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Hochschule
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Würzburg-Schweinfurt



Small Firm Internationalisation and International Entrepreneurship in Times of Crises

Editors:

Emin Akçaoğlu & Rainer Wehner

**Würzburg International Business Forum
4th International Business Conference**

CONFERENCE PROCEEDINGS

Würzburg, 23 - 24 September 2021



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University of Applied Sciences
Würzburg-Schweinfurt

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Würzburg-Schweinfurt
Mainfranken

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Conference Proceedings

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International Entrepreneurship
In Times of Crises

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Foreword

Entrepreneurship, innovation and internationalisation are substantially interrelated. In an increasingly competitive world economy these are getting more importance. In 2000 at its Lisbon meeting, the European Council set the objective of making the European Union “the most competitive and dynamic knowledge-based economy in the world”. Entrepreneurship, innovation and internationalisation are essential ingredients of achieving such objectives as they are now three of the most important factors for growth and job creation in open market economies.

With the beginning of the internet era, entrepreneurship in international scale has become easier. Many start-ups now aim the international market from their inception. In other words, the number of so called born globals is increasing very quickly. Therefore, international entrepreneurship has also become a significant concept in the business literature. Currently, many countries and international organisations focus on international entrepreneurship for job creation and economic growth. This is particularly important these days as the effects of the global economic crisis still have been present.

Small companies (or small and medium sized enterprises [SMEs] in general) are entrepreneurial in their nature. SMEs are

not always growth oriented individually. Many small business owners do not aim to grow the company size at all. But since the number of SMEs in any economy is overwhelming, they contribute substantially to GNPs and also to employment. Many of these firms are family owned. Corporate governance issues have interesting aspects in family owned-firms. The unification of ownership and management enables the top management to make opportunistic investments by relying on intuition. Therefore, such firms are more flexible in comparison with shareholders-owned and managerially-controlled firms to adapt to changing environments, to enter new markets or, to introduce new products. Perhaps because of this attribute, family firms do tend perform better in adverse economic conditions.

SMEs are also very important in many countries (as well as in Germany where they play a critical role in forming a middle class society so called Mittelstand that is also the backbone of the German economy). On the other hand, it seems that SMEs in general (and also many German SMEs are reluctant to invest in foreign countries though export orientation historically has been the case). There may be various factual and psychological reasons behind this approach. However, increasing economic integration among nations

forces companies to be involved in international business much more than earlier. In this line, foreign direct investment (FDI) has also become as important as export business. In fact, FDI is currently has a pivotal role for international trade flows. At present two third of the world trade volume is under the control of multinational companies. Interestingly, multinational companies are not generally large or big companies as is supposed by many. They are rather smaller companies involved in FDI and other foreign operation modes.

So far, the internationalisation of SMEs and family-owned small firms and also small multinationals have been studied relatively lesser than the potential. In this respect, the WIBF's 4th International Business Conference aims to focus on international entrepreneurship and small firm internationalisation, and also on activities small multinational companies in times of crises.

The conference has already established itself as a global forum aiming at assessing the impact of, and generating discussion regarding, these recent developments in

order to reach a deeper understanding of the evident opportunities, risks, and outcomes.

This year's conference was organised with the partnership of

- Doğuş University, Istanbul, Turkey
- Manisa Celal Bayar University, Turkey
- IHK Mainfranken
- GASMERC – Global Alliance SME Research & Cooperation and
- TNCCS - Transnational Corporations Council of Studies

We thank all our partners, particularly Doğuş University and Manisa Celal Bayar University, and their Rectors Prof. Dr. Turgut Özkan, and Prof. Dr. Ahmet Ataç for their support.

The final acknowledgement goes to Prof. Dr. Robert Grebner, President of FHWS, and Prof. Dr. Axel Bialek, Dean of Faculty of Economics and Business Administration at FHWS. Without their support and encouragement, this year's conference would not have been possible.

Emin Akçaoğlu & Rainer Wehner
Editors & Co-Chairmen of WIBF

Opening
Speeches
(Transcription)

Opening Speeches of the Würzburg International Business Forum's 4th International Business Conference

Rainer Wehner, Co-Chairman of Executive Board, WIBF & University of Applied Sciences Würzburg-Schweinfurt, Germany

Emin Akçaoğlu, Co-Chairman of Executive Board, WIBF & Manisa Celal Bayar University, Turkey

Norman Langner, Vice-President of University of Applied Sciences Würzburg-Schweinfurt, Germany

Turgut Özkan, Rector of Doğuş University, Turkey

Axel Bialek, Dean of Faculty of Economics and Business Administration, University of Applied Sciences Würzburg-Schweinfurt, Germany

S. Gonca Telli, Dean of Faculty of Economics and Administrative Sciences, Doğuş University, Turkey

Diederich Bakker, President of GASMEREC – Global Alliance SME Research and Cooperation & Hanze University of Applied Sciences, The Netherlands

Rainer Wehner:

Let us start. Good morning everybody and welcome to the 4th International Business Conference of the Würzburg International Business Forum. It is a great pleasure to have you here and I'm really glad that so many of you joined us and found the way to our online session or even to Würzburg, like the colleague from Turkey, Dr. Civelek. A special welcome to such a heroic guest. So, I had a discussion on the other day about the politicians and about traditions. The guy that I was talking told me that "After the third time an event can be called traditional". So, welcome to our first 'traditional' international business forum. Unfortunately, we have to be online this year again. You all know why. We keep 'one meter and fifty centimeters' distances among each other. And, we fortunately do not have to wear masks all the day. So before I hand over the word to my Co-chairman Prof. Emin Akcaoglu. He is the co-founder of this conference, and my friend. I want to say hello and welcome to our Vice-President Prof. Normen Langner. Thank you for giving us the opportunity to host this conference for the fourth time. Then, the Rector of Doğuş University Prof. Turgut Özkan. The Dean of our Faculty of Economics and Business Administration, Prof. Axel Bialek. And then, the Dean of the Faculty of Economics and Administrative Sciences, Prof. Gonca Telli. Hello. And the President of GASMEREC – Global Alliance SME Research & Cooperation. Prof. Bakker is directly connected from Groningen in the Netherlands. Furthermore, I want to say thank you to our keynoters, Mr. Kemal Şahin, the Chairman of the Board of Directors of Şahinler Holding, and my dear and honored colleague Prof. Harald Bolsinger, specialist and professor for economics and

ethics. Furthermore, I want to thank you... I want to thank Mr. Dominik Winkler and Mr. Buchberger for making the technical infrastructure. It was a hell of a job I can tell you. It took us two full days to get all the zoom sessions work and to find and get the technical structure now available in this room. And last but not least I want to say welcome to my students of the focus entrepreneurship. I wish you a nice and fruitful conference and now I want to hand over the word to my colleague Emin.

Emin Akçaoğlu:

Thank you very much indeed Rainer. I also would like to welcome everyone in this room physically and virtually. We have been organizing this conference for the last four years. Therefore, this is the 4th one, and hopefully we will carry on in the future on an annual basis.

I would like to thank Prof. Norman Langner, the Vice-President of the University of Applied Sciences Würzburg-Schweinfurt for the support of the university since the beginning. I would also like to thank Prof. Harald Bolsinger, Prof. Axel Bialek, and Prof. Manfred Kiesel for their support and contributions since the beginning. And of course, I will name Mr. Dominik Winkler again. Because without him it would not have been possible to organize such a conference at all. And by taking this opportunity, I would like to thank Prof. Turgut Özkan, too. He has contributed to this conference twice. Once when he was working as the Dean of the Faculty of Economics and Administrative Sciences at Beykent University and now as the Rector of Doğuş University in Istanbul. I hope that this cooperation will be kept alive in the future as well. I would also like to extend

my thanks to Prof. Gonca Telli for her sport and contributions. And let me tell you finally that if we can keep this excitement together for the coming years we can do much more than we have done so far. Let me now hand over the word to Prof. Norman Langner for his opening speech. Thank you again.

Norman Langner:

Good morning to everyone. Ladies and gentlemen I'm very pleased to welcome you to this conference and the good thing is that a few of you are here in person and we can meet in person; talk to each other. That's the good part and hopefully will be a good way to see each other in near future again in person. My name is Norman Langner. I'm the Vice-President here at the university (FHWS), and I would like to extend a very warm welcome to every one of you, to you in the room here on site and the online participants. I think that's a possibility to participate online is one of the few positive aspects of the pandemic. We have gained lots of confidence in the online communication tools and their uses further in the future. But with good measure, nothing is better to meet in person. However, I think, that is a good thing to do a conference like this today. Before my colleagues dive into the technical content of the conference, I would like to take the opportunity to provide a few facts of our university of Applied Sciences Würzburg-Schweinfurt for those of you who don't know our university in detail yet. So, we have in total 10 faculties which offer more than 40 bachelor's and master's degree programs and which cover technology and engineering, social sciences, computer science, visual design, languages and of course business and economics. We teach we educate more than 9000 students. Our goal is to achieve 12000 in the near future, and of this 9000 students about 1400 are international students. So that's quite a good number and we would like to extend this to about 3000 in the near future. For teaching and research, we have almost 250 professors and that makes our university one of the biggest universities of applied sciences in the state of Bavaria and we're very proud of being a partner of about 200 international universities in more than 50 countries. So that's quite impressive I think. Recently we have added a new milestone to teaching and research of our university. It is the new zero carbon strategy, which - in addition to our internationalization and digitalization strategies - addresses the challenges of the human made climate change. All of our faculties and all of our research institutes our universities focus also on topics such as artificial intelligence and robotics with a focus on future topics like future technologies, technology transformation, working worlds, working environment and customer experience. So that's... yes... Therefore, I think regarding our teaching and research focus, today's event organized by the Faculty of Economics and Business Administration fulfills our strategic framework in terms of both the internationalization aspects and the research strategy. And the international contributions which

will be presented today and tomorrow will ensure that that the new findings from various countries will be exchanged and discussed. And I strongly believe that only this international exchange and cooperation will be an effective means to overcome future global crises. So thank you for your participation today and tomorrow. Thank you for your help to exchange and cooperation. And with this I finish. I wish you a great conference, good day, two good days and have fun. And please stay healthy. Thank you very much.

Rainer Wehner:

Thank you Prof. Langner for the kind words and the invitation again. And now I wanted to hand over the word to Prof. Turgut Ozkan, Rector of Doğuş University.

Turgut Özkan:

Okay. Thank you. Thank you very much. We are also surprised because we didn't take the one-hour difference between the two countries into account. It is not a problem now. Thank you very much for all the participants. Dear colleagues, is my great pleasure to welcome you to this meeting of the Würzburg International Business Forum's 4th International Business Conference. I am very grateful to the University of Applied Sciences, the GASMERC, the Transnational Corporations Council of Studies, IHK Mainfranken and Manisa Celal Bayar University for their support for this meeting which is held jointly with Doğuş University. In this context, first of all I would like to thank the Conference Organizing Committee for preparing a very interesting and contributing program and for making great efforts to bring us together. Mr. Kemal Şahin and Prof. Harald Bolsinger have accepted our invitation as the keynote speakers: I also owe them special thanks. I would also like to warmly welcome all the participants who are with us today. As you all know the main theme of the conference are social and economic outcomes of foreign investments by small multinational enterprises with a special focus on internationalization of SMEs an international entrepreneurship. The conference also aims to identify the similarities and differences between small multinational enterprises from emerging and developed countries and to analyze the effects of this on employment growth and development issues in home and host countries. Economic growth and innovation are fueled increasingly by small and medium sized companies in the world; in both emerging and developed countries in this global environment. SMEs account for the majority of business worldwide, and are important contributors to job creation and global economic development. According to the World Bank they represent about 90% of business and more than 50% of employment worldwide. Formally registered SMEs contribute up to 40% of national income in emerging economies and these numbers are significantly higher when informal or unregistered SMEs are included. The World Bank estimates

that 600 million jobs will be needed by 2032 to absorb the growing global workforce. This makes SME development a high priority for many governments around the world. On top of these critical roles in global economic growth and technological advancement, SMEs also ensure sustainability. Even though many of them do not have a clear internationalization strategy to adapt to global markets and are not aware of the implications and difficulties that an internationalization process entails. As studies that address the internationalization of SME's are very limited, the papers that will be present in the WIBF's 4th International Business Conference are expected to fill an important gap both in the literature and in the practice. For a year and a half, the world has been going through an extraordinary period due to the Covid-19 Pandemic although firms of all sizes are severely affected in multiple dimensions from the pandemic. We all know is that intensity of the negative effects of the pandemic is greater for SMEs compared to big size companies. The World Bank enterprise surveys conducted in thirty countries show that during the pandemic periods small and medium enterprises shrink by more and their cash drains faster than their larger counterparts. The majority of SMEs have received grants from governments to survive. Governments all around the world even today continue to apply support measures to SMEs to ever avoid the negative side effects of the pandemic and to accelerate their recovery. On this context the studies that will be present in the WIBF 4th International Business Conference are expected to contribute also to the post pandemic recovery policies of SMEs, and consequently to the post pandemic global recovery. As the final word, I wish you all the success. We are grateful for your contributions to the conference. I sincerely hope that you will enjoy these two days of networking. Thank you very much.

Axel Bialek:

Good morning everyone. Ladies and gentlemen, dear colleagues; I would like to welcome you on behalf of the all the Faculty of Economics and Business Administration at FHWS. We are here in our fifty year. So I mean that our Faculty was established in 1971. Therefore, for the last 50 years we strive to make a contribution not only to the academic world but also to our students. We have here around 2000 students who are taught by 40 lecturers, 20 staff and a lot of guest lectures from around the world. And what we are going to do here is to strive for our mission by our meeting. We want to prepare our students to gain sustainable knowledge and insights for a successful career later on and for business and society. All these are matching exactly with today's conference format. In fact, the industry around Würzburg is heavily dedicated to small and mid-size businesses and that is exactly what this conference is about. So this is what we call applied sciences. And our strategic focus has three pillars: We strive for internationalization, for digitalization, and for research. Three of these are also

covered by today's and tomorrow's conference and I'm proud that we have the opportunity to host you for this event. Let me have just one or two words in terms of internationalization: For the five years we have been running our fourth bachelor's program that is fully English. Next year we are going to start an English-taught master's program. We have more than 80 partner universities around the World. And We have been sending around 100 to 150 students each year to our partner universities. As my colleague from Turkey said this semester we have a different situation. But we are - let's say - optimistic that we will return to a so-called new normality from this semester. In terms of digitalization - I guess - it's the same like at your universities. We have had a lot of learnings and insights in terms of digital learning and digital teaching. We now will return - at least partly - to face to face teaching this semester. I guess a lot of learnings from that digital experience will be kept on. And that might be the new normal at universities called the hybrid teaching and research. At last but not least, returning to what we are also doing now. And therefore, I would like to thank my dear colleagues Rainer and Emin for hosting us today, and for preparing this conference. I know that it is a lot of work; a lot of input they have done for our Faculty of Economics and Business Administration. Thank you very much... Thank you very much for all the effort, and I wish you and this conference all the best for the upcoming two days. Thank you.

Rainer Wehner:

Prof. Gonca Telli... I now give the microphone to Prof. Gonca Telli.

Sahure Gonca Telli:

Thank you very much the esteemed Director, Vice Presidents, Deans, Department Heads, Dear Participants, Ladies and Gentlemen.

Welcome to the Würzburg International Business Forum's 4th International Business Conference. This conference focuses on evaluating the results of the current research in areas such as international trade, multinational companies, foreign direct investment, small and medium sized multinational companies, sustainability, developing an opinion on the internalization of SME's, also mentioned digitalization, benchmarking from different countries or institutions. So, we see several differences in times of crisis and international intrapreneurship implementation in these days. So, this conference is a continuing in cooperation with Doğuş University and the University of Applied Sciences Würzburg-Schweinfurt this year. There are a lot of speakers from 11 countries in our conference. This conference has also been designed to bring together the academic community and practitioners. We have very important keynote speakers and one of them is one of the best practitioners in Germany and Turkey: Mr. Kemal Şahin, the

Chairman of the Board of Directors of Şahiner Holding. So, I would like to thank Mr. Kemal Şahin for sharing his experiences with us upon our request. Another valuable keynote speech will be coming from Prof. Harald Bolsinger from the University of Applied Sciences Würzburg-Schweinfurt. So, there will be 20 paper presentations in this conference and the parallel sessions will take place after the opening session of the conference. Therefore, the main topics are financial implications, finance, SME's, innovation, global trade and applications. I would like to express my gratitude to all the professors and colleagues who supported the organization here. I would specially like to thank Prof. Emin Akçaoğlu and Prof. Targan Ünal in our organization committee for their efforts to make this cooperation between the two universities. I welcome you again and wish you an effective and productive meeting on these two days. Thank you.

Rainer Wehner:

So last but not least Prof. Bakker from Groningen, the stage is yours.

Diederich Bakker:

Yes. Thank you Rainer. And good morning everyone. Greetings from Groningen, the Netherlands and big congratulations to my dear colleagues from Würzburg to organize what is now the fourth Würzburg International Business Forum. I have been there several times. So I'm very fortunate to - at least - participate online today. But everyone who is currently visiting Würzburg; you're very lucky to be in this beautiful city. My name is Diederich Bakker and I am actually in another beautiful city of Groningen in the north of the Netherlands. And I'm here today in my role as the President of GASMERC, the Global Alliance for SME Research and Cooperation. We have been collaborating together with the Würzburg International Business Forum since its inauguration. So, this forum covers several very important topics. One of them is the internationalization of SMEs. And this area is interesting as small companies have limited resources to internationalize. Just to give you an example; here in the north of the Netherlands - and this is very similar in some of the other European and western markets - 98% of the companies here are SMEs. And but only in the province of Groningen 17% of these companies

are active in terms of internationalization. Therefore, contributions at this conference and the work that we tried to do with GASMERC is going to help supporting SMEs to find more knowledge and information on internationalizing, and finding trade partners. For GASMERC we're all cooperating to understand global SME business better, and of course there are a lot of work to do there. So, this forum with great colleagues, practitioners, students from many different countries in different backgrounds enables the forthcoming off international SME Business Corporation. I think - I know this because I've been there several times - today's and tomorrow's contributions will really deliver a lot to this domain. So, thanks once again also from my side to the organizers at the WIBF for this important conference. I wish you a great couple of days and I look forward to connecting with many of you during the conference, during the next few days. And anyone who is interested in joining our GASMERC annual meeting - it will take place tomorrow online at 12:00 o'clock - and, everyone who wants to come and participate in warmly welcome. We will have a nice discussion among colleagues hopefully from many different places and countries that are at their home offices I suppose. So, have a great conference and success. Thank you.

Rainer Wehner:

Thank you very much Prof. Bakker. I also thank again especially to the colleagues from Doğuş University who have contributed really a lot to this conference. We will make that corporation work and stay alive until next year. Now we switch to the keynote speeches and the first keynote speaker is Mr. Kemal Şahin, the Chairman of the Board of Directors of Şahinler Holding in Turkey. His speech's title "What makes an engineer a successful international entrepreneur? Kemal Şahin's personal experience." Mr. Şahin was born in Turkey but he speaks perfect German because he studies in Aachen in Germany in the 1980s. In fact, he started his first shop there and as an engineer. And meanwhile he has built a kind of a very big group of companies out of that shop. Mr. Sahin will deliver his speech in in Turkish in Turkey and it will be simultaneously translated to English. Following Mr. Şahin's speech, the second keynote speech will be delivered by Prof. Harald Bolsinger. His topic is "Deep Impact Lean Startups: Founders for Future Start with Deep Impact."

Keynote
Speeches
(Transcription)

Keynote Speech – I:

What makes an engineer a successful international entrepreneur? Kemal Şahin's Personal Experience

Kemal Şahin, Chairman of the Board of Directors of Şahinler Holding, Istanbul, Turkey

I studied metallurgical engineering in Aachen. Aachen University is a good university. But then I couldn't work there. I went to France and also learned French. My German was also good. I also wanted to learn English. Then I said I'd work a little bit in Germany. But the German bureaucracy said "no, you will go to Turkey". Turkey was also a bit unstable. Now you also see the photos on the screen. Therefore, when I went to Germany, I learned German at the Goethe-Institut.

Maybe our German friends don't know exactly? I grew up in a small mountain village in Konya, in the Taurus Mountains. I studied at Konya High School. Then I went to Germany with a scholarship. Here is the Goethe Institute in the images you see; then university in Aachen. They didn't give me permission to work there, but somehow I opened a small shop. "We'll let you run this little shop," they said. "Okay," I said, "give, we manage, we work". Here is this small shop I opened for 5000 Mark; I started with the gift shop. I also earned this money in an internship. Thus, I started trading, buying and selling in Germany. I quite liked this job. Like engineering, it's beautiful. There's also a lot of account books there. In fact, engineers can also be good businessmen.

I realized that six months later I am getting the engineering salary. "God," I said, "I studied for 20 years; I had read that much". "Now I take this amount in six months". I said to "here, there is great potential." "There must be gold here," I said. "Carry on" I said. As I walked my path, my motto has always been: One: It is very important to be honest. I made it a principle to be honest by nature. It is very important to be open: And of course, when I was dealing with customers, I started to understand people for six months.

Buying... Here is the psychology of people. What do you really need to do? And here's something natural back then; While running the boutique, I realized that the customer and the market are very important. Actually, it's the first thing that pushed me. Of course, calculations, technology... Learning technologies of that time was also important. I think our Aachen University is still a leader in engineering. After that, of course, when I had a few employees, of course,

I stopped selling on my own. Employees started to sell. Then I saw that the employees must also be good. At that time, I said that I need to give importance to employees, I need to train them, I need to recruit talented people, I need to give opportunities to talented people and I need to motivate them. Mainly, of course, because I value people, because I don't look at people differently, I really instilled this thing in people. From that time on, both the Germans and the Turks... nobody really left us. Even in that growth period, everyone was working as if they were working for their own company. So motivation is very important. And technology of course.

With the help of these, I grew up fast and started doing wholesale business. Of course, since I was able to speak foreign languages, I was buying from France and selling wholesale. I was buying from Belgium. I was buying from other countries. Then I started to buy things from Turkey as well. I couldn't sell some of the things I bought. Some of the products that bought were not sold at all. But a white T-shirt, which we now print a lot; for athletes and so on; I sold a lot of this T-shirt. I mean, this product was also sold to so many students. I was even sending it to students to sell. This business started to grow. Thus, I grew up in the textile industry and became the largest exporter of Turkey within a period of 3-4 years. So I grew up very fast. Yes, I won't tell you more about this either because we have little time... Here are the steps that helped us to be successful in seven industries or in seven sectors with that step. Therefore, we first started to manufacture in Turkey in textiles. We later started to manufacture elsewhere. We went to other countries too. We invested in France. We entered in the retailing for a while... Now, as you can see, we have companies in Egypt, Jordan, France and Germany; in about 6 countries... Then we went to the US, but we couldn't be successful there, so we came back. Of course, we always sell fashion in these foreign markets. We sell textiles, but we have been successful in other sectors as well. We have been awarded quite a few awards, too.

Let me continue. For example, we have a free zone. Recently, foreign delegations came. They asked: "What should we do? Be an example for us." We are a favorite free

zone of the Ministry. We filled 2 million m² of space. It has a transaction volume of around 3 billion dollars. It has an export of 1.5 billion dollars. Most of the companies here are foreign companies; around 70% and the technologies used are advanced. In other words, when we say let's export with high added value in Turkey; it is a region where such products are produced. That's why I'm highlighting this issue. We really want to enlarge this zone. Hopefully in the future we will either enlarge it or make another one.

Let me continue. One of our greatest achievements has been in tourism. Success in tourism was very easy for me. First of all, I wanted to be a wholesaler. There was an incident in the Middle East at that time. The Germans tourists did not come. They were much more afraid back then. They didn't know well, and they thought that Kuwait and Turkey were in the same place. I made a loss in that job, then I closed it. But I took the land from the state. It was rental in fact. I had to build a hotel. But of course, I knew the Germans while building the hotel. I myself had taken a lot of vacations elsewhere by then. I knew how many mistakes we had made, based on the places I had vacationed. I said to myself, "I'm not going to make any of these mistakes anymore." At one point, I gave this hotel to another operator. But after a while I got it back. This hotel quickly became a very popular hotel among the Germans visitors. And now it has become a hotel with 60-70-80 visits for some of them. In fact, I talked to a friend last year - I say a friend as we became friends over the time - he came 90 times to the hotel. "I came 89 times," he said, "I would come in October and it would be the 90th time." We plant trees in their names. The average "repeat" rate is around 10 years. In other words, if we put the average, some are 40, some 50, some newcomers 10 years visit the hotel.

Some of the things I said from the beginning are very important: Giving importance to the customer, giving importance to people, respecting people, respecting the service... Such an approach motivates the customer. Being open and honest gives the customer confidence. At the hotel, we have 800-900 Germans right now; 55%, 60% of customers are German. Of course, the Russians know me less, but now even the Russians got to know us quite well.

Therefore, it is our employees who believe in us, who see the workplace as their own home, who have a good working environment, who are motivated, who are given their rights and who are given responsibilities - as I said at the beginning - who also motivate the customers. Actually, even all of our employees say "Our boss is good". Why do they keep praising you? However, I don't give them anything extra; I don't give much; I shake hands; I say hello; I don't shout; I say treat me like a customer when servicing. And when employees develop and provide good service, they act at the level of the customers before them, and become friends, talk and chat with them. It also provides a total addiction. Therefore, we motivate our customers as well. In addition, customers are happy because I can motivate and make our employees happy. They say to me, "How do you

do this; indeed, you are a good man". So we were able to do this thing in tourism. Even last year, 1200 people came to us during the pandemic. The past months have been full. Therefore, we hosted 1 million people in tourism. About half of that may be German visitors. We will grow in tourism anyway. We built a mountain hotel in Erciyes. We're doing another one. I hope we will build one in Bodrum as well. So in these two sectors; with the same methods in both free zone operations and tourism; we have been quite successful thanks to valuing people, giving responsibility in management, building trust and being transparent. But above all you will bow before the king. Now sometimes I say - when they are trying to serve me - I am not the king. The King is the customers. Treat the customer well; I say I will make my kingdom elsewhere. And I think we've been really successful with this method.

But to achieve a different, rather international success, other things are needed. Let's talk about these a little. Time is short anyway. Yes, I lived in Germany. We've already grown the business there. We still have companies in Germany, France and Europe. Half of our employees, more than half in the beginning, were Germans, especially the salesmen. And firstly we approached to the people as friends, human beings. We said that "You are all members of Şahinler Holding" and I personally did not discriminate any of them. I did not treat them unfavourably. Therefore, thousands of people came and went, and there was no conflict, no prejudice. At the same time, our employees are people who take their rights and are also given responsibility with the spirit of Şahinler Holding or with the vision of Kemal Şahin. They can easily communicate with me. I take a modest approach; I communicate with everyone, the same with the President, and with a guard in the same way. It really creates a spirit. With that spirit, people work happily. The Germans were also hardly leaving us. Even the French were struggling when leaving. With this method, we were able to spread. By valuing people and multiculturalism. As I have shown here, we see the importance of this culture. As our corporate culture grows, we expect the same from our all people. Such talented people who comply with this culture have also become managers with us. We have also trained so many managers for probably around 50% of the ones in the textile industry in Turkey. We also done so in Germany.

What is their significance? The main idea of what I'm talking about is actually hidden here. We call it precision. Meticulousness is the rule of the Germans. Germans do what they do cleanly. You will be in manufacturing, and so in industry. Punctuality. I will come on time. Look, you brought me here before your time, didn't you? So I was worried that I would be late. Discipline: Everyone will do their job, everyone will do it on time, use time well. Systematic work: You will plan, not randomly, you will see ahead, you will plan your day. You will be very comfortable. Otherwise it's always stress. Stress happens lately. Open communication: Germans are a bit cold, especially in the service sector. They

are cold at work, but they don't talk like that to get the job done. They say "do it, go, come". They ask "why you didn't come". But business life demands it. Therefore, the Germans created world brands in industry and manufacturing. With these values; meticulous, punctual, efficient... Punctuality makes very efficient. So someone came late, someone early; she came, she didn't come... This is really a very important thing. It is both a serious event and a serious yield. You better be disciplined, everyone better follow suit when you say let's do it. So in efficiency, technology and production, industry, these are the characteristics of the Germans. These features make the Germans German anyway; that's where it comes from. We are trying to do this both in Germany and in Turkey. This is what lies behind our success. What about humor? We are actually a little friendlier when serving and doing business than Germans. I mean, we're not exactly serious, but we also tell stories from time to time while we're doing it. I'll tell you this too. So how does this benefit us? There is. That's what you will be when you sell. You'll have time to sell. You should tell a story. You should go around. Let us look while we're cooking, German hotels' operations are so successful. Service in Germany is not that good. Here is the Mega Palace. Why is it so successful? Because we provide friendly service. When you provide friendly service, the customer forgives even the mistakes. Even if you made a mistake, you just apologize... Therefore, these are our characteristics in marketing, in the service sector; that is, smiling, good communication... It is very easy to communicate with us. You see some red colour on someone. You say "Oh you're from Galatasaray, okay?" You say "You were good, you were bad at a football match", and the matter begins between you. After talking about this issue him for 15 minutes, you then come to the main point, but you win the man. At some point in communication, you get closer to each other. That's flexibility, and it's very important right now. The Germans are struggling on this. They are not very adaptable to it. It takes a long time for them. It is very important right now and you should be able to change in accordance with the changing conditions. The Turks have it. Creativity: Since we do not go on in a regular and disciplined way, we are cornered and we make an invention. So sometimes I see; While doing business, Turks do nothing until the last 10 days, but after 10 days they work day and night. You see, he did the same job. The Germans put it in time after 3 months. They are checking whether it is or not. But lately, they are not able to work people fully. Some come, some don't, but in the end, we set out on the same road. Turks take risks whether they know the field or not. A Turk says I will do it. Some can't succeed, but some can. In other words, there is a Turk who says "the dead dies, the rest is ours". That's how we are in Turkey. But it still makes it very creative, very entrepreneurial. There is no so many entrepreneurs in any country in Europe as many as the entrepreneurs in Turkey. The more these entrepreneurs are - although start-ups have increased, especially in Germany

nowadays - there are those more who start small and then grow. Therefore, risk taking is very important for entrepreneurship. And if you motivate the Turks, if you motivate them well, you will get a lot from them. But if you can't motivate, you won't get anything. It is also true for Germans. If you motivate them, they will also give a lot, love the company, work at home, work there. But while working overtime, they will also work with a pout. But for Turks, it doesn't matter. To sum up, we are more successful in things such as the service sector, marketing, tourism, gastronomy due to our characteristics. Turks need such things. We, as the holding company, ask our managers to use the Turkish features in these departments, sales and external contact areas of our companies. We say this to our German employees as well. But when manufacturing, we say our employees to work like the Germans.

"How did you establish such a holding company in such a short time?" they ask. Most likely, we achieved this by blending the values of the Central Europe with the values of the Middle East or Turkey or the Mediterranean. This is how we trained our managers. We have managers from many different countries. We have employees from 50 different nationalities. For example, we put an Egyptian accounting manager at the head of the company in Egypt. Our Egyptian manager is talented and hardworking. But at first it was very difficult for him to adapt to our approach. Initially, he was not giving what was requested on time. But now he has become a very good manager. It's the same in Germany. If a German employee is good, we take him. It is the same in France. So this is how we have succeeded. In other words, we bring together the people, talents and values from this pool. We take the risers from the others and make them managers. When there is honesty, an atmosphere of tremendous trust emerges. Both the managers and the boss harmonize with each other and this creates a total efficiency. That's why we were able to grow in a short time. Of course, we had also our mistakes, but we were able to correct our mistakes with flexibility and we still continue assertively in our own sectors. Now, let's give a couple of examples of the German system in a few sentences. He who cannot manage his time cannot manage anything. A person who cannot really manage time cannot be a manager and great achievements cannot be expected from him.

Let me continue. A Japanese proverb says, "A person who does not smile should not open a shop". So he says, "You can't make money without smiling, talking to the other person, doing something loving". A Chinese proverb says something more overwhelming: "The person who does not smile should close his shop immediately and end that with little loss." In fact, if you're going to be that kind of tradesman, you should be a little Turkish this time. In manufacturing however, you should be somewhat like a German.

I have told you something about myself, about my work etc by now. Let me also say a few words about social

responsibilities. Actually, I am a child of a poor region with regard to having a vision. Anatolia was always poorer back then. Now it is much more healed. My village was such a mountain village that it is at an altitude of 1500 meters. I did all my studied on scholarships; I studied high school with a scholarship, I went to secondary school with a scholarship, and I went to university with a scholarship. Without these, I wouldn't have had a chance. That's why I established my first foundation in 1993 and started giving scholarships. It initially started from 100 students and reached 200-300-500-600 students incrementally. Even in times of crisis, we did not cut the scholarships, we just reduced them. I think we gave scholarships to around 20 thousand students. I meet them from time to time around. Therefore, apart from my own ego, my own benefit, my money; I have dedicated 30% of my time to these spiritual and material works to contribute the society in general. Actually, I didn't allocate much time doing these things. In fact, anyone has a lot of time. The important thing is to manage time well and I think I have been very successful in this regard.

Let me continue. I'll just mention a few more things, and I'll explain why I'm saying these at the end. In 1997, I was named "Businessman of the Year" in Germany. At that time, our company was 15 years old. We founded the company in 1982 and we had grown very quickly. We caught the market's attention. We are still an important player in the textile market in Germany. Now we are also a good player in France. In Spain and Poland too. But we were able to reach this point even in Germany at that time. In other words, we see that there is a lot of potential between the two countries. Let me continue. We also took part in civil society because of these achievements. At that time, we were holding a world businessmen congress. We had a foundation. The late Sabancı was the president. The late Süleyman Demirel awarded me the 96th State Medal for carrying out such works. In fact, he gave it to our colleagues. Likewise, I received the First Class Medal of Merit from the German President. Of course, the President was not there in the ceremony; the people in the photo are his officers.

Now, as a businessman, I tell the students: So whatever you read, if you have other things in your mind, you can do it. Here, look, I was able to do a lot of things, you see. You also earn money. You support each other. Society looks at you differently. Wherever you go, people look at you with interest. If you have something else in your mind, you can do it too. In that respect, you should not say that "I have read this; so I should only do it." Actually, I studied metallurgical engineering, but now I only remember metallurgical engineering from one thing. While I am writing my diploma thesis, I have only the things in my mind from that work; the rest is not. But an engineer is such a person who is quite suitable for doing other things. If you can handle it, you will be successful. In other words, an engineer is a good hardware and of course, if you handle the software side well, you can do anything. Let me say that in that respect.

Let us continue. I'll show you a few more pictures. This is from the university - although I wanted to be a professor, like you, but my path went elsewhere - but thanks to my contributions to the field of business administration as an entrepreneur, I was also honored as an Honorary Doctor by Selçuk University. I mean, I have got at least something about being a doctor from a university.

We are the ones who initiated first Turkish associations in Germany. I am the founding president of the European Turkish Businessmen Association (ATIAD). We brought together our friends and Turkish businessmen under ATIAD as European businessmen. We did very good things when we entered the Customs Union. The association still works especially on education. We are now only members and from time to time we go to meetings if they invite. ATIAD is a 26-year-old institution, and it is proven that it has been institutionalized. There is no Turkish association that has been in operation for 26 years. We have institutionalized it here. I am also the founding president of the Turkish-German Chamber of Commerce and Industry. They have struggled for a long time. The Chairman of the Union of Chambers asked me to help. We also set up the chamber. Two prime ministers came to our opening ceremony then. Cologne was really stuck in traffic jam. 1200 people came to the city. Cars could not enter the city; could not leave the city either. Turkey and the Turkish-German Chamber really left its mark on the city on that day. Let me show you another photo. You see in this photo that we are walking around Cologne. And in this one, we were friends of Schroeder and Tayyip Erdogan. We also held a congress in Istanbul together. Again, we brought 500 people from Germany and 500 people from Turkey. We also held the meeting in Berlin. When Schröder lost the elections. It was Erdogan's mastery period. They met in Berlin. At that time, we were afraid of Merkel. I wondered if she would throw the European Union aside or something. But then Merkel said: "We are faithful to the decisions made before us; nothing different will happen" she said. On the contrary, Merkel continued in the same way with her stance on Turkey.

After that, I left businessmen associations. I thought that we should invest in the future, towards young people. Young people had a request from me. Students, students of Turkish origin, said, "We are establishing associations, but our associations do not continue. What should we do?" Then we thought together and said, "Let's put an advisor behind you. We step in when there is a disagreement between you. If not, we'll show you the way. If you don't have any money, our businessmen will also give you money." Thus, we established such an association that still continues: TD-Platform - Turkish-German Students' Union. Some of these students became academics. We gave an award to the former German president Wulf; we gave an award to a writer with the Turkish origin. Now you see Armin Laschet in the current photo before you. At the time, Laschet was Minister for Integration. So we were doing these studies. These were

strategic studies, studies for the future. There are now well-trained academics and entrepreneurs in the Turkish society in Germany. These people have a broad vision. For example, Serap Güler is Armin Laschet's closest support. Most likely and I hope she will be a minister. The Mayor of Hannover Metropolitan Municipality passed through our association as well. Therefore, our aim is to integrate young people into the German society and also with others. The president of this association also attended Merkel's meetings. It's a big group and has been active for eighteen years. Laschet is on the association's advisory board. We also support their work. This is actually a good example. A good investment in my opinion; investment for the future. I recommend students to join TD-Platform. I say "Get into this kind of things. Because you will meet many people; you will develop yourself; you will talk; you will go elsewhere; you will get information and you will come to such conferences; it will be very beneficial for your careers in the future". Yes, let me show you another photo. In this one, we were attending integration meetings in Germany. We were consulted. These meetings were held 7-8 times, but not after the pandemic. Therefore, it is important for the two communities to integrate and for the people of foreign origin to receive education under equal opportunities and to be promoted in the society. In fact, these integration studies were carried out under the chairmanship of the Prime Minister. Many ministers also attended these meetings.

Hopefully now the final photo will appear on the screen. Here is another work we did. Before that, it was the platform for university students and university graduates. This is about "Stiftung: Bildung! Education!" We established a foundation. I think its age has reached 12 years now. Here, too, we train young people, young academics and successful entrepreneurs. When they choose their professions, we send them to the 9th-10th grades in Germany. These children, of course, are those who study in backward schools, in schools where there are so many foreigners. There are also Germans students among them. This is the work we do to give them motivation, to show them a goal. Therefore, we touched the lives of people in education and entrepreneurship. These are beautiful things.

Look, there are a few more photos left, but these are like a magazine ones. Together with Armin Laschet, we greeted the President at the palace in Aachen. Thanks to them there, they honored us as well. Although I am not a German citizen, I am a well-known person in Aachen. As you can see, we go to universities and hold conferences just like you. When they invite us we go their meetings in Germany or in Turkey. This is a good thing. Transferring our knowledge, motivating, showing them that their chance succeed is high, showing good examples... All these lead them to the good and motivate them. When the inner-motivation comes, people topple mountains. That's why I attended your meeting and announced your meeting. If you look at my Instagram account ("kemalsahin1") you can see most of my activities. Also, of course, if you want to learn about my life more, I

have a book both in German and Turkish. Of course, these books were written 20 years ago; but most of the things that I have narrated so far can be found in them. Hopefully next year I will write another book. That's what the Russians want. In the Mega Palace, the Germans buy these books a lot. If you want, we can send it to you too. Thank you, I wish you all success.

Speaker's Biography:

Mr. Kemal Şahin was born Konya, Turkey. After his graduation from Konya High School as a boarder, by passing a nation-wide exam in Turkey he got a state scholarship for RWTH Aachen University in Germany, and studied Metallurgical Engineering.

He started his own business in Aachen by opening a small gift shop in 1982. Over the years he expanded this shop and established the wholesale and retail company "Santex Modern GmbH" which was the foundation of today's Şahinler Holding.

Mr. Şahin is currently the Chairman of the Board of Directors of Şahinler Holding whose turnover is over 1 billion dollars with 10 thousand employees. The company operates in 6 countries, in 7 industries, and exports its products to 170 countries.

Mr. Şahin has a number of recognitions and awards such as:

- Germany Businessman of the Year Award (1997)
- First Turk chosen as a member of the Entrepreneur of the Year Institute, known as the Rulers of the World Society in the US (1997)
- European Ruban d'Honneur Award by the Club of Europe for his contributions to the development of democracy, market economy and Turkish-German friendship (1998)
- State Medal for Distinguished Service by Süleyman Demirel, the then President of the Republic of Turkey, due to his outstanding success in promoting Turkey to the world (2000)
- Honorary Doctorate degree in Business Administration by Selcuk University, Konya, Turkey for being an exemplary entrepreneur model (2000)
- Entrepreneurship Master Award by Cologne and Environs' Craftsmen Association (2010)
- Order of Merit 1. Class by the German Presidency for his remarkable contributions to Turkish-German relations (2014)
- Order of Edirne Honorary Townsmanship by Edirne Mayor due to his successful investments in textile sector and generating employment in Edirne, Turkey (2014)

Mr. Sahin has also been founder or one of the founders of many organisations such as:

- Turkish-German Textile and Apparel Manufacturers Association (TÜDET) (1992)

- European-Turkish Businessmen and Industrialists Association (ATIAD) (1992)
- Turkish Foreign Trade Foundation and Chairman of the Board of Trustees (1995)
- Turkish-German Chamber of Commerce and Industry (TD-IHK)
- Turkish-German Students and Academicians Association (TD-Plattform) (2006)
- Stiftung: Bildung! Education Foundation (2012)
Mr. Kemal Sahin has two books:
- Zirvedeki Sahin (The Falcon at the Zenith) [his biography] (2000), and
- Der Falke in der Fremde (The Falcon Far Afield) [his management and business approach] (2002)

Keynote Speech – II:

Deep Impact Lean Startups: Founders for Future Start with Deep Impact

Harald Bolsinger, University of Applied Sciences Würzburg-Schweinfurt, Würzburg, Germany

Kemal Sahin thank you, Rainer thank you, everyone listening to these inputs that these impulses we're giving here - it's so impressive to hear about what Kemal Sahin really did. And you will learn about why we have put him first in this keynote speech sessions. And now this one is the second part. Kemal Sahin was studying at university and at the same time starting a business. From a very small start there was something growing growing growing... He's an excellent example how we can impact our surrounding through the things that we learn at university and how to make this happen in the real world. And he told us it's all about relationships it's all about shared values and the joint vision and these things. Yes, these ingredients are very relevant for success – not only the theoretical knowledge about economics and management. I love the sentence that I heard in the translation “no matter what you study you can do it”. And when we have a look at the challenges that we are confronted with today, with this pandemic for example, we need people that walk the talk! Well everything is changing, also our teaching is changing. And I want to show you a little bit of what we're doing here at FHWS. The Dean already told you that we are very deep in practical projects and internationality. And I want to show you one project how we can teach and learn impact entrepreneurship in times of crisis. Because it's all about empowering a new generation to make the change happen that we really need so much at the moment. What is our starting point? Well, think about the United Nations Sustainable Development Goals that are out there and that we strive to fulfill together. On Wednesday the 7th of July we had a high level panel forum conference “Driving collective action for the SDGs” and we ask the question of the role of our educational system, how can we build a sustainable and resilient recovery and future for all? To support a sustainable and resilient recovery from this covid-19 pandemic we need the activation of entrepreneurial power and impact. It's not only about nations to change things - it's about the activation of entrepreneurial power with fresh minded young people. And we at universities have these people in our courses. That's what we try to do with an exemplary course that we started last year. There is much input in this presentation, but I won't present everything of

it. If you want to have a look at it later on, you are very welcome. Have a look at what students said and really did, have a look at the platform that we used. What I want to talk about now is the core of this course - “The 8i- didactics” that we have developed out of deep experiences. It's all about about unfolding personal potential like Kemal Sahin said and putting this together in an international context and develop group potential not only for theoretical solutions but for practical solutions, for doing things, doing things inside of the teaching and doing things after the teaching after the university time to unfold impact entrepreneurship that we need to recover from this pandemic. So, you can have a look later on with some feedbacks. We have had people from Rwanda, we had people from India, from Germany of course, from India and from myna other continents. All of these students were mixed, and all these students had a vision for their life. They didn't know it before they joined in this course but after the course they knew what their vision really is and how they could make it happen. How can we unfold this personal potential and this group potential amongst our students and make them become entrepreneurial active? How can we find out where those Kemal Şahins are amongst our students? How can we put them together and make them walk in the path of sustainability impact that we really need now? The first ingredient is what we have here and what we are practicing here: internationality. And it's not only internationality it's also interdisciplinarity! We ran this pilot course from January to May 2021 and we've got 45 students inside from four continents, 29 countries and this really is the point, from 9 different faculties. It was not only business administration studies we also had engineers, social work, sociology and others that were amongst them and many many colleagues asked; “what's that - this cannot work because they have so different backgrounds?!” But this was one of the main ingredients that really worked well, because students discovered on the one hand the global perspective of their actions and on the other hand they discovered that they have to work together and that there is intensive diverse competence out there that can be put together and that we can organize to start something new by collaboration. So, this global perspective was very important and the

interdisciplinarity context. Thinking out of the box, inventing new things that help us to fulfill this sustainable development goals requires more than the business administration tools we are able to give the students in conventional lectures. We need people, need diverse people, so, this diversity in every aspect is a prerequisite in selecting students for such a course and different faculties of different universities worldwide are state-of-the-art. We have tried it out and made such excellent experience in the first pilot course, so we will make this happen again. What else is very important? The third and fourth ingredients are individuality and inspiration. Kemal Şahin is a very individual person and he really is inspired. When you are inspired you can inspire others and as we have seen, Kemal Şahin really inspired others and that's one of the reasons for his special culture in his companies That's what we can make happen in teaching too. When we start with this individuality we are not only showing people, but their dreams! You have to set a vision in every startup - that's normally the starting point when we're teaching entrepreneurship. You just set the vision and then we go on. Well the process before this setting the vision is the personal stuff is the individuality stuff is the thing that we have to make students think about. Also about where from does this vision come? Do I have a personal calling? Do I have competences that are very important for fulfilling a specific calling? Maybe it is my individual passion, that makes me walk in a specific direction? What can I really do successfully with my life? Putting all that together we find out about intrinsic empowerment this intrinsic motivation to really start an entrepreneurial venture that follows a personal vision. And then the big point is to put all those single visions together to a larger vision that is fulfilled with a corporate vision for a new venture. So, we really have to start listening, receiving, reflecting and then accepting and deepening this personal calling. That's how we can help as teachers or students to do that. What did we do? We used Ikigai to ask for a specific purpose of yourself. We developed a vision board, a personal vision board with those students professionally and we started them to reflect their own worldview that they get to know where are those values coming from that I have inside of me? Where is this calling coming from that I have inside of me? While we have gone through this process the students really learned so much about themselves and about others and they learned about world views of others and about values of others and they also learned to accept that diversity as a treasure. We really loved this development inside of this course. So please, inspire you students! That's, what we're here for! It's not only about theoretical tools and basic models - it's about coaching the students while unfolding their potential. Two more points are "idols and impact". We showed you Kemal Şahin in the first key note. Why? Because Kemal Şahin is a role model or in other word an idol. We need those positive examples we need idols for students because then we can make the switch and step from personal calling two broad impact easily.

