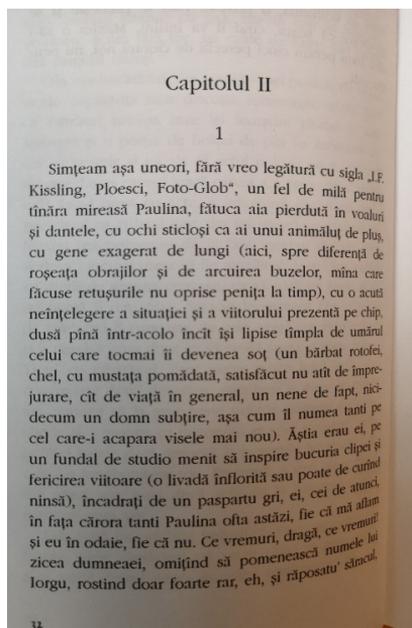
In any act of translation, the translator is bound by a double allegiance – to the source text/author on the one hand, and to the target language/readers, on the other. It is not an easy responsibility, as s/he has to find the right formula to render the author's intention (in terms of writing style, message, narrative etc.) in the target language so as to be appealing to target readers. This requirement of twofold loyalty relates to four main fields: linguistic diversity, interpretive diversity, pragmatic diversity and cultural diversity (Franco Aixela, 1996). In our particular case, the examples above illustrate how the translator managed to render the linguistic diversity of the two languages involved in translation, in this particular case Romanian and English. In an effort to achieve equivalence in the target language, he resorted to the syntactic manipulation of the source text which brings the text closer to its target readers.

Another layer of diversity refers to the cultural elements present in the source text. Franco Aixela calls them culture-specific items (CSI); they reflect the dimension of cultural variability, which can often be a touchstone for translators, as they encode a reality specific to a given culture in terms of values, habits, units of measurement etc. When the gap between the two cultures involved in the translation exchange is narrower, such elements of cultural reference may overlap, which makes the translator's task easier and the text more readily accepted by target readers. But when the cultural distance is wider, the translator has to choose whether he opts for domestication or foreignisation. In other words, whether he wishes to signal the foreignness of the text and bring readers closer to the cultural reality of the source text or whether he is more concerned about acceptability in the target language and manipulates the text so as to read as “an” original.

According to Franco Aixela, culture specific items are “usually expressed in a text by means of objects and of systems of classification and measurement whose use is restricted to the source culture, or by means of the transcription of opinions and the description of habits equally alien to the receiving culture. In either of these cases, they are usually manifestations of a surface nature, outside the structure of the text” (1996: 56). Depending on the orientation of the translation, the translator may opt for strategies ranging from conservation (when the translation has a marked foreignising orientation) to naturalisation (when the translator’s agenda favours domestication).

The culture specific items present in Florian’s novel cover a wide range of references, from gastronomy and eating habits to clothing, historical events, institutions and terms of address. In the gastronomy field, there are terms such as “braga” (TT: “millet beer” – although *braga* does not contain alcohol, which one might associate with beer), “pilaf” (TT: “rice”, although *pilaf* is not simply boiled rice, but rice with oil and vegetables), “cozonac” or varză călită“. In terms of clothing, the part describing monk Onufrie abounds in terms pertaining to the Orthodox rite and religious habits such as “parastas” (TT: “wake”), “camilafcă” (TT: “kamilavkion”) and the more worldly “clop” translated as “hat” (a telling example of a term with no referent in the target language, as the *clop* is a specific type of hat, worn solely in the Northern part of Romania).

Although most of the translation strategies adopted by Blyth can be accounted for based on his translating agenda, there is an aspect related to the extraliterary framework of the analysis that is utterly incomprehensible. The source text is organised into chapters (Capitolul I, Capitolul II etc.), with subchapters (1, 2, 3 etc.).



Nevertheless, the subchapters are fully deleted in the English version. Moreover, the order of the chapters is reversed, and the same is valid about the order of subchapters

within the same chapter. This major intervention of the translator in the organisation of the text reveals the visibility he undertakes in his role as an agent of reconciliation between the Romanian and the English texts. This decision to reorganise the very structure of the source text in the target version may be accounted for by the translator's concern with the principles of readability. By reframing the main story, the side stories may seem to follow a more logical pattern. It is, in a way, an expression of re-authoring the text, in contrast with the intention of the actual author.