Because when I see Mr. Şahin, I see there is something developing and it's getting larger and it's growing. This is the starting point for the personal questing and how I can grow in such an impact, too. So, this is what we always do in these courses. We start the vision board from a personal perspective and link these through the idols of the students. And this is the scientific part we have to give room for people not only for models and for companies, but for people that found companies. We have to give room for the Kemal Şahins out there in this world and use case studies to present those idols. We've prepared of course case studies in our scientific context but we also gave students the freedom to choose the case studies to analyze deeply for themselves. What is YOUR idol? Research in depth what your idol did well. So, linking students' individuality with the idols and the impact that comes out is a key moment. Then we go to the last step - linking all that to specific SDGs of the United Nations. Many students really heard about the SDGs for the first time in their life. I couldn't imagine, that in so many universities there is still no teaching about the Sustainable Development Goals.

When we are through with deepening, and personal calling and link that to a specific impact, then students get inspired and then we are able to go the last step in this didactics to integrate all that for innovation. And this integration is a self-organizing process that you have to moderate. We have teamed students in our course four to six weeks long in a process where they get to know each other, where they find out about different cultures, where they find out about different backgrounds of the faculties they are coming from. They have presented their own idols, their own visions and when they presented that that they got resonance of others and they found out "Ou! There is somebody who could work with me together in starting something new to contribute to a good future of mankind!" Students discussed not only theoretically but about a real venture possibilities and a real solution for a real world problem in a specific country. What is the role of the teaching person here? It's what Kemal Şahin does, too. It's coaching and mentoring! You need to invest time for coaching, for a bilateral discussion as a teaching person. Asking the right questions is something we have to invest as teaching persons and I invite you all to invest this time for your students, too.

When teaming of students really worked well, then we find the impact entrepreneurial innovations - because then students work together on their real world challenge to produce a good impact. It is all about making students finding out what they are called to what they can contribute to make good businesses happen. So, no more matter what field of study - you can do it! This is the core of Kemal Şahin's speech and I would underline that 10 times! If you are into teaching, please let's create a win win win framework together. Become part of this movement where academia and the business world work together internationally to make students find out how they can contribute to the better future

of our globe! (Find the whole presentation online here: <https://www.wirtschaftsethik.biz/teachingimpactentrepreneurship>)

Speaker's Biography

Dr. rer. pol. Harald J. Bolsinger is Professor of Business Ethics and Economics at the University of Applied Sciences

Würzburg-Schweinfurt (FHWS). Würzburg-based business ethicist Harald Bolsinger has gained considerable practical experience in corporate customer service and distribution in the cooperative banking sector as well as a business promoter for the City of Nuremberg. He is actively involved in numerous initiatives to promote ethics and Christian values in business life. He has taught at various universities and was recently the Dean of the Faculty of Economics and Business Administration at FHWS.

Proceedings of Plenary Session I

The Importance of Performance and Credit Access of SMEs in Their Internationalization Process

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SMEs (Small-medium sized enterprises) not only face with issues regarding political, legal, economical systems of various countries but also encounter troubles regarding cultural differences when operating in international markets. To cope with those obstacles, bank credit access has vital importance for SMEs. In this regard, this research purposes to examine the impacts of performance of SMEs with different size, age and legal form on receiving bank loans. Within this aim, this paper analyzes 479 Turkish SMEs by employing Binary Logistic Regression Test. While smaller sized SMEs that perform better receive more credit accesses, firm age and legal forms are not determinant factors for credit access of well performed SMEs.

Although SMEs (small and medium-sized enterprises) play fundamental roles in the creation of job opportunities, exporting activities of nations and economic development of countries, they face with many export barriers that mainly consist of legislative, tax related, cultural, and political barriers. All of those export impediments cause more costs for SMEs. To afford those costs and overcome the export barriers, their bank credit access carries vital importance. However, bank credit access is another problem for SMEs due to having lower amounts of assets and more credit risks comparing with their larger counterparts. To cope with credit access obstacles, financial performance of SMEs might enable to face with reduced credit obstacles. In this regard, this paper aims to investigate the impacts of the performance of larger, older and limited liability firms on their credit access. To fulfill this purpose, this research analyzes 479 SMEs from Turkey. In line with the research aim, the research question might arise as follows: “Do age, size and legal form of better performed SMEs enable them to have bank credit access?”

For analyze purposes, the researcher classifies firm size into two different categories such as smaller firms that have maximum 9 workers and larger firms that employ workers around 10 to 249. Corresponding to age categories of SMEs, they are divided into two different groups by the researcher as younger operating for less than 10 years and older firms having been operated for minimum 10 years. When it comes to the legal structure of SMEs, they are categorized as limited liabilities and others that include sole, proprietorship, joint stock and unlimited companies.

The reason why this paper includes size, age and legal form of businesses into the analyzes is related with the differences in the financial power, credit access, competencies and abilities of SMEs regarding those characteristics. For instance, smaller firms usually have opaque structure and have lack of audited financial statements that create information asymmetry among lenders and borrowers. On the other hand, comparing with smaller firms, larger SMEs have more assets and income. These facts are some of the main reasons why smaller SMEs are perceived as risky from the perspective of banks when banks making credit decisions. For these reasons, older SMEs are more likely to have better financial performances and easier credit access conditions.

Concerning firm age, it is related with the length of doing operations. Since younger SMEs are not experienced as their older counterparts regarding lending relationship, they might be not well informed about credit opportunities and might not have close relationships with banks. Furthermore, since younger SMEs have lower years financing experiences, they might not have long credit history as their older counterparts have. For these reasons, information asymmetry among lenders and young SMEs also increases and younger SMEs becomes riskier for lenders and credit access of those enterprises might be restrained. On the other hand, due to having long term experiences, older SMEs are aware of market conditions and they have already set their business relationships. Having such abilities and networks also enable older SMEs to have more income and assets that increases their performances. Having better financial performance also makes older SMEs to not to face with credit obstacles as their younger counters encounter. For these reasons, they become more likely to access to bank finance.

Legal form of businesses is another factor that determines the credit access and performance of SMEs. For instance, firms that are structured as sole proprietorship usually have lack of sources, capital, or assets to collateralize in credit applications. Thus, sole proprietorship firms are more likely to face with bankruptcy issues and credit default problems. Joint stock companies and unlimited companies also show similar characteristics with sole proprietorship firms in bank credit access. However, limited liability firms include many shareholders in their ownership structure,

therefore, those businesses usually have higher amount of capital and financial assets that might reduce banks' concerns about default problems of those businesses. For these reasons, banks might be more prone to provide credits for those businesses by creating credit obstacles.

To sum up, since older, larger and limited liability firms usually have more financial assets, income and performance levels than their counterparts in other size, age and legal form categories, the probability of those businesses to access to bank finance might be higher. Therefore, the research hypotheses are set as the positive association between the well performed older, larger, limited liability SMEs and their access to finance.

As already mentioned, 479 SMEs that are located in Turkey have been analyzed to hit the target of this research. The researcher performed stratified random sampling method to create the research sample. The strata are based on different geographical regions of Turkey. Moreover, the researcher employed an internet-mediated questionnaire and directed this questionnaire via e-mails. The respondents of the questionnaires are SMEs' executives including owners, shareholders and managers.

Concerning sample profile, SMEs are not only located in various regions of Turkey but also operate in various industries. 143 SMEs are microenterprises that are under smaller firm size category while other small-medium sized enterprises are in larger firm category. Moreover, 142 SMEs have been called as younger since they have been operating for less than 10 years. Other firms are under the category of older SMEs. Furthermore, 312 SMEs are structured as limited liability companies, while other firms' structures are sole proprietorship, joint stock and unlimited companies.

In line with the evaluation of previous studies, this paper examines the financial performance of SMEs by the net profit of SMEs over the last 5 years. Regarding access to bank finance that is the dependent variable, a dichotomous "yes-no" question is directed to the respondents. Since access to finance is a binary variable, the researcher runs Binary Logistic Regression Tests in SPSS statistical software and uses Wald Statistics to evaluate the impacts of performance of older, larger and limited liability firms on bank credit access. 5% level of significance is used for hypotheses testing. The assumptions of Binary Logistic Regression Models such as Model fit, Independence of Errors, Linearity, and Multicollinearity have been fulfilled by the results from -2 log likelihood statistics, Cox-Snell R^2 and Nagelkerke R^2 tests, Durbin Watson statistics, Interaction Terms, VIF and Tolerance scores, respectively. Moreover, the result from Cochran's formula (1963) shows that the research fulfills the required sample size to run Binary Logistic Regression tests.

The results from the Binary Logistic Regression analyses confirm the fact that in contrast to the results and assumptions of previous studies, smaller firms that perform better are more likely to access to finance than their larger

counterparts. The working experience of top managers in smaller firms might be reason for this result. This is because most of the executives in smaller SMEs have sectoral experiences more than 10 years in the research data. This fact might have made them to have close relationship with banks that cause better credit conditions.

On the other hand, the results from the analyses substantiate the fact that firm age and legal structure of firms are not significant variables to predict credit access of SMEs. The reason why access to finance does not differ between well performed older and younger SMEs might stem from the structure of older SMEs. Since older SMEs have rigid structure, they are not open to changes or face with some troubles when adapting those changes. But younger firms' flexible structure might have made them to see financing opportunities in the market and to become easily adapted to the changes. Having such abilities might have made younger SMEs to indicate similar credit access characteristics with their older counterparts.

Corresponding to the similarities in the credit access of SMEs in various legal forms, lending relationship between firms and banks might be a strong argument to support this result. This is because even firms are structured in different forms, their contacts with banks might make them to reduce information asymmetries in those relationship. By informing banks regarding their financial conditions, SMEs in various legal forms might have had similar credit access conditions.

The positive relationship between financial performance and bank credit access of SMEs have been also validated by the analyses. Although, firms having better revenues receive easier credit access opportunities, SMEs that encounter financial issues also need financing to survive not only in domestic market but also in foreign markets. In this regard, subsidies, incentives and other financial supports of policy makers are prerequisite for SMEs' success in internationalization. On the other hand, governments' regulations that increase transparency in credit access process might motivate lenders to provide more options for their SMEs borrowers. The reason for that is having such a transparent financing procedure might reduce information asymmetries that is the main reasons of credit risks of SMEs.

Except those supports, educational activities that increase financial literacy of firm executives might be presented by the collaboration of state organizations with universities and financing institutions. By having such an education, executives become more informed about credit conditions, procedures and channels. These supports and educations might make SMEs to have better financing opportunities to overcome the negative impacts of export and internationalization impediments. For these reasons, governments might have more tax incomes, more job opportunities might be provided by firms and firms' productivity increases.

Although this research makes value additions to the literature by investigating the impact of firm characteristics

and financial performance of SMEs on their credit access, it has some limitations. For instance, this paper only examines bank financing, SMEs from Turkey and some characteristics of SMEs. Thus, further studies can analyze sectoral and international differences of SMEs in their credit access. Moreover, further studies can include other financing options that SMEs and larger enterprises might use in their internationalization process.

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Small and Medium Enterprise Financing during the Covid-19 Pandemic in Portugal

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Covid-19 pandemic has affected the cashflows of SMEs worldwide. This study finds that in Portugal, SMEs with negative cashflows prefer loans to equity financing if they have a credit line and have high ownership concentration, and prefer trade credit to equity financing if they have high ownership concentration and previously used trade credit. These findings are consistent with control aversion and relationship lending arguments.

Introduction

SMEs provide essential functions both in developed and developing economies, such as providing apprenticeship venues, small scale manufacturing and services where scale economies may fail, and providing social benefits in terms of providing temporary employment or giving a structure to the young people (Munro, 2013). In 2014, 99.8% of all European businesses are SMEs, producing 58% of gross value added and providing 67% of the private sector employment (Kaya and Schildbach, 2014).

In this study, I examine the financing choices of these SMEs, in particular the choice between equity financing, debt financing (loans) and trade credit (delaying payments to suppliers or workers). I find that the findings are consistent with control aversion argument, where the firms with higher ownership concentration preferring debt and trade credit over equity. Also, consistent with relationship lending, firms with credit lines use loan financing over equity financing and those that used trade credit continue to choose it over equity financing during the pandemic.

The paper is organized as follows. After a brief literature survey, hypotheses are stated. Data, model and analysis follows, and lastly the study concludes.

Literature Review and Hypothesis Development

Since the beginning of Covid-19 pandemic at the start of 2020, governments around the world enacted relief measures, both fiscal policies such as delaying taxes, unemployment benefits, food safety nets and monetary policies including repurchase programs, low interest rates and SME financing programs. In this study, I focus on the primary method the firms with cashflow decreases used for

the financing needs, rather than government support.

Previous literature on the financing choice of SMEs include demand side explanations such as pecking order hypothesis (Myers & Majluf, 1984), tradeoff theory (Norton, 1991) and behavioral theories such as control aversion (Cressy & Olofsson, 1997) and management preferences (Norton, 1991). Supply side explanations include credit rationing (Ardic, Mylenko & Saltane, 2012; Farinha and Félix, 2015) and relationship lending (Hernández-Cánovas & Martínez-Solano, 2010).

Pecking order hypothesis implies firms subject to more information asymmetry between the owners and investors will choose internal financing over external financing, and debt over equity for external financing. So, firms with existing credit lines should seek less debt financing as the relation may alleviate the asymmetric information between investors and owners. Due to pecking order hypothesis, tangibility should be negatively related to the capital structure, so firms with lower tangible assets, such as service companies, which arguably have more information asymmetry, would prefer debt financing over equity financing (Yazdanfar, Öhman & Homayoun, 2019; Myers and Majluf, 1984). Also, more mature firms are arguably more understood and may be subject to less information asymmetry leading to a lower use of debt financing over equity financing (Quartey, Turkson, Abor & Iddrisu, 2017).

Tradeoff theory implies the lower the cost of debt, the higher the probability of choosing debt financing. Existence of previous credit lines may lower cost of debt and manufacturing industry typically has more fixed assets which can in turn decrease debt burden. So, existence of credit lines and manufacturing companies should choose debt financing over equity (Munro, 2013; Farinha & Félix, 2015). Also, trade credit may provide an alternative to debt financing for credit constrained companies (Carbo-Valverde, Rodriguez- Fernandez & Udell, 2016).

Control aversion implies that firms where the owner has higher percentage of the firm do not wish to relinquish control. So, SMEs where owners with higher ownership and control on the firm may prefer trade credit and bank financing over equity financing, since equity issuance dilutes their power (Cressy & Olofsson, 1997).

Data and Model

Firm level survey data was collected from Enterprise Surveys, The World Bank (n.d.) for Portugal before Covid-19 and ending in 2020 January. Firm level survey data on the financing needs were also collected from Enterprise Surveys, The World Bank (n.d.) for the first wave. The two datasets were matched using firm identifiers and contain 307 SMEs which reported negative cashflows and chose equity financing, trade credit or loan financing as the primary method of finance during Covid-19 pandemic.

Pre-covid-19 firm level variables include credit line existence of the firm (CL), difficulty of access to finance (FD), percentage of working capital financed by the suppliers or customers (TF), percentage of the company owned by the largest owner (OWN), firm age and a dummy variable if the firm is a manufacturing company (Manu). The decision variable under study include the responses to the question how the SMEs managed negative cashflows. Only the following responses are included in the analysis; trade credit (delaying payments to suppliers or workers), equity finance (increase contributions or capital from existing owners/shareholders or issuing new shares) and loans (loans from commercial banks and loans from non-banking financial institutions).

In the survey used in this study, companies with negative cashflows report primary methods used; loans, equity financing, trade credit, government support or none of them. In this study I focus on the decision of companies choosing between loans, equity financing, trade credit.

The model used is multinomial logistic regression where the decision variable is the method chosen to meet negative cashflows during Covid-19 pandemic first wave.

$$\Pr(y_i = \text{trade financing}) = \frac{e^{\beta_{tf}X_i}}{1 + e^{\beta_{tf}X_i} + e^{\beta_{loan}X_i}}$$

$$\Pr(y_i = \text{loan}) = \frac{e^{\beta_{loan}X_i}}{1 + e^{\beta_{tf}X_i} + e^{\beta_{loan}X_i}}$$

$$\Pr(y_i = \text{equity financing}) = \frac{1}{1 + e^{\beta_{tf}X_i} + e^{\beta_{loan}X_i}}$$

where X_i refers to the firm level variables pre-Covid19 pandemic, and y_i is the financing decision method.

Here, equity financing is the base outcome, and one can see that the parameters of interest are log-odds ratios between the outcome and base outcome as follows.

$$\ln \frac{\Pr(y_i = \text{trade financing})}{\Pr(y_i = \text{equity financing})} = \beta_{tf}X_i$$

$$\ln \frac{\Pr(y_i = \text{loan})}{\Pr(y_i = \text{equity financing})} = \beta_{loan}X_i$$

Results

The descriptive statistics for the variables are given in Table 1. The firms using loans as primary financing

mechanism have available credit lines compared to other firms. Firms that use trade credit have lower access to finance and have used trade credit pre Covid-19 pandemic. Firms using equity financing have lower concentrated ownership ratio, much older compared to other firms.

Table 1. Descriptive statistics

	(1) Loan fin.	(2) Equity fin.	(3) Trade crd.
CL	0.74 (0.44)	0.59 (0.49)	0.58 (0.50)
FD	1.34 (0.95)	1.19 (1.14)	1.46 (1.21)
TF	3.37 (11.14)	4.81 (14.42)	12.69 (25.82)
OWN	79.03 (25.52)	73.61 (28.30)	79.38 (25.82)
Age	26.91 (17.35)	71.22 (291.76)	26.81 (13.99)
Manu	0.76 (0.43)	0.73 (0.44)	0.73 (0.45)
Obs.	95	186	26
Total			307

Table 2 shows the correlations between the firm level variables pre Covid-19. Difficulty in access to finance and having a credit line have highly positive correlation. Also difficulty in access to finance and use of trade credit are highly positively correlated. Taken together, firms with less access to finance use credit lines and trade credit more. Firms with more concentrated ownership use trade credit less on average. Also, manufacturing companies use credit lines more, as they may be able to meet the collateral requirements by the banks better. Manufacturing companies also have more difficult access to finance and have less ownership concentration.

Table 2. Correlations between pre Covid-19 firm variables

	1	2	3	4	5	7
CL	1.00					
FD	0.32***	1.00				
TF	0.01	0.13***	1.00			
OWN	-0.01	0.01	-0.09*	1.00		
Lage	0.01	-0.07	-0.01	-0.06	1.00	
Manu	0.13**	0.09*	-0.03	-0.09*	-0.01	1.00

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 3 shows the correlations between the financing decisions during Covid-19 and firm level variables. Loan financing is used by firms already with a credit line. Equity financing is used by companies that do not have a credit line and firms with less concentrated ownership. Trade credit is used by companies that already use supplier/customer credit for working capital financing.

Table 3. Correlations between financing types and pre Covid-19 firm variables

	Loan	Equity fin.	Trade crd.
CL	0.15**	-0.12**	-0.03
FD	0.05	-0.08	0.06
TF	-0.07	-0.02	0.16***
OWN	0.08	-0.10*	0.04
Lage	-0.06	0.06	-0.01
Manu	0.03	-0.02	-0.01

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 4 shows the results for the multinomial logistic regression that tests the probability of choosing loan or trade credit to equity financing. The firms with existing credit lines prefer loan financing consistent with relationship banking but not with pecking order hypothesis (Yazdanfar, Öhman & Homayoun, 2019; Myers & Majluf, 1984). Existing credit lines may reduce the information asymmetry between the firms and banks, or banks may acquire more information about the firm that has credit line available. However, existence of credit lines do not affect the choice between equity and trade credit.

Table 4. Multinomial logit regressions of financing method with equity financing as the base outcome

	(1)		(2)	
	Loan	Trade credit	Loan	Trade credit
CL	0.74** (2.37)	0.27 (0.56)	0.75** (2.39)	0.23 (0.48)
OWN	0.01* (1.83)	0.02* (1.85)	0.01* (1.76)	0.02* (1.84)
FD	0.04 (0.34)	0.27 (1.29)	0.05 (0.36)	0.23 (1.08)
Lage	-0.09 (-0.53)	0.06 (0.28)	-0.09 (-0.57)	0.11 (0.46)
Manu	0.14 (0.45)	0.16 (0.32)	0.12 (0.40)	0.29 (0.56)
TF			-0.01 (-0.59)	0.02* (1.80)
Region dummy	Yes	Yes	Yes	Yes
Obs	307		307	
Chi-sq(df)	39.83 (20)***		44.06 (22)***	
McFadden p-R2	0.07		0.08	
Log Lik. Base outcome	-248.91 Equity finance		-246.79 Equity finance	

t statistics in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Higher ownership concentration coefficients are positive and significant, so higher ownership concentration

leads to higher loan financing and trade credit use consistent with control aversion (Cressy & Olofsson, 1997).

Previous studies found that trade credit may provide an alternative to debt financing for credit constrained companies (Carbo- Valverde, Rodriguez- Fernandez & Udell ,2016). In Table 4, difficulty in access to finance is insignificant for both loan financing and trade credit. The firms which use trade credit pre-Covid19 pandemic tend to use trade credit during Covid-19 pandemic, however difficulty in access to finance does not seem to be instrumental to this relationship.

Firm age coefficient is insignificant in Table 4, which is consistent with the results from Table 3. This finding is not consistent with the view that more mature firms may have less information asymmetry leading to more loan financing via pecking order hypothesis or relationship banking.

Tangibility, proxied by the sector of the companies, does not seem to affect the choice of financing either by itself in Table 2, or with other determinants in Table 3, inconsistent with the pecking order hypothesis.

Conclusion

By examining a survey data on the primary method of finance during Covid-19 pandemic in Portugal, I found that firms with existing credit lines and those with ownership concentration prefer debt financing (loans) to equity financing, former consistent with relationship banking and tradeoff theory but inconsistent with pecking order, while the latter is consistent with control aversion argument. Firms with higher ownership concentration and those used trade credit to finance their working capitals in the past prefer trade credit to equity financing consistent with ownership aversion.

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Internationalization of Indian MSMEs with reference to Post-Covid Era

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Along with entrepreneurship, and other factors E-commerce, use of different forms of services and online digital platforms can assist the Indian MSMEs to carry forward and continue its internationalization process even in the post-Covid era. E-commerce has the potential towards building of global reputation, access to foreign markets, competitive pricing, wider access, reducing information asymmetry and technology integration. Similarly, government policies, availability of resources, conducive business environment along with constant innovation, entrepreneurship skills and managerial skills has the potential to overcome the challenges of barriers to the Internationalization process for Indian MSMEs.

Introduction

SMEs represent a sector of vital importance and is known to play a good role in the emerging nations especially in matters if providing livelihood and boosting the economic growth small and medium enterprises (SMEs) in India generate 11% of country's gross domestic product (GDP) and 45% of the entire manufacturing output, creating more than 100 million employment opportunities in the process. These SMEs not only act as key support units for large firms, but also help in expanding industry coverage in rural areas, strengthening the backbone of the economy. However, the growth of SMEs in India has been plagued with several challenges and problems. The problems include weak marketing facilities, inadequate access to credit, lack of access to technology, and complex regulations and procedures.

Moreover, over the last few years, as a part of further liberalization, the Indian market has been increasingly being opened to foreign companies, including SMEs. Their influx will soon make the domestic market saturated, rendering inadequate growth opportunities for both Indian and foreign SMEs. Hence, it is imperative for Indian SMEs to go global, akin to their foreign counterparts exploring and expanding in the Indian market. Going global will not only help the Indian SMEs expand their market reach, but also prepare them for global competition. This will help them improve their performance in the local market as well. As a first step, to

improve the performance of the Indian MSMEs (Micro, Small and Medium Enterprises), there have been a revision of the definition of the MSMEs. According to the revised definition, the investment limit has been revised upwards and an additional criterion of turnover has been introduced. The government has done away with the distinction between manufacturing and services sector. As per the revised definition, any firm with investment up to 1 crore and turnover under Rs. 5 crores will be classified as "Micro". A company with investment up to Rs. 10 crore and turnover up to Rs. 50 crores will be classified as "Small" and a firm with investment up to Rs. 20 crore and turnover under Rs. 100 crores will be classified as "Medium".

Internationalization of the Indian MSME

There has been an increase in the attention being placed on the internationalization of small and medium-sized enterprises (SMEs) (Lu and Beamish, 2001; Knight, 2001). Internationalization helps firms to focus on core competence and opportunities in foreign markets (Penrose, 1959). Welch and Luostarinen (1988) called for exploring global market opportunities by facilitating export to overseas countries and forming alliances with overseas firms. Other scholars have defined internationalization and exporting as a phenomenon when firms enter foreign markets to sell their products or services (Calof and Beamish, 1995; Johanson and Mattson, 1993; Johanson and Vahlne, 1990; Lumpkin and Dess, 1996; Chabowski et al., 2018).

Prior studies have identified factors determining SME internationalization; for example, firm structure, strategy, entrepreneurial and market orientations, human resource capabilities, social network, trust and environmental exigencies have all been shown to play a key role in international expansion (e.g., Mendy and Rahman, 2019; Luo and Tung, 2007; Moreno-Menendez and Casillas, 2014; Chaston and Sadler-Smith, 2012; Amal et al., 2013). Factors related to regional and economic development (see for example Benneworth, 2004; Huggins and Williams, 2011; Laukkanen, 2000) also drive the international expansion process. Research reveals that these attributes have shown to help decrease the challenges in the SME internationalization process (Dai et al., 2014; Knight, 2001).

Since, 1991, Indian Government has been relaxing import restrictions, promoting the growth of trade in order to improve India's economic standing within the international community. The rapid expansion of commerce into international markets has resulted in a growing demand for global brands and services (Javalgi and Ramsey, 2001). Small and medium-sized businesses within the country began to feel the pressure from increasing competition from firms that were previously locked out of the domestic market. This has resulted in an increasingly competitive environment to which SMEs must adapt. Entrepreneurship has been recognized for many years, as reported in the works of Schumpeter in 1934, as a key driver in the economic development of a country. Entrepreneurship can be defined as the process of creating value through the management of resources to take advantage of an opportunity (Morris and Sexton, 1996).

Drivers behind the Internationalization of MSMEs

Firms' decision to engage in export activity is likely to be determined by both internal and external forces (Czinkota and Ronkainen, 2006; Leonidou et al., 2007). Given this, a "holistic" approach is required which would facilitate the understanding of multitude of issues that influence the internationalization decision of firms (Crick, 2007; Olejnik and Swoboda, 2012). First, unanticipated conditions are a major driver for SME internationalization. Basically, unanticipated conditions encompass reactive elements such as information and communication technology (ICT), network relationship and unsolicited orders (Oviatt and McDougall, 1994; Zhang et al., 2016). In the past few decades, technological developments have also facilitated SMEs to expand their business internationally (Oviatt and McDougall, 1994; Knight and Cavusgil, 1996). ICT has been a major driving force behind the development of E-commerce in the recent decades. E-commerce depends on the capacity of the internet and is the most influential means of communication that business around the global has ever known. Further, SMEs in their early export stages are likely to be influenced by reactive and external forces than in their later stages (Leonidou et al., 2007). A study by Czinkota and Ronkainen (2006) in context of USA found that unsolicited orders played a decisive role in influencing the export activities of small firms. In fact, these issues have been extensively discussed in the international marketing literature as major motivating factors (Westhead et al., 2002). Firm-related advantages include international network ties, technological advantage and managerial talent and skills. These items relate to the firm's internal conditions. However, these factors reflect the advantages that facilitate a firm to internationalize quickly (Knight and Cavusgil, 1996; Madsen and Servais, 1997; Leonidou et al., 2007 Senik et al., 2011).

However, there are different barriers in the way of Internationalization of MSMEs. Some of the common

barriers are as follows-

Given the various drivers that determine the firms' internationalization paths, it is imperative to identify and understand the different obstacles that affect early internationalization. Global economic integration is changing the competitive paradigm in which all businesses operate, requiring an international expansion strategy to positively impact long-term growth and survival (Karagozoglou and Lindell, 1998). The small business sector has become more important as they emerge as a dominant force impacting the growth of national economies (Shridhar, 2006). However, there are many entrepreneurial firms that are still reluctant to sell their output in international markets due to smallness and resource constraints. Such challenges have invariably affected the ability of SMEs from developing countries to compete in the international market (Kyvik et al., 2013; Rahman et al., 2017). However, not all SMEs in many economies can internationalize themselves because SMEs do face barriers either internally or from external conditions. Further, smallness is often highlighted as a major disadvantage in the internationalization process as small firms lack sufficient resources to enter the international market (European Commission, 2007). Therefore, it is important to understand how barriers are going to affect the early internationalization of SMEs.

There are a number of disadvantages inherently faced by SMEs as they transition into international environments (Chen and Huang, 2004). Managers of non-exporting SMEs perceive the international environment as being risky, unprofitable and unmanageable, due primarily to misinformation and lack of experience with global business (Malekzadeh and Nahavandi, 1985). SMEs, due to their size limitations, often have limited financial capital and a lack of necessary human resources. Many operators of small businesses lack experience in developing an international strategy (Tesar and Moini, 1998). There are also disadvantages related to a lack of competitive power as a consequence of the size of the organization. SMEs have difficulty in influencing global pricing as they rely on a small customer base, and are limited in expansion due to minimal access to financial resources (Kalantaridis, 2004).

Challenges faced by Indian MSMEs in the Internationalization process

While global expansion is need of the hour for Indian SMEs, there are several challenges that need to be addressed first. Despite the Indian government's strong impetus and push to Indian SMEs and exports, around 65 million Indian SMEs are engaged in global trade at present.

Lack of knowledge on overseas market scenarios and lack of experience in conducting global trade are acting as major barriers to the internationalization of Indian SMEs. Exploring an alien territory can be both risky and expensive.

Gaining knowledge on overseas markets beforehand is an equally time-consuming and expensive process. Insufficient

information on potential business opportunities can lead to a high opportunity cost of choosing the wrong target, thereby affecting the margins and confidence of a firm. Similarly, lack of access to global trade resources to facilitate end-to-end deals can dent an SME's budget substantially. Hence, although global expansion is an attractive proposition, it is a risky endeavour if executed without adequate preparation.

Against the backdrop of the paper, the objective of the study mainly focuses on the role of e-commerce and services in matters of Internationalization of Indian MSMEs. In the next section, we will discuss the literature on the barriers which come in the way of Internationalization of MSMEs followed by role of E-commerce and Services in accelerating the process of Internationalization of Indian MSMEs.

Theoretical Framework

Export marketing literature has recognized and highlighted the importance of external determinants that influence entrepreneurs to initiate the internationalization activity (Katsikeas and Piercy, 1993; Westhead et al., 2002) and aid in formulating strategies that would enhance their export performance (Ben and Trimeche, 2003). A significant volume of empirical research argues that firms need to focus upon the external situation and managerial perceptions about the external attributes that should be regarded as a significant causative element in determining the internationalization activities (Westhead et al., 2002; Ben and Trimeche, 2003). Bloodgood et al. (1995) suggest that firms with unique bundles of resources will have a greater orientation to internationalization. It is also important to highlight SMEs' internal environment which would positively influence its ability to accelerate the early internationalization and the performance (Bloodgood et al., 1995; Madsen and Servais, 1997). Correspondingly, there are other studies which have highlighted that, to be successful, firms should have appropriate resources for international growth (Ruzzier et al., 2006).

Against this backdrop, we find that there are a number of determinants which might play an important role in the process of internationalization of the MSMEs in the 21st century especially during the post Covid times. We include a number of independent variables in the study. For example, an exporting firm will have a higher propensity to export as compared to a non-exporting firm. Firms exporting in the last ten years (for e.g., 2010) will continue to export and engage in the process of Internationalization. Secondly, the other important factor is availability of entrepreneurship skills for the process of Internationalization. Thirdly, managerial perceptions and skills are also an important element for the internationalization process. Fourthly, use of services such as foreign services, legal services, IT services, consultancy services, advertising, marketing and distribution services are helpful for MSMEs willing to enter the foreign market. The additional variables determining the internationalization

process are government support and policies, including availability of finance, resources and constant innovation etc.

With the onset of the pandemic, the role of e-commerce and digital platforms have been particularly important since the consecutive lockdowns in India. The Indian MSME can use this opportunity via different digital modes to boost their sales and exports in the international market in the pandemic times.

The Theoretical framework for Internationalization

(Internationalization of MSME) $it = f$ (Exporting Firms it, Managerial skills and perceptions it, Entrepreneurship skills it, Innovation it, Availability of Capital and resources it, Government Support and Policies it, Conducive business environment it, Usage of different services it, Use of E-commerce and different Digital Platforms it)

Here, i stands for exporting firms (i.e., MSME) and t stands for year.

Expected Results and Discussion

With the onset of COVID-19 pandemic, there has been curtailment and restrictions in the movement of goods and services in the global economy. Hence the present norm is more rapid usage of online digital platforms, apps, e-commerce and various use of different forms of services to boost sales in the foreign market.

Along with entrepreneurship, and other factors E-commerce, use of different forms of services and online digital platforms can assist the Indian MSMEs to carry forward and continue its internationalization process even in the post-Covid era. E-commerce has the potential towards building of global reputation, access to foreign markets, competitive pricing, wider access, reducing information asymmetry and technology integration. Similarly, government policies, availability of resources, conducive business environment along with constant innovation, entrepreneurship skills and managerial skills has the potential to overcome the challenges of barriers to the Internationalization process for Indian MSMEs.

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Innovation Centers in the Contribution of SMEs to the Economy

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Local and international competition, which has intensified as a result of globalization, has heightened interest in innovative strategies. This study examines the effect of Innovation Centers established in Adana Metal Works Industrial Site and Mersin Organized Industrial Zone (OIZ) on increasing the innovative competencies of SMEs in their pilot studies. These Innovation Centers were established within the scope of the “Resilience Project in Turkey in Response to the Syria Crisis which was carried out to support the regional development needs in the provinces of Adana and Mersin, which experienced the greatest influx of immigration as a result of the Syrian crisis due to their proximity to the border is the most intense. In the pilot studies of the Innovation Centers the effect of SMEs on increasing their innovative competencies was investigated.

Keywords: Innovation Center, Small and Medium Enterprises (SME), United Nations Development Program (UNDP), Innovation Economy, Competitive Economy, Organized Industrial Zone (OIZ)

Introduction

Today, the ability of “Small and Medium-sized Enterprises” (SMEs) to determine their market shares and maintain their competitiveness is directly proportional to their ability to transform an innovative approach into economic value. Globalization and technology have become a driving force in the change and transformation of the ecosystem. Small and medium-sized enterprises, which constitute the backbone of local economies, can transcend network structures through value exchange and cooperation. Commercial innovation serves as a gateway for SMEs to connect with new actors and stakeholders outside their ecosystems. The holistic understanding of innovation, on the other hand, does not limit the performance of SMEs in innovation activities only to the scale of the company, but also enables them to transform into economic value in the local and national ecosystem. The focus of national economic plans on achieving the maximum efficiency of local resources requires new methods and projects. For these reasons, Innovation Centers are gaining traction in

developing countries development plans.

1. Empowering SMEs in the Process of Internationalization in Competitive Markets

Innovative practices have a catalytic effect in increasing the efficiency of companies’ products and processes in competitive markets. While international markets create economies of scale, they also provide companies with the motivation to stimulate vitality and industrial innovation. The need for SMEs to expand internationally may stem from local market saturation, as well as the desire to expand the business and enter profitable new markets, foreign exchange attractiveness, and corporate prestige.

Problems in the governance structures of SMEs, their lack of demand for innovative business models, and problems in their marketing strategies and financial decisions threaten their commercial sustainability. SMEs have a more fragile and unstable structure compared to large companies in the fight against the competition, crisis and uncertainty. In strengthening SMEs, a large-scale business culture is structured, including the transformation of managerial ideas, the change of processes, technology support, the development of R&D activities, the follow-up of cost factors, and commercialization breakthroughs.

The competitive economy forces companies to engage in innovative activities in all sectors. It is not sufficient to innovate alone in terms of products and services; it is also vital to adapt to the changes imposed by the ecosystem. Innovative business ideas realized at international standards support the transformation into international cooperation. Sectoral development of SMEs, which are the main dynamics of local economies; R&D investments; and meeting the digitalization needs will transform the national value chain into an international resource chain.

2. Studies on Increasing Innovation Competencies in the Process of Internationalization of SMEs in Turkey

Due to their contribution to the manufacturing industry

and their commercial advantages, SMEs in Turkey are located in OIZs, Industrial Estates, Technoparks as well as in any place where they can operate. In Turkey, OIZs continue to operate with the authorization of their establishment in accordance with the laws and provisions of the Development Plan Law, the Environment Law, the Energy Efficiency Law, the Law on Industrial Zones, and the protection of Renewable Energy Resources.

While the number of enterprises in SMEs in Turkey was 2 million 625 thousand in 2009, it increased to 3 million 221 thousand in 2019. When we look at the scale distribution, most enterprises are micro-scale enterprises. The number of startups, which was 2 million 468 thousand in 2009, increased to 2 million 979 thousand in 2019. The number of small-scale enterprises, which were 132 thousand in 2009, increased to 208 thousand in 2019. The number of medium-sized enterprises was 26 thousand in 2009, and later increased to 34 thousand in 2019 (TÜİK, Republic of Turkey Turkish Statistical Institute, 2009-2019, p.3). SMEs constituted 99.8% of the total number of enterprises in 2019. However; SMEs also account for 72.4% of employment, 51.8% of personnel costs, 50.4% of turnover, 44.1% of production value, and 44% of factor cost and value-added. (TÜİK, Republic of Turkey Turkish Statistical Institute).

In Turkey, development organizations under the leadership of the Ministry of Industry and Technology support SME investments with innovative business models that address social and economic needs. These organizations include the Scientific and Technological Research Council of Turkey (TUBITAK), and the Small and Medium Enterprises Development and Support Administration (KOSGEB). The industrial transformation of OIZs, where SMEs are concentrated, within the scope of adaptation to the information, digital society, and innovation economy in Turkey is supported by the United Nations Development Program (UNDP), which operates the Global Development Network. In this context, the “Innovation Center” pilot project aiming at innovative-based transformation was established in Manisa Organized Industrial Zone (Cansız. M.,2020).

2.1. United Nations Development Program (UNDP)

“UNDP” it is an organization that supports solutions to development challenges and builds national and local capacities to help them achieve their human development and sustainable development goals in nearly 170 countries and territories. Three primary areas of focus for UNDP's activities are as follows: ***1. Sustainable development, 2. Democratic governance and peace, 3. Climate and disaster risk management solutions.*** It also promotes gender equality and the protection of human rights in all its activities. (UNDP) Aiming to improve local development conditions with its projects that will revive the regional economy, UNDP supports the eradication of poverty and the growth of

sustainable economies.

The main purpose of Adana and Mersin Innovation Centers, which were established with the support of UNDP within the scope of the “Resilience Project in Turkey in Response to the Syria Crisis”, is to strengthen the productivity, competitiveness, and innovative capabilities of local companies as well as to create innovative sustainable solutions in cooperation with main partners and stakeholders by addressing the goals and challenges of SMEs.

2.2. The Importance of UNDP Activities in Turkey in the Cukurova Region

The basis of UNDP’s activities in the Cukurova region is the impact of the mass migration movement that took place as a result of the Syrian crisis on the social ecosystem in the region.

The popular movement that started in Syria in March 2011 turned into a major conflict; these developments had a significant effect on regional security and stability, most notably in Syria. The turmoil in Syria, with which Turkey shares a 911-kilometer land border, has forced many Syrians to migrate from their homelands to other parts of the country or to other countries, including Turkey. Additionally, it has placed considerable political, security, and humanitarian responsibilities and difficulties on Turkey. (T.C. Dış İşleri Bakanlığı, Ministry of Foreign Affairs of the Republic of Turkey)

Turkey is the country hosting the largest number of refugees in the world. (UNHCR) The number of registered Syrians under temporary protection in Turkey has reached 3 million 690 thousand 896 as of 23 July 2021. (Mülteciler Derneği, Refugees Association) As a result of the crisis experienced, the economic and social balances of the Cukurova region, especially the Hatay province on the Turkey-Syria border, have deteriorated. The unemployment problems caused by the mass migration, the rising rents, and the high cost of living in the region led to the need to support the population in the provinces of Cukurova.

It is hoped that by establishing “Innovation Centers” in Adana Industrial Estate and Mersin Organized Industrial Zone as part of the “Resilience Project in Turkey in Response to the Syria Crisis” which is being carried out in collaboration with the United Nations Development Program and financed by the European Union and the Turkish Ministry of Industry and Technology the Resilience Project in Turkey in Response to the Syria Crisis will have a positive impact in terms of sustainable development.

2.2.1. Adana and Mersin Regional Ecosystem

In the ranking of refugee density in Turkey, Mersin is the 5th province with 12.5% of the population, and Adana is the 6th province with 11.3% of the population, and it consists of registered Syrian citizens who are under temporary protection. (Mülteciler Derneği, Refugees Association)

The industrial wealth of the Cukurova region increases the interest of immigrants to these provinces. The complexity caused by the increasing population density with migration requires focusing on the efficiency of social, environmental, and economic resources. In addition, the fact that Adana and Mersin are neighboring cities, their technology intensity levels are high, and they are supported by innovation ecosystems provide the opportunity to increase industrial efficiency and the development potential of the region.

It is a regional industrial investment center with its geographical and climate similarity, agricultural productivity, developed industry, and logistics opportunities. Adana Cukurova Technopolis, Adana Metal Works Industrial Site, Adana SUAM “Health Application and Research Center Technology Transfer Office”, Adana Industrial Site, Mersin Free Zone, Mersin Technology Development Zone, Mersin University Technology Transfer Office, Mersin Industrial Site, and SMEs continue their economic and development activities in Incubation Centers. The common mission of these cooperation areas, which have different capacities and specialization areas; is to ensure the formation of high value-added economic mechanisms. The development of SMEs is followed by Chambers of Industry and OIZ Project Support Offices. SMEs producing high volume added value are mostly located in OIZs.

2.3. UNDP Supported Case Study

In the pilot studies of Adana and Mersin Innovation Centers, companies with different sectors and volumes were provided with innovation support. Along with training for SMEs, startups, and entrepreneurs, the program aims to establish local innovation networks through a mentor training program that will provide consulting services to program participants.

The project was carried out with the following activities; (UNDP-TUR-RFP(MC1)-2019/2 Proje Sunumu, “Project Presentation”, January 2021, P.16; (UNDP, ADASO, OSB, MTSO, “Introductory Brochure”).

1. Mentor Training Program: It is aimed to create an innovation mentor pool with a local innovation network. Developing local mentoring capacity will increase the number of participating SMEs.

2. Innovation Needs Map: With the support of project experts, the innovation needs of SMEs were determined. Priority areas of intervention have been identified.

3. Innovation Program: The objective is to foster the development of sustainable innovative business models by providing training that enables SMEs to innovate. Consultancy services and extensive innovation training were provided.

4. Innovation Awareness Development Activities: It is aimed to increase the interaction of stakeholders in Adana and Mersin regions. Thematic webinars and innovative competitions were organized to increase the innovation awareness and interaction of local stakeholders.

5. Creation of an Innovation Roadmap: Roadmaps for the innovation activities of SMEs were determined and action plans were created.

The Innovation Roadmap Program was organized categorizing 3 different groups of companies with different innovation levels.

Table: 1 Innovation Roadmap Program Content

Innovative Thinking and Introduction to Innovation	Total Quality Management
Institutionalization for Family Businesses	Strategic Management and Planning
Strategic Management Planning	Design and Product Development
Efficiency and Sustainability	Design Thinking
Branding	Data Analytics
Marketing	Digital Transformation
Supply Chain	Strategic Brand Management
Innovation Financing	Innovation Camp for Managers

The trainings given to SMEs are prepared with the contents in Table 1. Trainings were given to SMEs by the professionals of the relevant fields in a 6-week program. At the end of the training, it is planned to follow the companies for 6 months by making mentor matching.

3. Methodology

In this study, the role of innovation centers in increasing competitiveness and innovative competencies was investigated. In this context, data were collected from the participants of the Innovation Roadmap Program to learn about the views of SMEs involved in the training activities of the “Resilience in Turkey in Response to the Syria Crisis Project” supported by UNDP. The competencies acquired in the primary theme of competitiveness and innovative capability were revealed.

In this study, scanning design, one of the quantitative research methods, was used. In this context, a cross-sectional study was carried out; the frequencies of the analyzed variables are presented.

The universe of the study consists of 23 SMEs participating in the training activities of the “Resilience in Turkey in Response to the Syria Crisis Project” supported by UNDP. During the data collection phase, an internet-based survey technique was used, which is one of the electronic survey types; a questionnaire was created using “Google Forms” at this stage. 15 businesses participated in the study on a voluntary basis. Therefore, the sample size of the study consisted of 15 enterprises. Based on the collected data set; SPSS (version 25) was used to calculate descriptive

statistics. The research was not carried out in Turkey with a very comprehensive survey. Since the non-random sampling method is used for the selected companies, generalizations cannot be made based on the results obtained.

To assess the skills acquired during the course of the project, a company information form was used as a data collection tool, and 44 questions and 32 judicial items were included under the themes of Growth with an Innovation Focus, Innovative Thinking and New Product Development, Innovation Leadership, and International Competition.

Within the scope of the study, the participants were asked whether the training received met their expectations; data were collected at the nominal measurement level in the form of yes and no. The Mann-Whitney U test, which is one of the parametric hypothesis tests, was utilized to see whether there was a difference between these response groups in terms of the dimensions of Growth in the Focus of Innovation, Innovative Thinking, and New Product Development, and Innovation Leadership, and International Competition. The main hypothesis of this test is that the two populations have the same distribution. In this context, it is tested whether the group medians are equal to each other. It has been tested whether there is a difference of 0.05 significance level between the yes and no groups, which shows whether the participants have achieved their goals with the training they received within the scope of the project, in terms of the dimensions examined; the results are presented in Table 2.

Table 2. Test of the Education Meeting the Expectations

Investigated Variable	Probability Value of Test Statistic (Sig.)
Growth in Innovation	0,003
Innovative Thinking and New Product Development	0,001
Innovation Leadership and International Competition	0,002

As can be seen in Table 2, it was determined that there was a 0.05 significance level difference between those who answered that the education goal was achieved and those who gave the answer that it was not achieved in terms of the variables examined. It should be noted that 9 participants answered yes and 6 participants answered no in the study.

4. Conclusion and Recommendations

The pilot study of the Innovation Roadmap program of the “Resilience in Turkey in Response to the Syria Crisis Project”, financed by UNDP, has been completed and the implementation process of the project continues. The evaluation includes only the results of the pilot study.

In the measurement of perceptions towards Growth in

the Focus of Innovation, the achievements of family businesses in institutionalization, marketing strategies, branding, environmental and economic sustainability, creating customer loyalty, reaching new markets, and developing a management strategy in risk and uncertainty conditions were tested. In the measurement of perceptions towards Innovative Thinking and New Product Development; Benefit perceptions about design thinking, innovative business model development, innovative change management, total quality management, intellectual and industrial property rights, new product development (NPD), total quality management, financing of innovation-oriented activities and incentives were tested. In the measurement of perceptions of Innovation Leadership and International Competition; international sectoral developments, customer analysis models, operational efficiency, financial analysis, digital transformation, social media management, online marketing strategies, data analytics in marketing management, export, innovation leadership and the changes and developments in consultancy services provided within the scope of the project were tested. The title with the highest average was determined as Growth in Innovation Focus. It was examined whether there was a difference between the levels of benefiting from education (low and high) groups in terms of the scores in the mentioned titles. According to the findings, it was understood that the companies that stated that they benefited more from the training than they expected differed positively in all titles. Therefore, we can say that these companies benefit in terms of Innovation Focused Growth, Innovative Thinking and New Product Development, Innovation Leadership and International Competition. In addition, it is also among the findings that there is a similar and moderately strong relationship between the level of benefit from the trainings and the age of the company.

The development of SMEs is important in the formation of sustainable economies. Technology aptitude and innovation culture provide the opportunity to open up to foreign markets. Creating local and national resources and empowering SMEs is possible with internationalization. Development agencies should also assume the role of intermediary by cooperating with international platforms for SMEs to access international markets.

Efforts to increase the awareness of the innovation culture of companies should be supported by action plans and implemented in practice and annual long-term follow-up should be made. In order to spread regional development to the base, the “Resilience Project in Turkey in Response to the Syria Crisis” should be accelerated and more companies should participate. In development projects, university cooperation should be utilized in order to turn innovative ideas into an innovative trend. In order to bring an innovative women's perspective to SMEs, positive discrimination should be made towards women entrepreneurs and women participants. New projects should

be produced to support the institutionalization of family businesses.

Due to the differences in the sector, company culture, and innovation needs, the innovation programs of SMEs should be privatized and prepared. Effective action plans should be created for the targets to be determined on a company basis. Specialized projects that will contribute to the sustainable development of regional resources should be developed. At the end of the project, the innovation performance of SMEs should be rewarded with micro-grants, taking into account their financial needs, and the motivation of the companies should be increased. In addition, long-term Innovation Financing support should be provided to SMEs.

Project efficiency is expected to increase in the long term with the activation of the activities of the Model Factories located in Adana and Mersin Innovation Centers and the development of lean production. Much more SME participation is needed in order to see the impact of the project on local development in the medium and long term. For this reason, the “Resilience Project in Turkey in Response to the Syria Crisis” should be accelerated. In order to increase the efficiency of the project, the innovation needs of each participating company should be taken into consideration and a renewal plan should be created in line with the targets to be determined. The employment and economic added value data of the SMEs participating in the project before and after the project should be followed comparatively.

In the online resources used in the study, the websites of public and official institutions were used. With this study, findings and suggestions for the development of SMEs and Innovation Centers were brought to the academy. Along with the innovative performance of SMEs, it is recommended that future research on the efficiency of Adana and Mersin Innovation Centers; monitor employment, economic added values, and balance sheet data and financial developments. Value-added activities to be carried out in the regions where Innovation Centers are established will contribute significantly to sustainable local economic power.

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Penny Wise, Pound Foolish? On Capital Structure and International Entrepreneurship of Island Based Firms

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This paper explores the role of capital structure leverage in determining International Entrepreneurship of firms. The point of departure assumes that overseas operations is caused by capital structures with higher leverage. This paper innovates by studying often overlooked Firms in Small Island Economies, that face specific set of challenges denoted as vulnerabilities (Briguglio, 1995; Umemura, 2016). These vulnerabilities, e.g. high reliance on foreign economic factors, small pool of human capital, which explain possible deviations from the established theory. The paper employs a probit analysis with data of 164 firms from Barbados, Cyprus, Fiji, Iceland, Jamaica, Malta, Mauritius, and Trinidad & Tobago. This study provides evidence that Island Based Firms with high leverage are more likely to engage in IE. This is more pronounced for older firms, or for firms with CEO's having a background in business/economics. For practice this study reveals that development of capital markets in Small Island Economies may stimulate international expansion of firms.

Keywords: International Entrepreneurship, Small Island Economies, Capital Structure

There is a systematic appearance of financing forming a/the barrier for entrepreneurship (Cumming, Deloof, Manigart, & Wright, 2019). Access to capital is essential for continuation of activities, but especially for scaling projects such as International Entrepreneurship (IE). Firms ability to acquire capital for these investments depends on several factors but mainly center around risk, which can be spread by leveraging the capital structure of firms. Firms may opt to fund their companies with loans, or by accessing capital markets. The choice for funding on capital markets also brings about more favourable funding, reducing the perception of risk due to information disclosure (Diamond & Verrecchia, 1991). By disclosing information firms are able to attract lower cost of capital, making certain decisions more viable and interesting to pursue. This attraction may set companies in a privileged position to engage in IE as opposed to others (Gonenc & de Haan, 2014). Having established that funding and access to capital is an issue determining firm growth, it is remarkable to find that the attention has not quite responded to the calls for diversity in the study of IE.

Small Island Developing States (SIDS) have been

generally underrepresented and understudied in this field. Having a small domestic market dictates differing challenges in its own, e.g. elevated reliance on foreign markets, small population, susceptibility to environmental catastrophes render the islands - and as a consequence their firms - vulnerable (Briguglio, 1995). These Island Based Firms (IBF) are likewise overlooked and consequently not appropriately directed or advised. On the one hand some firms may be more prone to venture abroad, due to having resources such as space to scale considering the nature of the firm, and may view foreign markets more naturally. On the other hand, firms with locally framed business models feel little need to expand beyond borders as investments to expand may exacerbate other efficiency opportunities. Finally, firms in industries with higher competition, perhaps due to less regulation/protection, may be more inclined to pursue international ventures as opposed to others. The maturity of Small Island Developing States (SIDS) having very young capital markets, often limits the diversity in funding, and concentrates funding in a small pool of influential suppliers, mostly commercial banks. Such lack of sophisticated capital markets and concentration, may determine the capital structure (CS) choices of IBF and possibly also their perception on venturing abroad (Gourdeale & Polodoo, 2016).

The literature mostly discusses that firms have a different capital structure as a consequence of operating abroad, but considering the characteristics of SIDS's, and the challenges they pose for IBF, possibly the relationship may be inverted. Evidence from Mauritius shows for example that growth opportunities do not appear to affect capital structure (Seetanah, Padachi, & Ronoowah, 2005). This indicates that in the case in the of IBF's it may be that CS acts as a determinant of IE, and gives rise to the question to what extent CS determines IE of IBF's. This is why this paper theorizes that CS is a determinant of IBF, and that improving capital markets can have beneficial impact on foreign expansion of IBF.

Literature

Capital Structure (CS) and International Entrepreneurship

CS refers to the composition of financial resources

reunited by the firm to fund its operation. Firms seeking capital exchange their financial information to attract funding through sales of shares or bonds, instead of seeking asset based funding, allowing firms more flexibility in determining future pathways. Consistent with Diamond & Verrechia (1991), Soares, Duarte & Borges (2019) find support for information disclosure reduces a firm's cost of capital by attracting increased demand from large investors due to increased liquidity of its securities. Equity capital is also confirmed as positively related to financial performance, indicating that firms with low leverage are poised to take more endeavouring decisions (Adabenege, Helen, & Andow, 2014), such as to venture abroad. Listed firms also apply more sophisticated capital budgeting techniques as opposed to their counterparts (Robinson & Burnett, 2018) and can, as a consequence better leverage their CS so as to provide a foundation for more favourable strategic moves.

More firms, and with significantly higher growth, are associated with activities involving IE as a result of subjecting their information to international form of accounting harmonization, which facilitate positions for lower leverage (Meixnerová & Sikorová, 2017). Multinational corporations have been found to have lower leverage compared to domestic corporations, indicating that equity financing is linked to IE (Lindner, Klein, & Schmidt, 2018). These claims receive support from Fowowe (2017) that provide evidence that firms without credit constraints experience faster growth. These ideas bring to question to what extent CS is a determinant for IE and reinforce calls for the study of IE in new environments. In particular, there is a need to explore the relationship between non-bank sources of finance and growth (Fraser, Bhaumik, & Wright, 2015). Evidence suggest underdeveloped financial environments determine performance of firms (Kapetaniou, Samdanis, & Lee, 2018), which shows a gap in literature in terms of diversity of markets studied.

Most studies on CS and IE have given attention to how the internationally active firms differ from others in terms of CS, but have remained inconclusive on how equity funding promotes IE. Operating in foreign markets has been proliferated over the years through advancements in technology (Cahen & Borini, 2019; Putzhammer, Puck, & Lindner, 2020). These advancements have generally benefitted SME's, due to relative less complex nature of their organization.

With regards to IBF's with lower leverage have better performance thereby supporting the pecking order theory (Seetanah, Seetah, Appadu, & Padachi, 2014). One particular study found that even though presence in foreign markets is a key factor in determining CS, agency costs and information asymmetries over debt during the internationalization process may also influence the decision to venture abroad (Pacheco, 2016). This finding is very relevant for IBF's in the sense that a small, not sophisticated and concentrated capital market further contributes to information

asymmetries that can discourage IBF's foreign orientation (JOHNSON, 2017). Furthermore, agency costs are generally (perceived) higher on islands through concentration of access to resources, which add to the set of barriers IBF's face in their process to go abroad. A study by Botelho (2016) found that the impact of debt on the performance of companies differed depending on their degree of international activity, with those having no international operations benefitting less from debt.

Insularity and Island Based Firms

SIDS have been identified as a specific group at the UN conference on Environment and Development in 1992, confronting constraints such as a narrow resource base depriving them of the benefits of economies of scale; small domestic markets; limited opportunities for the private sector and a proportionately large reliance of their economies on their public sector (United Nations, 1992). Briguglio (1995) studied these characteristics and pointed out that these represent economic vulnerabilities to these nations as, due to their size and remoteness, they are more susceptible to foreign market changes than other nations. This indicates that foreign products and businesses can, with relative ease, access the markets and influence the IBF, unless regulated for protection (Briguglio, 2016).

Chittoo (2011) argues that the public administration of these nations are also not designed for their insularity characteristics. The sheer size of these nations does not always allow for impartiality in decision making, as it is assumed in the Weberian governance principles of the systems they have adopted. As a consequence, SIDS governments have higher direct interaction with the private sector, and in many cases own companies with considerable market share and protection.

A study of SME's in Baltic states has highlighted the need to understand how SME's in these countries access capital, in order to evaluate of policy measures and to monitor the implications of financial reforms on SMEs' access to finance (Rupeika-Apoga, 2014). There is plenty of room for research in spaces where capital markets are still in development, while Internationalization is readily accessible. Ownership concentration, which is common in IBF, observe risks differently and thus may behave differently as well when funding challenges are present (Wu, 2019).

Businesses ranging from small states, especially islands, are often overlooked because of size and availability of data. However, these nations may reveal new insights for science as well as for practice, as managers either have to use logic of larger firms or theories pertaining to SME's in larger domestic markets. IBF face growth challenges as they cannot easily scale the business within domestic markets efficiently, due to technology gaps and other matters of insularity (Pacheco & Pacheco, 2020), which redefines how they interpret and act on opportunities abroad. The mainstream

information mostly covers firms in areas where access to capital is widespread and developed, allowing for a continuum of funding according to the life cycle of the firm. Firms in larger markets also benefit from more sophisticated and less concentrated financial systems allowing equity-based finance as a common approach to fund an undertaking.

Evidence shows that markets where banks retain concentrated control also show increased financial constraints for businesses (particularly SME's) which can determine the scope of decision-making of IBF (Ryan, O'Toole, & McCann, 2014). Firms also appear to have higher costs in markets controlled by banks, but can circumvent this barrier by developing more fundamental relationships with their lenders (Bonini, Dell'Acqua, Fungo, & Kysucky, 2016). There is evidence of markets with high concentration see their firms using less financial services, and opt for alternative institutions and specialized lenders (Beck, Demirgüç-Kunt, & Singer, 2013). In the majority of cases for local banking markets dominated by foreign-owned banks, show evidence of slower business creation rates (Hasan, Jackowicz, Kowalewski, & Kozłowski, 2017). This is emblematic of the Caribbean for example, where currently Canadian Banks control between 40-60% of the market for business loans. Only a few firms in the Caribbean have been able to hover below the economies of scale threshold and deter the need for investment for expansion, therefore reducing financial barriers in the growth phase. Goedhuys et al (2000).

Studies on SME financing provide recommendations for SMEs owners/managers to be investment ready by providing collateral, given these extreme situations (Fatoki & Asah, 2011). Cumming et al (2019) identified that funding gaps need more attention in entrepreneurial finance, elaborating that. Often times deemed too conservative, banks in SIDS's have to act within strict boundaries as small markets have their limitations. There is evidence supporting that restricting banks' range of activities ameliorates the link between government support and bank risk taking (Brandao-Marques, Correa, & Sapriza, 2018). These restrictions can be determining for firms CS, and ultimately also how they fund their decisions in general, and that of operating abroad in particular (Palacín-Sánchez & di Pietro, 2016). Gourdeale & Polodoo (2016) identified in a case study of Mauritius that Government efforts in developing alternative funding options would be welcomed by firms in the market.

The choice to actively operate abroad may be a different story for IBF's. Considering the resources required to operate internationally, IBF's may face heightened perceived costs given their domestic market dynamics and be less likely to operate abroad (Calvelli & Cannavale, 2019). A study by Mihov & Naranjo (2019) found that "market-specific factors serve as important channels through which the corporate internationalization effects amplify or attenuate." Both domestic market factors such as competition and economic climate can determine the extent to which

firms seek opportunities in foreign countries, access to markets through formal relationships may also facilitate or induce firms to actively pursue internationalization. With respect to IBF this may be different since because of their size, and location, fewer interest may be shown in them from abroad: contributing to higher uncertainties about opportunities. This renders the thought that it may be resources (access to capital) that cause IE, as opposed to IE causing particular firm characteristics; in this case CS.

Methodology

Data

Research on SIE has been sparse due to the lack of centralized data. Researchers have to manage around what is often referred to as "broken data". Business data that is available is selective and usually rely on government published statistics. Two criteria were used in the selection of SIDS for this study. One, population had to be comparable. Two, existence of a Securities exchange with businesses operating mainly on the domestic market. This approach rendered 8 islands being Barbados, Cyprus, Fiji, Iceland, Jamaica, Malta, Mauritius, and Trinidad and Tobago. Table 1 provides additional information on the sample of countries.

Financial data was obtained for 164 companies listed on the stock exchange market of the eight countries. Firms with less than 3 years of available data were dropped, as well as those that were defunct for a majority (6 years) of the period, except if they joined the securities exchange in the period. State-owned companies were excluded in the dataset because of in shareholder structure and of strategic objectives. The total number of observations was 1,544 for the years 2009-2018.

Additional financial data was obtained from DataStream and verified manually by reviewing annual reports. A manual search was necessary to obtain information related to ownership and family involvement. Family business is defined as having ownership and control of over 50 percent of equity. Some firms had to be dropped because family information was not available in the annual reports.

The following variables are constructed from DataStream and the annual reports:

Dependent Variable:

IE Dummy for International Entrepreneurship (IE). IE is 1 if the company had subsidiaries or branches in foreign markets in the year, 0 otherwise. On average, 40% of the companies under study participated in this type of foreign endeavor. Source; Annual reports.

Independent Variables

CS Tenure of Chief Executive Officer (CEO), measured in years. The mean tenure of CEOs in the sample is 9.4 years with the maximum of 59

years.
OE Openness of the Economy (OE), Relationship between exports and GDP

Control variables

D. Control Variables: d1. Firm Age (FA). d2. Firm size (FS). It is measured by the natural logarithm of total assets. d3. Return on equity (ROE). This variable reflects book value, and is calculated as net income over equity. The average observed in this study was 29% for all islands with Trinidad & Tobago reporting the highest (50%) and Malta the lowest (0.7%). d4. Return on Assets (ROA). d5. Income (OI), Operating Income as stated in annual report, and d6. EU membership of SIE, being 1 if yes, and 0 otherwise.

Methodology

The relationship between IE and CS is empirically studied through a binary probit model. For this model, a significant positive (negative) sign on an independent (and control) variable's parameter indicates that greater values of the variable increment (reduce) the odds of international entrepreneurship. Hence, the following equation is formulated:

$$IE_{it} = \partial_0 + \partial_1 CS_{it} + \partial_2 OE_{it} + \partial_7 FA_{it} + \partial_8 FS_{it} + \partial_9 ROE_{it} + \partial_{10} ROA_{it} + \partial_{11} OI_{it} + \partial_{12} EU_{it} + \mu_{it}, \quad (1)$$

Where: i refers to the company; t is time; IE correspond to the dependent variable: international entrepreneurship; CS and OE are the determinants; FA, FS, ROE, ROA, OI, OE, and EU are the control variables: firm size, return on equity, return on assets, income, openness, and membership to the EU; μ is a random error term.

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Global Trade and Political Risk for SMEs: A Case Study on Supplier Selection

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Small and medium-sized enterprises increase their opportunities for development through global trade. Supplier selection in traded countries is so important to ensure and sustain that development. Related to successful trade operations, supplier selection decisions of small and medium-sized enterprises engaged in international trade are gaining importance. Trade barriers are another crucial factor in other countries in trade, cause of losing customers and therefore decreasing sales. Political risks are one of these trade barriers. The focus of this study is related to the supplier selection decisions in another country where the company loses customers rapidly as a result of the increase in customer complaints and returns. The customs clearance, storage, distribution, service, and returns operations' analysis in the field and examination of customers' complaints revealed important data in terms of detecting the problems. Each case is defined as a whole in itself and explained so. The dynamics and themes for each situation were examined by analyzing the data in this way. As the result of research, it is evaluated that choosing to work with a supplier company belonging to the country that is trading with for the customs clearance, storage, distribution, service, and returns operations in other countries will prevent disruptions caused by political risks and increase the success of the operation.

Introduction

The increase of globalization has brought international trade to the fore in today's economy. International trade makes a significant contribution to the growth of businesses all over the world (Gujrati, 2015). SMEs are the main actors of international trade also. One of the most notable issues for SMEs in international trade is supplier selection in other countries. Supplier selection is so important for the sustainability of the business in international trade (Cavusgil and Deligonul, 2012)

The process of determining, evaluating and contracting suppliers is supplier selection. This process plays a so important role in the success of the business. The main purpose of the supplier selection process is to reduce purchasing risk and establish long-term relationships with suppliers. There are different approaches to supplier

selection criteria and methods in the literature. (Taherdoost H., and Brard, 2019) In terms of sustainability, the international political policies of countries directly affect global trade. In order to make the activities of businesses sustainable in the international arena, companies to follow and should be aware of the political relations of the countries with which they plan to trade. Political relations, which can change rapidly due to international interests, require companies to determine their supplier selection strategies very well in other countries that they trade. (Kobrin, 1979)

The continuance of business is connected to the presence of clients who buy goods or services. Customer satisfaction is the basis of this continuance (Ilieska, 2013). Customers express their dissatisfaction on various platforms. One of the most important reasons that end customer loyalty is unsatisfied customers. Companies, therefore, aim to maintain and continuously increase customer satisfaction (Salim et al., 2018).

Businesses have to develop risk reduction strategies in their operations due to the increasing international risks. (Lewis and Bozos, 2019). With the increasing political conflicts in the international arena, the necessity to take into account country-specific risks has gained more importance. (Xie et al, 2017). The vast majority of international companies suffered substantial financial losses in 2018 due to overseas risks. In this context, the study examines how political risks are related to supplier selection in international trade, based on customer complaints.

Global Trade and Political Risk

There has been a relative growth in the world economy in the last years before the pandemic. This growth resulted from the rise in global trade in some way. This growth in international trade has been the consequence of both technological advances and efforts to decrease trade barriers. Some of the emerging countries have opened their economies to improve chances for economic growth through global trade, but most have not (Gujrati, 2015). Trade walls in industrialized countries have been seen in agricultural products and handmade manufacturing, where emerging countries have a proportional advantage. In these regions, greater trade liberalization, implemented by both industrial

and developing countries, helps the poor countries to move far from great poverty, while also profiting developed countries (Cavusgil et al., 2020).

International trade has become increasingly important with the increase of globalization. Especially multinational organizations increase their profitability. In order to make this increase sustainable, a company should be aware of the language, culture, and political risks of the country that it plans to enter with its investment. Global trade is making an increasingly important contribution to economic growth (Bouchet et al., 2003). The policies and laws of the countries, on the other hand, can make global trade easier or more difficult.

Any firm that is in a status of internationalization, if established or procedures going on, faces a lot of risks that the most important one is a political one. Political risk analysis is an activity every company that wants to internationalize must do before starting its operations. The implementation of the internationalization decision requires a large investment of money, among other resources. Political events can create consequences that will prevent the generation of profits. The likelihood of these outcomes can be predicted by doing the target country's political risk analysis in advance. In this context, a comprehensive examination of the political actuality of a nation can indicate the failure or success of a project (Bringas 2013).

Global trade has reached a significant level of risk due to increased conflicts, hostilities, violence, fraud, and the threat of governments worldwide. Those risks are very important for international trade. Risks have a significant impact on the reorientation or reallocation of resources (Camuffo et al., 2007). It also causes cost increases, supply differences, and changes in investment expectations.

The consequences of this situation on an international scale are the decrease in earnings due to the lessening in commercial transactions, the limitation of expansion, the decline of entrepreneurial incentives, and the slowdown of capital accumulation. For instance, 13 percent of FDI flows declined due to geopolitical worries, policy doubts, and governance problems in 2018 (UNCTAD 2018). It is clear that this new international atmosphere and its consequences affect international trade negatively.

Those internationally rising risks are forcing companies to focus more than ever on the identification of risks, risk measurement, and reduction of risks (Lewis and Bozos, 2019). With increasing risks for all businesses, multinational companies give more care to international and nation detailed risks in international extension (Xie et al, 2017). According to a recent report, more than half of worldwide firms with at least \$ 1 billion in revenue made more than \$ 100 million losses in 2018 due to external risks. Despite its increasing importance, studies on international trade risks is not sufficient (Cavusgil et al., 2020).

The political risks faced by multinational businesses are increasing and spreading rapidly. Unfavorable conditions in

a market easily affect other companies in different markets with the global activities of multinational businesses. This process creates obstacles to commercial activities all over the world (Caddick and Dale, 1987). Especially, the increasing use of credit at the global level increases the possibility of multinational companies to be in commercial difficulties.

Supplier Selection

Collaborations in international trade have accelerated globalization in recent years. By the way of the market becomes more global, multinational businesses that once concentrated on providing local supply are now turning towards global procurement (Acar and Koseoglu, 2014).

The internalization of a company's supplier-finding action often means creating longstanding commercial relations with unknown and untested international suppliers. Global supplier selection is risky and complex due to uncertainty in global sourcing and lack of initial experience. In addition, many factors that influence supplier selection judgements conflict with each other. For example, the small price of materials procured from a particular international supplier may be due to the company's decreased quality standards or financial uncertainty. Alternatively, procuring an additional progressive technology from an international supplier may require the supplier to bear high prices and high tariffs (Barratt, 2004). These are a few dilemmas of the firm encounters when using suppliers from abroad.

The choice of suppliers in different countries is an important issue due to its important and continuing impact on foreign sourcing. If the choice is wrong, it can end in product costs, commercial lawsuits, poor quality products, shipping postponements, manufacture blockages, trade obligations, and exchange rate rise and falls (Ellram, 1990). Therefore, supplier selection decisions are very important in the international arena and there are many factors that affect the decision.

The most important factor to benefit from international suppliers is high-quality foreign products or services caused by the importance of on-site quality (Min and Galle, 1991). Therefore, the purchaser need to examine whether possible suppliers have a strong commitment to preventing quality errors with certification for rigorous quality assurance. In addition, the buyer should establish a quality crew visit to evaluate the supplier's technical capacity and quality guarantee (Laske, 1992).

Timely delivery is a very important issue in supplier selection. The biggest obstacle to global supplier use is the increase in lead times caused by shipping delays that prevent the effective application of just-in-time production (Shipley, 1991). For timely delivery services, when choosing the most suitable supplier, the span of the supply chain and the ability of the supplier to fulfill their undertaking need to be evaluated. Also, issues involving tracking or acceleration services should be examined (Min, 1994).

Technical support is another important issue. Fast technological improvements affected the purchased materials and services to become more complex in today's world. In addition, suppliers have begun to take more charge in subcontracted projects, engineering service, sample improvement, research & development, and 3rd party logistics services (Lyons et al., 1990). The capability of suppliers to run the required technical support should also be included in the international supplier selection decisions.

Many global companies have begun to improve strategic corporations or treaties with their providers based on longstanding agreements, shared support, collaborative dialogues, and sharing knowledge and risk today (Leenders and Fearon, 1993). Some important features must be considered to maintain long-standing corporations with the supplier. One of them is financial steadiness. Irrespective of price reduction and other savings, the poor financial situation of a foreign supplier will progressively decline the longstanding corporate relationship with the buyer. This is frequently the situation in less developed or developing countries that selected providers in the government sheltered sector take privileged financial credits from the nation or banks. Incidentally, the financial steadiness of the supplier is an important requirement for longstanding corporation programs (Ellram, 1990). Lacking minimizing the contrasts between buyer and seller over a sequence of discussions, the purchaser cannot shape common reliance with the provider due to the escalating conflict between them. If the supplier has a disagreement attitude throughout the negotiation procedure, the longstanding cooperation relationship will be weakened. Companies need to wisely think through the supplier's negotiation elasticity in building supplier selection decisions.

The prevalence of state interventions is much higher internationally than domestically (Coyle et al. 1998). Some of the examples of government interventions are customs duties, counter-trade, and free trade agreements.

Tariffs and customs duties have appeared as an important topic in this field. While countries want to charm buyers from different nations to improve their economy, importing countries are applying high tariffs to safeguard their national business. Then, even though the General Agreement on Tariffs and Trade (GATT), tariffs (or import duties) are applied to goods and services procured from different nations. As tariffs or import duties will lead to a significant increase in the purchase value, the buyer needs to attentively review these extra charges beforehand selecting the right supplier (Min, 1994).

Mutual trade is also an important issue in this sense. Mutual trade is an increasing practice worldwide as it benefits to avoid buying in foreign currency and to market goods in less developed countries (Foraker, 1992). Under mutual trade contracts, the buyer is obliged to buying a certain proportion of goods or services from the provider's nation in order to meet the offsetting necessities (Fawcett and

Magnan, 2001). Therefore, the mutual trade agreement may limit the free selection of the supplier in a global environment.

It is so important to determine the right criteria in supplier selection methods. Because these are the driving factors that determine the growth and competitiveness of the company. For many years, the approach to supplier selection has been to select the suppliers only on the basis of price. However, companies have realized that the emphasis on price as the only criterion in supplier selection does not give the right result. For this reason, they have turned to a more comprehensive and multi-criteria approach [16]. According to the literature, there are many supplier selection criteria such as: quality, delivery, performance history, warranties and claim policies, production capacity price, technology and capability, cost, communication system, reputation and position in industry, supplier's profile, management and organization, repair service, attitude, risk factor, commercial plans and structure, labour relations, geographical location, environmental and social responsibility, reliability, service, process improvement, product development, and professionalism. (Taherdoost H., and Brard, 2019)

Methodology

Diagnostic research studies are concerned with the discovery and analysis of the causes of problems. Then the variables that may cause the problem are examined. In the end, it is tried to diagnose the causes of the problems. (Thomas, 2010). It is aimed to diagnose the causes of the customer complaints and analyze them in the study. Afterward, suggestions about the solution were put forward for the identified problem. In this context, the research can be seen as a case study of the operations of a firm based on customer feedback and returns as a starting point.

Case studies are in-depth investigations of a situation. Data is usually collected from a variety of sources and using several different methods. So data collection and analysis methods that will produce appropriate material need to be selected. In the study, the structured interview method is used with the focus groups for data collection to point to the subject and to have a good understanding of the problems. Additionally, the structured observation technique, which works according to a plan and includes specific information about the departments to be observed, is also used. (Kabir, 2016)

In the case that examined, the customs clearance, storage, distribution, service, and returns operations of the spare part materials of the main product produced by a company belonging to country A (developed economy), are carried out in-country C (economy in transition), by a company belonging to country B (developing economy). Country A's Company has determined that customer complaints about the supply and distribution of spare parts in Country C have increased by a 25% in the last six months. In

addition, main product returns are increased by 15% due to those customer complaints.

The analysis of the data was done by focusing on describing and explaining each case as a whole in itself. The configurations, dynamics, sequences, and themes occurring in each case were examined. Through this internal analysis, each case was understood on its own terms, and then an inter-case analysis is made. In the case-by-case analysis, each case is used as a building block to create some kind of case synthesis. (Bruscia, 2005).

The customer complaints and reasons for return were examined and analyzed firstly during the meetings with the managers of the Customer Relations Management Unit of the main product manufacturer company belonging to country A within this context. Later, the main reasons for his complaints were determined. The customs clearance and distribution operations came to the fore as the main two reasons. Regarding these prominent activities, individual meetings were held with the operation managers of the company belonging to country B. Lastly, customer complaints and information obtained from the managers during the meetings were compared with field operation data and analyzed.

Results

The main product manufacturer Country A Company made a supplier agreement with a company belonging to country B to carry out the operations such as import, tax payments, customs clearance, storage, and distribution services in country C. There has been a 25% increase in customer complaints and a 15% increase in product returns in services that have been running by the company in the last six months. In this context, the study has been initiated to search and find solutions to the problems experienced by customers.

The current process examined at first in the study. Country A, which is the main product manufacturer, works also with the company belonging to country B for its stores in other countries of Europe in the current process. According to the agreement made, country B, which brings the spare parts to country C by a plan from its own country, has to complete the import, tax payments, customs clearance, and storage procedures and deliver the spare parts to the customer within maximum 10 working days. During the operation process, the company belonging to country B was following its own stock and importing orders in line with the customer needs through the contracted customs firm. However, in the current process, have disruptions in the workflows as the delivery and delivery times were prolonged, which resulted in the lack of products in the stores and increased customer complaints.

In the current system, it was determined that the company experienced some problems in the workflow of the

related operations. The company was getting only customs clearance service from the customs firm worked with. Since there is only the bill of lading attached to the arrival notices of the materials coming to the customs, the content of the invoices and therefore the incoming material can be learned again by asking the main manufacturer company, and this process caused the customs process to start late at the first stage.

When the customs clearance started, it was an important problem that the transactions took significantly longer than normal. While these processes lasted between 2-4 days in the periods before the complaints started, it increased to 8-16 days in the current situation. The materials whose customs procedures completed and taxes paid were getting to the warehouse with the shipping company agreed by the company. The materials received are counted and later entered into the SAP program and taken to the stock. The products taken to the warehouse were prepared by the warehouse personnel according to the order instructions from the main manufacturer and sent to the stores of the main manufacturer company the following morning with the vehicle supplied from the shipping company.

The time planned by the country B company for the completion of the import procedures of the materials coming to customs and to be put into the warehouse was 4 working days per lot. However, in the process analysis and calculations made in the field, it was determined that this period was between 10 to 15 days on average. Within the scope of all information and the data obtained from customer complaints and manager meetings were analyzed by comparing them with field operation results. It has been determined that the main reason for the problems in the operations of country B company, which is responsible for the operations of the products in country C, is the customs clearance procedures that take longer than normal.

Conclusion

Today, international trade is increasing rapidly. Customer satisfaction is some important criteria for the success of international trade. Choosing the right supplier is an important indicator of customer satisfaction, especially in delivery processes. The choice of suppliers in other nations for SMEs is an important process because of its important and longstanding effect on global sourcing. As the choice wrong, high material costs, commercial lawsuits, poor quality products, shipping interruptions, manufacturing blockages, customer losses, counter-trade responsibilities, and exchange rate rise and falls are just some of the difficulties that the company may face (Soukup, 1987).

Therefore, international supplier selection decisions must be made very carefully. The reason is that it consists of a lot of strictly related choices related to funding,

discussions, distribution, supplies, and manufactured goods quality assurance (Weber and Current, 1991).

Due to the huge quantity of reasons influencing the judgments, the decision must be made in a regular sequence of steps. One of the most important of these factors is the bureaucratic policies and procedures that governments can use to deter imports for any reason by making an entry or transactions more difficult and time-consuming (Yin, 2014).

As the result of the research, it was determined that due to the political reasons between country C and country B, country C intentionally slowed down the customs procedures of the companies belonging to country B. Consequently, it was evaluated that it would be a solution for the main company belonging to country A to work with a third-party logistics company whose country of origin is C, in order to prevent losing its market and solve the customs clearance problems in country C.

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Designing a Performance Measurement System Based on a Simplified Strategy Process – An Action Research Case Study

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The performance of an organization is measured against its strategic goals. But is it also possible to design an effective performance measurement system in the absence of an exhaustive strategy process?

In this extended abstract, a simplified strategy process is presented in order to design a performance measurement system. The simplified strategy process builds on the frameworks Business Model Canvas and Balanced Scorecard incl. Strategy Map. The simplified strategy process is tested in a case study of an international master program at a German university using the action research method.

Introduction

The case study presented in this extended abstract was performed in the lifelong learning unit of a German public university. The bachelor and consecutive master programs offered by the various faculties of the university are financed by the taxpayer. Contrary to that, the university's lifelong learning unit needs to ensure at least cost coverage and therefore has to charge tuition fees for its offerings to the students. As the university has defined internationalization as one of its strategic goals, an international MBA program of the lifelong learning unit was chosen for the case study. The program is English-taught, focuses on doing business in today's globalized world and attracts a significant share of foreign students.

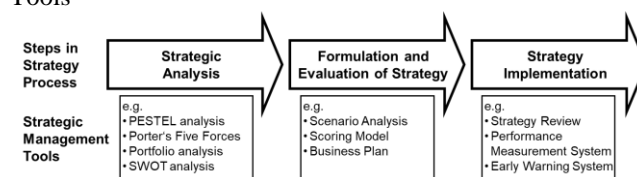
It is well known that a profit crisis and consequently a liquidity crisis are preceded by a strategic crisis (Rüsen, 2017, p. 62). To prevent this from happening, the decision was made to design a performance measurement system (PMS) to ensure that the strategic goals are fulfilled.

Literature Review

A PMS is typically defined as a systematic arrangement of selected indicators that collectively reflect the high-level performance of the organization. Performance in this regards means the efficiency and effectiveness of the organization's activities (Neely, Gregory & Platts, 1995, p. 80).

Effectiveness as one of the two dimensions of performance puts the output or outcome of the organization's activities in relation to the goals that were set before. Goal setting takes place on a strategic as well as on an operational level. As PMS are used to reflect the high-level performance of organizations, evaluating the fulfillment of strategic goals is more relevant for PMS. So from this perspective, "[t]he goal of performance measurement systems is to implement strategy" (Anthony & Govindarajan, 2007, p. 460). As a consequence, PMS are an important tool used in the implementation phase of the strategy process (Wolf & Oertmann, 2020, p. 1149; cf. Figure 1).

Figure 1. Strategy Process and Strategic Management Tools



The discussion of Performance Measurement in universities already began at the end of the 1970s when Cameron (1978) started to publish a series of articles on Organizational Effectiveness. The topic attracted increasing attention from the early 1990s on when public institutions were transformed according to the New Public Management approach. This approach aims at introducing "the principles of economy, efficiency and effectiveness" (Seneviratne & Hoque, 2017, p. 439) to the public sector. Especially for the Balanced Scorecard (BSC), the undoubtedly best known PMS framework, there is a rich literature on its usage in the education sector (Kohlstock, 2009, p. 22). Drtina, Gilbert and Alon (2007) introduce the BSC specifically in a business school that offers MBA programs.

Nevertheless, it needs to be stated that there is still considerable room for improvement when it comes to supporting the implementation of strategies by PMS in universities (Vernau, 2014, p. 563). Specifically for the BSC, Hladchenko (2015, p. 175) gives the following two main reasons why BSCs are not widely used by universities: first,

a lack of experience and of necessary skills by university employees; second, the difficult and time-consuming development process of the BSC in universities.

Research Setting

The single case study was performed in a German public university of the type 'university of applied sciences' with around 10.000 students and roughly 40 undergraduate and graduate degree programs. In its lifelong learning unit, the university has combined all non-consecutive master programs, standardized training programs as well as tailored trainings. For the case study, a non-consecutive master program was chosen that confers the degree 'Master of Business Administration' (MBA). This MBA program provides a classic general management education on non-executive level, however with an explicit focus on doing business internationally.

For this research project, the action research (AR) method was deemed adequate. AR is a form of qualitative empirical research in the social sciences. A more general term, spanning various methods similar to AR, is interventionist research (Jönsson & Lukka, 2007, p. 376). Both names highlight one of the two peculiarities of AR. First, the goal of AR is not so much to purely describe organizational practice or to test theoretically-derived hypotheses in organizational practice, but rather to actively change the situation of the organization to the better. Second and somehow as a logical consequence, the researcher is not a neutral observer of organizational practice, but she is directly involved in the improvement process. It is worth mentioning that the use of single case studies is quite common when using the AR method (Jönsson & Lukka, 2007, p. 373). The AR method is suitable in case the organization wants to change, but the topic under scrutiny is novel to the organization (Arnaboldi & Azzone, 2004, p. 208), i.e. there is little experience and knowledge available in the organization. As mentioned by Hladchenko (see above), this situation often exists concerning the design of PMS in universities. This was confirmed by the action researcher at the very beginning of the project.

Research Process

In the case study, four members of the lifelong learning unit were part of the project team next to the action researcher. Among them were the head of the lifelong learning unit and the employee mainly responsible for the administration of the MBA program. In summer 2021, three interactive workshops took place and in addition, the researcher asked the team members to complete several online questionnaires throughout the project.

At the beginning of the first workshop, the role of the researcher in the AR method was discussed and the researcher gave an introduction to PMS to bring the other

team members on a good level of knowledge. Then the project scope was defined, covering the selection of a suitable PMS framework, its design and implementation. It is certainly also recommendable to evaluate the usage of the PMS and to decide about adjustments or even abandonment. As this is only possible after a reasonable time span, however, this step was out of the project's scope.

Next, the motivation for and expectations to the PMS were identified. The project team rated the importance of a PMS for the lifelong learning unit to be (very) high. The team members were also asked for specific reasons for the introduction of a PMS in the unit, and their answers were grouped based on the Abrahamson model (1991, p. 591) for the diffusion of innovations. All twelve answers fell into Abrahamson's category of 'efficient choice', and no answers fell into the other categories 'forced selection', 'fad' and 'fashion'. This means that no coercive power is in play and that imitation is not the driving force. In other words, the team members had various convincing arguments for expecting a net benefit from the introduction of a PMS tool.

After that, potential implementation barriers were identified and grouped according to the model by Parvis-Trevisany and Schäffer (2006, p. 74). While no corporative internal barrier was mentioned, a lack of knowledge was mentioned once as individual internal barrier. The five answers that fell into the external barriers category all relate to a lack of resources, namely a lack of available time (three answers) and a lack of required data (two answers). So altogether the answers exactly confirmed the statements by Hladchenko concerning problems of PMS in universities (see above).

Given the convincing motivational situation to introduce the PMS and that no implementation barriers were considered to be show-stoppers, the decision was taken to introduce a PMS for the MBA program as a pilot project, to be followed by further offerings later.

To prepare for the second workshop, the researcher asked the team members to rate their knowledge about selected PMS frameworks. While a considerable number of PMS frameworks exists (Pun & White, 2005, p. 54), the researcher chose the BSC, Hoshin Kanri (HK) and Objectives & Key Results (OKR) due to their prominence in contemporary literature. The result was a clear hint that the BSC was best known among the team members. Nevertheless, the researcher explained all three frameworks to the team members in the second workshop, and it was only after a lively discussion about the pros and cons of the three frameworks that the decision was taken in favor of the BSC.

It is not uncommon to rename perspectives and / or to add additional perspectives to the BSC, and this possibility was already mentioned by Kaplan and Norton (1997, p. 33) themselves. Especially when universities implement the BSC, they typically make changes to the classic four perspectives (Hladchenko, 2015, p. 170). Given the fact that the lifelong learning unit is run like a business, it was decided

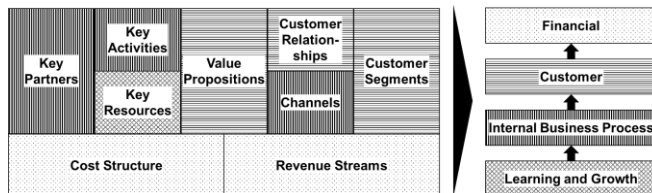
however to go ahead with the classic perspectives ‘Financial’, ‘Customer’, ‘Internal Business Process’ and ‘Learning and Growth’.

At the end of the second workshop, the researcher gave an overview of the steps to take in a traditional strategy process and the tools that can be used in those steps (cf. again Figure 1). As a lack of available time had already been identified before as an important implementation barrier, the researcher was asked to come up with a simplified strategy process for the third workshop.

The result of another survey in preparation of the third workshop was that there is currently no clear and explicit strategy for the MBA program. So it became obvious that all three steps of the strategy process (cf. again Figure 1) needed to be taken, however in a simplified form as requested by the project team.

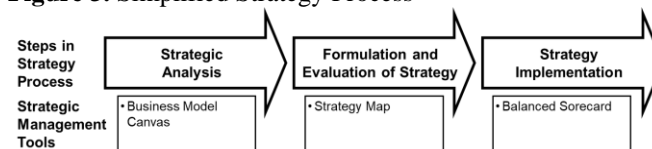
The researcher identified an approach that was deemed appropriate, as it was also applied in a university setting recently (Agusty, 2020). In her approach, Agusty first described the business model and then developed a PMS on that basis. For the business model, Agusty used the Business Model Canvas (BMC) framework (Osterwalder & Pigneur, 2010, p. 7), and she used the BSC as PMS. The beauty of this combination is that the nine components of the BMC fit nicely to the four classic perspectives of the BSC (cf. Figure 2).