### 3. The translation of proper nouns

The treatment of proper names in this translation deserves a special analysis. In general, proper nouns represent one of the most difficult categories to translate. Most of them refer to names of persons, celebrations and festivals, institutions, personalities, historical events or geographic spaces. Apart from the fact that they have a high cultural load, awareness of a given culture and of its naming habits may provide hints as to the gender of the person, their ethnicity or religious identity. Their cultural nature is precisely what makes them so difficult to translate: "they are the most problematic to translate in part because their [...] significance is often culturally specific and dependent on cultural paradigms" (Tymoczko, 1999: 224). Besides the unloaded proper nouns, i.e. those that have strict denotative meanings, there are also PNs with a marked connotative bearing, with a great significance for the message and plot of a text. The strategies used to deal with such proper names in translation are dictated by the general orientation of the translation towards domestication of foreignisation. They also reflect the translator's linguistic and cultural competence: "The transformation of names in translation [...] is rooted deeply in the cultural background of the translator, which includes phonetic and phonological competence, morphological competence, complete understanding of the context, correct attitude to the message, respect for tradition, compliance with the current state of cross-cultural interference of languages, respect for the cultural values and the responsibilities of the translator" (Apostolova quoted in Jaleniauskiene & Cicelyte, 2009: 32).

Actually, Theo Hermans put together four strategies for the foreign rendition of proper names. His taxonomy of translation strategies is still one of the most widely used in translation studies: "Theoretically speaking, there appears to be at least four ways of transferring proper names from one language into another. They can be **copied**, i.e. reproduced in the target text exactly as they were in the source text. They can be **transcribed**, i.e. transliterated or adapted on the level of spelling, phonology etc. A formally unrelated name can be **substituted** in the TT for any given name in the ST [...] and insofar as a proper name is enmeshed in the lexicon of that language and acquires 'meaning', it can be **translated**" (quoted in Franco Aixela, 2000: 76).

In *Little fingers* there are many proper names which refer to persons, topographic references and historical events. Although it is possible to apply distinct translation strategies to the proper nouns present in the same text, in our case the analysis of the TT and the ST revealed an inconsistent use of such strategies. Here are a few proper names designating persons:

**Proper nouns for persons**

ST	TT
Lucica	Lucica
Paraschiva	Paraschiva
Nițica	Nitzica
Răzvan	Răzvan
Pușa	Pusha
Vuța	Vutza
Ghiță	Ghitza
Jeni	Jenny
Iancu	Jancu
Ioanichie	Ioanichie
Onufrie	Onufrie

As can be noticed, the prevalent translation strategies here are reproduction, namely the names were copied in the TT with the same form they had in the ST. One name was completely substituted – Jenny. Others were dealt with through transliteration, mostly phonetic adaptation used in order to give an indication to target readers as to how those names should be read: *tz* for *ț* or *sh* for *ș*, for example. However, although the strategy is just as valid as any other and in keeping with the domesticating orientation of Blyth's text, following this logic of the phonetic adaptation, the names Lucica and Paraschiva should have also be transcribed (perhaps as Lusica or Paraskiva).

The same inconsistent treatment can be noticed in the translation of topographic names:

**Proper nouns for places**

ST	TT
Focșani	Focshani
Căldărușani	Căldărușani
Buzău	Buzau
Cernica	Cernica
Slănic	Slanic

Again, there is a marked preference for transliteration especially in the case of proper nouns which contain specific Romanian characters such as *ș* or *ă*. However, it is not clear why the translator chose to keep the *ș* in Căldărușani and adapt it in Focshani, and why *ă* is maintained in Căldărușani (which, kept as such is really difficult to read by English speaking readers), but omitted in Buzau.

**4. Conclusion**

*Degete mici* represents a challenging experience for foreign readers for two main reasons. On the one hand, there is the personal manner in which Florian constructs his phrases and builds his edifices of words and intricate linguistic structures. On the other

hand, it is the fact that the novel depicts a reality which is deeply rooted in Romanian realities, lifestyle and mores. Consequently, the translator was faced with the complex assignment of having to transplant the source content into English considering both the linguistic code and conventions of English, and the potential target readers with a multicultural background (although the text is translated into English, it obviously is not targeted solely at Anglo-American readers, but at whoever wishes to access the text in this language).

The ST-TT analysis above, which focuses on just a few aspects such as syntax and cultural references, can be expanded to include many other considerations. However, the aim was to detect the general orientation of the translation, either towards domestication or towards foreignisation. The examples analysed reveal that the translator's interventions were visible at the macro-level of the text, with the reorganisation of the source text, but also at the micro-textual level, with the syntactic alterations. Moreover, the dominant translation strategy used for the treatment of proper nouns and cultural references (i.e. transliteration) reveals a general preoccupation for the principles of acceptability, whose aim is to take the text as close to the readers as possible.

It is our personal opinion, in which we concur with Venuti, that "a translated text should be the site where a different culture emerges, where a reader gets a glimpse of a cultural other, a translation strategy based on an aesthetic of discontinuity, can best preserve that difference, the otherness, by reminding the reader of the gains and losses in the translation process and unbridgeable gap between cultures" (1995: 306). This does not mean that a translation with a domesticating intention is not a valid interpretation of the source text, because what else is a translation but the translator's own reading filter which he applies to the source text.

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