Figure 2. Linking Business Model Canvas and Balanced Scorecard



While the BMC can serve as a tool for strategic analysis, it does not directly help to formulate and evaluate a strategy. Therefore, an interim step needed to be added to the Agusty approach that enables the formulation and evaluation of a strategy. The Strategy Map, which is part of the overall BSC concept, was identified to serve this purpose.

Figure 3. Simplified Strategy Process



So after analyzing the business model with the BMC, strategic goals are formulated and tested for plausibility by visualizing them with a Strategy Map. Out of the Strategy Map, the BSC can be derived in the last step. With this

combination, all three steps in the strategy process are covered in a simplified way (cf. Figure 3).

This approach was presented to and discussed with the team members at the beginning of the third workshop. The approach was agreed on and was in the following executed for the MBA program.

Discussion of Results

Based on the analysis with the BMC, altogether 15 strategic goals were identified for the MBA program and visualized in a Strategy Map. For the BSC, key performance indicators (KPIs) were determined for each strategic goal to measure goal fulfillment. For every KPI a desired target value was set and the latest actual value was identified. While for the majority of the goals, one KPI was deemed sufficient, two KPIs were defined for some goals. The distribution of strategic goals among the four BSC perspectives turned out to be very similar to the case study by Agusty (2020, p. 841). With altogether 19 KPIs, the ‘Twenty is Plenty’ recommendation (Kaplan & Norton, 2001, p. 330) is fulfilled and the distribution of KPIs roughly also follows the recommendation by Kaplan and Norton. So from a structural perspective, the final BSC turned out to be ‘standard’.

After the third workshop, the team members were asked in a final questionnaire to which degree the final BSC will allow to exert strategic control over the MBA program, and all team members chose the option ‘reasonably good’. They also stated their (very) high satisfaction with the simplified strategy process and that no significant adjustments to the process are necessary when applying it to further offerings of the lifelong learning unit.

From the action researcher’s perspective, an exhaustive strategy process is certainly to be preferred. But in a situation of limited resources, the simplified process presented in this case study can lead to fruitful results as demonstrated. In any case it is better than waiving to design a PMS. Also, it is in most cases more advisable to introduce a PMS in an organization in a top-down approach instead of starting at the bottom. But when the idea is to demonstrate a novel procedure to an organization, it can be a good idea to pick one straightforward item from the bottom level (in this case one specific study program) to start with.

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Impact of Brand Value on Profitability of Small and Medium Sized Enterprises [SMEs]

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This study is based on the brand values and profitability correlation of Turkish SMEs. The brand value is used as an indicator of brand investment. The sampling frame constituted 25 SMEs that are mostly exporters and are listed on the Stock Market. The enterprises are from different sectors and the data was collected from the reports of KOSGEB, ISE and the enterprises' official web sites. The result of the regression in this paper showed that a positive relationship can be observed between the Brand Value calculated by the Hirose method and the profitability indicator ROA. A positive effect means that high Brand Value increases the SMEs reputation and strong image in the market, which in turn leads to higher earnings.

1. Motivation and Issue of the Study

The biggest challenge for the SME's is that they are less advantageous than large companies in terms of finance and human resources especially in an increasingly competitive environment. It has been well known that they can provide their competitive power with successful brand investment and innovation.

In today's economic conditions, companies want to be in international markets with the effect of many driving and attractive forces. Business activities outside the national market borders, called internationalization which brings a strong competition. For this reason, companies create brands to distinguish their products from other products and in this way to create loyal customers for their products.

There is a continuous and important process that a business brand must manage in terms of environmental, economic and legal conditions in order to be preferred in international markets. In other words, success in international markets requires an effective brand management and the importance given to Brand Value.

In addition to what needs to be done for a successful brand management during the internationalization process, it is also an important question to what extent brand value affects the profitability of SMEs. This research focuses on investigating the impact of Brand Value on Profitability of small and medium sized enterprises [SMEs] which aims to

be internationalized. Brand equity refers to the importance of a brand in the customer's eyes, while brand value is the financial significance the brand carries. Both brand equity and brand value are educated estimates of how much a brand is worth. Visionary SMEs aiming for profitability give importance to Brand Value for their daily and future assets.

2. Investment in the Brand and Internationalization Effort

2.1. SMEs' Brand Management Activity

Business activities outside of the national market's boundaries, which is called internationalization, brings the strong competition. Therefore, the companies create brands and they make brand investment to distinguish their products from other products and to create loyal customers to their products in that way.

Enterprises, which successfully manage their Brand Management activities, come to a stronger position than their competitors. They then consider their brands as their most important corporate assets.

As the most important economic actors of employment, SMEs have vital importance in the economic system. In addition, market segmentation and selection of the appropriate market or markets are also of vital importance for SMEs in opening up to international markets. This decision is even more important for SMEs that will adopt a strategy of concentration in a particular market.

While it is necessary for SMEs with limited capital resources to establish and develop in existing markets, and to institutionalize and become a brand during their opening to new markets, branding brings additional costs to companies. On the other hand, investment in the brand provides a competitive advantage.

2.2. Branding Activity in Financial Tables

Intangible assets, which do not have a physical appearance but provide commercial benefits to the business are also the rights and privileges of the SMEs. Brand Investment, Advertising Expenses and similar items

representing these assets are included in the footnotes of the financial statements of the enterprises. To insert costs about branding one can follow:

1) in SOFP, if this stands for Statement of Financial Position: it must be inserted in the Assets, as Intangible Assets, the calculated value of brand;

2) in CFS, if this stands for Common Financial Statements: they must be inserted the receipts and expenses generated by the brand, but not the calculated value;

3) in PL, if this stands for Profit & Loss: they must be inserted the amortization and, if it is the case, the depreciation of brand.

The concept of intellectual capital was first used by John Kenneth Galbraith in 1969. Thomas A. Stewart, on the other hand, expressed the same concept in 1991 as "the sum of everything that the employees know, which gives the business a competitive advantage in the market", taking into account the organizational functions of today.

The most important investment that creates a business or brand in the market and increases its value is the "Intellectual Capital" includes Intellectual Property shown in Table 1.

Table 1. Financial Statements, Which Intangible Assets Can Include

Intellectual Property	Infrastructure Assets
Patents	Management Philosophy
Copyrights	Organization Culture
Design Rights	Management Processes
Trade Secrets	Information Systems
Commercial Signs/Amblems	Network Systems
	Paid-in Capital
	Intellectual capital

3. Indicators in Correlation

3.1. Brand Value, Brand Equity

There are many methods used by the companies and professional organizations related to the brand valuation. One of the financial, cost-based and mixed models is the Kern Method. While brand investment is a strategic asset of companies, they create a brand value with their investments in the brand. A brand valuation approach, also known as the Kern earnings capacity method, deals with the additional

future earnings of the brand. This additional income arises from the Brand. The method has been created by reducing the prospective revenue potential of the brand to the present with the appropriate discount rate.

With the Kern calculation, the current value of the brand's earnings in the future will be determined. The brand equity equation of the method is as follows:

$$BE = \sqrt[3]{R^2} * L * \frac{q^n - 1}{q^n * (q - 1)}$$

BE. Brand Equity

R: Average annual revenues (estimated)

L: License fee rate in the sector.

n: Year of expected revenues (useful life of the brand)

$q^n - 1$ / $q^n * (q - 1)$: Capitalization factor

q: 1+ sector interest rate/100 years present value factor.

In the Kern method, the brand value consists of a certain product and the revenues to be obtained from the brand. When it is desired to realize a sale above the expected sales in the sector, it is assumed that this sale originates from the brand. Brand Value is a function of revenue, as can be understood from the formula.

As the world's leading brand valuation consultancy, Brand Finance calculates BV involving estimating the future revenue attributable to a brand and calculating a royalty rate that would be charged for the use of the brand. It advises branded organizations on how to maximize their value through the effective management of their brands and intangible assets. Brand Finance calculates the discount as follows by adapting the Financial Asset Pricing Model to bring the estimated earnings up to date.

$$\text{Discount Rate} = \beta_{\text{Brand}} \beta_{\text{Beta}}^{\text{®}} (\text{cost of capital adjusted for brand beta}) \times (\text{Share of Capital Financing}) + (\text{Cost of Debt}) \times (\text{Share of Debt Financing})$$

$$\beta_{\text{Brand}} \beta_{\text{Beta}}^{\text{®}} (\text{to Brand Beta}) \text{ adjusted cost of capital} = \text{Risk Free Rate} + (\text{Capital Investment Risk Premium}) \times (\text{Industry Beta}) \times \beta_{\text{Brand}} \beta_{\text{Beta}}^{\text{®}}$$

Another Brand Valuation Method is the Hirose which is used in this study. In the calculation made with the Hirose method, the brand value can be calculated objectively by using the financial data obtained from the annual reports of the companies.

While valuing the brand, it is necessary to consider the brand with both monetary and non-monetary features such as image and awareness mentioned in the previous sections. According to Hirose, who created a rational and objective formula to express qualitative factors quantitatively, Brand Value is a function of three different variables;

- Prestige Variable (PV)
- Loyalty Variable (LV)

- Expansion Variable (EV)

And the formula for Brand Value is; $BV = f(PV, LV, EV, r_f)$
(*rf* is discount rate 'risk free interest rate')

The method suggests that "companies' brand values can be calculated by using the financial data provided through the annual reports of the companies. Accordingly, the brand value can be calculated by determining 3 variables obtained from the financial statements and discounting them with the risk-free interest rate. Variables in the method; The prestige variable, in which the high price advantage in the sector is used, shows the ability and power of the brand to maintain its sales for a long time and permanently, as well as the loyalty variable, where consumer loyalty or loyalty is measured, and the expansion variable, where the company's expansion potential in international markets is measured. Thanks to the variables obtained, the brand values of the companies in the sector can be determined with the data provided from the income statements of the companies".

3.2. Profitability, ROA

The profitability of SMEs appears in both:

- Gross margin measures profitability between how a company's revenue exceeds cost of goods sold or exceeded by cost of goods sold. The calculation formula is obtained by dividing gross profit by revenues and expressed as a percentage.
- ROA (Return on Assets) which is calculated by dividing net profit by total assets.

In the study, Roa is used as a financial performance indicator of SMEs. Data is taken from financial tables and financial statements of SMEs during 2 years.

Especially in developing countries, SMEs cannot reach sufficient financing resources at suitable cost and because of this reason they cannot benefit from growth opportunities. At this point SMEs facing financial problems have to measure and control financial performance for utilizing limited resources efficiently.

According to a panel data regression model which has aimed to determine which factors affect financial performances of SMEs, results achieved SMEs whose shares are traded in Istanbul profitability ratios; positive from the ratio of current assets to total assets, business size, operating age and asset turnover; revealed that the share of stocks in total assets and the inflation rate are negatively affected.

Based on the judgement that branding investments are too expensive, SMEs in Turkey abstain from these investments and allocate negligible shares in their annual budgets. However, the return on investments to be made on the brand on a regular and planned basis, albeit small, is positive.

SMEs action must be firstly to take a serious due diligence which should be done with the help of a professional consultancy company. For this, analysis should

be made in many areas from competition conditions in the market to consumer behavior and even to the markets in the world for a few months, and then it should be decided which brand concept the company will enter into the markets.

4. Methodology

4.1. Data Evaluation

For this analysis, for the 25 small and medium-sized companies in Turkey which most have export density, the profitability for 1 year and brand investments during that period was compared. Also in the 2nd year profitability and brand value in the second year are discussed. The correlation between brand value and profitability was examined. In this study The SME data selected from among the listed companies are the data for the years 2016-2018 due to the effects of the pandemic period and the data during the pandemic period deteriorating the statistics. Data was collected from the reports of KOSGEB, ISE and the enterprises' financial tables on their official web sites.

The main supporter of SMEs in Turkey is KOSGEB. In order to increase the share and efficiency of small and medium-sized enterprises in meeting the economic and social needs of the country, to increase their competitiveness and level, to realize the integration in the industry in accordance with economic developments, the Small and Medium Enterprises Development and Support Administration, short name KOSGEB, with the Ministry of Industry and Trade. is a public institution.

Established under the ISE, there is also the "Emerging Enterprises Market", that is, the SME stock market, with its main name. The Emerging Enterprises Market aims to trade securities in order to raise funds from the capital markets to SMEs in the development and growth stage. Many SMEs face various difficulties in financing new investments during the growth process. The heavy conditions of listing on the stock market make it difficult for many enterprises to benefit from the capital market adequately. For this reason, the securities of companies that are registered by the Capital Markets Board but do not meet the listing requirements in the ISE are traded in the Emerging Enterprises Market. It is a prerequisite for the companies to be in the status of a joint stock company for application to the Emerging Enterprises Market, on the other hand profitability, operating time, market value. and conditions such as capital size are not sought.

One of the biggest difficulties in the trading phase of SMEs was the costs of public offering. Although the costs of public offering are low in the Emerging Enterprises Market, KOSGEB provides support to SMEs.

On the other hand KOSGEB collects data from SMEs in Turkey as much as possible. However, since the data in this study is not only within the scope of the data collected by KOSGEB but also 25 companies whose data will be analyzed were chosen among the companies traded in the

Stock Exchange.

4.2. Model

The results are obtained by applying Linear Regression Analysis with different indicators to evaluate the BV/Profitability interaction.

ROA represents the dependent variable and the Linear Regression Analysis was applied to get Brand Value (BV), Age of the SME (AGE) and SMEs' size, Total Equity calculated by Hirose Method and the results were obtained.

$$\text{Model 1 ROA} = \alpha + \beta_1 \text{BV} + \beta_2 \text{AGE} + \beta_3 \text{SIZE} + E$$

α = α constant

β = β coefficient

ROA = Return on Assets

BV = Brand Value

AGE = The enterprise's age

SIZE = Total Size of the Enterprise

(The model includes brand equity as an independent variable and other control variables. were also settled.)

When the model summary was examined, it was seen that the Regression Model was explanatory (R²: 0.146).

Table 2. Results for the Regression

R	R ²	Corrected R ²	Estimated Standart Error
,379(a)	,146	,071	,005287580083752

Also, when the ANOVA table of the Regression Model is examined, it is seen that the linear regression model is statistically significant with a margin of an error of 0.135.

5. Conclusion

As the paper's aim is to reveal a relationship between the profitability of the selected 25 Small Medium-sized companies and their brand values for 2 years, the correlation of the change between them was examined. The results represent important insights.

It has been determined that there is a statistically significant relationship between the increase in brand investments of SMEs and their financial performance.

As a result of the regression below, a positive relationship was observed between the Brand Value calculated by the Hirose method and the profitability indicator ROA. A positive effect means that high Brand Value increases the SMEs reputation and strong image in the market, which in turn leads to higher earnings.

SMEs should take optimum decisions about brand

investments and use their costs effectively. In Turkey, SMEs are reluctant to invest in branding, considering that investing in a brand is a costly business. However, if each company invests regularly in the brand according to its own budget, very important results can be obtained. Stating that SMEs do not value the brand enough, unfortunately the most important reason for that is the lack of vision in Turkey. As we see that the brand value of many branded companies is much higher than their balance sheet values. What brings this value to them is the advantage of being chosen and preferred by that brand compared to similar companies. The brand is an important plus in terms of creating loyal customers. Another important advantage of branding for SMEs, which provide nearly 95 percent of the country's employment, is that it ensures the transfer of the company to future generations. Therefore, it is important for SMEs to invest not only in physical investments but also in branding. Because branding; It is essential for an SME product to be noticed, to stand out, to be preferred, to increase the profitability of the company, to survive, to reach the future and internationalization.

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Access to Finance of Micro, Small and Medium Sized Enterprises [SMEs] in Turkey

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This paper investigates the SME financing and its determinants mainly by the banking sector in Turkey. The results from the analysis of data suggest that financing of SMEs by the banking sector plays a crucial role in terms of size, dispersion and variety in improving SME's access to finance. In that framework, financials of SMEs become key for banks for pricing risk and financing of operation and investment of SME segment in the credit portfolio. Besides, comparison of main financials of SMEs and large scale firms reveals substantial differences in the course of doing activities. Regression analysis of loans extended to SMEs and large scale firms using macroeconomic, banking sector and market variables as explanatory variables indicated that market interest rate is statistically significant for medium-small-and micro firms with different levels. Sensitivity of large scales firms to market interest rate is less than that of SMEs in explaining the factors effecting the financing amount.

1. Motivation and Issue of the Study

Micro, small and medium size enterprises (SMEs) form an important segment of the economy. SMEs are usually accepted as the backbone of any economy since they deliver major contribution to the gross domestic product and offer employment to a very large portion of the population.

Availability of finance continues to be a challenge for SMEs. In that frame work, most SMEs continue to be underserved or un-served in terms of availability of funds or credit. Access to finance is consistently cited as one of the obstacles to unlocking the growth of the segment¹. Lack of appropriate financing products and services, weak delivery channels and inherent risks associated with SMEs lessen opportunities for access to finance. The challenges for SMEs to raise debt funds are mainly on account of size, the risk perception, availability of information and the availability of bankable collaterals are among the main problem factors.

In order to promote sustainable growth in the medium to long term, customized financial services and products

become the key along with a cost-effective delivery channel which can realize the potential that is presented by this segment.

The main purpose of this study is to analyze the main determinants of SME lending by using regression analysis of certain independent variables. SMEs with strong financials and good risk management practices will have funds available and better pricing of risk by the fund providers during the access to finance procedure. Moreover, for the purpose of the analysis of realized performance of a large sample of small and bigger firms operating in several sectors of real economy over a decade in Turkey has been employed to figure out the financial structure of SMEs, their behavior and possible trends in comparison with large scale firms over a long period of time.

2. Literature Survey

There are numerous research and studies on the financing issues of SMEs. Beck et al. (2006), worked on financing obstacles of firms and found that older, larger, and foreign-owned firms report less financing obstacles, Banerjee R.(2014) found a relationship between start-ups(firms aged less than 2 years old) reporting access to finance difficulties and the amount of credit they receive, Calabrese et al(2020), investigated the impact of financial fragmentation as measured by the dispersion in interest rate across EU countries on SMEs' access to finance and found that an increase in financial fragmentation not only raises the probability of all firms to be rationed but also to be charged higher loan rates, Nyikos, G. et al(2020) searched improvement of access to finance for SMEs and found that the use of subsidies has a positive impact on employment, sales and in certain settings on productivity, Moreiraa, D.F.(2016) explored SMEs access to finance and found that solvency and liquidity variables which were considered as binding inputs by underwriters to allow SMEs accessing credit were not statistical significant in their model, Distinguin I., et al (2016) searched whether competitors from

¹ OECD (2015). New approaches to SME and entrepreneurship finance: Broadening the range of instruments. OECD Publishing, Paris
<https://www.oecd.org/cfe/smes/New-Approaches-SME-full-report.pdf>

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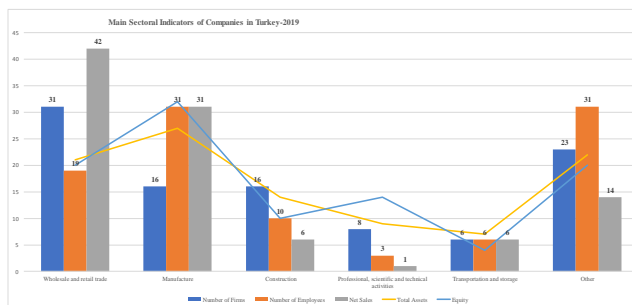
the informal sector affect the credit constraints of registered SMEs and their study indicated that registered SMEs facing competition from informal firms are more likely to be credit-constrained, Chit M. M. (2019) investigated the role of credible financial information and a country's legal and regulatory environment on the access to finance in developing countries and found positive impacts, Bongini P., et al (2021) explored small and medium enterprise (SME) access to capital markets and found GDP growth, developed financial markets and the quality of the legal system influence market suitability considerably, Kolaković M. et al (2019) studied the experiences of SMEs in Croatia and found access to finance for small and medium enterprises still represents one of the biggest problems that entrepreneurs face, Ademosu A. and Morakinyo A. (2021) worked on Nigerian data and found significant influence of inflation rate, exchange rate and interest rate on access to finance by the SMEs and Seo J.Y. (2013) investigated the financing of SMEs by banks and found that gdp movements play a pivotal role in determining lending behavior to SMEs and banks' motivation for making a profit during recession increases bank loans to SMEs.

3. Sectoral Distribution of SMEs and Large Scale Firms

Companies operating in the real sector are important production units of Turkish economy. As members of value chain, these firms create jobs and employment, produce goods and services and make investments for future production. As can be seen from Graph 1, wholesale and retail trade sector of the real economy have the biggest share of 31% of all companies in number of firms and even higher share of 42% in net sales of companies. Secondly, manufacturing sector is a leading sector in employment with a share of 31% in Turkish real sector. In addition, manufacturing sector has the highest asset size and strong equity level as of 2019. These figures indicate that almost half of the employment and 70% of net sales are produced by the trade and manufacture sector in Turkey.

As of December 31 2019, current assets form 58 % of total assets of which 9,6 % is liquid assets and liquid assets are mainly cash and due from banks. Main fixed assets are tangibles as machinery, plant and equipment, buildings and land, financial fixed assets as subsidiaries and affiliates, intangibles as know-how, goodwill and R&D. On the liability side, short term liabilities constitute 45,7 % of total liabilities of which 20,3 % is bank loans, 39,1 % is trade debt. Shareholders equity has 28,8 % share in total funding of all sampled firms.

Graph 1: Sectoral Dist'. of Main Indicators of Firms - December 31, 2019



Source: CBRT²

Table 1: Decomposition of Assets and Liabilities-All Firms: 2009 – 2019

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	09-19 Δ
As a % of Total Assets												
Current Assets	49.9	51.4	55.8	55.9	56.4	56.3	56.4	55.8	57.0	57.6	58.0	8.1
Liquid Assets	8.1	9.0	9.1	9.0	9.3	9.1	8.7	8.6	8.7	8.5	9.6	1.5
Securities	0.7	0.6	0.7	0.6	0.5	0.4	0.5	0.5	0.5	0.5	0.6	(0.0)
ST Trade Receivables	17.3	17.6	18.7	18.0	19.0	19.0	19.4	18.7	19.3	19.3	19.1	1.8
Inventories	12.9	13.5	16.1	16.1	15.9	16.0	16.3	16.2	16.4	17.1	16.8	3.9
Fixed Assets	50.1	48.6	44.2	44.1	43.6	43.7	43.6	44.2	43.0	42.4	42.0	(8.1)
LT Trade Receivables	0.3	0.3	0.4	0.4	0.4	0.4	0.5	0.4	0.5	0.6	0.3	0.3
As a % of Total Liabilities												
ST Liabilities	37.9	38.2	42.6	42.8	43.6	43.8	45.0	44.5	45.2	46.0	45.7	7.8
ST Financial Liabilities/ST Liabilities	18.7	19.3	21.2	21.7	22.3	22.4	22.7	22.0	21.2	20.9	20.3	1.6
ST Trade Debt/ST Liabilities	40.6	41.4	40.6	40.3	39.9	39.2	39.6	38.7	39.6	38.9	39.1	(1.5)
ST Financial Liabilities	7.1	7.8	9.0	9.3	9.7	9.8	10.2	9.8	9.6	9.6	9.3	2.2
ST Trade Debt	15.4	15.8	17.3	17.2	17.4	17.2	17.8	17.2	17.9	17.9	17.8	2.5
LT Liabilities	21.8	21.4	16.9	16.6	19.0	20.1	21.2	23.7	24.1	25.8	25.5	3.7
LT Financial Liabilities/LT Liabilities	43.3	46.5	71.6	69.9	71.9	71.9	73.3	72.6	72.9	73.1	72.8	29.5
LT Trade Debt/LT Liabilities	41.2	37.5	6.2	6.0	6.3	6.4	5.5	5.7	5.5	5.2	5.1	(36.1)
LT Financial Liabilities	9.5	10.0	12.1	11.6	13.7	14.5	15.5	17.2	17.6	18.9	18.6	9.1
LT Trade Debt	9.0	8.0	1.1	1.0	1.2	1.3	1.2	1.3	1.3	1.3	1.3	(7.7)
Equity	40.3	40.3	40.4	40.6	37.4	36.1	33.8	31.8	30.7	28.3	28.8	(11.4)

Source: CBRT

In order to finance assets and make investments, firms need to make strategic planning about their funding structure. In that framework, funding structure of firms constitutes external borrowings and firms own equity mainly paid by the holders of the companies³. External funds can be raised from money and/or equity financial markets as short term or longer term borrowings and trade payables to other firms as the payments to raw material suppliers as part of value chain in the production process. Along with the external funds, firms' equity represents the operational and investment capacity for production and mainly constitutes the paid-up capital, reserves and profit & loss of the firms. As of December 31, 2019, composition of equity of total sampled firms in Turkey displays 66,6% of paid-up capital, 29% of reserves and 4,4 % of profit & loss; hence, firms in Turkey have high quality paid up capital and reserves. Funding structure of all firms in the sample displays an upward trend especially for long term borrowings and shareholders' equity share goes downward accordingly over December 2009-December 2019 period for Turkish firms in the sample.

² TCMB - Company Accounts Statistics 15.05.2021

³ Myers S.C., (2003), Financing of Corporations, Handbook of Economics of Finance.

3.1. Selected Figures from Financial Statements of Firms in Trade and Manufacture Sector

Financing expense is one of the major factor affecting the financial balance of the firms in Turkey. In that context, the behavior of the financial expense ratio as measured by the short term and long term financing payments as a percentage of operational profit displays a stable pattern during 2009-2019 for SMEs in trade and manufacture sector. Besides, financing expense to net sales ratio is lower for SMEs for both trade and manufacture sector. Net working capital(NWC) which represents the current assets after short term liabilities has started to increase especially after year 2015 until 2019. Increasing return on equity-RoE and return on assets RoA supports the process of generating internal resources for the SMEs and large firms in Turkey.

3.2. Share of SMEs' in the Export and Import of Turkey

SMEs and large firms have different features for the share in the total number of firms and export & import of trade volume of Turkey. For the export figures, micro SMEs constitute 60,8% of total firms with export value share of 19,2% while large firms constitute 2,7% of total firms with export value share of 43,7%. For the import figures, micro SMEs constitute 57,1% of total firms with export value share of 10,2% while large firms constitute 4% of total firms with export value share of 62,3%. Therefore, on consolidated basis SMEs are net exporters while large firms are net importers in Turkey at the year end of 2019.

4. Financing of SMEs by The Banking Sector of Turkey

Analysis of sampled data shows that credit in cash is main funding source of companies operating in Turkey. As an indicator of credit quality, share of bad debts increased from 2,5% to 3,8% between 2009-2019.

Table 2: Type of Fund Raising and Total Risk of Firms: 12 2009-12 2019

Billion TL	Total Risk of All Firms			
	2,009	Share, %	2,019	Share, %
CREDIT IN CASH	238.0	66.5	1,932.3	69.9
TL	99.8	27.9	723.4	26.2
FX	138.2	38.6	1,208.9	43.7
NON CASH CREDITS	110.6	30.9	668.7	24.2
TL	49.9	14.0	276.4	10.0
FX	60.7	17.0	392.3	14.2
BAD DEBTS	8.9	2.5	105.6	3.8
TL	8.3	2.3	93.9	3.4
FX	0.6	0.2	11.7	0.4
BOND	0.0	0.0	9.4	0.3
COMMERCIAL PAPER	0.0	0.0	0.0	0.0
LEASING	0.4	0.1	48.7	1.8
TOTAL	358.0	100.0	2,764.6	100.0

Source: TCMB

SME loans of Turkish banking sector amount to 886 billion TL (equivalent to 104.3 billion US Dollar) in Turkey as of May 31, 2021. In the SME loan portfolio, share of micro loans is 31%, small loans is 32% and medium loans is 37% as at May 31, 2021. Currency denomination of total loans to SMEs in the Banking Sector of Turkey reveals that 84 % of total loans were extended in TL as of May 2021.⁴

5. Data and Methodology

5.1. Data Evaluation

For this study, data on SMEs with loan contract categorized in parallel with the definition of Ministry of Science, Industry for SMEs⁵. Accordingly, SMEs are grouped on the basis of the number of jobs, the size of their balance sheets (up to TL 125 million) and of their turnover (TL 125 million)⁶. Sources of data was Central Bank of Republic of Turkey (CBRT) database that covers the annual balance sheet and income statement of the private firms for the period December 1990 – December 2019. Financing profile and figures by the banking sector were mainly gathered from the database of BRSA, market and other related data were analysed mainly with the database of Borsa İstanbul (BIST) and TURKSTAT.

5.2. Model

The relationship of SME and large scale firm financing by the banking sector and macroeconomic, market and banking sector variables in Turkey have been searched by employing the regression analysis. Dependent variable defined as growth rate of loans extended to SMEs and large scale firms. Explanatory variables identified as gdp growth rate, unemployment rate reflecting overall economic condition, loan to asset size ratio, loan to deposit ratio, asset size to equity ratio for the banking sector and interest rate on reference bond issued by Turkish Treasury and US Dollar/TL exchange rate as floating market variables.

Model i

$$\text{Loans Extended to Firm}_i = \beta_0 + \beta_1 \text{GDP} + \beta_2 \text{UR} + \beta_3 \text{INT} + \beta_4 \text{EXC} + \beta_5 \text{LtD} + \beta_6 \text{LEV} + \beta_7 \text{LtA} + \epsilon$$

i: micro, small, medium, large scale firm

β_0 = constant term, β_i = coefficient of explanatory variable
 GDP = Growth Rate, UR = Unemployment Rate, INT = Interest Rate on Reference Bond, EXC = US Dollar/TL Exchange Rate, LtD = Loan/Deposit, LEV = Asset Size/Equity, LtA = Loan/Asset

The results from the regression procedures suggest that market interest rate is statistically significant in extending

⁴ Aylık Bülten (bddk.org.tr) 26.07.2021

⁵ Ministry of Science, Industry, "Küçük ve Orta Büyüklükteki İşletmelerin Tanımı, Nitelikleri ve Sınıflandırılması Hakkında Yönetmelikte Değişiklik

Yapılmasına Dair Yönetmelik", Resmi Gazete, tarih: 24.06.2018 ve sayı: 30458.

Project8 Layout 1 (resmigazete.gov.tr) access date: 15.05.2021

⁶ As of 12 July, 2021, €/S:1,1858; \$/TL:8,6319

loans to SMEs and large scale firms. Besides, loans to large firms are least sensitive to market interest rates and statistically significant at $\alpha=0,10$ significance level. The market interest rate variable is significant for micro, small and medium size SMEs and its magnitude differs among SMEs according to these regression models. For loans to large firms, the variables exchange rate of US Dollar/TL and leverage ratio of banking sector found to be statistically significant variables.

Table 4: Summary Results for the Regression

Model	R ²	Corrected R ²	Coefficient of INT
Micro	0,1553	0,0903	-.5138
Small	0,1840	0,1212	-.6978
Medium	0,2714	0,2153	-.4537
Large	0,2707	0,2146	-.2388

6. Conclusion

This research investigated the SME financing and its determinants mainly by the banking sector in Turkey. Regression analysis on determinants of loans extended to firms in Turkey suggest that the market interest rate variable is significant for micro, small and medium size SMEs and its magnitude differs among SMEs according to identified regression models. Besides, fitted regression model for large scale firms suggest that large firms are least sensitive to market interest rates and statistically significant at $\alpha=0,10$ significance level. For loans to large firms, the variables exchange rate of US Dollar/TL and leverage ratio of banking sector are also found to be statistically significant implying these variables were being considered while extending loans to large scale firms. As for the main features of SMEs operating in Turkey, analysis of selected variables and ratios regarding financial position of sampled firms' financing expenses, working capital and liquidity, profit and loss performance out of positions etc. revealed that there are operational differences among SME scale and large scale firms. It has also been traced from data that raising funds for financing the operations, activities and investments by the firms using equity market instruments is very limited. This can be considered as the most challenging weakness of

Turkish firms' for accessing the longer term and relatively cheaper funds available in the financial markets.

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Slowbalization – Challenges and Solutions for German SMEs

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Different statistics show the interruption of the growth rates of international trade. Analysing the different criteria, which are influencing the further development of Globalization we must realize that it is not possible to quantify the effects but there are tendencies which can't be neglected. Therefore, it is necessary for German SMES who are depending in international trade to rethink about their business models for the future.

Introduction

During a period of more than 70 years between the end of the Second World War and the financial crises in 2008 the global trade showed a steady growth. Using the competitive advantages, companies optimized the value chain in a global word with low barriers. The reduction of transportation, communication and traveling costs enabled research, production and sales where resources and markets are available, cost low and demand high.

Especially German companies used the chances of globalization and expanded their market activities. SMEs followed their B2B customers in order to guarantee just in time production at their global locations. They used the quality image to market their product in the high price segment. For German economy, global trade is one of the core competencies and contributes a high share of our wealth.

After the Oil Crises in the 70ties of last century, it was the financial crisis in 2008 when we registered a first interruption of global trade growth. Since that, we are realizing different negative influences on global trade as more nationalistic politics in US, China and Europe, more technological barriers, ecological and ethical arguments against Globalisation and interrupted supply chains by the blocked Suez Chanel or much more seriously the Corona Crises.

Therefore, it is the objective of this paper, to analyse relevant statistics in order to recognize whether or where we have a real decrease in global economic activities. The author wants to give an overview about the present discussion about effects and development of global trade. At the end, the paper gives some hints for the strategy of SMEs to manage a slower development of global trade - a Slowbalization.

The dynamic period and the unforeseeable development of the pandemic is influencing the daily business. This study is based on data until end of July 2021. Weeks later the situation might be another one.

Facts and Figures

The direction of a trend is depending on the period you are analysing. Hence, on the long run there is no doubt about an exponential growth of international trade.

First and second world war and the oil crises in 1973 interrupted the growth but after each shock, the globalisation recovered and growth continued. On the long-term perspective it seems, that since 2008 the growth stopped for a longer period. Setting the export in relation to the GDP growth, we see that effect too and we are recognizing the crisis caused by the two world wars.

We have to be aware that modern economies are more and more developing in direction to service economies. The share of services on global trade increased between 2005 and 2018 from 21 to 24%. (Bayern LB/prognos, Juni 2020)

Nevertheless, the question is, will global trade recover. If yes, how long will it take and what are measures to manage it. The focus in this paper are SMEs in Bavaria. Will we come back to former growth rates or will we face the end of a long lasting trend. There might be a global cooperation in future but maybe not with the growth rates of the past. Globalisation could develop more slowly we must accept a Slowbalization or even worse a Deglobalization.

Reasons for Slowbalization

In the post-World War II period, there have been two major oil crises. The first occurred in 1973, when Arab members of OPEC decided to quadruple the price of oil to almost \$12 a barrel. Oil exports to the United States, Japan, and Western Europe, which together consumed more than half the world's energy, were also prohibited. OPEC's decision was made in retaliation for Western support of Israel against Egypt and Syria during the Yom Kippur War (1973) and in response to a persistent decline in the value of the U.S. dollar, which had eroded the export earnings of

OPEC states.

Another major oil crisis occurred in 1979, a result of the Iranian Revolution (1978–79). High levels of social unrest severely damaged the Iranian oil industry, leading to a large loss of output and a corresponding rise in prices. The situation worsened following the outbreak of the Iran-Iraq War (1980–88), which further added to the level of instability throughout the region. In 1981, the price of oil was stabilized at \$32 per barrel. By 1983, however, major capitalist economies had adopted more-efficient methods of production, and the problems of the 1970s had been transformed into a relative oversupply of oil rather than a shortage (www.britannica.com).

While we had the oil-market as single reason for this first Slowbalization it seems, that including financial crises in 2008 we have various effects influencing the further development of global trade now. I want to focus on the six criteria as follows:

1. Financial Crises
2. Corona Crises
3. Ecological Restrictions
4. Ethical Restrictions
5. Nationalism
6. Industry 4.0

1. Financial Crisis

“Financial crisis of 2007–08, also called subprime mortgage crisis, (was a) severe contraction of liquidity in global financial markets that originated in the United States as a result of the collapse of the U.S. housing market. It threatened to destroy the international financial system; caused the failure (or near-failure) of several major investment and commercial banks, mortgage lenders, insurance companies, and savings and loan associations; and precipitated the Great Recession (2007–09), the worst economic downturn since the Great Depression.“ (www.britannica.com, 2007-2008) The influence on German trade was very limited. There was no argument why a collapse of the Lehman Bank should influence the global exchange of goods and services. After two years, Import and Export reached the old values.

2. Corona Crises

Beginning of 2020 a corona virus named Covid 19 spread all over the world within few weeks. Facing a pandemic, states tried to manage that by a more or less strict lockdown. Schools and factories were closed, all kinds of mobility were reduced, air traffic broke down, and limitations in logistics threatened the worldwide value chain. A survey with 444 Bavarian companies from February 2021 showed the impact on their business: (Lau, 2021)

- Increase in barriers to trade by 51% in 2021,
 - Stricter security requirements (56%),

- Local certification requirements
- Corona-related trade barriers - barriers
 - Travel restrictions (78%),
 - Cancellation of trade fairs / events (70%)
 - Postponed investments (50%),
 - Lower demand (49%)
 - Problems with supply chains (40%).
- countermeasures
 - Looking for new or additional suppliers (53%)
 - Increasing warehousing (32%).

Regarding the figures until January 2021, it seems that despite of the shock in spring 2020 here too the decrease of trade could be stopped and figures will recover on a slightly lower level. Following the news in the last weeks, we hear about limited production facilities in the car industry, a boom in construction business and a price increase for many industries due to the high demand.

Nevertheless people realized how vulnerable, how dependent a national economy is in a situation when everyone thinks about the own population first. As we have it in the energy or food sector, there will be efforts to build up storages for critical medical products. However, even here the dependencies are that strong, that no nation can manage the whole value chain by its own industry.

3. Ecological Restrictions

We don't have to discuss about the reality of the global warming anymore. CO2 Emissions are increasing dramatically (there is a temporary decrease by the corona crises), as a consequence temperatures are increasing

By that, we are realizing various consequences for our world as for example:

- Increase of the sea level
- More refugees
- Higher damages by exceptional floods

In order to avoid the huge cost of those crises, governments worldwide will increase their ecological investments and they will increase the cost for the producers of CO2.

About one quarter of the emission is caused by airplane and shipping. Hence, there will be regulations for global transportation too. By higher taxes and tariffs, the prices for transportation will increase. CO2 tariffs for imported goods will limit the chance for countries with lower standards.

The consequence for global trade is not quantifiable but there will be some pressure.

4. Ethical Restrictions

Companies are more and more responsible for the conditions of the production of their products. Even if there is no legal consequence for an unethical behaviour, pressure groups are influencing the buying behaviour of the

population more and more. A non-ecological production process, the use of children in the production process, corruption, producing in countries without human rights policy are influencing the image and reducing the revenue with critical customers.

By the German supply chain law (www.bundestag.de) the German government intends to create a legal frame for the Corporate Social Responsibility for all suppliers of the value chain. That means companies with more than 3000 employees are responsible for the consideration of the human rights of all their suppliers. Other European countries are following similar policies (natlawreview.com). Strictly following it might be difficult to import resources from African countries, to deal with Chinese Companies. Again, the effects of global trade are not quantifiable but SMEs are under pressure of the OEMs. They might be avoiding problems by preferring national suppliers.

5. Nationalism

In a complex world, the people are looking for simply solutions. Populistic political leaders like Xi Jinping, Putin, Bolsenaro, Erdogan, Orban, Trump and many others are promising such solutions. They try to push through their own ideas and eventually they get in conflict with the interest of other value systems. Large economies can use their economic power to set others under pressure by trade barriers. In addition to import and export tariffs, the world is faced market access barriers including quantitative import and export restrictions, unnecessarily complicated technical standards, and subsidies. (English.bdi.eu)

We have seen that restriction of export activities during the corona crises and we can follow the increase of import restrictions before corona too.

In order to protect against measures of trade partners strong countries try to become independent by building up an own industry for critical products as medicine, food, chips, artificial Intelligence. Especially in the US-Chinese fight about leadership in 21st century, both economic world powers try to set their own standards. Decoupling in several industries is the consequence. The big players force their partner to follow their standards, so especially EU must decide which way they will go. For export, you have to follow different standards with consequences on your Economies of Scale.

Some populists disappeared (Trump) some might arise (le Pen) or come back. Especially the Chinese development is part of a 5000-year-old history so it will be a long-term fight of China to get its leading position over the world with a system that is not compatible with western philosophy. The consequences for the trade between Germany and its leading trade partner might be dramatically.

6. Industry 4.0

Based on the possibilities of the digital revolution

Industry 4.0 stands for the fourth industrial revolution. It is characterized by (among others):

1. even more automation than in the third industrial revolution,
2. the bridging of the physical and digital world through cyber-physical systems, enabled by the Internet of things
3. a shift from a central industrial control system to one where smart products define the production steps,
4. closed-loop data models and control systems and
5. personalization or customization of products. (i-scoop.eu)

The use of Industry 4.0 technologies allows manufacturing highly individualized products at low unit prices, which was previously not economically feasible using traditional production processes. Advanced robotics in connection with additive manufacturing processes (3D printing) facilitate cost-effective manufacturing processes. Previously these labor-intensive activities were outsourced to low-wage countries. The greater independence from foreign imports and the possibility of high quality and yet inexpensive production on site mean that the added value of the entire industrial production can take place more regionally (Reshoring). This can result in additional positive employment effects that are not taken into account in the current discussions about changes in the labor market. (Springer.com)

The high labor cost of German industry won't play that role anymore so import of low labor cost countries could decrease.

Consequences for Global Trade

Each of the mentioned effects on Globalisation is a topic for research in the last and coming years. The further development is that unpredictable, the interdependencies are that various that it is not possible to quantify the consequences of the effects for global trade. Therefore, the author wants to sum up the thoughts of the chapters before by an overview with a tendency. It is quite clear that we can't proof that with scientific analysed figures.

The financial and the corona crises were Black Swans, shocks for the economy with strong short-term consequences for the trade. Following the statistics, we can realize that on the long run the decrease in GDP and trade will be at least equalized. After the crises, extraordinary increases will guarantee the former level within a short period.

One way to manage the climate effect is a more ecologic production. There will be discussions about the measures and the intensity but there is no doubt that the present global value chain with its negative consequences on environment must be changed.

Industry 4.0 is a new technology, which will enable

various advantages in different areas. Generally it allows more local production and especially for countries with high labour costs more production in the home country connected with a decrease in international trade.

Most risky in my opinion is the further development in global politics and the consequences for international trade. It depends on leaders, on people, on philosophies on emotions. Therefore, it is difficult to predict the further development. Based on the news in these days the consequences might be dramatically. We must hope for a change.

Solutions for German SMEs

The challenges for local SMEs in Bavaria were analysed by the Munich chamber of commerce in February 2021:

Higher Security Standards, local regulations for certificates are the two criteria named by more than 40%.

A survey by the author with local companies was planned for spring 2020 but couldn't be realized due to the crisis. A not representative survey with the members of the international affairs Board of the chamber of commerce in Franconia showed that the value chain had been limited in the last years mainly in GB by the Brexit but also in China and US by the political changes there. As reasons for the limitation, the experts named Corona (35%), higher taxes and tariffs (25%) and local content law (15%).

Consequences for them where an increase of warehousing (33%), a more diversified structure of suppliers (33%), new suppliers mainly in the home country (16%). (Aussenwirtschaftsausschuss, 2021) The Value of the Bavarian survey for increasing warehousing (32%) and looking for new or additional suppliers (53%) are comparable. (Lau, 2021)

The prognos AG and Bayerische Landesbank are analysing in a study from 2010 the different developments of different sectors in Globalisation. Even if the share is small, the importance and the growth of services, IT Technologies and intellectual property is increasing.

Therefore, they propose three new business models for German SME to manage the Slowbalization: (Bayern LB/prognos, 2020)

1. Germany should have the countries with a dynamic demography on the screen. Countries like Indonesia, Philippines and Nigeria might be more risky, but with the label "Made in Germany" and the experience of German Companies in opening new markets, they should use the chance of the potential markets of the future. A young population with an increasing Income per capita offers chances.

2. German SMEs should use their strong position in old industries to combine their knowledge with digital services. Opening and running platforms in B2B markets offers a high potential in the future.

3. The changing environment offers chances in the home market too. There will be a higher demand for products for the older Generation (Silver Agers/Products), green products, and all products and services connected with digitalisation. Investments in infrastructure and housebuilding are necessary and profitable.

The advantages of global markets will not disappear. However, due to political, ecological and technological reasons the business will become more difficult. Global value chains will be interrupted more often by pandemics, wars or natural disasters. SMEs with their limited resources should rethink about their business model. (Dettling, 2021) A Glokalization, an evolutionary development of using the global Chances with a stronger local value Management might offer additional chances. More risk awareness, lower production costs, stability of supply chains are arguments for a higher local share.

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Proceedings of Plenary Session III

The Effect of Institutionalization of Family Businesses on Firm Performance: An Analysis on Borsa Istanbul Corporate Governance Index (XKURY)

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Family businesses have an important position in the Turkish economy and their institutionalization is crucial for the economy. However, institutionalization is like a coin with two sides which has both advantage and disadvantage. In this study, Corporate Governance Ratings, Rate on Assets and Earnings Before Tax data of 10 family businesses operating in the BIST Corporate Governance Index (XKURY) are analyzed between the years of 2014-2020. The study is carried out with Panel Data Analysis, and the Granger Causality Test is applied to determine the relationship between the variables. As a result of the analysis, no relationship is found between corporate governance ratings and financial performance in the Turkish family business.

Keywords: Family Businesses, Institutionalization, Corporate Governance, Panel Data Analysis

Purpose of The Research

This study aims to determine the effect of the institutionalization level on the financial performance of family businesses operating in the BIST Corporate Governance Index.

Importance of Research

Family businesses have a very crucial position in the Turkish economy. As a matter of fact, in the “How are family businesses preparing for change? The new normal in family companies” report issued by EY in September 2020, it is stated that family companies constitute 95% of the companies in Turkey. According to the report, 58 of the 100 companies which have the highest export volume are family businesses and 28% of the total exports of Turkey are made by these companies. In addition, family businesses that are only SMEs account for 78% of total employment.

The fact that family companies have such an important position in the economy, at both national and international levels, makes it necessary for these companies to be sustainable. At this point, the institutionalization of family

businesses takes a crucial role in the management of family businesses. However, institutionalization here is like a two-sided coin. Because of the institutionalization of family companies, control of the management is transferred to outside managers. The manager (agency), who does not know the family dynamics well enough, can make risky decisions by changing the operating mechanism of the company. In addition, the manager may present the firm's situation as better or worse than it is. For this reason, family members on the board of directors may have difficulty in trusting managers during the institutionalization process. The market myopia of managers is another important problem in the institutionalization process. Because managers who want to show their performance better may miss profitable investment opportunities by turning to projects that will provide returns in the short term. But the importance that family members attach to the concept of inheritance, enables them to consider long-term profitability.

Looking at the other side of the coin, the main reason for family businesses to lose their identity is that they cannot be institutionalized. As a matter of fact, in the press release published by Sakarya I. Organized Industrial Zone in 2018, it is stated that the average life span of family businesses in Turkey is 25 years. It is also stated in the bulletin that 20% of the collapses in family businesses are due to commercial reasons and 80% to family reasons. In addition, it is emphasized in the bulletin that only 30% of family companies in Turkey can pass to the second generation, 12% to the third generation, and 4% to the fourth generation. In short, when company interests and family interests do not overlap, family businesses are likely to disintegrate after the second generation. Moreover, the frequent occurrence of nepotism in family companies negatively affects the financial performance of these companies and brings their end.

In summary, institutionalization has vital importance in family businesses. However, proper institutionalization is just as important. For this reason, it is very important to deeply examine the effect of the institutionalization of family businesses on firm performance.

Literature Review

1. Studies on the Relationship between Firm Performance and Ownership Structure

Hay and Morris (1984): This study aimed to determine the characteristics of non-public companies. The subjects focused on in the survey; relate to ownership and management structure, incentives, and benefit maximization. The main motivation factor in non-public companies is to have full control over the company and to carry the company to the next generation. Financial policies followed by firms are mostly conservative, in the form of short-term profitability, long-term growth, short-term borrowing, and retention of profits in the firm. Public companies, on the other hand, have a high net return on assets and a high rate of growth.

Demsetz and Lehn (1985): This study investigates the thesis of Berle and Means (1932) that going public would hurt the social function of a firm. As a result of the analysis, it has been revealed that firm ownership changes systematically in line with value maximization. In other words, ownership and control separation does not lead to a decrease in firm performance.

Mayer and Alexander (1991): The study examines whether going public leads companies to act short-term or not. As a result of the research, it has been determined that the amount of sales in non-public companies is lower than that of public companies.

Santerre and Neun (1993): This study was carried out to test the assumption of Berle and Means (1932) that going public will lead to a decrease in firm performance due to ownership and control distinction. As a result of the study; it has been revealed that shareholders do not have an effect on the behavior of managers unless they have a 10% share, and ownership between 10% and 30% is effective.

Pagano, Panetta, and Zingales (1997): This study examines the expected (ex-ante) and actual (ex-post) determinants of firms in choosing ownership structure. As a conclusion of the analysis, it has been revealed that the ownership and control separation does not lead to a decrease in performance.

Auchincloss (1997): This study aims to determine why companies make different ownership structure preferences within the framework of the "Agency Theory". As a result of the analysis; It has been concluded that going public does not cause a decrease in performance and that companies choose the ownership structure that provides high performance. In the second phase of the analysis conducted to measure the ownership composition and performance relationship, it is concluded that ownership composition does not affect the performance of the firm.

2. Studies on the Effects of Corporate Governance Practices on Company Performance

La Porta et al. (1999): In this study, the ownership structures of 20 publicly-opened businesses are examined that perform in 27 economies which generally considered to be developed. The study shows that large-scale companies have large shareholders and these shareholders play an active role in corporate governance.

Pedersen and Thomsen (1997): The study examined the ownership structure of businesses on the top 100 businesses operating in 12 European countries. The authors state that ownership structures are a factor affecting corporate governance as well as sectoral and economic factors on businesses.

Murphy (2004): In this study, the ownership structure of businesses operating in France was examined. According to the study, especially in countries with a public legal system, in other words, the Anglo-Saxon legal system, there are strong laws that protect investors, however, the civil law system is a weak system that controls investors and has low protection. The study shows that protection of investors is very low in the French civil law system and accordingly the concentration of ownership structures of businesses operating in France is quite high. Result of the analysis proves that the most important factors affecting the ownership structure of businesses in France are the application of the law of succession in family businesses depending on the family structure and auto finance problems.

3. Studies on the Relationship between Firm Performance and Corporate Social Responsibility

La Porta et al. (1997): This study, examines the relationship between the quality of legal regulations for the protection of investors and the level of capital markets development in 49 countries. The findings of the study show that countries with weak investor protection rights have less developed capital markets.

La Porta, et al. (2001): In this study, the effects of protection of minority shareholders on firm value are examined. In the result of the study, it was determined that in countries where minority shareholder rights are protected at a high level, there is an increase in firm values and cash flow and firm value and profitability are higher in companies where shareholder rights are wide.

Januszewski et al. (1999): This study conducts an empirical analysis to investigate why the productivity increase in Germany has been slower than in EU countries and American companies in recent years. As a result of the research, it is argued that one of the main causes of this incident was poor corporate governance.

Black, Jang, and Kim (2003): An index has been created in this study consisting of six factors: Shareholder rights, board of directors, independent board members, audit committee and internal auditors, public disclosure, and equity of ownership and to examine the effect of this index

on firm performance in the Korean Stock Exchange, a regression model has been conducted. As a result of the study, it has been determined that a 10-point increase in the corporate governance index provides an increase of 5% in Tobin's Q value and a 14% increase in the market value/book value ratio.

Gomers et al. (2003): An index consisting of 24 corporate governance variables, which are grouped under five main categories has been created, called G-index, in the study, and data in 1990 of 1,500 companies in the USA has been used in the analysis. The result of the study shows that there is a strong relationship between this G index and share performance, Tobin's Q value, net profit margin, and sales growth.

4. Studies on the Relationship between Corporate Governance Practices and Firm Performance in Turkey

Çetinkaya et al. (2017) carried out a study dealing with the issue of nepotism, which is an important problem in the institutionalization of family companies, and examined family companies operating in Kırşehir, Turkey. In the study, which was carried out using the survey method, it is stated that family businesses are in need of professional management and therefore they try to minimize nepotism by giving importance to education and merit. Zor and Merkan (2021), on the other hand, carried out a study to reveal the agency problems in family companies. In the study, the problems between two families in the board of directors and between family members and professional managers in family businesses were examined. In addition, the adaptation process to internal audit practices in these companies is also within the scope of the research. The study was carried out with case analysis, and the analysis was carried out through a family business where two families consist of most of the top management. As a result of the study, it has been revealed that the agency problem in the relations of families with each other and with professional managers positively affects the scope of internal audit procedures, compliance with these procedures, and therefore firm performance. Polat and Güneş (2019) evaluated the institutionalization of family companies through the relationship between corporate risk management and internal control system. The study was carried out on 93 family companies operating in the provinces of Batman, Mardin, Siirt, and Şırnak (TRC3 Region). As a result of the research conducted with the survey method, they found a significant relationship between the corporate governance principles of family companies and their control systems and corporate risk management. Çeçen and Güney (2019), on the other hand, conducted a study examining the impact of family companies' organizational cultures and company functions on the institutionalization process. A survey method was used in the research, and this survey was carried out with the participation of 96 employees in 112 family firms operating in the Istanbul Organized Industrial Zone. As

a result of the analysis; Statistically significant relationships were found between the institutionalization of family companies and the number of employees, age, foreign capital partnership, whether it is affiliated to the Capital Markets Board of Turkey or not.

Dataset and Methodology

Ten family businesses operating in the BIST Corporate Governance Index (XKURY) are analyzed in this study. When determining the companies to be analyzed, firms with at least 20% of the capital owned by a single person or family are defined as family businesses. Annual "Return on Assets (ROA)", "Earnings Before Taxes (EBT)", and "Corporate Governance Ratings (CGR)" of these companies between 2014-2020 were used as the data set. Data used in the study is achieved with the support of Borsa İstanbul A.Ş. The study is carried out with Panel Data Analysis, and the Granger Causality Test is applied to determine the relationship between the corporate governance rating and the return on assets, profit before tax.

Descriptive Statistics

Descriptive statistics of the series in the data set are shown in Table 1. As it is seen in Table 1, the mean and median values of the corporate governance rating (CGR) variable of the companies are almost equal to each other and the kurtosis coefficient is close to 3. In addition, the Jarque-Bera probability is greater than 0.05. This shows that the series has a normal distribution. When the earning before tax (EBT) and return on assets (ROA) series are analyzed, it is seen that the mean values are larger than the median values and the skewness coefficient is positive. This shows that these two series have a right-skewed distribution. In addition, the kurtosis coefficients of these two series are considerably larger than 3. This indicates that the series exhibit a more widespread distribution than the normal distribution.

Table 1. Descriptive Statistics

	CGR	EBT	ROA
Mean	93.6454	457,000,000	0.0369
Median	93.7900	139,000,000	0.0285
Maximum	97.2200	4,520,000,000	0.9954
Minimum	87.7000	-1,970,000,000	-0.3535
Std. Dev.	2.3135	1,010,000,000	0.1470
Skewness	-0.3735	1.9831	3.8406
Kurtosis	2.1743	8.2177	27.8476
Jarque-Bera	3.6165	125.2879	1972.835
Probability	0.1639	0.0000	0.0000

Unit Root Tests

To avoid the spurious regression problem, each variable should be included in the model with its stationary levels. For

this purpose, in this part of the analysis, Im, Pesaran, Shin (2003) unit root tests are used for each series. Lag length for the variables are determined automatically according to the Schwartz Information Criteria (SIC).

Table 2. Im, Pesaran, Shin Unit Root Test Results

Variable	Exogenous	Statistic	Prob.**
CGR	Intercept	-26.6098	0.0000
	Trend & Intercept	-32.1715	0.0000
ROA	Intercept	-4.5988	0.0000
	Trend & Intercept	-6.9276	0.0000
EBT	Intercept	-1.4574	0.0725
	Trend & Intercept	-5.0573	0.0000

Table 2 shows the results of Im, Pesaran, Shin (2003) unit root test of each series with individual intercept and individual intercept and trend as exogenous variables. Accordingly, the Ho: Series contains unit root hypothesis can be rejected at 10% significance level for all models. In other words, the series are stationary and there is no need to apply the 1st difference process.

Table 3. Pedroni Cointegration Tests – Variables; CGR, ROA

Variables: CGR, ROA	Intercept		Trend & Intercept		None	
	Statistic	Prob.	Statistic	Prob.	Statistic	Prob.
Panel v-Statistic	-	0.90	9.510	0.00	-	0.99
	1.290	15	9	00	2.397	17
Panel rho-Statistic	1.223	0.88	1.802	0.96	0.847	0.80
	4	94	7	43	8	17
Panel PP-Statistic	-	0.09	-	0.01	0.275	0.60
	1.320	34	2.277	14	1	84
	3		8			
Panel ADF-Statistic	1.244	0.89	-	0.06	0.733	0.76
	5	34	1.520	42	5	84
			6			
Group rho-Statistic	2.351	0.99	2.947	0.99	2.302	0.98
	4	06	9	84	0	93
Group PP-Statistic	-	0.16	-	0.05	-	0.24
	0.969	63	1.619	27	0.676	93
	1		6		7	
Group ADF-Statistic	0.698	0.75	-	0.01	0.512	0.69
	7	76	2.186	44	2	57
			6			

Cointegration Test

The panel tests seven different approaches for cointegration, including four in-group and three between-group approaches. Table 3 shows the Pedroni Cointegration Test results of the first model whose variables are corporate governance degrees and return on assets, and Table 4 shows the cointegration test results of the second model whose

variables are corporate governance degrees and earnings before tax. Looking at the results of the Pedroni cointegration test, it is seen that there is no long-term cointegration in the series.

Table 4. Pedroni Cointegration Tests – Variables: CGR, EBT

Variables: CGR, EBT	Intercept		Trend & Intercept		None	
	Statistic	Prob.	Statistic	Prob.	Statistic	Prob.
Panel v-Statistic	-1.230	0.89	10.10	0.00	-2.397	0.99
		1		0		1
Panel rho-Statistic	1.093	0.86	2.004	0.97	0.913	0.81
		3		6		9
Panel PP-Statistic	-1.702	0.04	-1.931	0.02	0.230	0.59
		4		7		1
Panel ADF-Statistic	-0.164	0.43	-1.838	0.03	0.738	0.77
		5		3		0
Group rho-Statistic	2.052	0.98	3.009	0.99	3.155	0.99
		0		9		9
Group PP-Statistic	-2.663	0.00	-1.646	0.05	1.749	0.96
		4		0		0
Group ADF-Statistic	-1.63	0.05	-2.602	0.00	2.237	0.98
		2		5		7

Granger Causality Test

Table 5 shows the results of the Granger Causality Tests. Accordingly, it has been determined that the corporate governance rating scores of the analyzed companies are neither the reason for profit before tax nor the return on assets ratio. Because, the prob. values in all models are greater than 0.05 and null hypotheses cannot be rejected.

Table 5. Granger Causality Test Results

Null Hypothesis:	F-Statistic	Prob.
EBT does not Granger Cause CGR	0.0980	0.9069
CGR does not Granger Cause EBT	1.5125	0.2313
ROA does not Granger Cause CGR	1.8064	0.1760
CGR does not Granger Cause ROA	0.9505	0.3942

Conclusion

Although compliance with corporate governance principles is very important for the development of companies, the fact that companies are not yet ready for institutionalization or they have carried out the wrong institutionalization process may harm firm performance. In this study, it has been determined that the increase in the corporate governance rating of family companies in Borsa Istanbul Corporate Governance Index (BIST-XKURY) does

not affect the financial performance of these companies. The most important reason for this is that the problems arising from the delegation of authority and owner-principle duality that come with institutionalization, as revealed in the Agency Theory, overshadow the advantages provided by institutionalization. As a matter of fact, unlike family members, professional managers do not give importance to the inheritance concept and accordingly, they may engage in behaviors that negatively affect the performance of the firm. In addition, the limited financial literacy in the society may reduce the positive effects of corporate governance practices. For this reason, companies need to explain their corporate governance practices to investors in detail, which will provide profit in the long run. Family businesses need to carefully implement their institutionalization practices to increase their financial performance. Otherwise, institutionalization efforts will be in vain.

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A New Instrument in Turkish Financial Market: Surety Bonds

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A surety bond is a three-party agreement between the contractor, the employer, and the surety in which surety ensures the contractor can fulfill the obligations regarding the contract against the employer. However, the usage of surety bonds in Turkey are quite different from USA and Europe. They are utilized in the place of letter of guarantee. Especially for the contractors with collateral shortage, the surety bond is much more advantageous than the bank letter of guarantee for the contractors since the surety bond does not reduce their credit limits within the banks. Thus, this paper aims to reveal the benefits of surety and targets increasing the awareness of surety bonds in Turkey.

Introduction

Changing market conditions and increasing risks lead to many new instruments in the financial sector. One of the latest tools in Turkey is the “surety bonds”. A surety bond is an agreement that provides claims to the employer (beneficiary) if the contractor (principal) fails to perform his obligations regarding the related contract. In general, the contractor (principal) who undertakes a business has to provide a “guarantee” to the employer (beneficiary), stating that he can fulfill the obligation defined within the agreement. However, the usage of surety bonds in Turkey are quite different from USA and Europe. In Turkey, the contractor companies used to utilize the “letter of guarantee” to meet this requirement.

However, the letters of guarantee, primarily used in construction projects, put pressure on the bank credit limits of the contractor companies, since they are issued over non-cash credit limits (within the banks) of those companies. While issuing a letter of guarantee, the banks ask the contractor companies to submit guarantees (like deposit, pledge, security, fixed assets collateral, personal guarantee, third-party guarantee, mortgage and bail). Nevertheless, the contractor companies have difficulties in submitting this kind of collaterals. On the other hand, since the surety bonds are classified as “off-balance-sheet”, they do not reduce the credit limits of the contractor companies in the banks. Thanks to the advantages it provides within its body, the surety allows the contractor companies not to use their non-cash credit limits and collaterals.

In this context, the Turkey Undersecretariat of Treasury

has published the “Surety Bond General Terms” in 2014, so the “Surety Bond”- that is widely used in America, Europe, and Asia-Pacific countries- has also become applicable in Turkey. In this paper, the definition of the parties and guaranty types of the surety bond is examined, and the risks, benefits, and advantages of sureties in Turkey are discussed.

Surety Bonds

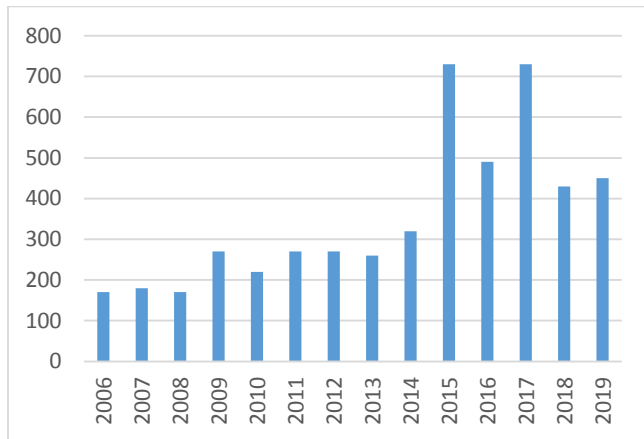
Surety, which was first started to be used in developed countries, especially in the USA, in the 19th century, is referred to as “surety bond” in the USA and “bonding” in Europe in international terminology. The surety, issued by insurance companies, is an alternative instrument to the “letter of guarantee” provided by banks and financial institutions (Barru, 2005). Surety bonds are primarily related to construction, manufacturing, construction-repair, energy, and infrastructure projects but can be used in any industry (Euler Hermes, 2018). While insurance companies meet the entire letter of guarantee requirement in the US market, this rate is around 95 percent in South America, 25 percent in Europe, and 50 percent in the Asia Pacific (Aon, 2019). The first insurance company in Turkey that offers the surety bond - in the form of a typical letter of guarantee- 2017 is Euler Hermes, and Anadolu Sigorta, Magdeburger Sigorta, and Quick Sigorta follow this company. Many export credit agencies (ECAs) and private insurance companies issue surety bonds in many countries. Almost all the insurance agencies (Euler Hermes, Credendo, CEB, Finnvera, Atradius, CESCE, SACE, K-EXIM) issue sureties as “advance payment,” “bid,” and “performance” bonds.

More than 400 billion dollars of surety was issued in 2018 and 2019 by the members of ICISA (ICISA, 2021). In Figure 1, the utilization of surety bonds can be seen in America, Europe, Asian economies.

A surety bond is a three-party agreement between the contractor, the beneficiary, and the surety in which the surety agrees to uphold, for the benefit of the beneficiary, the contractual obligations of the contractor if the contractor fails (Reynolds, 2021:1). A surety bond relationship is a three-party relationship (beneficiary, insurance company and the principal). A “surety” is a tool that ensures that the contractor can fulfill the obligations regarding the contract against the employer. The insurance company provides the beneficiary

(employer) with a payment guarantee for the risk of the contractor's failure to fulfill the contractual obligation. In other words, the insurance company covers the loss of the beneficiary (employer) in the event of a loss under the insurance contract. Besides, the insurance company (depending on the type of the surety) ensures that any other contractor completes the contractual work (concluded between the employer and the contractor).

Figure 1: Surety Exposure of ICISA



Source: ICISA, 2021 (ICISA Members) The premiums, claims and the claims ratios of the ICISA members can be seen [SURETY-OVERVIEW-PREMIUM-CLAIMS-CLAIMS-RATIO-2006-2019.pdf \(icisa.org\)](https://www.icisa.org/SURETY-OVERVIEW-PREMIUM-CLAIMS-CLAIMS-RATIO-2006-2019.pdf) (23.04.2021).

Issuing a bond, the surety company reveals that the contractor has good references and reputation, meets obligations, and has relevant experience that matches the contract requirements and the necessary equipment to do the work. Issuing a bond, the surety company ensures that the contractor has the financial strength to carry and the project work and good credit history (McIntyre & Strischek, 2005:47). A “surety bond” is a three-party contract issued by a surety company, mostly in connection with a construction project (Seifert, 2008:47). The three parties are i. the surety company (insurer/guarantor), ii. beneficiary, (the employer), iii. the principal (owner /contractor) (Beg, 2019).

Principal; (contractor/risk-posing party; insurant): The party agrees with the beneficiary (employer) about the execution of a business. Conditional credit is allocated in favor of the insurant (contractor) by signing a guarantee agreement with the surety (i.e., the guarantor/insurance company).

Surety; (risk bearer, insurer/insurance company/guarantor): An insurance company who is authorized to issue surety bonds.

The beneficiary (Obligee/employer/ insurance claiming party): The entity that requires the bond and is protected if there is a loss or default (SFAA, 2017a). The beneficiary enters into the agreement with the contractor and

is the recipient of the obligations (e.g. the governmental unit on a construction Project) (Reynolds, 2021:1)

Risk Assessment, Premium and Claims

The surety underwriting decision is exceptionally complex. As part of the underwriting process, the Surety assesses the contractor's financial health, including a review of cash flow, cost control mechanisms, working capital, and the contractor's relationship with its financial institution (W-T, 2020). The Surety examines whether the contractor has sufficient personnel, equipment, working capital, and expertise to complete a particular contract, given the demands of the other projects in which the contractor is involved and the project's nature under consideration (W-T, 2020). The surety bond risks are analyzed according to the type of surety, the characteristics of the party for whom the Surety is issued, and other risk parameters. Again, risks are evaluated with approaches, such as credit valuation and rating systems used in banking (Bachrach, 1998). The following factors are of great importance in analyzing the risks of the surety bonds: features of surety: type, amount and currency type, expiry, risk exposure profile (country risk, market risk, are considered part of risk exposure profile) are regarded as features of surety. The “character,” “capital,” and “capacity” of the insured (contractor) are essential. The “character” is to evaluate whether the contractor can fulfill the terms of the contract. In other words, whether the contractor has these capabilities in terms of management and organization. The “capital” criterion questions financial adequacy from the beginning to the end of the bond. The “capacity” evaluates whether the required skills are available in terms of employees, technique, machinery and equipment. Besides, other risk elements (6C) are evaluated. (These include other risk elements such as “cedent,” “contract,” “credit,” “collateral,” “country,” and “conditions” of ESG (environmental, social, and governmental). Each of these conditions is deepened with detailed analysis and specific questions, and a detailed analysis is carried out. Table 1 presents the underwriting process:

Premium

The surety insurance premium is settled according to the type of bond. One of the most critical factors that distinguish surety bonds from other bonds is the determination of the premium. There is an assumption in the surety bond that there will be no claims, unlike the premium method in different insurance types. Bonding usually costs 1 percent of the contract amount or cost of the project (SFAA, 2017b). The cost of a performance bond, for example, is a one-time premium between 0.5 percent and 3 percent of the contract amount. The premium is paid by the contractor, typically in the first demand. However, the insurance company can lower the premium amount for well-established, experienced and financially strong contractors. Though premiums may be

higher for less capitalized or newer contractors and sustainable small businesses with an established track record also can get lower rates. For example, if the contract amount is 10 million dollars, a premium of between 57 thousand dollars and 81 thousand dollars could pay for a performance bond (SFAA, 2017b).

Table 1: Data Requested by Surety Company

Information needed	Description
audited financial reports for the last (three) years	to examine the current and future financial strength of the principal
current and past work on hand schedules for the last years	to track profits and billings and to see what principals have done historically
current personal financial statements on owners of the principal	to examine the personnel financial strength of all owners involved for personal indemnity purposes
list of largest projects completed in the past.	historical information for tracking the construction record of the principal to judge what kind of planning has been done to protect the principal's interest
summary of stock ownership and details of company's continuity program	to see their potential capabilities with their present personnel
organizational chart of the principal, including all key employees.	to plan their future needs
contemplated program; largest single job and work backlog	
past program; largest single job and work backlog	to see their past capabilities to help estimate the current capabilities of the principal

Source: Russell, 2000:58.

Claims

If a default occurs, the insurance company assumes the responsibility of completing the contract (SFAA, 2017b). However, if the employer (beneficiary) applies to the insurance company with a claim, payment is made immediately (by the insurance company) following the claim's application. The claim cannot be rejected by presenting the plea of the contractor. The cause for the settlement and the accuracy of the reason is not inquired. Payment is made without seeking any additional evidence based on the claim request. Namely, under surety, the payment is made by the insurance company, following the claim, if some of the following terms and conditions are met;

i. contractor's (principle) failure to fulfill his obligation, ii. contractor's (principle) inability to persuade the insurance company about the inaccuracy of the evidence presented, iii. the court decision submitted by the employer (beneficiary). The insurance company can only reject the claim by presenting its pleas, such as fraud.

Surety Bond vs. Insurance

Although insurance companies underwrite "surety" as a line of insurance, there are important distinctions between the "insurance" and the "surety". Insurance is a loss funding mechanism designed to compensate the insured against unforeseen adverse events. In contrast with insurance, surety is a loss avoidance mechanism designed to prequalify individuals based on their credit strength and construction expertise (Russell, 2000:25).

Employers retain the risk of contract default by signing an indemnity agreement that, in essence, protects the underwriter from incurring losses. While suretyship and insurance differ, both are risk transfer mechanisms. The employer transfers the risk to the insurance company that might result from contractor failure. The insurance company protects the employer from losses due to default by the contractor, but unlike insurance, all parties enter into the agreement assuming "no one will incur losses". Table 2 compares surety bonds and insurance (Russell, 2000:25).

Table 2: Comparison: Suretyship versus Insurance Surety Bond

Surety bonds	Insurance
guaranty agreement (three parties)	indemnity agreement (two parties)
no losses assumed	losses taken for granted
premium-fee for extension of credit	premium-based on actuarial likelihood of loss
principal retains risk	insured risk of loss transferred to insurer
non-cancelable	cancelable
agreement must be in writing	agreement may or may not be in writing
nonpayment of premium-doesn't affect surety liability of bond	nonpayment of premium-grounds for cancellation
if bond is fraudulently obtained, surety is still liable	policies often contain warranties as condition precedent to recovery

Source: Russell, 2000:25

Surety Bonds Practices in Turkey

The construction industry plays a vital role in Turkey's development, accounting for nearly 8-9 percent of GDP and employing almost 2 million people (TCA, 2020). According to the report issued by TCA, the continually growing global

competitiveness of the Turkish contractors and building materials producers contribute significantly to the balance of payments of Turkey (TCA, 2020). According to the report issued by TCA in 2019, forty-four Turkish contracting companies, ranked among the “Top 250 International Contractors” announced by the leading industry magazine Engineering News-Record, 2019.

Since there is a massive potential for surety bonds in Turkey, the market is growing vastly. The market shares and total premium income of the top 5 insurance companies in February, 2021 in Turkey are shown in Table 3. Examining the data provided by the Turkish Insurance Union, we see that the premium income of Quick Sigorta was 2 million TRY in February, 2020. Comparing the figures with February, 2020, we see that the premium income in February, 2021 increased by almost 500 percent. On the other hand, we see that the premium income of Euler Hermes, in February, 2021 increased by almost 1,200 percent comparing February, 2020. Likewise, the premium income of Gulf Sigorta in February, 2021 has increased by almost 1,545 percent comparing February, 2020.

Table 3: Market Share and Total Premium Income

Company Name	Total Premium Income (TRY)	Market Share %
Quick Sigorta AŞ	12,160,451	37.96
Euler Hermes Sigorta AŞ	8,981,236	28.04
Gulf Sigorta AŞ	2,907,937	9.08
Chubb European Group SE	1,720,587	5.37
Zurich Sigorta AŞ	1,403,793	4.38

Source: Turkish Insurance Union, 2021

Since there is a massive potential for surety bonds, especially for Turkish contractors, the surety bonds’ legal base has been developed⁷ by the Undersecretariat of Treasury⁸. Therefore the contractors have been able to present the surety bonds, to the employer, in all tenders, including the public tenders⁹. Turkey Undersecretariat of Treasury (2014) has also determined the types of bonds. The types of bonds specified in the “General Conditions” are shown in Table 4. As can be seen, types of surety bonds can be arranged in many different areas, and some of them must be submitted as a requirement of specific legal regulations.

Table 4: Types of Surety Bonds in Turkey

⁷ Surety Bond General Terms” published by Turkey Undersecretariat of Treasury (2014)

⁸ “Communique No 2007/01 on Insurance Branches” and “The Law on the Amendment of Some Tax Laws and Other Laws” have been published in Official Gazette No. 30261 (2017).

⁹ A change has been made in the 4th and 34th articles of the

Bond Type	Definition
Advance Payment Bond	provides surety against the risk that the party receiving an advance payment does not fulfill its obligations towards the beneficiary - within the scope of a tender, project or trade of goods and services
Manufacturing / Maintenance / Repair Bond	provides surety for damages after the delivery/ completion of the trade /business
Breach of Trust Bond	provides surety for the damage of the employer due to cheating, fraud, etc.
Customs and Court Bond	provided in favor of tax offices, customs administrations and courts to open a case, to withdraw the goods from the customs
Bid Bond (Temporary Guarantee)	provides surety against the risk of the contractor’s withdrawing from the tender prior to the completion of the tender
Public Claims Bond	an unconditional, precise, absolute, indefinite, type of surety which includes the payment record in the first claim, against the risk that the insured does not pay the public receivable in accordance with the Law on the Procedure for the Collection of Public Receivables No. 6183
Payment Bond	provides surety in case of non-payment to subcontractors and workers
Performance Bond	provides surety against the risk that the contractor fails to fulfill its obligation, (the insurance company can agree with a new contractor and complete the work.)

Public Procurement Law No. 4734. The statement “Letter of Guarantee: letters of guarantee issued by banks and surety bonds held as part of the surety insurance built by insurance companies in Turkey,” has been added on the 4th article of the Law and “b) Letters of guarantee” to item (b) of the first paragraph of Article 34 of the Law has been added.

Contract Bond	provides surety against the debtor's failure to properly fulfill the contractual obligations a type of surety that includes the payment record in the first request, unconditionally, precisely, independently of the insured's obligation against the risks of the surety to be recorded as revenue in the tenders, subject to Public Procurement Law No. 4734 and other regulations. This surety is given within the attached clauses
Public Tender Bonds	

limits are reduced within the banks, whereas the surety bonds are not reducing the credit limits of the contractor companies within the banks.

Surety Bond & Letter of Guarantee Terms

With the letter of guarantee, it is undertaken by the bank that if a specific job/service is not performed under certain conditions and within particular periods by the contractor (principal), the payment is made by the bank unconditional (irrevocable) to the beneficiary. In other words, it is a type of warranty that guarantees the contractor's (principal) commitment to the beneficiary. In fact, in cases where the contractor (principal) does not fulfill its obligation, it is the type of guarantee that obliges the bank to pay unconditionally to the beneficiary in a guarantor's capacity. The bank can only reject the claim by presenting its pleas, such as fraud. The most significant difference of the "surety bond" from the "letter of guarantee" is that the "surety bond" guarantees the project/job to be given to the competent company. In other words, the surety guarantees that the warrantee (contractor) has done the project/job well in the past, and the contractor will do the same again. Since the contractor firm (which builds an airport, railway, bridge) cannot provide collateral as much as the whole project, it is vital in surety bonds to measure the contractor firm's competence and experience that will redo the project/job. While establishing a letter of guarantee, the bank mainly considers the contractor's credibility (i.e., the contractor has substantial collateral, like deposit, pledge, security etc.). Such that the contractor firm should have high credibility and can be able to offer substantial collateral. In the surety bond, the experience and desire to complete the project/job are essential rather than the contractor's financial data and guarantees. In other words, insurance companies provide surety bonds by analyzing the contractor's experience in similar projects and determination in this field. Since the surety bond is an insurance type given for a high volume project, claims to be paid affect the insurance company's net loss ratio negatively. For this reason, in order to work "without loss" principle, each project/job must be passed through a detailed analysis process (financial analysis, performance analysis, objective / subjective evaluation criteria). Because in all cases, the employer authority (beneficiary) prefers the completion of the contractor's work rather than cash compensation. In this context, the one advantage of surety bonds against letters of guarantee is the difference in the risk assessment approach of banks and insurers. In case the work cannot be done, the banks anticipate to cash compensation (namely claims), where the insurance companies take a method to ensure that the work is completed (Grath, 2008).

Above all, as stated above, for contractors with collateral shortage, a surety bond is more advantageous than the letter of guarantee. Since the surety bonds does not reduce the

Source: Undersecretariat of Treasury (2014)

The contractors have been able to present the surety bonds in all tenders, including public tenders, by the change made in the third and fourth articles of the Public Procurement Law No. 4734. The statement "Letter of Guarantee: letters of guarantee issued by banks and surety bonds held as part of the surety insurance built by insurance companies in Turkey," has been added on the 4th article of the Law and "b) Letters of guarantee" to item (b) of the first paragraph of "Article 34" of the Law has been added the mentioned change has been made. It should be noted that, in Turkey, the surety bonds only under the bids done under Public Procurement Law No. 4734 are accepted as of today. In other words, the contractors can present surety to the bids done under Public Procurement Law No. 4734. That is to say; as of today, the insurance companies cannot issue sureties, as collateral, in favor of the companies for them to present to the customs or courts. It is crucial to make the necessary arrangements in the related laws in order to widen the use of surety bonds in Turkey.

As stated above, there is a huge potential for surety bonds in Turkey. However, both the issuance and the usage of surety bonds in Turkey are quite different from the USA and Europe. They are utilized in the place of the letter of guarantee. While establishing surety bonds in Turkey, the insurance company considers the contractor's credibility (i.e., the contractor has substantial collateral, like pledge, security, fixed assets collateral, personal guarantee, and third-party guarantee). Such that the contractor firm should have high credibility and can be able to offer substantial collateral. While establishing a surety bond, the insurance company also analyzes the contractor's experience in similar projects and determination in this field. Especially with collateral shortage, the surety bond is much more advantageous than the bank letter of guarantee, since the surety bond does not reduce the banks' credit limits. While issuing letter of guarantee, the contractor companies' credit

credit limits of the contractors in the banks, it can strengthen the cash financing capacities of the firms. Besides, there is an opportunity for the surety bonds to reinsure (share the risk with reinsurance companies) in the international markets. As in the surety, if the employer applies to the bank with a claim (under the letter of guarantee), the claim cannot be rejected by presenting the contractor’s plea. The cause for the settlement and the accuracy of the reason is not inquired. However, although both instruments have collateral features, there are differences in their legal qualities in Turkey. These differences are included in Table 5.

Table 5: Differences between Surety Bond and Letter of Guarantee

Surety bonds	Letter of Guarantee
subject to Law no. 5684 and subject to supervision and control of Undersecretariat of Treasury in Turkey	regulated within the context of the Banking Law No. 5411 and BRSA ¹⁰ control and supervision and considered as non-cash loans
usually applied by insurance companies	usually applied by banks
bears performance risk	bears financial risk
payment is made if the contractor does not meet the terms of the contract	payment is made upon request. (there may be exceptions where only provisional junctions are received from the courts)
provides an additional assurance to the employer to finish the contractual work	does not reflect to finish the contractual work
upon a claim, the beneficiary has to prove that the contract has been violated (the burden of proof is on beneficiary)	upon a claim the beneficiary does not have to prove the violation

Source: Author’s own elaboration

As stated in Table 5, the debtor must indemnify without asking any deeds and objections in the letter of guarantee when the bank receives the claim request. In the surety bond, the insurer has the right to examine whether the risk has been realized or not, according to the terms of the insurance agreement. However, the surety bonds are mostly implemented in Turkey as a first demand. In other words, surety bonds are mostly implemented in Turkey, like a letter of guarantee. For this reason, the letter of guarantee is preferred by the employer, especially in large projects, since they are more advantageous.

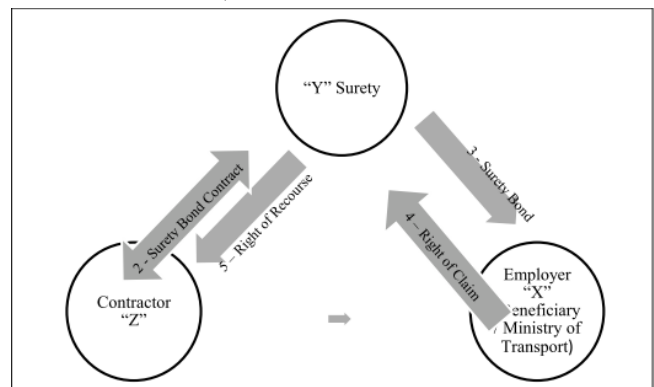
In the surety bond, the insurer has the right to review the

situation when the risk occurs. Due to this feature (instead of being obliged to pay by the bank at the first demand, the insurer has the opportunity to examine), the premium to be paid to the surety insurance is lower than the bank letter of guarantee. It is one of the essential advantages of surety bonds that the insurer has the right to complete the project. In other words, if the risk occurs, the project is completed by the insurer i. by providing financial support to the current contractor or ii. by finding another contractor without entering the tender again.

Case Study

An infrastructure project can be used as an example of a surety bond. The steps to be taken and processes are summarized below:

Figure 1: Surety Insurance Example (Medina Airport Infrastructure Work)



Source: created by the author

- i. The contractor “Z” in Turkey signs a contract -amount of 100 million dollars- including a 10 percent advance payment condition with the employer “X” in Saudi Arabia. The contractor “Z” has to submit a surety bond to participate in the tender according to the terms and conditions of the contract. (Alternatively, the contractor “Z” participates in the tender, initiated by the Ministry of Transport of Saudi Arabia, to construct some plants of the Medina Airport. The contractor “Z” has to submit a surety bond in order to participate in the tender according to the terms and conditions of the tender, issued by the Ministry of Transport.)
- ii. The contractor “Z” applies to the insurance company “Y Surety” for the guaranty -the 10 million dollars’ advance surety bond- required by the beneficiary, according to the terms and conditions of the contract.
- iii. The insurance company “Y Surety” obtains financial statements/balance sheets (audited financials) of the

¹⁰ Banking Regulation and Supervision Agency

contractor “Z” in order to assess the risk. “Y Surety” makes the necessary financial analysis based on subjective criteria by the underwriters. The risk assessment (of surety bond) processes are similar to credit risk monitoring and valuation processes in banking. “Y Surety” assesses the contractor’s financial status and examines his current and future financial strength. “Y Surety” examines the current and past work on hand schedules for the last years in order to find out if the contractor “Z” has sufficient personnel, equipment, working capital, and expertise to complete the contract. “Y Surety” examines the current and past work on hand schedules also to track profits and billings and to see what contractors have done historically.

- iv. “Y Surety” may ask the contractor “Z” to issue guarantees (like deposit, pledge, security, fixed assets collateral, personal guarantee, third-party guarantee, mortgage and bail) depending on the credit rating of contractor “Z”.
- v. During the underwriting process, “Y Surety” reviews the financials of contractor “Z”, cash flow, tax returns, liquidity and debts, and may ask for letters of recommendation and references. Through this process “Y Surety” is vetting the contractor “Z”. When “Y Surety” issues a bond to contractor “Z”, this signals to employer “X” that contractor “Z” is competent and qualified to do the work — and that the risk of the contractor “Z” defaulting is low. (SFAA, 2017b).
- vi. As a result of the analysis, if the “Y Surety” decides to allocate a limit, the insured and the insurance company sign a revocable insurance agreement that includes the agreed “Surety Bond Limit” and “the Special Conditions” of the insurance company. Within this context “Y surety” agrees to indemnify employer “X” from loss it may experience, as a result of the failure of the contractor “Z” to perform its contractual obligation.
- vii. Since surety bonds are classified as “off-balance-sheet” they do not reduce the credit limits of the contractor “Z” in the financial markets/ banks. Besides the surety will allow the banks to use their non-cash credit limits and collaterals in other areas and provide instrument diversity for their collateral needs. Thus the contractor “Z” can reduce his need for letters of guarantee and obtain surety bonds at lower costs.
- viii. “Y Surety” decides on the premium amount that the principal has to pay. The amount of premium is determined according to the economic cycle, interest rates on the market, expected developments on the markets for labor and construction materials, the construction site, etc.
- ix. The premium has to be paid by the contractor “Z” typically in the first request.
- x. The contractor “Z” has an obligation to perform in accordance with the requirements of the construction contract. However, if a default occurs, the surety

company assumes the responsibility of completing the contract (SFAA, 2017b). If contractor “Z” fulfills its contractual obligations, the obligation of the “Y Surety” is invalid (Reynolds, 2021:1).

- xi. However, if contractor “Z” defaults on the underlying contract, employer “X” has right to make a claim against the surety under the surety bond. In other words, if there is a claim, the employer “X” applies to the “Y Surety” with a claim application. If contractor “Z” fails to fulfill his obligation, claims payment is made by the “Y Surety” following the claim application. Namely following the application, the “Y Surety” has to make the payment to the employer “X” immediately, without seeking any additional evidence based on the claim request. “Y Surety” can only reject the claim by presenting its pleas, such as fraud, etc.
- xii. Upon claims payment “Y Surety” initiates a legal follow-up process (legal proceedings to recourse) against the contractor “Z” and tries to collect the amount paid.

Outcome

A surety bond is a three-party agreement between the contractor, the beneficiary, and the surety in which the insurance company agrees to uphold, for the benefit of the employer, the contractual obligations of the contractor if the contractor fails to do. Namely, a surety is a tool that ensures that the contractor can fulfill the obligations regarding the contract against the employer. The insurance company provides the beneficiary with a payment guarantee for the risk of the contractor’s failure to meet the contractual obligation.

In Turkey, the contractor companies used to utilize the “letter of guarantee” to meet this requirement. However, the letters of guarantee, primarily used in construction projects, put pressure on the bank credit limits of the contractor companies, since they are issued over non-cash credit limits -within the banks- of those companies. Besides, while having a letter of guarantee, the banks ask the contractor companies to give guarantees (like deposit, pledge, security, fixed assets collateral, personal guarantee, third-party guarantee, mortgage, and bail). Nevertheless, the contractor companies have difficulties in submitting this kind of collaterals.

On the other hand, while establishing the surety bonds, the insurance companies still ask the contractor companies to issue guarantees, but the surety bonds are classified as “off-balance-sheet,” and they do not reduce the credit limits of the contractor companies in the banks. To put it another way, surety bonds are utilized in the place of a typical letter of guarantee. Thanks to the advantages it provides within its body, the surety allows the contractor companies not to use their non-cash credit limits and collaterals. Since there is a massive potential for financial instruments, which are not reducing the credit limits -especially for

Turkish contractors operating domestically and internationally- the surety bonds play a significant role for the Turkish contractors to open up to new markets and contribute to the strengthening of the Turkish financial markets. Turkish contractors reduce their need for letters of guarantee that are riskier and obtain surety bonds at lower costs. Expanding the surety bond usage will support contractor companies in reaching finance easier. Therefore, the surety bond increases foreign contracting services, increasing the foreign currency inflow and decreasing Turkey's current account deficit.

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Demonstrate the impact of Enterprise Architecture Management in the company by using frameworks

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The scope of this research in progress is, to understand the concept of Enterprise Architecture Management and its points of impact in the company. In addition, the related current state of research on EAM frameworks will be surveyed and used to develop the existing EAM frameworks. Purpose: The results will be used in future research to create frameworks for quantifying EAM added values in the enterprise. Method: This research is carried out using different methodologies of literature research. Results: The literature review gives a structured overview over Enterprise Architecture Management and its Frameworks. In addition, the existing frameworks are being further developed and a new EAM framework is being created that shows where EAM creates added value in the company. Outlook: In future research the resulting EAM Framework is placed in a larger context and will be a part of an EAM Measurement framework. The EAM Measurement Framework is being developed to measure the added value created by EAM at various points in the company by means of key figures.

Introduction

Enterprise Architecture Management (EAM) as an IT-Management tool shows the current use of information technologies in the company and provides a roadmap to achieve a future state. As a "hinge" between IT and business, EAM thus enables IT costs for development and operation to be controlled proactively and the complexity of the application landscape to be managed. (Keuntje et al., 2010,), (Bente et al., 2012). The problem here is that, at first glance, no directly attributable return flow can be calculated for EAM in a classic business calculation. (Durst, 2007). The business is only indirectly secured and enabled, whether by avoiding risks or taking advantage of opportunities. Therefore, there is a lack of an instrument to quantitatively and qualitatively evaluate and present the benefits of EAM. (Höpfner et al., 2021)

Overall Research question for Research Project:

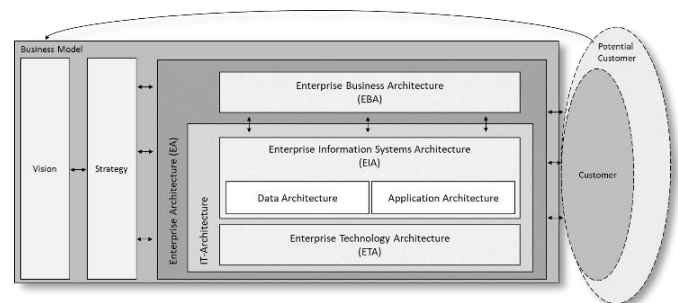
- How can the effect of enterprise architecture management on business success be quantified to demonstrate its business imperative?

In order to achieve this, this conference paper aims to answer

following questions by using of literature analysis:

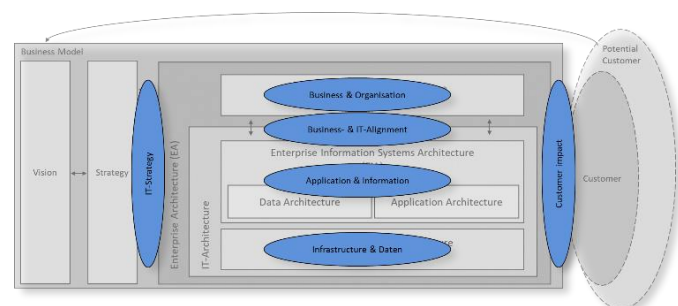
- Where in the company is EAM used?
- Are there existing models that show where EAM is used in the company?
- At which points in the company does EAM generate added value?

Figure 1: Developed EAM-Framework



Source: own illustration

Figure 2: EAM-Framework with cluster of added values



Source: own illustration

Main Part

There are existing EAM-Frameworks like the Zachmann Framework, the TOGAF-Model and the TUM Framework. However, it is not clear from the existing frameworks how EAM integrates into the overall corporate

context and how EAM affects the customer. In order to incorporate this view, the existing frameworks must be developed further (see Figure 1). The TUM framework, which will be further developed in the following to meet the requirements of a systemic view, serves as a jumping-off point for this.

By embedding EAM in the context of the company as a whole, it is possible to identify the points at which EAM is effective and generates added value for the company.

The resulting added values are not part of this work and are therefore bundled in clusters (see Figure 2).

Conclusion and Outlook

- The further developed EAM framework provides an overview of the impact points of EAM in the holistically considered company.
- EAM added values arise at the points of impact, which need to be defined in an outsourced investigation.
- These added values should be quantified and examined with further investigations regard the risk of not implementing EAM in organizations.

In future research the resulting EAM Framework is placed in a larger context and will be a part of an EAM Measurement framework. The EAM Measurement Framework is being developed to measure the added value created by EAM at various points in the company by means of key figures.

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Determinants of Foreign Direct Investment in Turkey between 2008-2021

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This paper examines the relationship between net FDI inflows and economic growth, inflation, and real wage growth variables for Turkey from 2008 to 2021. In the literature, bi-directional or unidirectional causality is found between these variables. This paper shows that there is unidirectional causality from net foreign direct investment inflows to economic growth and from economic growth to inflation variables. Net foreign direct investment inflows are found to be the driver of economic growth by undertaking Granger Causality tests. There is one cointegrating relationship between net foreign direct investment inflows, economic growth, inflation, and real wage growth variables in the long run.

Introduction

Capital shortage in an economy is considered among the main problems of developing countries. In this respect, developing countries have been liberalizing their economies, facilitating market entry, encouraging competition, and stimulating foreign investments in recent years. In order to do that, they provide incentives such as tax or rent exemptions, public sector incentives, lower borrowing cost from banks.

Foreign direct investment (FDI) positively affects the economic wellbeing of developing countries by providing long-term and stable external financing, improving the balance of payments, increasing employment opportunities, improving economic growth and bringing technological development and know-how to the host country. According to Christiansen et al (2003), FDI can be seen as a long-term finance opportunity, especially for the countries where they have limited saving potential. In this respect, it is crucial for countries such as Turkey to attract FDI in order to obtain external finance, achieve current account sustainability, and overall economic growth. FDI from developed countries has more advantages when compared to the FDI from less developed ones. The employment opportunities among the educated and young population are considered as noteworthy by providing them well-qualified jobs through know-how and technology transfer from developed countries. By using the skills, they obtained the employees could start their own

businesses.

Foreign direct investments encourage the competition between local and international companies in the host country's economy through increased productivity, innovation, integration to new business models, and increasing competitiveness in international trade. As stated by Sinani and Meyer (2004) local firms benefited from the competitive environment through an increase in productivity.

For developing countries and transition economies, FDI is an important source of economic development and modernization. Therefore, this subject has been studied in the literature extensively. In general, foreign direct investment inflows are directed to countries with low inflation. However, countries with high inflation could attract foreign direct investment through other advantages. Low inflation is mostly preferred for foreign direct inflows since it is a sign of economic stability. Low labor costs could be seen as an advantage for FDI inflows to developing countries. For the impact of wage on the the FDI, it can be stated that empirical studies did not reach a consensus.

The purpose of this paper is to analyze the determinants of FDI in Turkey namely economic growth, inflation, and real wages between 2008 and 2021. The time period is chosen in order to reflect the current trends of FDI after the global financial crises and Turkey's new approach for attracting FDI.

Literature Review

In order to investigate the foreign direct investments in the Turkish economy, it would be useful to mention the recent studies in the literature.

Kurul (2021) investigated the relationship between FDI inflows and domestic investments by the non-linear ARDL approach using annual data covering the period 1984-2018 for Turkey. The dependent variable is the fixed capital formation as a percentage of GDP. The independent variable is FDI and the control variables are trade openness and economic growth. The results of the study show that there is an asymmetric complementarity relationship between FDI inflows and domestic investments in the long run. It was

found that the long-term effect of a positive change (increase) in FDI inflows is greater than the effect of a negative change (decrease) on domestic investments.

Gökmen (2021) studied the relationship between FDI and economic growth for Turkey utilizing data for the years between 1970-2019 for five variables which are real GDP (in constant 2010 dollars) in logarithmic form and net FDI as % of GDP, domestic credit to the private sector as % of GDP, trade openness as % of GDP and government consumption expenditure as % of GDP. Based on his analysis, results show that there is a unidirectional significant short-run positive effect of real GDP on net FDI inflows to Turkey by using causality tests and vector error correction model. They also stated that, there is no long-run effect of net FDI inflows on real GDP, however an opposite long-run effect has been found.

Ayten (2021) conducted an empirical analysis on how openness, public expenditure, foreign exchange rate, and geopolitical risk affected FDI inflows in Turkey in the period 2006: Q1-2020: Q3 based on the importance attributed to FDI in the global economy. By employing distributed lag autoregressive model (ARDL), it is seen that public expenditures and geopolitical risk factors negatively affect FDI in the long run in Turkey.

Özel and Akaner (2021) used quarterly data between 2005.Q1-2019.Q4 for Turkey to detect which factors are affecting FDI inflows. Based on the quantile regression analysis, it is seen that the most important factor on FDI is economic growth. It is followed by net taxes. Other variables affecting FDI, respectively, are dollar rate, trade openness, and earnings index. Among those, growth, trade openness, and earnings index affect FDI positively, while taxes and dollar exchange rate affect negatively.

Dilaveroğlu and Ersin (2020) aimed to examine the relationship between public administration efficiency and control of corruption and FDI in their study. In the study, E7 countries (Turkey, China, India, Brazil, Russia, Indonesia, Mexico) representing the developing countries, were taken into account using annual data between 2002 and 2018. They used the Pedroni cointegration method. The variables used in the study are government effectiveness index, control of corruption index, and FDI as a percentage of GDP. Their findings state a long-term relationship between the efficiency of public administration and the control of corruption and FDI.

Toshevska-Trpchevska et al. (2018) conducted a similar analysis to detect the relation of FDI inflows and economic growth of the Macedonian economy with Vector Error Correction Model. Their findings reveal that economic factors such as GDP growth rate, openness to trade, and labor productivity affect FDI inflows.

Zengin et al (2018) searched for the factors affecting FDI in Turkey between 1988 and 2015 using Multivariate Adaptive Regression Splines method. Their findings state that the current account deficit has a negative impact on FDI

inflows because of the increasing risk in the economy.

Bayar (2014) constructed an econometric model using co-integration test and vector error correction model to reveal the relationship between economic growth and FDI inflows, domestic investment in Turkey for the period 1980–2012. Their findings show that FDI inflows have a negative impact on economic growth in the short and long run, while gross domestic investments affected economic growth positively in the both long run and short run.

Alagoz et al. (2008) investigate the relationship between FDI and economic growth for Turkey’s 1992-2007 periods and cannot provide enough evidence to state any positive impact of FDI on economic growth in the long run.

Table 1. FDI Inflows into Turkey (1971-2019)

Year	Amount (Million \$)	Year	Amount (Million \$)
1971	45	1996	722
1972	43	1997	805
1973	79	1998	940
1974	64	1999	783
1975	114	2000	982
1976	10	2001	3352
1977	27	2002	1082
1978	34	2003	1702
1979	75	2004	2785
1980	18	2005	10031
1981	95	2006	20185
1982	55	2007	22047
1983	46	2008	19850
1984	113	2009	8586
1985	99	2010	9085
1986	125	2011	16143
1987	115	2012	13745
1988	354	2013	13461
1989	663	2014	12969
1990	684	2015	18976
1991	810	2016	13745
1992	844	2017	11020
1993	636	2018	12981
1994	608	2019	8434
1995	885		

Source: UNCTAD; World Investment Report

Characteristics of FDI Inflows into Turkey

Turkey with population of more than 83.5 million people with 15.4% of which is the youth population is an

important market for firms that decide to engage in foreign direct investment activities.

In Turkey by the Law numbered 4875 dated 2003, the principles to encourage FDI are aimed to be regulated and investment and investors are defined in parallel with international standards. In addition to that, in 2020 Turkey has broadened the concept of a free zone program to promote R&D intensive, high technology, and high value-added activities. In this respect, Ford is investing \$2.6 billion in a technology for electric vehicles in Turkey in 2020 (World Investment Report, 2021).

Table 1 summarizes FDI inflows into Turkey between 1971 and 2019. Due to the change in the legal framework to encourage FDI, the increase in the FDI inflows is observed after 2003. The inflows into Turkey decreased by 15 percent to \$7.9 billion in 2020. (World Investment Report, 2021).

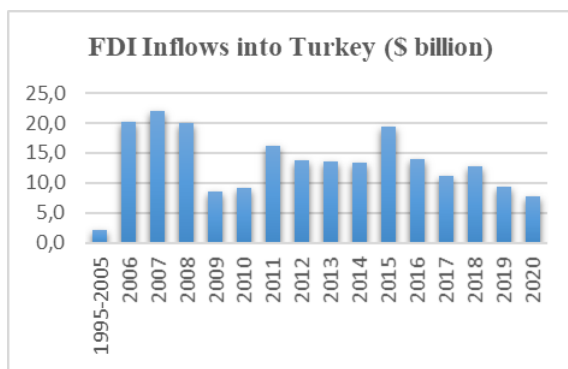


Figure 1. FDI Inflows into Turkey

Source: YASED, 2021 Investment Report

As far as the composition of the FDI inflow is concerned, the total amount of \$7.7 billion consists of a net capital inflow of \$4.3 billion, outflows in other capital (loans) of \$949 million, and inflows from real estate purchases of non-residents of \$4.4 billion. Capital inflows in 2020 decreased by 22% as compared to 2019. The real estate purchases by residents abroad have still had a significant portion of FDI inflows with 57% of the total FDI.

Another important characteristic of FDI is the sectoral breakdown of the investment. As far as the spillovers of the technology and information are concerned, the benefits of these externalities are considered as important advantages and reasons for attracting FDI. Since developing countries have limited resources to devote innovation activities, they can get cut-edge technologies through the mobility of workers, managers, or access to the products within a close geographical location. Sachs (2005) pointed out that many East Asian countries owe the advancements of their technology level to the FDI inflows from developed countries.

From Figure 2 below, it can be stated that the highest share is in the finance sector, followed by the manufacturing

sector which together receives more than half of the FDI inflows. If we look at the change from 2019 to 2020, it can be said that the share of ICT increased from 9.88% to 24.22%; the share of the finance sector increased from 15.31% to 24.47% and the share of the manufacturing sector decreased from 32.83% to 19.21% respectively. The services sector received the highest share of investment in both years followed by the manufacturing sector. The rapid growth of ICT services can be explained by the changing needs in the pandemic era as well as the development of technology.

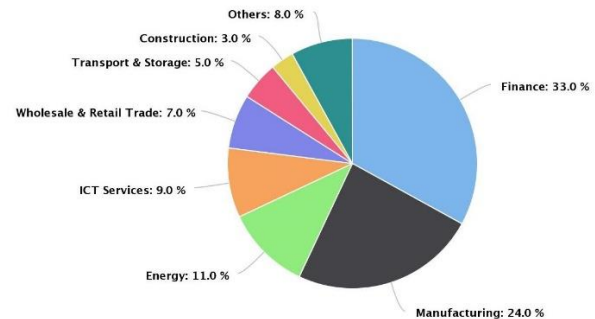


Figure 2. Sectoral Composition of FDI Inflows into Turkey (2003-2020)

Source: The Investment Office of the Presidency of the Republic of Turkey

Table 2. Sectoral division of FDI Inflow into Turkey

Sectors	2019	2020
Finance and Insurance	900	1,387
ICT Services	581	1,373
Manufacturing	1,930	1,089
Wholesale and Retail Trade	892	572
Transport and Storage	274	525
Others	1,301	723
Total	5,878	5,669

Source: YASED, 2021

Figure 3 below provides information about the host countries of the FDI investments. The highest share of the inflow of FDI into Turkey is from European countries.

Within the context of global uncertainty related to the Covid-19 pandemic and its impact on the economies, the FDI flows are expected to decline globally. Especially in the healthcare and technology-related sectors, mergers and acquisitions were increased in 2020. With the help of the vaccination process and economic aid packages, the expectations turned out to be positive for the future.

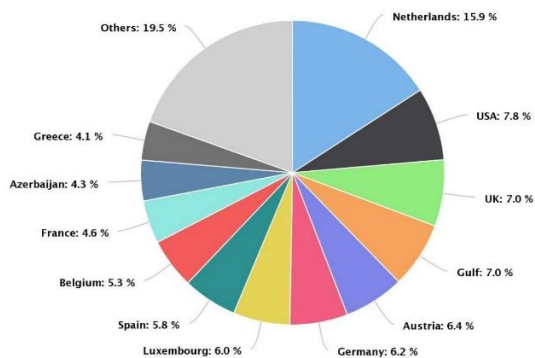


Figure 3. Host Countries of FDI into Turkey (2003-2020)

Source: The Investment Office of the Presidency of the Republic of Turkey

Data and Econometric Analysis

In order to analyze the determinants of foreign direct investment in Turkey net FDI inflows, economic growth, inflation, and real wage growth variables are used. The variable used as net FDI inflow (*fdi*) is calculated as the difference between capital inflows and outflows obtained from the Central Bank database “Balance of Payments” data. Economic growth (*gdp*) is calculated by the change in constant price gross domestic product and obtained from FRED database. Inflation (*inf*) is calculated as annual change with respect to the previous year's same quarter and obtained from Turkstat. Real wage (*wage*) is calculated as the hourly earnings growth in the industrial sector adjusted for inflation.

Table 3. ADF test results for level variables

Variable s	Trend and Constant term		Constant term	
	Lag length	ADF	Lag length	ADF
<i>fdi</i>	0	-4.17**	0	-4.23***
<i>gdp</i>	0	-3.00	0	-3.03**
<i>inf</i>	9	-1.85**	9	-0.5
<i>wage</i>	0	-3.99*	0	-3.43

The critical values for deterministic trend and constant term model are -4.14, -3.49 and -3.17 respectively for 99%, 95% and 90% confidence levels. The critical values for constant term model are -3.56, -2.91 and -2.59 respectively for 99%, 95% and 90% confidence levels. * % 90, ** % 95 and *** % 99 shows the cases that null hypothesis is rejected at these confidence levels.

Before conducting vector autoregressive analysis, the stationarities of the variables are investigated. According to the Augmented Dickey-Fuller test results are presented in Table 3. Foreign Direct Investment and inflation variables

are found to be stationary at 5 % significance level, whereas wage variable is found to be stationary at 10 % significance level. However, all variables are found to be integrated of order 1 at 1 % significance level.

When the first differences of the series are used, all variables are found to be stationary as seen in Table 4.

Table 4. ADF test results for level first differenced variables

Variable s	Constant term	
	Lag length	ADF
<i>d(fdi)</i>	1	-6.50***
<i>d(gdp)</i>	0	-7.76***
<i>d(inf)</i>	7	-4.00**
<i>d(wage)</i>	0	-9.95***

The critical values for constant term model are -3.56, -2.91 ve -2.59 respectively for % 99, % 95 ve % 90 confidence levels. * % 90, ** % 95 ve *** % 99 shows the cases that null hypothesis is rejected at these confidence levels.

Since the variables in the study are found to be nonstationary, a cointegration test is undertaken using the level of the variables which is the appropriate methodology for the study. In the literature, this methodology is mainly used in the analysis when the integration of all the variables is found to be order one. In this study, the cointegration method applied is developed by Johansen (1988) and Johansen & Juselius (1990), which are trace and maximum eigenvalue tests. The lag length of the VAR model is found to be 1 according to final prediction error, Akaike information, Schwarz information, and Hannan-Quinn information criteria.

As seen in Table 6, one cointegrating vector is found according to trace and maximum eigenvalue tests at 5 % significance level. Next, long-term causality among the variables is tested using the vector error correction model. In order to eliminate outliers in the residuals, D1 and D2 dummy variables are used in the cointegration analysis. D1 refers to impulse dummy variable which takes value 1 at 2015: Q3, D2 refers to impulse dummy variable which takes value 1 at 2018: Q4.

When the cointegration relationship is investigated no deterministic trend (restricted constant) model is used since the constant term is found to be significant in the cointegration equation. A long-term relationship between foreign direct investment, economic growth, inflation, and wage variables is found according to Table 6. All the variables in the cointegrating equation are found to be significant.

Using the vector error correction model the existence of long-term causality is examined in a holistic way as shown in Table 7. In the case of the vector error correction term coefficient being negative and significant, the existence of causality from the independent variables to the dependent variable could be mentioned. Since the error correction term

is found to be negative and statistically significant (-4.71), it is argued that there is causality from economic growth, inflation, and wage variable to net foreign direct investment inflows. In this respect, it could be said that the whole system evolves to an equilibrium at a speed of nearly 3.57% in each

quarter. The estimation of the vector error correction model is not provided in the paper due to space concerns. Upon request the vector error correction model findings could be provided by the authors.

Table 6. Cointegration Test Results

Trend assumption: No deterministic trend (restricted constant)				
Variables: fdi gdp inflation wage				
Exogenous series: D1 D2				
Lag interval: 1 to 1				
Unrestricted Cointegration Rank Test (Trace)				
Hypothesized		Trace	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.444442	64.85887	54.07904	0.0041
At most 1	0.314708	34.88199	35.19275	0.0540
At most 2	0.208634	15.60857	20.26184	0.1935
At most 3	0.069521	3.674830	9.164546	0.4627
Unrestricted Cointegration Rank Test (Maximum Eigenvalue)				
Hypothesized		Max-Eigen	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.444442	29.97688	28.58808	0.0330
At most 1	0.314708	19.27342	22.29962	0.1255
At most 2	0.208634	11.93374	15.89210	0.1899
At most 3	0.069521	3.674830	9.164546	0.4627
Unrestricted Cointegrating Coefficients (normalized by b*S11*b=I):				
fdi	gdp	Inflation	wage	C
0.001073	0.009843	-0.132869	-0.027065	3.782867
2.65E-05	0.155988	0.164187	-0.231267	-1.348513
0.000104	-0.196755	0.043314	-0.145653	1.502053
0.000233	0.023382	0.219108	0.134278	-2.733588
Unrestricted Adjustment Coefficients (alpha):				
D(fdi)				
-584.6072		-104.9490	124.3372	-76.46527
D(gdp)				
1.444014		-0.778648	1.177246	-0.152180
D(inflation)				
0.226857		-0.308424	-0.448812	-0.345315
D(wage)				
-0.909754		1.961642	0.298389	0.161040
1 Cointegrating Equation(s):		Log likelihood	-768.4674	
Normalized cointegrating coefficients (standard error in parentheses)				
fdi	gdp	Inflation	wage	c
1.000000	9.169392	-123.7820	-25.21434	3524.162
	(41.2272)	(51.1721)	(49.4506)	(640.250)
Adjustment coefficients (standard error in parentheses)				
D(fdi)				
-0.627523				
	(0.12746)			
D(gdp)				
0.001550				
	(0.00055)			
D(inflation)				
0.000244				
	(0.00028)			
D(wage)				
-0.000977				
	(0.00061)			

Table 7. Vector Error Correction Results

Vector Error Correction Estimates				
Standard errors in () & t-statistics in []				
Cointegrating Eq:	CointEq1			
fdi(-1)	1.000000			
gdp(-1)	4.243127 (41.7675) [0.10159]			
inflation(-1)	-127.6153 (51.8427) [-2.46159]			
wage(-1)	-23.61386 (50.0986) [-0.47135]			
C	3712.093			
Error Correction:	D(fdi)	D(gdp)	D(inflation)	D(wage)
CointEq1	-0.612049 (0.12980) [-4.71521]	0.001629 (0.00055) [2.93781]	0.000263 (0.00029) [0.91698]	-0.001043 (0.00062) [-1.69410]
D(fdi(-1))	0.047649 (0.12649) [0.37669]	-0.000271 (0.00054) [-0.50137]	-0.000391 (0.00028) [-1.39864]	0.000197 (0.00060) [0.32746]
D(gdp(-1))	-18.22400 (43.8687) [-0.41542]	-0.308100 (0.18736) [-1.64442]	0.130304 (0.09704) [1.34279]	0.177373 (0.20816) [0.85211]
D(inflation(-1))	-51.28917 (84.8738) [-0.60430]	-0.546884 (0.36249) [-1.50868]	0.363835 (0.18775) [1.93792]	0.462441 (0.40273) [1.14827]
D(wage(-1))	-77.88976 (40.0866) [-1.94304]	0.037927 (0.17121) [0.22153]	0.053401 (0.08867) [0.60222]	-0.200520 (0.19021) [-1.05420]
C	156.0838 (122.767) [1.27139]	0.155443 (0.52433) [0.29646]	0.090955 (0.27157) [0.33493]	-0.098141 (0.58253) [-0.16847]
D1	-2312.921 (895.473) [-2.58291]	-0.064518 (3.82451) [-0.01687]	-0.744024 (1.98083) [-0.37561]	1.368198 (4.24902) [0.32200]
D2	-1889.821 (992.317)	-0.411355 (4.23813)	1.192312 (2.19506)	-3.773158 (4.70855)

	[-1.90445]	[-0.09706]	[0.54318]	[-0.80134]
R-squared	0.527313	0.304354	0.214236	0.208523
Adj. R-squared	0.450364	0.191109	0.086321	0.079678
Sum sq. resids	31594629	576.3159	154.5979	711.3563
S.E. equation	857.1807	3.660969	1.896128	4.067330
F-statistic	6.852750	2.687573	1.674829	1.618401
Log likelihood	-412.4510	-134.1990	-100.6454	-139.5672
Akaike AIC	16.48827	5.576433	4.260604	5.786950
Schwarz SC	16.79131	5.879464	4.563636	6.089982
Mean dependent	82.17647	0.084118	0.102941	-0.070196
S.D. dependent	1156.205	4.070531	1.983676	4.239742

Using the vector error correction model the existence of long-term causality is examined in a holistic way as shown in Table 7. In the case of the vector error correction term coefficient being negative and significant, the existence of causality from the independent variables to the dependent variable could be mentioned. Since the error correction term is found to be negative and statistically significant (-4.71), it is argued that there is causality from economic growth, inflation, and wage variable to net foreign direct investment inflows. In this respect, it could be said that the whole system evolves to an equilibrium at a speed of nearly 3.57% in each quarter. The estimation of the vector error correction model is not provided in the paper due to space concerns. Upon request the vector error correction model findings could be provided by the authors.

Table 8. Granger Causality Test Results

Lags: 1			
Null Hypothesis:	Obs	F-Statistic	Prob.
gdp does not Granger Cause fdi	52	3.87969	0.0545
fdi does not Granger Cause gdp		8.82394	0.0046
inflation does not Granger Cause fdi	52	1.45045	0.2342
fdi does not Granger Cause inflation		0.14171	0.7082
wage does not Granger Cause fdi	52	0.14517	0.7048
fdi does not Granger Cause wage		1.87659	0.1770
inflation does not Granger Cause gdp	52	4.00819	0.0508
gdp does not Granger Cause inflation		4.81493	0.0330
wage does not Granger Cause gdp	52	0.43911	0.5107
gdp does not Granger Cause wage		0.69182	0.4096
wage does not Granger Cause inflation	52	1.24022	0.2709
inflation does not Granger Cause wage		3.23411	0.0783

In order to analyze pair-wise causality between variables, Granger causality tests are undertaken. When Table 8 is examined, fdi Granger causes gdp, gdp granger causes inflation at 5 % significance level. Therefore,

unidirectional causality is found from net foreign direct investment inflows to economic growth and from economic growth to inflation variables. Net foreign direct investment is found to be the driver of economic growth. In order to achieve sustainable economic growth, most of the developing countries tend to attract more foreign direct investment. The importance of foreign direct investment comes from the need for external financing in Turkey. From a microeconomic perspective, the local companies try to find establish partnerships and/or alliances in order to increase their global competitiveness. Another finding of the study is that as economic growth increases inflation increases respectively. Since consumption mostly contributes to economic growth in Turkey, aggregate demand inflation is caused thereby. Since import dependence of private consumption goods widens the current account deficit which is considered as the reason for domestic currency depreciation. The more the Turkish lira loses value the higher is the inflation. This is known as the pass-through effect in the literature.

The impulse response functions depict the impact of a one standard deviation shock in one of the random error terms on the current and future values of endogenous variables. The responses of the other variables to the generalized 1 standard deviation shocks occurring in the variables in the estimated vector error correction model are shown in the tables between Table 9 and Table 11. At this point, interpretation of impulse-response analysis for indicators whose coefficients are significant in the long-term relationship model and which also has a causal relationship as a result of causality analysis may produce more accurate results

In Table 9 impulse response for net foreign direct investment inflows variable is given. Net foreign direct investment inflows reach equilibrium in a period of 10 quarters with respect to shocks in other variables. Net foreign direct investment inflows variable responses to one standard error shock which occur in net foreign direct investment inflow, economic growth, inflation, and wage variables as 372, 21.03, 205.47, and -178 respectively two periods later. The greatest response is seen in the net foreign direct investment inflows variable itself in one period later which

is 857. Ten periods later the response has declined to 82.20. The response of economic growth becomes negative after three periods whereas the response of wage becomes positive after four periods.

Table 9. Impulse Response Table for Net Foreign Direct Investment Inflow

Period	fdi	gdp	inflation	wage
1	857.1807	0.000000	0.000000	0.000000
2	372.1762	21.03319	205.4749	-178.7434
3	143.9944	-62.20352	146.0254	-2.103240
4	44.59638	-27.68698	242.8746	37.07945
5	25.30843	-22.72870	264.8494	68.00281
6	45.35519	-12.35753	276.9278	69.79669
7	66.04411	-9.542056	275.0129	64.15343
8	78.45602	-9.311218	270.6295	58.49726
9	82.51333	-10.15157	267.3589	55.32241
10	82.20665	-10.93887	265.8735	54.38723

In Table 10 impulse response for economic growth is presented. Economic growth variable responses to one standard error shock which occur in foreign direct investment, economic growth, inflation, and wage variables as 1.17, 2.72, -1.41, and -0.001 respectively two periods later. The greatest response is seen in the economic growth variable itself one period later which is 3.66.

Table 10. Impulse Response Table for Economic Growth

Period	fdi	gdp	inflation	wage
1	0.079737	3.660101	0.000000	0.000000
2	1.176691	2.720330	-1.419.940	-0.001499
3	1.632429	2.911985	-1.393.885	-0.452186
4	1.549607	2.769413	-1.604.418	-0.504261
5	1.415739	2.746490	-1.611.138	-0.487691
6	1.299225	2.734816	-1.587.625	-0.447712
7	1.247783	2.738109	-1.561.378	-0.417083
8	1.237970	2.744124	-1.545.349	-0.404503
9	1.245722	2.748038	-1.540.331	-0.402576
10	1.255423	2.749694	-1.540.712	-0.405002

In Table 11 impulse response for inflation is presented. Inflation variable responses to one standard error shock which occur in net foreign direct investment inflows, economic growth, inflation and wage variables as 0.05, -0.21, 1.88 and 0 respectively one period later. The greatest response is seen in the inflation variable itself one period later which is 1.88, and this response continues relatively high through ten periods.

In Table 12 impulse response for wage variable is presented. Wage variable responses to one standard error shock which occur in net foreign direct investment inflows,

economic growth, inflation, and wage variables as 0.01, -0.62, -2.44, and 2.81 respectively one period later. The greatest response is seen in the wage variable itself one period later which is 2.81, and this response continues relatively high through ten periods.

Table 11. Impulse Response for Inflation

Period	fdi	gdp	inflation	wage
1	0.056849	-	1.883119	0.000000
2	0.022867	0.119325	2.389722	0.132948
3	0.348698	0.162006	2.369206	0.158643
4	0.654625	0.211997	2.341788	0.037566
5	0.796547	0.199207	2.264566	-0.038401
6	0.829149	0.185760	2.223577	-0.074952
7	0.811188	0.174804	2.208408	-0.081390
8	0.786257	0.170234	2.208672	-0.075694
9	0.770210	0.169599	2.213572	-0.068866
10	0.764153	0.170464	2.217674	-0.064714

Table 12. Impulse Response for Wage

Period	fdi	gdp	inflation	wage
1	0.016956	-1.623.464	-2.442.962	2.817656
2	-0.664310	-0.832575	-0.891709	2.322083
3	-0.878281	-1.038.047	-1.091.842	2.708970
4	-0.760244	-0.911466	-0.925882	2.690119
5	-0.661624	-0.909836	-0.947453	2.671200
6	-0.586216	-0.903505	-0.966730	2.640787
7	-0.560100	-0.907765	-0.984934	2.621668
8	-0.558922	-0.912097	-0.994265	2.615514
9	-0.566408	-0.914468	-0.996228	2.615620
10	-0.573165	-0.915280	-0.995264	2.617809

Variance decomposition analysis is undertaken after the impulse response analysis. Variance decomposition separates the variance of forecast error in each variable according to each endogenous variable. That shows the percentage of variation explained by all of the variables including itself (Enders,1995).

In Table 13 the sources of the variation in net foreign direct investment inflows are analyzed using the variance decomposition method. In the first period, all of the change in net foreign direct investment inflows is explained by itself. In the second period, 92 % of the change in net foreign direct investment inflows is explained by itself, % 4.45 of the

change in net foreign direct investment inflows is explained by inflation, %3.37 by wages and the explanatory power of economic growth is found to be insignificant. The contribution of inflation increases through ten periods, the contribution of net foreign direct investment inflows decreases, whereas the role of wages stays steady.

In the short term the most explanation in the change in net foreign direct investment flows comes from itself, on the other hand, in the long run, the most explanation in the change in net foreign direct investment inflows comes from inflation variable as can be seen in Table 13. Inflation is mostly related with price stability, that has a strong relationship with macroeconomic stability and investment environment which leads to unpredictable exchange rates, interest rates and financing cost for the multinational companies that operates within the country. This is mostly related to the profitability of the companies which affects the investment decisions of companies.

Table 13. Variance Decomposition of Net Foreign Direct Investment Inflows

Period	S.E.	fdi	gdp	inflation	wage
1	857.1807	100.0000	0.000000	0.000000	0.000000
2	973.5941	92.12863	0.046672	4.454117	3.370576
3	996.9037	89.95704	0.433850	6.393867	3.215242
4	1028.074	84.77313	0.480469	11.59308	3.153316
5	1064.360	79.14801	0.493867	17.00795	3.350178
6	1103.011	73.86741	0.472414	22.14026	3.519919
7	1140.541	69.42141	0.448835	26.52129	3.608467
8	1176.324	65.70698	0.428209	30.22524	3.639568
9	1210.450	62.51888	0.411438	33.42356	3.646123
10	1243.268	59.69915	0.397745	36.25556	3.647543

Table 14. Variance Decomposition of Economic Growth

Period	S.E.	fdi	gdp	inflation	wage
1	3.660969	0.047439	99.95256	0.000000	0.000000
2	4.919728	5.746879	85.92287	8.330245	9.28E-06
3	6.123365	10.81669	78.07902	10.55896	0.545330
4	7.098941	12.81292	73.31257	12.96420	0.910317
5	7.923136	13.47867	70.86941	14.54227	1.109653
6	8.640850	13.59333	69.60257	15.60266	1.201435
7	9.291413	13.55992	68.88134	16.31815	1.240584
8	9.896710	13.51668	68.40146	16.82133	1.260529
9	10.46819	13.49726	68.02823	17.19996	1.274550
10	11.01171	13.49753	67.71378	17.50158	1.287107

In the first period, the change in economic growth is explained by itself with 99 % in Table 14. This ratio declines to 67 % in the tenth period. In the long run, the contribution of economic growth declines as the share of inflation and net foreign direct investment inflows rise. The explanatory power of wage is significant. The effect of inflation mostly

comes from the consumption side; the effect of net foreign direct investment inflows comes from the fixed capital formation.

In table 15 in the first period, the change in inflation is explained by itself with 98 %. This ratio declines to 91 % in the tenth period. The other variables don't have a significant role in explaining the change in inflation. High inflation mostly deteriorates inflation expectations and pricing behaviors. It brings spillover, rigidity, and stickiness effect throughout inflation's main outlook.

Table 15. Variance Decomposition of Inflation

Period	S.E.	fdi	gdp	inflation	wage
1	1.896128	0.089889	1.277520	98.63259	0.000000
2	3.055897	0.040206	0.644312	99.12621	0.189273
3	3.889042	0.828747	0.571353	98.31663	0.283266
4	4.591678	2.627071	0.623036	96.53999	0.209899
5	5.185307	4.419783	0.636138	94.77400	0.170075
6	5.706077	5.761339	0.631303	93.44966	0.157702
7	6.175078	6.645091	0.619183	92.58370	0.152029
8	6.607778	7.219154	0.607117	92.02784	0.145892
9	7.013513	7.614052	0.597381	91.64943	0.139142
10	7.397608	7.910944	0.590056	91.36628	0.132721

In Table 16 in the first period, the change in wage variable is explained by itself with 47 %. This ratio increases to 70 % in the tenth period. The ratio of inflation is 36 % in the first period and decreases to 10 % in the tenth period. The ratio of economic growth is 15 % in one period and decreases to 10 % in the tenth period.

Period	S.E.	fdi	gdp	inflation	wage
1	4.067330	0.001738	15.93187	36.07569	47.99070
2	4.885169	1.850397	13.94861	28.33959	55.86141
3	5.851874	3.542103	12.86738	23.23101	60.35951
4	6.614164	4.093851	11.97136	20.14435	63.79044
5	7.283247	4.201454	11.43341	18.30544	66.05969
6	7.881243	4.141321	11.07843	17.13755	67.64270
7	8.431783	4.059431	10.83802	16.33718	68.76537
8	8.948115	3.994624	10.66235	15.74081	69.60221
9	9.437148	3.951576	10.52491	15.26609	70.25742
10	9.903004	3.923526	10.41221	14.87363	70.79064

In the short run, the effect of inflation is quite high since high inflation causes higher wage increase demand both in the public and private sector. Also, high wage increases contribute to individuals spending ability in the short term, this leads to higher inflation through the demand side. That can be defined as a bilateral cycle between wages and inflation. In the long run, the effectiveness of inflation declines and wages themselves increases. That can be explained by two main factors: inflation is mostly expected to decline in the long run. Wage increases are linked with many other factors such as political environment especially

during elections, minimum wage increases, collective bargaining agreements, and the demand of labor unions.

Table 16. Variance Decomposition of Wage

Conclusion

The importance of foreign direct investment is indisputable in terms of being an important source of finance especially for developing countries, as well as contributing to technology and know-how transfer and innovation. In this study, the determinants of net FDI inflows for Turkey between the years 2008-2021 were examined.

The determinants of net foreign direct investment inflows used in the study are economic growth, inflation, and real wage changes. One cointegration relationship is found between net foreign direct investment inflows, economic growth, inflation, and wage variables. According to the Granger causality test, one-way causality was found from net FDI inflows to economic growth and from economic growth to inflation. This is an expected result for Turkey as a developing country. As the net FDI inflows increase economic growth is observed in the Turkish economy. The Granger causality from economic growth to inflation implies that initially economic growth is achieved and afterward inflation rises. In Turkey, during the period of analysis demand driven growth has observed. This caused univariate causality from economic growth to inflation.

The exchange rate crisis which occurred in 2018 in Turkey, the 2008 global financial crisis, the political and economic instabilities might have been other important factors explaining the foreign direct investment inflows in Turkey.

It is possible to encounter similar and dissimilar results with the findings of this study in the literature. Although there is no consensus between economic growth and FDI, the results found here are consistent with the studies of Afşar (2007) and Ghergina et al (2018). Nevertheless, there are also studies that find a bi-directional relationship between FDI and GDP; such as Mucuk and Demirel (2009) and Ozturk and Kalyoncu (2007). In terms of inflation, although there are studies such as Glaister and Atanasova (1998), Coskun (2001) and Wint and Williams (2002) that conclude that low inflation rate will attract FDI, as indicated in this paper, Mangır et al. (2012) and Akinkugbe (2003) studies did not find any causality between inflation and FDI.

Based on impulse response functions, net foreign direct investment inflows variable responses to one standard error shock which occurs in net foreign direct investment inflows, economic growth, inflation, and wage variables. The greatest response comes from net foreign direct investment inflows variable itself in one period later. According to variance decomposition results, the greatest explanatory power of net FDI inflows belongs to itself in the short run while the explanatory power of inflation goes up to 36% after 10 periods. FDI inflows should be attracted to the sectors of the

Turkish economy which have the highest contribution to economic growth.

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Industry Destination Choices and International Market Targets of Turkish and Foreign Investors

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This study aims to cogitate concept of industrial destination to the literature and to determine how domestic and foreign companies determine their industrial destination and foreign market targets. For this purpose, field research was conducted for 149 companies to determine the importance of industrial destination elements. According to the findings, it has been revealed that the most important element of the industrial destination selection for foreign investors is input, and the least important element is marketing/management. For domestic investors, it has been determined that marketing is the most important element and input is the least important element. Considering the foreign investments, a large portion of the domestic investors have not made any new greenfield investments abroad in the last five years.

1. Introduction

The momentum that was generated with the free movement of capital can today be seen in the free movement of production capacity. Especially in recent years, the increase in the effect of free movement of production has brought about important changes even in the rankings of developed and developing countries in the world. When considered in this context, a region's becoming attractive for the investment of production facilities, whether for industry or service, can only be presented through a comprehensive destination definition in which all factors are evaluated together.

2. The Concept of Industry Destination

2.1. Destination Concept

While the destination takes place in the literature as a physical entity, it can also be characterized as a concept with perceptual elements. This concept generally encompasses the combination of goods, services and experiences offered on a local scale. As a matter of fact, an attractive destination reflects visitors' feelings and thoughts about the destination's ability to meet their needs and provide individual benefits (Kiralova and Pavlice, 2015, p.358). In addition to the

attraction factor, economic, social, psychological and technological factors also play a role in determining the destination.

2.2. Industry Destination Concept

In the literature, centers where production facilities come together and form a superstructure have been named under different titles such as industrial area, special economic zone, organized industrial zone, production park, industrial park (Cuadrado-Roura, 2016; Uğurlu and Tuncer, 2016; Khondoker and Kalirajan, 2012; Das and Kalita, 2009; Manjappa and Mehesh, 2008; Sugihara, 2007). As a concept in the literature close to the industrial destination, industrial tourism comes to the fore. Industrial tourism refers to the evolution of production facilities to become touristic attractions. This means that sometimes the production itself can be part of the appeal. However, the term industrial tourism is slightly different, because in this type of tourism, not only industrial activities and facilities, but also all kinds of economic activities and buildings can become attractions.

2.3. Elements of Industrial Destination

There has not been a grouping yet in the literature regarding the elements of the industrial destination, thus this research examined them under the following headings:

- Input element: refers to all input items required in the process of producing a product or service.
- Process element: All necessary processes until the product or service reaches the end user
- Product element: Characteristics related to the quality and competitiveness of the manufactured product or service.
- Marketing and Management: Requirements for the product or service to be produced with high efficiency and reach the end consumer

3. Industrial Investments in International Markets

Providing production or services in different countries with attractive investment conditions makes a company multinational. A multinational company can be defined by

the fact that the partnership resources are distributed worldwide without considering national borders, but belong to a national state in terms of ownership and senior management (Kıvılcım, 2013, p.11). If the investments are realized through the purchase of financial assets such as stocks and bonds, international portfolio investments are called foreign direct investments, even if they are realized in the form of buying a building, factory or land from a foreign country (Seyidoğlu, 1993, p.523).

Foreign direct investment can be made by individuals, joint stock or unincorporated organizations, public or private companies, government-owned entities and other organizations. Foreign direct investment, which is also realized through the assembly industry and build-operate-transfer model, finds a suitable environment in developing countries where capital, technology, domestic savings and purchasing power are insufficient and the labor force is cheap in developing countries where foreign currency bottlenecks are experienced. (Oksay, 1998, p.17)

There are multiple reasons why companies become multinational. Generally, the primary purpose of a company's production in another country is to increase profits by reducing costs. Multinational companies generally prefer developing countries with well-trained manpower. Again, foreign capital volume and business lines, transportation, energy, communication, infrastructure, external economies, changing consumer profile and economic integrations are among the factors that attract foreign direct investments (Bal, 2000, p.245,246). For multinational companies that prefer advantageous regions in terms of market access and competitive production, the fact that the target country is located within the commercial networks in the region is an important criterion (Dücan, 2016).

Multinational companies often transfer foreign currency when making foreign direct investments. This foreign exchange transfer to the country is of great economic importance. Due to its contribution to economic growth, countries make many efforts to encourage foreign direct investments. There are a number of rules that needs to be followed by countries that want to attract foreign direct investments. Elements such as economic and political stability, necessary infrastructure investments, ease of entry to the market, regulations on profit repatriation, long-term growth trend and skilled workers to be employed, which investors consider as basic criteria should be accommodated. (Tüylüoğlu, Aktürk, 2006, p.88) Private capital is attracted with the right combination of risk and return. Determinants of foreign direct investment can be listed under three main groups: political factors, economical factors, investment related factors (Aydemir, Genç, 2015, p.22,23).

While it may be profitable for a company to make a decision to investment outside the borders of the country it is affiliated with, they should also consider economic and political uncertainties. As a matter of fact, terrorism, political

instability, war and uncertainty reduce foreign direct investments.

4. Purpose and Method of Research

4.1. Sample

The universe of the research consists of managers of medium and large-scale enterprises operating in Turkey and in the world, and the sample consists of managers at investment related decision-making roles working in companies who have made equity investments in the last five years or are considering making equity investments in the next five years. Participation in the research was done on a voluntary basis, through simple random sampling. In this context, a total of 149 company executives, including 116 local and 33 foreign based company employees, were included in the study.

4.2. Data Collection Tool

In the research, a data collection tool consisting of two parts, company general information and Industrial Destination Elements Requirement Scale (IDERS), was used as data collection tool.

4.3. Statistical Methods Used

Frequency analysis was used to define the nominal and ordinal parameters obtained in the study, and the mean and standard deviation values of the scales were used to define the measurement data. For the validity of the scale, Lawshe Scope Validity and Principal Components Analysis (Factor Analysis) were performed. In Principal Components Analysis, Varimax Rotation, Barlett's Test and Kaiser Meyer Olkin tests were performed. For reliability, the Cronbach Alpha internal consistency coefficient was calculated. Before testing the hypothesis, the Kolmogorov Smirnov test was used to test the normality of the distributions of the scale means. Independent Sample T-Test was used for the difference of normally distributed parameters between the two groups, and the One Way ANOVA test was used for the difference between more than two groups. Mann Whitney U Test for the difference between the two groups of parameters that do not fit the normal distribution, Kruskal Wallis test was performed for the difference between more than two groups. All analyzes were performed in SPSS 17.0 for Windows program with 95% Confidence Interval at a significance level of 0.05.

5. Findings of the Research

The results obtained in the research show that the concept of industrial destination and its elements are adopted by both domestic and foreign samples and are considered sufficient.

5.1. Factors Effective in Determining the Industrial Destination According to Domestic and Foreign Investors

For Domestic Investors; Input element score does not show a significant difference according to the characteristics other than the idea of investing in the next five years ($p < 0.05$) ($p > 0.05$). The process element score is based on the characteristics other than the sector, firm size and the idea of investing in the next five years ($p < 0.05$). does not show a significant difference ($p > 0.05$). The product element score does not show any significant difference ($p > 0.05$), except for firm size, participant position, and the idea of investing in the next five years ($p > 0.05$). The marketing/management element score is based on capital structure, participant position, and investing in the next five years. it does not show a significant difference according to the features other than the thought ($p < 0.05$) ($p > 0.05$).

As can be seen, in all elements, the differences between participants who plan to invest in the next five years and those who do not are statistically significant. In addition, firm size for process and product element, and participant position for product and marketing/management element cause significant differences. In product and marketing/management, it is possible to state that the larger scale of production and the fact that it is above the level that satisfies the domestic market and that it needs the foreign market has an effective role.

For Foreign Investors; Input element does not show a significant difference ($p > 0.05$), except for the five-year investment history and the thought of investing in the next five years ($p < 0.05$). The process element does not show any significant difference ($p > 0.05$), except for the capital structure, five-year investment history, and the idea of investing in the next five years ($p < 0.05$). The product element does not show any significant difference ($p > 0.05$), except for the five-year investment history and the thought of investing in the next five years ($p < 0.05$). Marketing/management element does not show a significant difference according to demographic characteristics ($p > 0.05$).

In the foreign investor results, the scores obtained in input, process and product elements differ significantly according to the investment history in the past five years and the investment thought in the next five years. In the marketing and management process, the scores obtained were high according to all demographic characteristics, and the differences according to demographic groups were not statistically significant.

5.1. Foreign Market Targets According to Domestic and Foreign Investors

For Domestic Investors; When the target markets of the companies where the participants work are analyzed, 25.9% of them operate in domestic, 9.5% abroad and 64.7% in domestic and international target markets. 28.4% of the

participants stated that they made new greenfield investments abroad in the last five years, while 71.6% stated that they did not. In general, a large part of the participants has not made any new investments abroad in the past five years. However, they stated that the existing investments continue or the capacity is enlarged. While 41.4% of the participants thought that they would make new investments abroad in the next five years, 39.7% stated that they would not. 19.0% of the participants did not express their opinion on this issue.

For Foreign Investors; When the target markets of the companies where foreign participants work are analyzed, 18.2% of them operate in domestic, 15.2% abroad and 67.7% in domestic and international target markets. In general, the majority of companies that foreign participants work with have chosen both domestic and foreign markets as target markets. According to the capital structure, 42.4% of the companies that foreign participants work for are all national, 9.1% are national majority, 30.3% are foreign majority, 18.2% are all foreign capital. 54.5% of the foreign participants stated that they made investments abroad in the last five years, while 45.5% stated that they did not. In general, a large number of foreign participants have made new investments abroad in the past five years. 63% of foreign participants. While 6 of them thought that they would make new investments abroad in the next five years, 15.2% stated that they would not. 21.2% of the participants did not express their opinion on this issue.

6. Conclusion

Creating an industrial destination is becoming more and more important for countries that want to attract investment, and therefore, it is necessary to know the factors that play a role in destination selection. According to the findings of our research; While the domestic sample gives the most importance to the marketing/management factor, the least important element is the marketing/management element in the foreign sample. While the input element is the least important element for the domestic participants, it is the most important element for the foreign sample. While the process and product have the same importance in the foreign sample, the process is more important than the product in the domestic sample.

This result shows that the dominant structure of large firms in international markets has a marketing/management advantage over domestic or more localized firms and they are dominant over these firms in terms of input. According to the results of the analysis, the scores given to all the elements are higher in the domestic sample. Although there can be many reasons for this; It can be stated that the high experience of foreign investors in investing in foreign markets has a significant effect. In fact, although it is possible to attribute these results to foreign investors, unlike domestic investors, the most prominent ones are undoubtedly

the variables such as the size and market dominance of the companies, their ownership of production technologies and their power.

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The Foreign Funded Enterprises and the Population in China by Province

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China is one of the most rapid-growing economies in the world. Numerous economic and social reforms have led the country to become a robust economy. From an economic perspective, with the globalisation policies the country has attracted a remarkable number of foreign enterprises. On the other hand, social reforms have created a different social life which has significantly impacted the population. This paper aims to examine the foreign-funded enterprises and the population in China by province for the years between 2015-2018.

1. Introduction

Before the 1980s, China controlled the mobilization within the country, which was called Hukou System—according to Hukou System, migrating from a registered household to another place within the country was not allowed without formal permission given by the government. The government, therefore, was strictly controlling the internal movements in line with the Hukou System. However, China started to ease the restrictions and experienced a system regulation implementing Comprehensive Economic Reform. First, citizens were allowed to change their locations with given identity cards in the late 1980s. In the 1990s, the restricted food coupons were started to be used in any area where citizens would want to use them. Labour from rural places was only allowed to live in medium-sized cities and some provincial capitals permanently (Bao, S. et al., 2007). In 2001, the Chinese government opened all townships and small towns to all rural labour. With all these changes, people had the right to move within the country, leading citizens to move around China. The regulations allowed people to move around China and seek better living conditions, resulting in the internal labour market leaving their registered locations. Researchers have found that people made migration decisions according to disparities in the labour markets at the regional level (Bao, S. et al., 2007). Mainly, differences in wages, employment opportunities, infrastructure facilities, etc., might be listed as the primary motivations of the internal movements.

China has been experiencing considerable economic and social transition since globalisation has dominated the Chinese economy (Yao, Zhang and Hammer, 2004). As a result of the massive labour market and growing economy,

China has been attracted foreign investors into the country over the years. Market-based economic reforms had led the country to experience a large amount of foreign investments, in coastal regions in particular. The considerable decrease in tariff-barriers in trade by around 46 % from 1982 to 2001 increased foreign investments in the country. After joining World Trade Organization in 2001 and removing all restrictions and barriers on foreign enterprises, foreign investors started to enter into the Chinese markets.

2. Literature Review

Table 1. Literature review on economic transition and population movements in China

Author	Year	Findings
Liang	1999	The rapid growth of Shenzhen economy (special economic zone) is linked to both foreign investment and temporary migrants.
Yao, Zhang and Hammer	2004	The economic development concentrated in the east and the west relatively left poor.
Bao, Jack & Shi	2006	With the success of economic reforms, the development has concentrated in the coastal regions, and the western part of the country has experienced outward migration.
Bao, Bodvarsson, Hou & Zhao	2007	Foreign and domestic investments have considerable impacts on internal migration.
Taylor	2011	Interprovincial migration flows to economically developed areas for the period between 2005- 2008.
Fischer	2012	Net out-migration from western China. Population growth in eastern China due to net in-migration.
Pu, Zhao, Chi, Zhao and Kong	2019	People move from a relatively poor with low- income region to a developed one with a higher income.

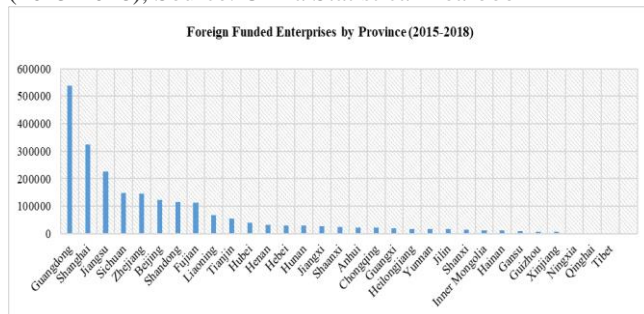
3. Registration of the Foreign Funded Enterprises in China by Province

China has been receiving a massive amount of foreign investments from all over the world. As China's comparatively advantaged characteristics such as labour, geography, raw materials compared to developed economies, China is particularly a host country for new investments.

There are 31 provinces in China with different populations and opportunities. Chinese government created special zones among those provinces, which are economically and technologically developed compared to the rest of the country. Special economic zones had the privilege of low taxes and differentiated financial regulations. The zones were created in coastal regions, the eastern part of the country, and attracted the most foreign direct investments. Therefore, foreign investments concentrated in coastal areas, which resulted in regional inequalities between the Eastern province and the rest of the country.

Figure 1. shows the 31 provinces that received foreign-funded enterprises between 2015-2018. Guangdong, Shanghai, Jiangsu, Sichuan, Zhejiang, Beijing, Shandong, Fujian, Liaoning, and Tianjin are the top ten provinces that received the most foreign-funded enterprises. In line with the strategy of creating special economic zones in coastal regions, nine out of ten are in the Eastern part of China. The fact that special economic zones are located in the Eastern part shows how economic reforms shape the future of the provinces.

Figure 1: Foreign Funded Enterprises by Province (2015-2018), Source: China Statistical Yearbook

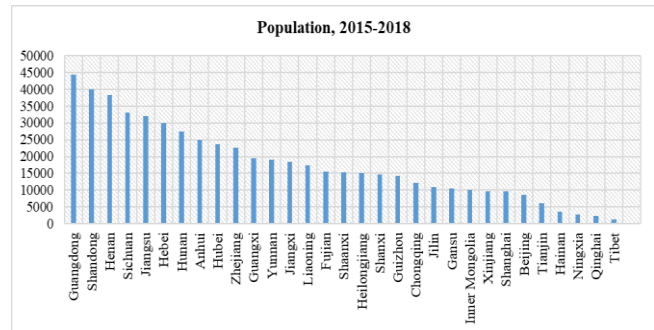


4. The Population of China by Province

The one-child policy in China is a program that banned citizens from having more than one child. Due to rapid population growth, the country implemented restricted policies. However, easing the restrictions on the Hukou system, even though the population growth has been kept under control, could not prevent the mobilization of people. People started to move around China and seek better living conditions, education opportunities, health services, jobs, etc. As well as the provinces from coastal regions received

the most of the foreign enterprises, they also experienced a reasonably high population compared to the rest of the country. Figure 2 shows the total population of 31 provinces between 2015 and 2018. Guangdong, Shandong, Henan, Sichuan, Jiangsu, Hebei, Hunan, Anhui, Hubei, and Zhejiang are the ten provinces that had the highest population for the given period.

Figure 2: Population by province (2015-2018), Source: China Statistical Yearbook



5. Reading the Foreign Funded Enterprises and Population in China by Province

China had attracted more than 2 million unit foreign-funded enterprises registered between 2015 and 2018. The top ten provinces received the most foreign enterprises located in the Eastern part of the country. As a result of creating special economic zones in the coastal areas, provinces in the eastern part experienced a massive amount of foreign-funded enterprises. The economic growth triggered by foreign-funded enterprises has created economic and social development, leading to well-being and higher living standards for the citizens in coastal provinces and might affect mobility. The ten provinces that received the highest foreign enterprises from 2015 to 2018 are also on the list of ten provinces with the highest population for the given period.

From 2005 to 2008, coastal provinces had received millions of migrants who looked for better living conditions, jobs, etc. Top ten of the 31 provinces were Guangdong, Zhejiang, Shanghai, Jiangsu, Beijing, Fujian, Tianjin, Shandong, Xinjiang and Liaoning (National Census, 2010). The nine provinces, Xinjiang excl., are in the eastern part of the country. Between 2004 and 2008, nine provinces had attracted the highest foreign-funded enterprises compared to the rest of the country (Statistical Yearbook). After receiving the most foreign enterprises into these provinces, people might decide to change their residing places and migrate into these provinces. The reason behind migration might be living with better economic and social conditions that the foreign enterprises in the destination might create.

Economic growth in the eastern provinces refers to the pace of growth and development in the industrial sector in

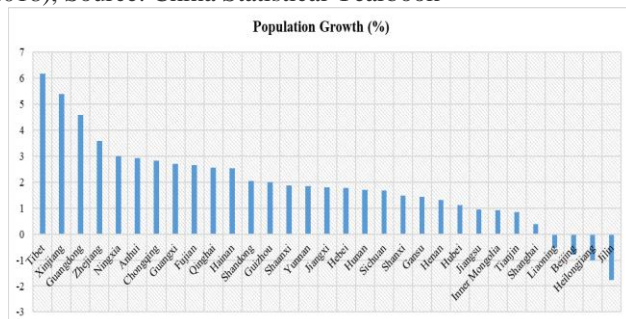
the east part of the country. The regional disparity between east and west had significant impacts on migration within the country (Taylor, G., 2011). In particular, the rapid economic growth in the coastal regions created a gap for labour force and increased wages resulting in attracting people into those regions (Garnaut and Song, 2006). Eclectic framework suggests three major approaches of foreign investments: ownership, location, and internalisation advantages (Dunning, 1988). There might be one of the approaches to lead foreign investors to locate in the host province. However, when the foreign enterprises and the population are evaluated together, there is no distinct motivation of foreign investments to explain the starting point of the concentration in the destination.

Table 2: Top 10 provinces with the highest foreign funded enterprises between 2015 and 2018

Province	Region	Foreign Funded Enterprises in unit	Population
Guangdong	East	537694	44363*
Shanghai	East	325602	9677
Jiangsu	East	227374	32055*
Sichuan	West	148128	33109*
Zhejiang	East	144833	22523*
Beijing	East	123545	8669
Shandong	East	116192	39847*
Fujian	East	112660	15565
Liaoning	East	68605	17488
Tianjin	East	54644	6226

Source: China Statistical Yearbook, * stands for the 5 provinces with the highest population between 2015 and 2018

Figure 1: Population Growth by Province (2015-2018), Source: China Statistical Yearbook



Comparing the outcome of the given data with the previous data that foreign investments primarily concentrated in coastal regions, there had been no change in

the places where foreign-funded enterprises focused in China. Chinese citizens' response to foreign investments was to migrate into eastern provinces from 2005-2009 (National Census, 2010). However, the result of the foreign investments obtained from 2015 to 2018 has not been yet examined. Therefore, the provinces with the highest population in that period might be whether migration or not. Nevertheless, we already know that foreign-funded enterprises had concentrated in eastern regions where the population is relatively high compared to other regions.

6. Conclusion

Notable changes in the Chinese economy have attracted foreign investors with the economic reform, including special economic zones within the country, specific provinces had most of the foreign investment share. Most of the foreign-funded enterprises had concentrated in the coastal region, the eastern part of the country. The population in those regions had the highest number of citizens between 2015- 2018. This paper examined the foreign-funded enterprises and the population for the period from 2015 to 2018. The nine provinces of the top ten provinces with the highest number of foreign enterprises are in the coastal region and five of them had an increased number of citizens out of ten provinces with the highest population in the country. Considering the one-child policy and its effect of experiencing slow increasing population growth, the population in those provinces seems to rise rapidly. The concentration of population in those provinces might be a response of the citizens as internal migrants. Since the population census unit has just newly announced the population data, we cannot declare that the high population in eastern provinces is a result of internal migration moving around the country. Thus, this paper is limited to state whether the number of citizens in the eastern provinces had increased due to receiving the most foreign enterprises. Future studies should examine what economic and social conditions that foreign enterprises might create in the destination provinces. On the other hand, future studies should also analyse the newly announced 2020 Chinese population census in order to find out why eastern provinces with high units of foreign enterprises have an increased number of people. Therefore, potential research can define the economic and social advantages and disadvantages of attracting foreign enterprises to China. Future studies would help to understand the response of the Chinese people to the social and economic changes in the provinces that foreign enterprises might create.

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Research on Legal Regulations on Data Privacy in Turkey and EU Countries

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The widespread use of the Internet has made it very easy for businesses to collect, process, analyze, use and transfer customer data. This situation requires studies about how to protect data privacy. In this study, the concept of data privacy, the responsibilities of businesses in terms of data privacy, the legal regulations in Turkey for data protection and the legal regulations in EU countries are examined. At the same time, the differences between the legal regulations in Turkey and EU countries are tried to be explained.

Keywords: Data Privacy, Protection of Customer Data, Government Regulations, Personal Data Protection Law, General Data Protection Regulation

Introduction

It is necessary and important for businesses to get to know and understand their customers very closely in order to meet their needs and expectations, to ensure customer satisfaction, and to create a value. Businesses also need a lot of data such as age, gender, educational background, contact information (phone number, e-mail address), product and service preferences, spending trends, purchasing behaviors of their customers in order to make accurate predictions and develop new business models. Digital transformation has allowed businesses to record customer journey. Daily personal digital uses; searches, preferences, requests, demands, purchases, reorders, product changes and different product searches are easily tracked and monitored. Big data, which is easily collected with or without permission, is stored and easily transmitted from one place to another via networks and turned into a marketable product. By analyzing these data, outputs such as customer follow-up, process improvement, new achievements, customer satisfaction, and competitive advantage are obtained, thus contributing to profitability (Şahinaslan, 2020).

The fact that data has become a marketable product, especially the unauthorized use of data belonging to individuals or the theft of data that is allowed to be used by malicious persons, has made it compulsory to make legal arrangements almost all over the world. As in various countries of the world, there are legal regulations in this regard in our country as well.

Within the scope of this study, data privacy, businesses responsibilities in terms of data privacy, legal regulations made in our country for data protection and legal regulations in the European Union are included. In the meantime, the differences between legal regulations in Turkey and EU countries are tried to be explained.

Data Privacy

“Privacy is a concept closely related to the extent to which the individual is known by others, the extent to which others can physically reach the individual, and the extent to which the individual is the object of others' interest and attention (Yüksel, 2009).”

Although it is basically the responsibility of individuals to protect their privacy, technological developments such as the spread of social media and the increase in e-commerce make it difficult to protect privacy.

Companies today have many obligations regarding the protection and storage of personal data of customers, employees and partners. Data leakage possibilities also put pressure on companies and risk damaging the environment of trust. On the other hand, legal obligations and sanctions have made data security and data privacy more comprehensive. Increasing legal regulations and the pressures of individuals on data privacy now cause organizations to have appropriate policies and establish procedures in the use of data in their daily operations (Deloitte, 2020).

The principle of privacy and confidentiality of sensitive information in customer information, which is closely related to consumers and brings responsibility to businesses, is handled on a legal basis today. As individuals follow the information that belongs to them and become more conscious about it, businesses will also act more responsible as keeping and processing data. Activities and investments can be modeled with appropriate methods by keeping a balance between the benefits of data usage and privacy risks (Şahinaslan, 2020). By emphasizing the benefit, businesses that do not attach importance to privacy may be subject to severe sanctions due to the violation of data privacy and may lose the benefit they initially obtained.

“Personal privacy is one of the rights that should be given special attention because it is within the scope of

until the amendment made on 13.05.2010 (Türkiye Cumhuriyeti Anayasası, 1982).

With the third paragraph below, added to the aforementioned article of the Constitution with Law No. 5982 in 07.05.2010, the protection of personal data was evaluated directly within the scope of privacy for the first time, and it was decided that the procedures and principles regarding the protection of personal data would be regulated by a separate law;

“Everyone has the right to demand the protection of their personal data. This right; It also includes being informed about the personal data about the person, accessing these data, requesting their correction or deletion, and learning whether they are used for their purposes. Personal data can only be processed in cases stipulated by law or with the explicit consent of the person. The principles and procedures regarding the protection of personal data are regulated by law.”

The Law No. 6698 on the Protection of Personal Data (Law), which determines the procedures and principles regarding the protection of personal data, was published in the Official Gazette of Turkey dated 07.04.2016, certain articles entered into force as of the date of publication and certain articles entered into force 6 months after the publication date.

The Law regulates the procedures and principles regarding the processing of data belonging to real persons, and legal persons are outside the scope of the Law. In addition to this, since it takes its basis directly from the Constitution and is a special law, it has priority in processing the data of real persons.

Although the phrase "processing of personal data" is included in the third paragraph added to Article 20 of the Constitution, the meaning of the phrase "processing of personal data" was first embodied in the definition made in the Law and given below.

Processing of personal data: It is all kinds of operations performed on the data such as obtaining, recording, storing, preserving, changing, rearranging, disclosing, transferring, taking over, making available, classifying or preventing the use of personal data by fully or partially automatic or non-automatic means provided that it is a part of any data recording system (KVKK, md.3, 2016).

As can be seen, the processing of personal data is a very comprehensive concept that includes, but is not limited to, the transfer of personal data. In this respect, it significantly changes the perspective on data. Namely, before the Law was published, data confidentiality, confidentiality obligation, etc. Although there are provisions that impose limitations under the headings, these regulations generally aim to limit the sharing of data. In addition to sharing data, the law also imposes limitations on the purposes for which persons holding personal data can use this data and under what conditions.

The basis of the Law is Article 4, titled “General

Principles”. This item can be summarized as follows (KVKK, md.4, 2016):

1. Determine the purpose of data processing in a concrete, unambiguous and non-interpretation manner,
2. Do not process data beyond what is sufficient to achieve the purpose you have set,
3. Evaluate whether consent of the data subject is required to process data and, if consent is required, data processing without consent
4. In any case, enlighten the data owner about which collected data are processed for what purposes and their legal rights,
5. Delete the data you have processed when the purpose you set and your legal obligations are over
6. It keeps the data up-to-date as long as you process the data to achieve the purpose

In Article 22 of the Law, "To express an opinion on the draft legislation prepared by other institutions and organizations and containing provisions regarding personal data" is among the duties and powers of the Personal Data Protection Board. In this respect, legislative arrangements made by other institutions and organizations regarding data processing have been started to be prepared by taking into account the provisions of the Law and taking the opinion of the Personal Data Protection Board (KVKK, md.22, 2016).

There are many different regulations other than the Law regarding the processing of personal data. First of all, article 73 of the Banking Law No. 5411 differs in that it defines the concept of customer secret and creates a separate data category, in addition to the definition of personal data and private data listed in the Law. Apart from this, sample regulations regarding the processing of personal data are given below;

- The Regulation on the Processing of Personal Data and Protection of Confidentiality in the Electronic Communications Sector specifically regulates the procedures and principles regarding data processing by telephone operators.

- Article 22 of the Population Services Law No. 5490 regulates the procedures and principles of the operation of the "Identity Sharing System" at the General Directorate of Population and Citizenship Affairs.

- Farmer Registration System Regulation, T.R. It regulates the procedures and principles of the operation of the Farmer Registration System at the Ministry of Agriculture and Forestry.

- The Trade Registry Regulation regulates the procedures and principles of the operation of the MERSIS system at the Ministry of Trade.

- The Regulation on Personal Health Data regulates the procedures and principles of sharing personal health data with the Ministry of Health and processing it by the Ministry.

Process of Legal Regulations in EU Countries

Certain articles of the Law on the Protection of Personal

Data (Law) numbered 6698, published in the Official Gazette dated 24.03.2016, entered into force as of the date of publication, and certain articles entered into force 6 months after the date of publication.

The basis of the law is the directive 95/46/EC (Directive) adopted by the European Parliament and the European Council on 24.10.1995 and published on 23.11.1995.

The widespread use of the Internet, the diversification of data collection methods in the digital environment, the inadequacy of the Directive from time to time to meet current needs, etc. for these reasons, the European Data Protection Authority decided to conduct a comprehensive study on the protection of personal data in 2012. In the same year, it started work on updating the Directive. The General Data Protection Regulation, which was prepared as a result of this study and replaced the Directive, was accepted by the European Parliament and the European Council on 27.04.2016, published on 04.05.2016 and entered into force on 25.05.2018.

From this point of view, it can be said that Turkey is about 20 years behind the EU in the field of personal data protection. All the same, it is possible to say that the banking sector is more ready than other sectors in terms of compliance with the regulations on the protection of personal data, since there were regulations and sanctions regarding customer secrets in the Banking Law before the Law was published. In addition, it can be said that enterprises with some internationally valid certificates are more advantageous in complying with the regulations on the protection of personal data.

Table 1. Process of Legal Regulations in EU Countries

Date	Regulation
24.10.1995	Directive 95/46/EC on the Protection of Personal Data (Directive) was accepted by the European Council and the European Parliament.
23.11.1995	The directive has been published.
25.01.2012	Work on updating the Directive has been initiated.
24.03.2016	<i>The Law on Protection of Personal Data No. 6698 was published in our country.</i>
27.04.2016	The General Data Protection Regulation, which will replace the directive, was adopted by the European Parliament and the European Council.
04.05.2016	GDPR has been published.
24.09.2016	All articles of the Law on the Protection of Personal Data No. 6698 entered into force.
25.05.2018	GDPR came into force.

The data protection authorities of the European Union

member countries, with the decisions they have taken as a result of the evaluations and examinations they have made since the publication of the Directive in 1995, have formed a case law regarding its implementation in Turkey until the law in 2016. The table below shows the historical development of legal regulations on the protection of personal data.

Implementation Differences and Recommendations in EU Countries and Turkey

Many countries have made arrangements for compliance with the Directive prepared by the EU. O'Connor encountered international compliance approaches to protecting privacy in 2005. In the research conducted in 2005, it was understood that there was no regulation in Turkey (O'Connor, 2005). But, it is seen that studies are carried out on the protection of personal data (Yamamoto and Karaman, 2005). In Turkey, especially in 2010 and later, laws have been prepared for the protection of personal data. With the publication of Law No. 6698 in 2016, the procedures and principles regarding the processing of personal data were regulated.

Although the basis of the Law No. 6698 is the Directive, there are differences between the two texts that lead to differences in practice. The main differences and possible effects in practice are given below.

- Directive; In order to use personal data for historical, statistical and scientific purposes, it allows the storage of personal data for a longer period of time, provided that the necessary security measures are taken, even if the purpose of use and the determined legal periods expire. There is no such regulation in the Law No. 6698. For example, when it is desired to conduct a study on behavioral change in loan repayments in times of crisis, it will not be possible to go back beyond the storage periods determined according to the purpose of data collection.

- The Directive includes two different concepts of consent: unambiguous consent for general personal data and explicit consent for private quality personal data. It is essential that both consents are obtained based on information and for a specific subject. At the same time, within the scope of consent that does not include ambiguity, it is not necessary to include the precise statements of the person related, such as "I accept", "I give consent". For example, if you want to be informed about special offers on a website, write your e-mail address warning appears and the person enters his/her e-mail address here, according to the Directive, this is accepted sufficient consent for data processing. Within the scope of Law No. 6698, a positive declaration of intention of the person related must be included in order to be evaluated as explicit consent.

- Although there are some differences, in general, private categories of personal data are defined similarly in both the Directive and the Law No. 6698. In the meantime, The Directive does not classify private personal data in itself, but defines in which cases private personal data can be processed

without the explicit consent of the person concerned. On the other hand, in Law No. 6698, it is stated that private personal data other than health and sexual life can be processed without the consent of the person interested, in cases expressly stipulated in the Laws. It has been stated that data on health and sexual life can only be processed by individuals or organizations that are under the obligation to keep secret, for the purpose of protecting public health, preventive medicine, medical diagnosis, treatment and care services, planning and managing health services and financing. This situation, for example, results in the inability of a workplace to carry out investigations without consent, such as counterfeiting an employee's health reports.

- The Directive states that in cases where the data is not obtained directly from the person interested, there is no need for clarification if the data is to be used for statistical, historical or scientific purposes. In addition, in cases where the data is not obtained directly from the data owner, in the event that the illumination is not actually possible or an extraordinary effort is required to provide illumination, an exemption may be granted from the obligation of illumination. There is no such exemption in the Law No. 6698.

- It is envisaged that the sanctions to be applied in case of violation of the issues in the directive will be included in the internal regulations of each country. In the Law No. 6698, the upper limit of the administrative fine was determined as 1,966,962 TL for 2021. In addition, it is stated that the determined administrative fines can only be applied to real persons and special law persons. At this point, the fact that administrative fines cannot be imposed on public institutions and organizations is an important deficiency in terms of ensuring compliance with the Law, as well as may have a negative impact on competition. For example, while an administrative fine may be imposed for a private bank committing the same act, the inability to impose an administrative fine for a public bank may have a negative impact on competition. In addition, although it is not clear whether administrative fines will be applied as a subject or separately for each transaction on the same subject, it is thought that no sanctions will be applied per transaction.

In line with the explanations given above;

- Personal data can be used for historical, statistical and scientific purposes, for limited use or for longer storage periods than legal periods.

- Making a more flexible definition of consent for general personal data than private personal data,

- Facilitating the processing of private health-related data by other organizations, especially private health insurance companies, without consent within the scope of legitimate interests,

- Especially in cases where the data is not obtained directly from the person related, it is suggested to make an exemption from the obligation of illumination in cases where it is not

possible to do the illumination or requires more effort than usual.

- In order to increase the deterrence of administrative fines, it is recommended to increase the upper limit of administrative fines for public institutions and organizations. It has been proposed to change the law and establish case-law in order to ensure the above statements.

Conclusion

It is clear that businesses cannot carry out a healthy and adequate customer relationship management process with their customers without having sufficient data about their customers. For this reason, businesses should first have sufficient data about their customers. The methods of obtaining customer data and the protection of the security of the obtained data impose a great responsibility on businesses. Businesses that fail to fulfill this responsibility will suffer great financial losses.

The fact that data is an asset as valuable as oil naturally requires that this asset be protected very well. Considering personal freedoms and fundamental human rights, the protection of personal data requires much more attention. Our study is a descriptive study in this field and focused on the inter-company and inter-state approaches of such critical data, the differences and common points of Turkey-EU implementation, and the relevant legal regulations were evaluated. While both the Directive and the GDPR, which replaces the Directive, determine the rules for the processing of personal data, how these rules will be applied on a country basis is determined by the decisions of the local data protection authorities. This situation brings with it the possibility that the data protection authorities of different countries may make different decisions for similar events.

For example, both the GDPR and the Directive make it possible to process personal data without the consent of the data subject, if the data controller has a legitimate interest. At this point, legitimate interest is an intangible concept. While making a legitimate interest assessment, it is envisaged to carry out purpose, necessity, balance tests and to evaluate whether data processing is within the scope of legitimate interest according to the result. Some of the questions to be answered within the scope of these tests again require intangible evaluation. Therefore, the fact that the data controller can process data within the scope of their own legitimate interest without the consent of the data subject is valid for all member states, but which situation will be evaluated as a legitimate interest may differ on the basis of member states.

In this context, in future studies, whether there is a difference on the basis of countries in terms of obtaining and using data, country-based comparative analyzes can be focused on the processing, storage and preservation of data.

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Teaching International Business via Labs: Business Skills Development by Virtual and Augmented Reality – the BBS FIMB Case Study

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The use of technology, especially simulations with virtual and augmented reality in a laboratory environment contribute successfully to developing various skills in international business education. The lab at a Hungarian university of applied sciences and the related experiences also prove that both hard and soft skills can be developed in this environment. However, using real company data in the laboratory brings with it a special risk: academic export compliance. The authors present the academic activities of the lab and this special risk, and propose institutional practices regarding the challenging issue business educators need to address: deemed export.

In line with the focus of the 4th WIBF International Business Conference, this paper is related to internationalization in the digital economy, from the perspective of business education. The aim of this paper is to contribute to the literature on the importance of technology in preparing future entrepreneurs, managers and business experts for being successful in the digital economy, and to raise awareness of a specific limitation of academic freedom related to the use of technology in international business education. It commences with an overview of how business skills can be developed by using virtual and augmented reality in labs within international business programmes, and presents the related practices at the Faculty of International Management and Business of the Budapest Business School University of Applied Sciences. The paper concludes with the special risk associated with using real company data in such labs: academic export compliance is a challenging issue that business educators need to address.

Developing Business Skills by Virtual and Augmented Reality: An Overview

According to the academic literature, embedding experiential learning opportunities in international business education could lead to enhanced employability and early career performance (Johnson and Jordan, 2019), and online laboratories are a very useful support for the practical aspects

of teaching (Wuttke, Henke, and Ludwig, 2005). In such lab settings, augmented reality (AR) and virtual reality (VR) are proven tools for developing a variety of business skills, and fitting into contemporary learning theories, such as constructivist, situated, enquiry-based and games-based learning (Bower, Howe, McCredie, Robinson and Grover, 2014).

Further to the above-mentioned development of international business skills, such technologies can also shift the location and timing of education, providing opportunities for adjustment of the mode of the delivery of academic programmes and related trainings (Lee, 2012). However, researchers did not just commend them, but also raised the issue of the importance of the training of teachers. The role of the educator is a critical factor and faculty members are often found ill equipped either technically, for deploying these technologies to their full potential, or pedagogically, for properly embedding them into the design and delivery of courses (Bower, Howe, McCredie, Robinson and Grover, 2014; Fernandez, 2017; Jonathan, 2012). Concerning the latter issue, Bower, Howe, McCredie, Robinson and Grover (2014) warned against regarding students simply as users, and argued for involving them into designing technology-fuelled experiences, in order to develop their higher order thinking capabilities, such as analysis, evaluation and creation.

The next section presents how our university, in collaboration with a multinational company, introduced AR and VR in lab settings into international business education, and what specific challenges they faced in relationship with training of faculty members.

Teaching International Business Skills Via Lab at BBS FIMB

Budapest Business School University of Applied Sciences (BBS) is market leader in business education in Hungary, and recognised for its practice-oriented academic programmes (BBS, 2021). One of its faculties, the Faculty of International Management and Business (FIMB) started a

flagship collaboration with an international company in 2018, focusing on the development of the Smart Shop Floor logistics simulation laboratory. The driver of this development was the forecast for the industry: according to Brusilovsky (2001), because of robotization and automatization, millions of jobs will be lost but millions new jobs will also emerge. There will be a demand for employees who are able to take part in and develop the automatization and robotization of logistics processes. Thus, the knowledge of industry 4.0 technologies will be unavoidable for the employees of the future. Laboratories provide a useful learning opportunity for future employees: learning how to use the latest technology in a real environment is not always possible, but in a lab, one can find the smaller version of the same industrial robot that is working in the real environment with the same programming. Simulating real logistics processes by using technology is another advantage of labs (Wang, Wang, Song and Su, 2020).

Based on the above, the Smart Shop Floor logistics simulation laboratory was developed at BBS FIMB to provide students and partners with an opportunity to carry out and conduct impact assessments of logistics processes in an environment simulating real organisational practices. The main objective of the lab is to support future employees in being successful in this fast-changing world, preparing them for jobs in an industry with high-level digitization, robotization, and automatization.

The laboratory contains a physical smart factory model and other related software, including AR and VR solutions and simulations. Users of the lab can have access to simulations and industrial robots that are not available in the traditional, classroom-based learning environment. These AR/VR data visualizations and simulations not only provide more efficient learning opportunities, but also facilitate the research and industrial activities of the lab.

The laboratory supports both applied research and applied education in the fields related to international business. The various tools in the lab can be used for international business programmes at any level: undergraduate, postgraduate or executive programmes. The activities, materials and tools are all approved by both the corporate partners and the university.

Based on the experience of the pilot trainings and workshops, education via the laboratory is very effective in fostering the students' employability by preparing them for future jobs, and supporting them in mastering the use of technologies in an industrial environment and developing their digital competences.

FIMB asks for continuous feedback on the technologies used in the laboratory and the teaching methodology from the university's corporate partners, thus ensuring quality and the highest possible level of compliance with current corporate expectations. This has led to a successful cooperation between academia and industry, and an efficient learning environment for international business students.

Our experience supports the academic literature both in advocating the use of technology in international business education via labs, and also the proper training of faculty members involved in the use of the lab. The use of technology in international business education via labs is efficient in developing various skills and thus fostering the employability of students. Concerning the proper training of faculty members involved in the use of the lab, the technical part is of great importance: faculty members studied the various tools and methods both independently and in groups, consulted business practitioners and staff from other universities (mainly technical universities), and collaborated with our partner company in designing, developing and piloting the various tools in the lab. However, during the discussions and pilot events, the use of real company data and solutions highlighted the need for training in another important area: academic export compliance.

Academic Export Compliance: The Need for Addressing a Special Risk Related to Using Technology in International Business Education

Universities as research and education institutions have featured open and collaborative environments for centuries. The cooperative character of a university's activities is the solid fundamental and the essence of its functions. Today, as well as in the past, universities have involved foreign students and international scholars in academic life to generate both economic and scientific benefits, since the performance of non-domestic professors and students contributes to their success and fosters inventions. However, international collaborations using technology have always raised concerns, because the participants coming from countries with varying levels of protection of intellectual property bring a special difficulty. The potential risk losing control of an invention has permanently been present in the history, but it has significantly increased since the end of the 20th century due to the appearance of advanced information technology.

The European Union, similarly to other highly developed states (especially the United States of America), is cognizant of this peculiar conflict, and keen to find a sustainable and healthy balance between the tradition of openness in academia and the public interest of the EU in terms of public security and foreign trade policy. European universities must also realize that unlimited and uncontrolled knowledge and information sharing definitely means a threat to the position of the European Union and its Member States in the global economy, where enterprises, which are partners and sponsors of universities, fiercely compete in technological fields and face the probable loss of their valuable data assets. To create a balance between encouraging knowledge sharing, and the protection of

valuable information, the developers' proprietary rights and the whole society's legal, safety and economic interests is a difficult and complex duty for governments and universities. To reach this important goal, universities need to be familiar with the phenomenon of export control.

The export (trade) control regime embraces the legislation on control, prohibition, restriction of critical items such as technologies, software, data, information, goods, equipment, biological or chemical materials to foreign entities in foreign countries. The respective codes, regulations or presidential verdicts also cover the related services such as brokerage, shipment, logistics research and education of sensitive goods and technologies. They require the concerned companies and private persons (for example researchers and academic professors), to conduct themselves in strict compliance with the rules of foreign trade control if they deal with military or dual-used products or technologies.

Academia is largely affected by export control: the restrictive measures of export control cover the activity, the interests, and the results of basic or applied research to different degrees. Universities of applied sciences are mainly and typically engaged in the R&D of dual-use items (such as data processing with AI in logistics) and therefore they are exposed to the risks of infringement of export compliance rules.

Deemed Export and Academia

According to the Export Administration Regulation of the U.S. (EAR), any release of controlled technology or source code to a foreign person is a "deemed" export to the foreign person's most recent country of citizenship or permanent residency. (15. § CFR 734.13 (b)) except if they are "published". Although the term "deemed export" is not defined by the European Union legislation, it cannot be disregarded because of strategic alliances with the USA. Three questions arise in this context. The first concerns the freedom of academic life. It must be clarified whether the "deemed export" can impede the open society of universities. Secondly, the interest and the involvement of European institutions must be examined. Thirdly, in case of their affectedness the operation of the deemed export concept must be regulated in the daily university practice.

The first question is of high relevance, because any unlawful and unjustifiable limitation of the dissemination of research results would destroy both the freedom of science and contradict economic development, and thereby harm the public interest. If the results of fundamental research - either basic or applied - have been ordinarily published and shared, they are not restricted by to the export control rules.

To answer the second question, a specific term, the "U.S.-based" concept needs explanation. Regarding the power of global value chains, full respect must have been given to the export control rules of the U.S. in the strategic

economic alliances of the USA, such as in the European Union, in Australia, Canada etc. Since it is almost impossible for any European high education user not to work with products of U.S. origin technology or software (such as Apple items, Microsoft, or IBM software etc.) they are indirectly involved. At that point, universities conducting joint research or operating laboratories together with firms, writing academic papers or delivering lectures in collaboration with enterprises are highly affected. Some European countries such as Germany have already started to prepare the academic sector to abide by these rules (Leopoldina, 2021). Thirdly, the right interpretation of these rules must be scrutinized. The proper understanding and execution are pivotal for universities, which plan, develop, and operate a laboratory with companies that are subject to export control. If they jointly create and build up an educational program thereon, the appropriate application of the export compliance requirements becomes a cardinal legal and ethical issue.

Export Control Rules Affecting the Lab at BBS FIMB

FIMB has been managing a cooperation with an international company for four years and has just started an applied research project with the company. In this situation, the information generated by the joint project must be classified as company-furnished and fundamental research. The company-related data is protected by the intellectual property right of the firm and, to a certain extent, subject to export control. The university might be required to enter into a non-disclosure agreement about this sensitive information, so the university staff must be familiar with respective export control rules of the EU (and Hungary) and the proprietary rights of the collaborating enterprise. The exposure to "deemed export" and the possible violation of company proprietary rights are compelling issues, and the university must be cognizant of the legal (civil and criminal) consequences in case of violation thereof.

Conclusions

This paper highlighted the importance of the use of technology, especially AR and VR in developing international business skills, but also that the use of technology should be regarded as a specific risk, and an important challenge to address by educators. Universities and colleges have an urgent need to learn the regulatory environment of export control to abide within its rules. The interim results of basic or applied research must comply with the regulations of controlled technology, product, or service. Educational information is principally free and open to any qualified and enrolled students at the academic institutions, provided that the information does not violate the (future or

present) proprietary right of third parties (such as companies in joint research projects). Higher education institutions active in the field of developing international business skills via labs are recommended to cover the above issues related to deemed export when training their faculty members.

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Internal Factors and Networking Critical for Success of SMEs on International Markets: Practical Implications in a Reference SME

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This paper is part of an ongoing dissertation thesis where the author is researching the critical success factors for internationalization of SMEs. This extended abstract in short presents the internal factors of an SME that are critical for successful internationalisation of the company, such as entrepreneurship, international experience, returnee employee, global mindset, and available resources. In addition, the author elaborates about networking as highly significant for internationalisation, especially of SMEs. This work finishes with practical personal experience in a single case company, regarding internal factors and networking activities for successful internationalization.

Internal factors critical to the success of SME internationalization

Internal success factors are the ones that depend on the internal organisation of the company and include entrepreneurial skills, resources, firm characteristics, and competencies of the company (Bell et al. 2007; Senik et al. 2014). Entrepreneurial attitude is one of the most important success factors of international SMEs (Senik et al. 2014). Debrulle and Maes (2015) confirm that a major determinant of the intensity of internationalisation and the age at first internationalization entry is entrepreneurs' human capital. The internationalisation process is comprehended as a risk-taking process and thus it is certainly an act of entrepreneurship, as entrepreneurship is "the propensity to act autonomously, the willingness to innovate and take risks, the tendency to be aggressive toward competitors and proactive to market opportunities" (Ketkar & Zoltan, 2013 p. 205).

International experience is highly recommended and present among companies that are successful in their internationalisation process. The entrepreneurs or top managers of such successful enterprises have been exposed to foreign cultures and markets, have had prior experience in international trade, and broad experience in various international fields (Senik et al, 2014). There is extensive research regarding the correlation between the international experience of entrepreneurs or top managers and the

international success of the company (Reuber & Fischer, 2007).

In continuation to the international experience as a significant contributor to successful internationalisation of SMEs, we need to consider the phenomenon of returnee entrepreneurs and their international experience. Filatotchev et al (2009) were the first ones to research the role of returnee employees when they return to an emerging country, open their SMEs and greatly contribute with their international experience from the country where they lived for a certain time period (Filatotchev et al, 2009).

Furthermore, a global mindset is also a highly important success factor for SME internationalisation. Global mindset is the managers' openness to and awareness of cultural diversity, their ability to address it and their capacity to function effectively in highly complex business environments internationally (Andresen & Bergdolt, 2017). Torkkeli, Nummela and Saarenketo (2018) examined global mindset, decision-making logic, SME internationalisation and SME performance on a cross-sectional sample of Finnish SMEs and highlighted that global mindset is linked to both effectual decision-making and enhanced international performance (Dominguez & Mayrhofer, 2018).

The available resources of a company are consequential factors for success in international markets: unique resources, advanced technology, skilful personnel, financial availability, and good working culture (Senik et al, 2014). "Technologies change rapidly, thus internationalised recognised certification and constant development of high-tech products help us to maintain the competitive advantage" (Sekliuckiene, 2015, p. 334). Therefore, internal factors are critical to the success of companies in international markets.

Networking as a critical success factor for internationalization of SMEs

One of the most important factors for successful internationalisation of SMEs as compared to MNEs is networking. Many scholars have researched the networking occurrence, that is, the inter-connection of the firm with its foreign partners, customers, and suppliers, as the most significant success determinant in internationalisation (Sekliuckiene et al 2016, Johanson & Vahlne 2009,). In the

process of new product creation, companies tend to use their internal resources, however when foreign markets are considered, then SMEs are encouraged to include international networks to gain external knowledge (Sekliuckiene et al 2016).

Networking can have different forms, such as strategic alliances, joint ventures, licencing agreements, subcontracting, joint R&D and joint marketing activities. International joint ventures have often been used as an entrance strategy by companies from developed countries, including small and medium sized companies, but often when it was requested by the foreign country regulations. Another form of networking for successful internationalisation of SMEs, especially from developing countries, have been cluster supply chains. Huang and Xue (2012) studied the benefits of cluster supply chains specifically for SMEs in China, including their internationalisation processes. Various forms of clusters have been evident throughout countries. Varga et al. (2013) investigated the influences of innovation clusters on the SMEs development process.

In furtherance to the above argument, another form of networking has been incorporating the customers, suppliers, higher education institutions, research laboratories, public organisations, clusters, public groups, and communities in the innovation process by adopting open innovation strategies that could also greatly assist the internationalisation process (Sekliuckiene et al, 2016). Recent studies indicate that open innovation is even more significant for SMEs, due to less bureaucracy, increased willingness to take risks, and accelerated ability to change in accordance with the fluctuating or varying environment, which would imply internationalisation processes as well (Sekliuckiene et al, 2016).

Governmental networking activities that support exports have been highly valued for successful growth of SMEs in foreign markets, as well. The Senik study et al (2014) found that all researched SMEs used government and non-governmental institutions in their internationalisation process, using either governmental agencies, participating in international exhibitions organized by governmental bodies, taking part in various linkage programs or networks of governmental organisations, and acquiring support from Embassies (Senik et al, 2014).

Just as importantly, social personal networking is also a form of networking that can assist internationalisation. Social networking and personal connections assist newer, international entrepreneurial SMEs in emerging economies like China to venture internationally more rapidly and profitably (Zhou et al, 2007; Peng & Luo, 2000). Senik et al. (2014) also concluded that most researched SMEs (81%) in their study used personal relations when going abroad with their activities, by creating networks with locals that live in the host countries and maintaining networks with friends, families, and relatives. Therefore, any form of international

networking should be one of the first considerations of SMEs in their expansion into foreign markets.

Internal success factors to successful internationalization of a single case study

This section will include my personal experience as practitioner in a successful international SME and will present the practical implications of both the internal success factors and networking over the internationalisation process. For over 20 years, I have been a part of the internationalization process of an SME. Initially, I was an international sales co-ordinator for 10 years, and then general manager of the company's affiliated businesses in several foreign markets. PAPAPOSTOLOU Healthcare Technologies, founded in 1914, is the oldest and largest medical equipment supplier in Greece, with long-standing experience and history. The company is highly specialized in the sales and service of medical equipment, installation, product training, maintenance, etc. and is a distributor of many global leaders - manufacturers of medical equipment from Germany, USA, Japan, France, UK, Italy, etc. Over the course of the last 20 years, the company enlarged its market, launching companies in Romania, North Macedonia, Bulgaria, and Serbia. Gradually, it has become a regional leader for distribution and service of medical equipment, known for its expertise, professionalism, and quality.

The strong entrepreneurial spirit of the family governing the business for the last three generations has been one of the most significant factors of success for the company, both nationally and internationally. Great ambition, intelligently scrutinizing the market for future opportunities, continuous hard work and a devoted mission towards success of the company have demonstrated the competence embroidered in the family. This entrepreneurial spirit spread to all the managers as well.

Furthermore, international experience, not only of the entrepreneurs of the company, but of the top managers, is a critical success factor as well. The company substantially invests in the education and trainings of the whole team, most often in international centres of excellence, reference centres of the manufacturers, international fairs, congresses, exhibitions, and international business delegations. The added value of this international experience is professionalism, knowledge, expertise, and the ultimate successful internationalization of the company.

The global mindset has also been a leading force in the management of PAPAPOSTOLOU Healthcare Technologies Group. The entrepreneurs have always been open and aware of cultural diversity, which is especially present in the Balkan region, and were always able to address complicated international business situations.

Finally, the group can proudly declare that the available resources, namely financial stability, and advanced technology, are among the topmost important factors that

aided in researching foreign markets, opening foreign companies, and investing in them the first few years with losses and/or on the breakeven points. Many times, the daughter companies have used the financial stability of the company in winning bigger projects.

Networking to successful internationalization of a single case study

Networking is highly valued in the company and appreciated at all levels. The entrepreneurs and top managers have been part of many business and governmental delegations to foreign countries and have used various governmental activities towards exporting and internationalizing in specific regions. They are members of many chambers of commerce that assist companies and are greatly utilising the activities of these chambers.

In the healthcare and medical industry, international conferences and exhibitions are greatly respected by the medical community. Networking at such events is a common practice by all members of the group. Repeatedly, the company organizes workshops, most often in advanced medical technologies and innovations. Networking at such workshops has great results, as well.

Furthermore, the company uses networking to enlarge its customer list by co-operating with many companies, such as construction companies and IT companies. This enables the company to deliver complete solutions or accomplish turn-key projects. Finally, personal, and social networking are always welcomed by the company, especially in small communities and countries where it operates.

Conclusion

This abstract has been derived from research for an ongoing thesis that studies the critical success factors for SME internationalization and gives practical insights from a single case study. The thesis will use case study methodology and will analyze twelve companies from four countries, both developing and developed nations, and will compare the success factors. The outcomes of the study will contribute to theory, practice and methodology. The results will develop propositions and identify areas for further research and will contribute to both micro and macroeconomic theories; they will be significant for entrepreneurs and managers of SMEs to assist them in successful internationalization of their companies, and significant for government officials to assist them in developing national strategies to boost exports; and the results will provide the possibility to use the applied method to replicate the study in any developed and developing country in the future, and the possibility to use the applied method to replicate the study in any other industry.

Developing Business Skills by Virtual and Augmented Reality: An Overview

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Panel
Meeting
(Transcription)

Panel Meeting Discussion Topics:

How do MNCs make FDI decisions with a focus on country-specific locational factors?

&

What is the role of financial institutions to support SME internationalisation?

Emin Akçaoğlu, Co-chairman of Executive Board, WIBF & Manisa Celal Bayar University, Turkey (Moderator)

Kurt Treumann, Chamber of Commerce, IHK Würzburg-Schweinfurt, Germany

Gürhan Güven, Chairman of Executive Board and CEO of Fersan, Turkey (Fersan is the Turkish Subsidiary of Develley Group, Germany)

Martin G. Kaspar, Business Development, Fraenkische Industrial Pipes, Germany

Wimboh Santoso, Chairman of Indonesia Financial Services Authority, Indonesia

Emin Akçaoğlu:

Hello. I would like to welcome everybody to our panel meeting; here in the room, and all the virtual participants from many countries around the world.

For the panel meeting discussions, we have two topics. In fact, we have two questions. The first question is: “How do MNCs make FDI decisions with a focus on country-specific locational factors?” And, the second questions is “What is the role of financial institutions to support SME internationalisation?” To discuss these topics, we have four very valuable panelists.

Let me introduce the panelists first. Mr. Kurt Treumann, Dr. Martin Kaspar, Mr. Gürhan Güven, and Prof. Wimboh Santoso. Mr. Treumann and Dr. Kaspar are with us in this room. However, Mr. Güven is online in Izmir from Turkey, and Prof. Santoso is also on line in Jakarta from Indonesia. I thank you all for your participation in this meeting.

I will give the floor first to Mr. Treumann as he will make a presentation to provide a kind of framework for the discussions afterwards. The floor is yours Mr. Treumann.

Kurt Treumann:

[Important Note: Due to a technical problem, Mr. Treumann’s presentation’s few minutes of the initial part was not recorded. Therefore, the following transcription is the remaining part.]

Market size and future expectations and access to new customers, of course, are really the important for German

direct investors. But it is also important, left side down, that company’s need to know some additional information about the market, about their product, if they are really fitting on the market etc. So, they need, for example, also, some cooperation with some other companies abroad that working on digital fields. There is also external influence, some pressure, some companies have very important customers. Customer says, okay, we are going, in the next year to Mexico, for example, and you must follow us. If you are not following us, then you lose, maybe your business. This is a big pressure, actually. If they go together, maybe the risk is not so high. For instance, market exploration. But it is not coming from inside their heart, actually. In the long run maybe, business is not so successful as you do it really on your own skills. Of course, there are some cooperation offers. They are coming by accidents or if you go on a trade fair, you get some contacts to some customers, some sales agents and so on. And this is I think, for example, by accident. I know lots of companies spreading their activities through going on special trade fairs. The State of Bavaria promotes this. It is quite easy. Just trade fairs are opening and everything stand for them. But it is a little bit by accident. Of course, there are some impulses by institutions. For example, the Chamber of Commerce, here, in Würzburg. Everywhere in Germany. They are spreading information all over about markets, tariffs, etc. They are getting this information. They are of course come to it a little bit later. There are some promotion programs. It is quite interesting. The motivation

of internationalization. Where they invest actually. Sales and service sectors are quite important. It is a central motivation actually. It is really on top. Cost saving is on the rise again, already. And production for the purpose of market development is more or less the same with last years. Sales and services are the most important motivation actually. Below, you can see that the share of German industry with foreign investment. If you look up the last decade it is nearly the same for this representation actually. Quite interesting. In the end, nothing happened. Here you can see where we are going actually. The Eurozone, where we have the same currency, is the most important location, especially with sales and services. And then, China is coming. Also, very important sector is the sales and services part. And also, America with fifty-seven percent. So, sales and services are central motivation. Down, you can see Africa. I don't have nearly no telephone call or email about Africa of our customers but nine percent said "okay, we intend to do something with Africa" and very interesting is that sixty percent, which is really high number if you compare to the others, just want to invest in sales and services in Africa. This is the starting point actually, I think. Quite interesting. Motivation could be also a little bit different because of some topic like demography, digitalization, health, globalization, climate change, security, urbanization or mega cities. If you think about Mumbai for example. Forty million inhabitants. This is like a market actually. This is not a country. It is like a real market. Or smart cities. This could also be a motivation actually. This is analysis from Megatrends in Welthandel. I think from 2015. It is a little bit old. It says that future export markets are China, Russia, India, Great Britain (I put a question mark on it because the Brexit was not a topic at that time), Poland and France. Then, of course, procurement markets of the future are China, India, Russia, the USA, Great Britain (again question mark) and Poland. Production sites of the future are little bit different. India, Nigeria, Pakistan, Tanzania, Ethiopia and Indonesia. This is quite interesting actually. India is a future export market, a future procurement market and a future production site market. Quite interesting. And the production markets... Three of these are out of... One, two, three, four out of Africa. So, Africa will get in the future, I don't know when, very important. Because the size of habitants is everything in the market. But nowadays, in our business, it doesn't play a huge role actually. A small fraction of German SMEs invests in abroad and I told you already, exports are the most important activity, and it will still be like that. And the most attractive area where they do that business are the EU countries. That is something to do with borders are open, the same currency is valid. Exports are the most important part, joint ventures, foreign branches/subsidiaries... What is also important, if you look at the list, for example, where the protectionism happens. And the protectionism in the world is on a rise. You see on top, there is China still. But there is also Germany, Italy and France, Spain and Netherlands, in the top ten. Quite

interesting. I marked them in yellow color so they are inside the EU. Quite interesting. Just an information. I was thinking the USA a little bit more up but they are on number five. Great Britain, Korea. And Japan on number nine. The future growth from my perspective and also after the Megatrends in Welthandel is outside of Bavaria. I think nobody will doubt it and export still will be important in future. Future export markets will be in Asia. Asia will be important. No way around these two countries: China and India. There are some of very useful contacts, network, information and tools. For example, Bayern International. This is trade fair promotion. There are www.dihk.de, Chambers of Commerce abroad and we are very competitive actually. Lots of other countries envy us because they don't have this tool. There are, I think, more than ninety different markets with more than a hundred and forty offices all over the world. Offices where you can rent for your small business somewhere abroad. Infrastructure with everything is there so it is quite easy. Also, to participate inside this network of other German companies inside this building is quite interesting tool to make the first steps abroad to find out if this market is fitting or not for you. What is important also for me as a tool is GTAI (Germany Trade and Invest). These are lots of different tools actually. And my experience has come to the end. All these tools are not so much, I think, known by the companies. This is also my duty to spread this information always around. www.gtai.de is also our website to get all this information.

Emin Akçaoğlu:

Mr. Treumann, thank you very much indeed. I think that your presentation has really provided us with a great base for the further discussions. I've been told by Mr. Gürhan Güven that he has to participate in the board meeting at his company. Therefore, without losing any minutes at the moment I would just like to give the word to him. Mr. Gürhan Güven, the floor is yours. Thank you... Are you with us at the moment?

Gürhan Güven:

Yes, I am here.

Emin Akçaoğlu:

Just to ease the starting point for the discussion, I would like to add a few more sentences. As Mr. Treumann has said that German SMEs are rather preferring export business or contractual arrangement instead of FDI because of the concerns with regard to political risk or country risk related issues. And we know that your company, Fersan is a leading manufacturer in its own industry in Turkey but not only in Turkey, at the same time your company is providing products to many multinationals in the value chain including McDonalds. And your company was originally established as a Turkish company in some years ago. Later, the German

Develey Group acquired it. If we look at this point as the starting of your session, could you please tell us why Develey preferred to acquire Fersan in Turkey and in that respect didn't you concern about political risk or country risk issues in the Turkish case? Plus, do you have any additional acquisition intentions in Turkey at the moment. Thank you. The floor is yours.

Gürhan Güven:

Thank you Prof. Akcaoglu and thank you Mr. Treumann for the very great base which you gave to me. Just a few sentences on the beginning to me. I am born and grown up in Hof, which is in Upper Franconia, in Bavaria and now for eight years in Turkey. I can say that I'm happy that I'm raised in Germany with both cultures, Turkish and German. I want to add that I am so deep in the German culture that I was member of the German national team for kickboxing. Now please let me start with your question why Develey acquired Fersan in Turkey? As Mr. Treumann said before, there are geological opportunities in Turkey for Export, the advantages of raw material prices and of course the labor costs. In the case of Fersan it was all of them. Either you invest in a green field where you must build a factory from scratch, establish your sales department, and push to get into a new country or business. Another opportunity is to buy a brown field where there is an existing company, and you enter its market. Fersan is founded 1978 from 6 shareholders, today market leader in the Turkish vinegar sector with around thirty percent market share (according to Nielsen) and global supplier of pickles and jalapeños for the QSR, mainly to McDonald's. Our mother company Develey is a German family-owned group with 19 companies around the world. Develey is founded in 1845 and now in forth generation of the Durach family in Unterhaching in Germany. The family focuses belong other topics on sustainable growth, where Fersan belongs to one of their purchases. They are a big player in the retail business with sauces and dressings and serve globally McDonald's since 1972. McDonald's was also the intersections why it made sense to acquire Fersan in 2012. This gives not only the opportunity to increase the business in the group, it also gave the opportunity to be able to be the contingency partner of each other. This means if we would be prevented for any reason to deliver the goods to the customer, Develey Germany would be my contingency partner and supply the goods from Germany to our customers and vice versa. Due to our geological location, we are focused on APMEA. The strong agriculture in Turkey makes it possible to deliver up to Japan. We grow ten thousand tons; this means ten million kilograms of pickles and jalapeños around the region where Fersan is based and have the advantages of nearshoring. Shorter ways increase the premium quality of vegetables. Turkish companies are delivering 70% of the not branded pickle jars to the German retail. Raw material prices, labor costs and now several times mention the geological location

of Turkey makes this country very interesting for production. I want to share with you another new development that now Kraft Heinz entered to Turkey with the purchase of Assan Foods for around one hundred million US dollars. They aim to switch their productions to Turkey, serve the Turkish market and APMEA due to its geological region. To go back to Fersan, we are exporting to around forty countries with an export share in pickles of around ninety-five percent and twenty percent in vinegar business. This makes in total forty percent. I saw in the agenda of today's panel that megatrends will be also a discussion topic. I want to frankly underline that we believe on mega trends, we believe on digitalization, we believe on lean management. Together with this we are faster able for innovation and either you innovate, or you evaporate. To sum up, we must be fast. In the past it was used to be said that the big fish eats the small fish. Now the big fish is eaten by the fast fish.

Emin Akçaoğlu:

Thank you very much indeed, Mr. Güven. We wish that we had more time to have you in the rest of the panel today. Therefore, we would have been able to ask some further questions but I think that may have such opportunities in the future. As you requested to leave, because of your board meeting, whenever you want to do that, please do. We will now, carry on the discussion by giving the floor to Dr. Martin Kaspar. I'll ask the same question again. Why does your company invest abroad? Under which circumstances? And for what reasons? The floor is yours. Thank you.

Martin G. Kaspar:

I think the question is really an interesting one 'why or how do companies decide on country specific factors?'. A few years ago, I probably would have simply answered that question by listing the typical country specific factors like market size, the availability of land, cost of land, cost of labor... But think about the last few years, the world has become far more complex and far more difficult. This is what Mr. Treumann also alluded to in his presentation. Therefore, just looking at country specific factors isn't enough anymore. I think, it is sort of a two-level answer. On a macroeconomic level, which has become really quite important. More important than it was in the past. And on a firm-level. Firm-level is probably not exactly the right word for that, but I will explain that later on. If there is a country specific factor, then probably the most important one is you, is the universities. Because you are the nucleus of knowledge. Again, I will come to that at the end. In terms of talking about macroeconomic factors, I think the world has become far more difficult, far more complex for us. 2020 has shown a complete fracturing, a complete breakdown of supply chains. And a weakening of global value chains. Maybe even more important is that we've seen a shift towards de-globalization. We are not only having not as fast a globalization as we had in the past. We are actually having the reverse. We are

witnessing de-globalization. I think these two factors quite massively impact the decisions of companies. Where to invest and how to invest. In terms of those factors favoring de-globalization, I talked about the breakdown of global supply chains, with Covid, companies couldn't run their production. Even if they didn't have a problem, even if their workers were healthy, simply because they didn't get the raw materials from China, from Italy, or wherever... Therefore, managers are now looking very carefully at their supply chains, and think whether it wouldn't be a better to produce closer to home. Also, fitting with the figures you presented (to Mr. Treumann), I think there is more happening in Europe than before. It is diversification and being closer to home. The keyword is shorting of supply chains. The other big topic is that of autarchy. Think about the Chinese face-masks, think about those microchips we are missing at the moment. We can't build ten, twenty percent of the cars we could be building, or we should be building in Europe, simply because we don't get the microchips. And hence, increasingly, there is a discussion about autarchy. The European Commission is pumping a hundred and forty-five billion through the resilience and rebuilding program into this topic. Talking about this issue in its own right would be enough to talk for twenty or thirty minutes. Another point that is that there are many factors favoring deglobalization on a practical level. Such as transportation costs. A 20" container in 2019 from China to Europe did cost about thousand-six or thousand-eight hundred euros. Today, it costs sixteen thousand euros, that is more than an eightfold increase. It is very difficult to know where are we going with this, but this clearly also has an implication on where do I want to have production plants and where is actually the market. Where I want to sell my products? Where do I need to go? And lastly, again what Mr. Treumann alluded to, the point of protectionism. Globalization lived off of open markets, of being able to deliver around the world, no capital transfer restrictions, no or low customs duties, probably the most important one is no or low nontariff barriers. But if you look at the statistics, the number of measures that make international trade and international investment more difficult is far outpacing those that make easier. So, we are sort of shifting away from a more open, global world. Right now you have this environment which is very hostile towards international trade, towards international investment. And at the same time, there is now a true game changer on the horizon. The technological developments, that suddenly make it possible to do things differently. We have what we call industry 4.0, smart factories, automation robots. These are of course all big words. And to really implement this is still a few years away ... but I think that is will massively be changing the investment decisions of companies. Suddenly nearshoring and reshoring is becoming a real possibility. American companies went to Mexico. German or European companies were going to China just because the labor cost was a tenth or twentieth of what they pay for at home. But if the labor

cost element suddenly isn't that important any more as you can automate, your investment decisions are going to change quite significantly. In that respect I would expect a lot of European companies coming back nearshoring and reshoring. That is probably going to be a jobless growth. Simply because the point is to highly automate those factories. And if there is one decision, one key parameter, companies are looking out for, it is where do we find highly qualified staff. Where do we find the people that can sort of design, implement, run those smart factories? Where do you find those people with sort of an international mindset? That is why I say one of the keys deciding factors to look out for are locations. In that, I particularly mean business-oriented universities that give you a key in terms of startups, interesting ideas you can buy as a company, and is interesting for manufacturing the brains of the future. One brief last sentence. Sort of picture of outlines. I think it is important to recognize that the old models we had in terms of trying to understand what is happening, the Dunning framework for instance, is old and probably at the end. We need to find new models to understand what is going on.

Emin Akçaoğlu:

Thank you. It has been a very interesting approach and I must say that I've got many questions. After getting our discussions by one by, altogether, we can just return back to the points that you've mentioned to discuss them in detail because the final thing that you mentioned. You said that Dunning's framework is perhaps not valid anymore. We should be looking at this issue from completely a different perspective under the conditions that we are facing all over the world today. Very interesting. Now, I just would like to throw the ball to another area which will be absolutely important to steer the whole discussion at later stages. In terms of the time use, we are doing very well. This is also good. On the line, in another part of the world, we have got Prof. Wimboh Santoso. He is a very experienced specialist in the field of finance and regulation of financial services. Hello Prof. Santoso.

Wimboh Santoso:

Hi Prof. Emin. How are you?

Emin Akçaoğlu:

I am fine. Thank you very much. I hope that you are also well. Sorry that we have just reached the point where we can start the discussion with regard to your expertise area. But I think the earlier discussions have provided us with a very good starting point. At the moment we have got a perspective of mainly developed country multinationals or SMEs from developed countries because the earlier discussions are representing the German companies or the German industry in general. Now, perhaps we can extend the discussion to the framework for another case, namely the developing country

case. And we can also add another issue: The role of financial institutions for internationalization. Particularly, for SME internationalization. Could you please, therefore, tell us if you would agree with, for example, what Dr. Kaspar said in terms of the reasons of internationalization of multinationals or SMEs? Or could you please tell us if those reasons are also applicable for companies in Indonesia? If it is possible to say that those reasons that have been raised by the earlier discussions are also applicable for developing country SMEs. Furthermore, could you please tell us how internationalization process of SMEs particularly could be eased by financial institutions? And what you are doing in Indonesia to that end? Thank you. The floor is yours.

Wimboh Santoso:

Thank you Emin for your nice introduction and invitation to this panel meeting. Thank you for the first three presenters. Their contributions were really interesting. The topic is really relevant now. Actually, I am the policy maker in Indonesia. So in this panel, there will be a complete set of discussion. There is a really hot topic everywhere in the world: How to enlarge the opportunity of employment. Very quick recipe is dealing with this is about the SME. Not only in Indonesia – but I believe – in many other emerging markets too, especially in the ASEAN. I would like just to focus on Indonesia that actually similar to the other ASEAN countries except Singapore. Singapore is totally different. Indonesia has a large population. SMEs will be relevant for Indonesia. We have two hundred seventy-two million people in Indonesia. Share of SMEs in the GDP is 55.6% in Indonesia. We have 62.9 million micro and SME [MSME] actors in Indonesia. 97% of workforce in Indonesia is absorbed by MSMEs. There is an effort of government to enlarge employment to reduce poverty. Also, to create an ecosystem from the upstream to the downstream. And also finally, we need to understand how to link SMEs to exports. That is actually the major policy issue now and it is very important in Indonesia. More than 50% of the total GDP's formation in the other ASEAN countries is also similar to the case of Indonesia. So, we got evident how important is the SME. Second, I would like to say that the government - not only in Indonesia – also the governments in the ASEAN, aim to form a policy framework: How to support the SME for export business? A similar policy is also needed about how to enable SMEs to access finance. Actually, this is the topic of what the role of financial institution is to support SMEs. It is also important not only about going international but also how they can fulfil the domestic market demand. Of course, for a country with large population like Indonesia, this is also absolutely important. Even the SME in Indonesia is, I believe, unable to fulfill hundred percent domestic demand. Therefore, we need to import. Actually, implicitly this is a big opportunity for SMEs in other countries to open production plants in Indonesia. I support what Mr. Treumann said. It indicated that Indonesia is one of the potential

production sites. Such an opportunity is huge here. This is an opportunity for other SMEs in some other countries to have a production site in Indonesia. Then the government will really provide incentives on this; wide-range of incentives. We provide that opportunity with incentives in any way. Actually, from tax incentives to some others just to make sure that we can produce any product in Indonesia rather than importing. This is a general perspective in the economic policy in Indonesia. Again, for policy support, the incentives and so on, wide-ranging from interest rate subsidy, lending, government guarantees to other incentives. Actually, we provide a lot of government policy support. Of course, we also encourage SMEs in one ecosystem. However, the issue is how to bring the SME to become a part of a global value chain in the end. The production could be in Indonesia but could be a part of a global value chain. We have a lot of examples on this. Finally, some of SMEs in other countries can open to Indonesia. We have a lot of incentives in Indonesia to reduce unemployment in the country. They can be a part of a global export business. Thus, they can be in the ecosystem of the global supply chain. Also, the government provide the digital infrastructure. Majority of people in Indonesia have access to the Internet. Especially in the Covid-19 times, right now, digital products are really useful for people in Indonesia. Normally, we have significant difficulty to have access physically to the rural areas. We have seventeen thousand islands. So with these digital products, any services or any communication, we can use on the digital support. And the financial sector has also very clearly new opportunities in terms of reaching the people in the rural areas without any physical contact. We can also calculate their credit scoring. Actually, information technologies are clearly very useful. For example, products produced in the rural areas can now be subject to on e-commerce. Then, we can sell them everywhere domestically and globally. So, the opportunity is very huge with the digitalization now. Especially in the Covid pandemic, this is proved well. Of course, I believe, this will continue in the post Covid period. I believe that the Covid pandemic will not prolong so long. It has already forced a transformation on the SME everywhere in the world, not only in Indonesia. As I mentioned before, the 90% of the people have been living in the rural areas in the country. Indonesia is not only an attractive production site but it is also a large consumer base for any type of product. I think the discussion has been really impressive. That opens the eyes of everybody globally. Then, we should focus how to support developing the SME as a global player. Nearly all the countries focus on the SME policy but the policy could be country-specific. Each country has different issues and hence there are different focuses. Of course, small countries that has small populations could be quite different from the large population countries like Indonesia. For the large population countries, currently the major issue is focusing on how to fulfill the domestic demand. But for the small population countries, it is about how to

serve internationally. Of course, focusing on the domestic demand itself does not mean that there is no chance to bring the SME globally. Now, we have several evidence from Indonesia. For example, in the food and beverage industry, we have a big player, Indofood. Not only in ASEAN, Southeast Asia, but also in Africa. To this, we call it food and beverage supply chain. The most popular is noodle. Indomie noodle. I can find it everywhere in the world. Recently, on the global supply chains, we see many startups. Actually, we have strong domestic demand for startup products which are ranging from financial products, planting, even healthcare products, of course, to food and beverage. Actually, there is really a big transformation with the digitalization. Digitalization brings the benefit of the development of the SME; everywhere in the world. Governments everywhere in the world also provide support. So, I would stop here Prof. Emin. Indonesia is a country in the Southeast Asia like India. Indonesia has already developed a country-specific perspective how to develop the SME. Without the government policy it could be very difficult.

Emin Akçaoğlu:

Thank you very much indeed. Contributions have been also huge to our discussion today. When I just think about what all presenters have said so far, there are certain keywords that are absolutely important. For instance, one of them is about digitalization. All the presenters, so far, have just emphasized the importance of digitalization in many respects. Even with regard to financial industries' support to SMEs to internationalize to get better position in value chains. Another issue is around reorganization of supply chains. And I understand that we are just about focusing on regional supply chains, regional value chains rather than global value chains because the latest development that we have been through such as the protection issue, the Covid issue, increasing political risks in different parts of the world have taken us to the point that companies should reconstruct their value chains in a regional format. Another concept that has been raised so far is nearshoring. It means that companies of course, carry on offshoring but that offshoring should be nearby. There are also some other issues that will force us towards that end such as the cost of transportation on top of the rest that I have already mentioned and all the presenters in fact have mentioned earlier. Now, by pointing out the concept, "ecosystem" that was raised by Prof. Santoso; we understand that we are now living in such a world where we can find an ecosystem that will definitely require integration of different parts, different companies in supply chains. However, they would be different in certain terms as have been said. Could you please now carry on our discussion on these pillars but in more detail? Therefore, this time, I will raise the issue of, the old issue of taxation within these all issues mentioned. Because for example, Dr. Kaspar said that we cannot really deal with the current situation with regard to FDI motivations or internationalization motivations only

within the limits of country specific locational factors. But these conditions have also been changed. Dr. Kaspar could you please tell us about taxation or the cost of production? Because the taxation issue is in fact, an extension of that in a way. Will it be as important as it used to be? And how can integrate the tax issue and the cost of labor into the new framework for the future?

Martin G. Kaspar:

I think that there are two questions rolled into one. If I may start with the first, taxation. I think taxation is a difficult one. The more products become digital the less it will be possible for nation states to tax the value that is generated. If a product can be delivered on the back of an email or a download center, how do you tax products crossing borders? How do you tax the value generation? The more products are digital, the less the location where these are manufactured is really that relevant. I think this is a difficult issue for nation states. And on account of it being a difficult issue for a nation state it suddenly becomes a difficult issue for companies. This is what we have seen with the BEPS program of OECD, sort of tightening the transfer pricing rules quite significantly. Probably quite rightly so. But the picture is more complex. It isn't just that shifting profit was easy in the past and should become more and more difficult. The downside is that suddenly its becoming increasingly more and more difficult to do international business as you have to document so many things. The second point with regards to labor cost and the Dunning framework. I think the old ways of understanding foreign direct investment doesn't really work anymore. Labor or in fact most location factors which determine the efficiency seeking have gone out of the window. Why would you need to take all sorts of compromised to optimize your labor cost, of labor cost is and increasing smaller and smaller part of your manufacturing cost. Why should you put up with politically instable country? Why should you put up with corrupt regimes? Why should you set up a location a facility at the other end of the globe, and then have a five-week long supply-chain bringing it back? The logic of efficiency seeking is going out of the window. Presumably, to a much smaller extent also resource seeking. With the advent of hydrogen, we are suddenly able to store and transport renewable energy. Which is probably leading to Saudi oil and Russian gas becoming slightly less important than it was in the past, while nations like Morocco and Chile are becoming renewable energy superstar. If it isn't efficiency seeking, if it isn't resource seeking, it has to be market seeking – right? Yes and no. I think, yes, in the sense of we are clearly going where the market is, where the money is, in order to serve the local market. That is what we've seen with countries like Indonesia, India, or the ASEAN nations, because these are seen as the future markets. But then this isn't necessarily, entirely true because the more products become digital, the more they become virtual. Is there really a need to be physically in the market

with these products to be able to serve this market? I think the examples Prof. Santoso provided were brilliant. Two absolutely sterling companies, Gojek and Grab who have completely revolutionized their industry. These are quite powerful examples: How much digitalization is up-turning the old logic? And that is what I meant when I said we might potentially need a new metric in terms of academic thinking. How do we think about what determines FDI?

Emin Akçaoğlu:

Thank you.

Mr. Treumann, do you have anything to add?

Kurt Treumann:

Yes. We have heard about the very interesting region ASEAN or RCEP which is becoming more and more important. RCEP is the world's biggest free trade zone. But I didn't come to the conclusion what it does mean for us actually. Because they are strengthening themselves a lot. So it is easier to produce something in Indonesia, to transport it Cambodia, and back to Malaysia, and then to Indonesia again. Because there are not customs anymore and the burdens of some regulations are little bit less. In the end they are strengthening themselves. And in the evolution of production, it is getting more and more productive. I think we also lose a bit of our export and important markets in the end. Of course, for others, maybe some niche players which have some special knowledge these countries will get more and more important. But, in the end, I think our gain inside this international business is going a little bit different because of ASEAN and so RCEP. In China or in America, they have decoupling. They are also trying to get more and more autonomous. They [ASEAN countries] are trying to meet their needs on their own. It is nearly the same what Chinese and Americans are doing. But I am not quite sure if we can do it because, to be a little bit more autonomous and put all the supply chains more and more close to us to produce everything on our own. Because sometimes the knowledge is already away. We don't have the suppliers. For example, if you produce some clothes, textiles, maybe we don't have producers for some special things. We are dependent on some yarns for example, from outside of the EU. I think the business will not be like Germany or EU is just producing everything on its own. This doesn't work actually. If you heard about the labor cost, you know all these travel for example. For example, in textile industry, we went back maybe from China. Then they went to Indonesia for example. Now the travel is going maybe to Africa. But I agree the production and productivity is getting more and more highly sophisticated. So the cost of the staff is not so important in the future, I think. This is one point. And just to put outside your production somewhere else where it is cheaper, also not the conclusion. If you heard, for example, about BMW in the US, first attempts to produce the cars. We are not successful because there was a lack of very skilled

staff so the quality of products goes down. This is also a problem actually. If you think about China for example, you have the big fluctuation of staff. In May, you have somebody and in August is already away. The knowledge is also a problem actually.

Emin Akçaoğlu:

Thank you very much.

Martin G. Kaspar:

I think, we are actually very close with each other. I totally agree with your assessment of RCEP. Sort of the forming of a local market in Asia, much the same like USMCA, the follow on structure to NAFTA. I think that regional markets are becoming more important, and that globalization is morphing into regionalization. They are becoming more important to themselves as opposed to us, but this is why I think, that this influences the decision why companies invest. You want to be a local player – or at least be seen as a local player in those markets. You want to have access to those markets, and you are in the game again. That might make investment more important than trade. You have to be a player locally but that doesn't necessarily mean that we are out of the game.

Emin Akçaoğlu:

When I look at the faces around our table here, I understand that we can have some contributions from the audience. Prof. Manfred Kiesel is with us and I am sure that he has got something to say.

Manfred Kiesel:

One of the reasons why you are focusing on local markets is that you want to keep up the security of the value chain, the supply chain. Yes, in times of crises, we are getting nervous because we can't produce our products. I am thinking in some years here more interested again about the products somewhere in the world. You are trying to optimize supply chain to make it cheaper. So it seems to be a trend or tendency in these months, in these years. But in two years you are forgetting that and you are going again worldwide. The other thing is that yes you might be right, and the big business keeping up the security of supply chain. However, in Germany, we need the customers. You said, "it is a jobless development". I am afraid it is a customerless development too. When all the regions are focusing on their own market. So there is the challenge.

Martin G. Kaspar:

We are living in interesting times. We are in the process of resetting our business models. It is important to be within the regional markets. It isn't a global world anymore, and we are getting away from delivering from one point, to everywhere in the world, but to be present in various regions.

That is what I meant with increased importance of strategic investment in certain regions, as opposed to the flow of trade. I think, we are also seeing that in the trade figures. But I totally agree with you, these things are partly a question of fashions of business ideas. Moving in one direction and soon thereafter in another. But I think, we are seeing changes of the rules of the game.

Emin Akçaoğlu:

Thank you so much. I just would like to go to Indonesia again. Prof. Santoso, would you like to add something.

Wimboh Santoso:

Thank you Emin. Actually, we have to evaluate not only very specific micro cell. That is very important. Why? Very simple. For the country that unemployment is very high, there is an opportunity. We have more room to develop these people just making government policy to bring them to labor market. Then, the room to grow is very high. I think, that is very common. Some countries spend for infrastructure. Even in the U.S. government spends a lot of money to develop new infrastructure. Physical infrastructure, technological infrastructure, anything. Everywhere, they want the same. Then, country with very high unemployment, have a lot of opportunities and higher opportunities to bring people to the labor market and create initial additional accord for the country. That is the opportunity actually. In the U.S., probably all the advanced market, almost everybody has a car. But in the emerging markets only small number of people have cars. What matter is how to develop these people to be capable and have a revenue to buy a car. You see China has a big opportunity; a large country with ample labor force. The skill was very important. How to develop these people? The skill, healthcare and also job opportunities. We develop infrastructure; then we have a lot of real opportunities to support the economy. The country with small population, unemployment can be almost zero. Actually, that is difficult. They have to bring services to other countries as global value. Competition is more difficult. For the country with very high unemployment, we have a room. Whatever you sell to this country will be accepted. Internet penetration is very huge. Whatever in the cache will be accepted in the market. Motorcycle or houses will be sold. That is different perspective. That is a big opportunity for multinational companies to develop the SME in this country. I believe not only this opportunity. The climate change is very important. Because globally we consume so much but with the climate change. Each country has an agenda how to transform to optimize incentives here. How to play with the issue is very important. The climate change is not a national issue. It is a global issue. How to bring commitment to the Paris Agreement? In Indonesia, we have a roadmap for this to reduce the carbon emissions. To make sure that for investment in Indonesia everything will be considered by us. Not only micro side, also macro side is very important here.

Not only Indonesia has such an agenda; other countries do the same thing. Opportunity to grow in ASEAN is very huge. Not only Indonesia, we have Myanmar, Laos... Then, I believe that is opportunity for us to collaborate. Without a global supply chain, it is difficult. Of course, the investment. We need funding. The funding will be considered as a ... We can not provide That is the time for us to bring everything. Otherwise, the opportunity will not be very optimal. Global collaboration is very important. Technology, knowledge is very important for us. Anything can be purchased everywhere in the world ... to maximize global resources. What I mentioned is not only agenda for Indonesia. It is a global agenda. Indonesia is now the G20 leader after Italy. How ... the global taxation is big issue. We do not answer yet. It is still under discussion. ...

Emin Akçaoğlu:

It seems that this is just the beginning of another discussion but obviously we have already used our all time. By using some time form the coffee break just I would like to summarize what we have discussed so far and which kind of end results or outcomes could be concluded out of the last 75-80 minutes. What I understand is that we are in an extraordinary period in the humankind these days. Particularly, the pandemic has just reminded us of potential dangers that we can face, in the coming years. Obviously, climate change will be definitely one of the top issues in our agenda in the future. Obviously, migration (we haven't mentioned about that issue today here) will be also one of our top issues in our agenda in the future. At least, when we look at the current situation in the world, we understand that the current conditions are forcing companies to reconsider their existing global value chain operations. As our colleagues from the German industry like Mr. Treumann from IHK, and Dr. Kaspar and Mr. Güven from two German companies or companies from the developed world, the situation is rather different. For instance, I understand that German companies are rather intending to find new export markets instead of trying to go and physically establish themselves in some foreign locations because industries in which they operate are rather suitable for such a choice. But when we look at this, I'll jump just to the other issue which was raised by Prof. Santoso. He said that if for instance, you cannot find the purchasing power in a target market, what are you going to do? You have to also, consider funding or helping the people there to raise the purchasing power. And then, as he said, the infrastructure development come to the agenda because we know that if the people are able to create value, then they will have the purchasing power. And as Prof. Santoso mentioned the example of China is a very significant one for all of us. Because the Chinese, now, are just showing us that there is a huge market there with purchasing power. However, that purchasing power has also been created by foreign companies there because they invested; they brought technology; they collaborated etc. That discussion could be

extended of course. If we return back to the reasons behind investment decisions with regard to location issues Dr. Kaspar mentioned that the famous Eclectic Paradigm of Prof. Dunning should be reconsidered. Why? Because when we look at the reasons now: Are those resource seeking investments the same as earlier? Or are companies investing for efficiency seeking as they used to be? In essence, from my viewpoint, yes, the OLI Paradigm is still valid. Not perhaps in the sense that we were used to but in a new logical sense. Why? Perhaps the cost of labor is not as important as it used to be for physical manufacturing process. But don't you think that German companies may consider utilizing the engineers in India to run those digital platforms or frameworks creating the new digital products for the future? What I think is that, obviously, this will bring additional points into the discussion. And hopefully we can do those later even without waiting for the next Würzburg International Business Forums; but by organizing just a roundtable discussion in between. By also taking the point mentioned by Prof. Kiesel: Yes, we are now in an extraordinary period which in a way push us to reconsider the usual frameworks. However, the world is in change and when everything at last, may become the normal again. We may again use the earlier frameworks within reconsidered perspectives. Therefore, what I understand is that this discussion should be finalized at some point because if we don't so we will lose all our coffee break time. In other words, thank you very much indeed for your participation, contributions; and we hope that we will have around another discussion table soon. Thank you.

Rainer Wehner:

Thank you also from my side Emin. I think you are right in the situation that you can carry on with our next topic. That means it is an introduction of something new. Let's say as a result of these conferences and other possibilities to publish. This is the introduction of the Würzburg International Business Review, and Emin as I said you are right in the field. So, carry on with introducing our new "baby".

Emin Akçaoğlu:

Thank you very much indeed Rainer. Yes, we have got a new project and its name is the Würzburg International Business Review. It's a journal. It is about to be realized. We have been working on it. It will be an open access journal. Therefore, it will be online. Everyone in the world will be able to read the articles published in the Würzburg International Business Review. Though it will be an academic journal, it wouldn't be an academic journal in the traditional sense. Why? Because we are not intending to publish only academic papers in it. We are also intending to publish policy papers. And we are also intending publishing transcriptions of panel meetings or round table meetings as we have had just one today with our guests around this table and in the other part of the world. Therefore, in 2022 we will

publish the first issue of our journal. In other words, to that end, we are about to publish the journal's website. Plus, we are about to publish a call for papers soon and we expect the contributions of the business world, professionals from the industry, to just use the platform to steer discussion in international business-related areas. To that end, this project, in a way, is just bringing its motto into the table itself: The Würzburg International Business Review's motto is "becoming the bridge between theory and practice in international business". The logo of the Würzburg International Business Review will be the famous bridge, Alte Brücke in Würzburg and Alte Brücke is going to be, in a way, reminding people of the need for a better communication between the academia and the industry. Therefore, we just would like to announce here to the all participants at the moment in our conference that if they may have an intention to contribute to this journal, they are very welcome. We will be so pleased to cooperate with them. All of you will soon receive much more about the Würzburg International Business Review from us. Thank you very much indeed.

Panelists' Biographies:

Gürhan Güven:

Gürhan Güven was born and raised in Hof in the federal state of Bavaria, Germany. He studied industrial engineering at Hochschule Hof. Later he moved to Izmir as an expatriate Sales & Marketing Director for the Turkish subsidiary of Netzsch, the 6th-generation family-owned machine producer in Germany. After working for Netzsch for five years, he left the company, and changed his professional environment from machine business to food business. For the last five years, Mr. Güven has been the Chairman of the Executive Board & CEO of Fersan which is the market and innovation leader in the Turkish vinegar market with around 200 employees, and a global pickle supplier of McDonald's. Fersan belongs to the 4th-generation family-owned Develey Group in Germany. The Develey Group operates in 10 countries with 19 factories and exports its products to more than 60 countries.

Dr. Martin G. Kaspar:

As Head of Corporate Development of Fränkische Industrial Pipes, a German Mittelstand's company and hidden champion in the automotive industry, Dr. Martin G. Kaspar is primarily responsible for internationalization projects (France, Morocco, Mexico, Romania, China, India, Switzerland, Brazil, UAE, the US and the UK) in a greenfield as well as an M&A-context.

He recently completed his part-time PhD at Durham University on the role of Investment Promotion Agencies (IPA) on the location-decision making process of medium sized companies. His qualitative PhD thesis was completed in close cooperation with fellow corporates, national and sub-nationals IPAs, international organizations (UNCTAD, IMF, MIGA, ILO) as well as professional bodies in the FDI field (e.g. WAIPA). Invitations to speak at Development Bank -, IPA- and Chamber of Commerce - conferences as well as during one of the sessions of the WEF E15 project group on FDI followed. Martin is a regular attendee at the BoKoWiTa, bilateral multi-party coordination meetings, and has twice been invited to Ditchley.

Working at the intersection of academic and operational international business, foreign direct investment and hands-on decision-making processes in internationalization projects within the Mittelstand environment, results in Dr. Martin Kaspar having “a foot in both camps” in this topic.

Prof. Dr. Wimboh Santoso:

Professor Santoso is the Chairman of the Indonesia Financial Services Authority. He started his career as a banking supervisor at Bank Indonesia. He worked as Director of Banking Research and Regulation at Bank Indonesia between 2010 and 2012. Later, he was appointed as Head of Bank Indonesia Representative in New York, before joining the International Monetary Fund to take an executive director's seat there. Since 2015, Professor Santoso has been the President Commissioner at PT Bank Mandiri (Persero) Tbk, and in 2016, he also became Director of the Indonesian Banking Development Institute. Professor Santoso was a member of Bank Indonesia delegation for a G20 meeting in 2010, and in the same year he also represented the Central Bank at the Financial Stability Board and the Basel Committee on Banking Supervision. Then in 2014, he co-chaired the Asean Banking Integration Framework. He has also been teaching at leading universities in Indonesia for both undergraduate and postgraduate

courses. His publications include Effective Financial System Stability Framework (2007), the Impact of Global Liquidity on Financial Landscapes and Risk in the ASEAN-5 Countries (2007), Risk Profile of Households and the Impact on Financial Stability (2009) among many others. Professor Santoso has an MBA from the University of Illinois (1993), and a PhD in Financial Economics from Loughborough University (1999).

Kurt Treumann:

Kurt Treumann started his career in private German enterprises. Later he moved to the German Chamber of Industry and Commerce (IHK), for which he has been working for the last twenty-six years. He studied economics at Verwaltungs und Wirtschaftsakademie Wuerzburg (VWA) and completed his studies as Betriebswirt (VWA) in 1999. Kurt Treumann started to work for the IHK as a consultant for International Affairs. In 2012 he became Referent, and he has been the Director for International Affairs / Bereichsleiter International since 2014. Mr. Kurt Treumann is responsible for the promotion of internationalization of Mainfrancian companies through the provision of various types of services such as export- and import consultancies, market development projects, events and meetings, international business travels, certification, and confirmation of special documents relating to foreign businesses. Together with Bayern International, a sister organisation of Bayerisches Staatsministerium für Wirtschaft, Landesentwicklung und Energie, he has developed, organized and attended a number of official participations at international trade fairs for SMEs all over the world.

His employer, the IHK Wuerzburg-Schweinfurt, operates within the service network of 9 Bavarian IHKs and 79 IHKs all over Germany, and 140 offices of the German Chambers of Commerce Abroad (AHK) in 92 countries. It has got 66.000 members. The export-quote of Mainfrancia is over 43 percent.

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