Small Firm Internationalisation and International Entrepreneurship

Editors:
Emin Akcaoglu & Rainer Wehner

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Contents

Keynote Speakers

International Advisory Board

Organisation Committee

Foreword 1

Proceedings of Plenary Session I

Hidden Champions in Russia: Surviving and Developing 2011-2019 5
Olga Saginova, Zhanna Musatova & Irina Skorobogatykh

Insights for Entrepreneurship Education from Finnish Startups 11
Tiina Brandt, Md Moniruzzaman Tanim & Isaac Wanasika

Presence of German Small and Medium Enterprises in South-East Asia under Digitalisation’s moderation: Issues and Suggestions 17
Hoang Nguyen & Anh Ly

Being Empowered by Empowering: Evaluation on Entrepreneurship Practices and Internationalization Strategy of Indonesia’s Marenggo Natural Dyes Batik 21
Chris Petra Agung

Internationalization of SMEs in a Period of Trade Wars: The Role of Export Credit Agencies 29
Emin Akcaoglu & Rainer Wehner

Proceedings of Plenary Session II

Political Risk Insurance and Foreign Direct Investments 37
Banu Erkök

CSR: A Value-Creation Business Strategy to engage Millennials 43
Tashfeen Ahmad
Methods of Financing Foreign Trade: A Sectoral Comparison on Turkish Firms
Türker Susmus, Emin Akcaoglu & Özgür Babacan

A multi-Country Analysis of Future Influencers
Isaac Wanasika, David Říha & Elena Řihová

Conventional Consumer-Based Brand Equity: A Review of the Literature
Philip S. Baker & Dante A. Baker

Sustainable Marketing Factors at Small Internationalization Companies
Ergin Kosa, Erdogan Taskin & Emin Akcaoglu
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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 such as international franchising, contract manufacturing, licencing etc.. Together with those internationalisation tendencies SME’s cannot resist against the progressive movement of digitalisation or Industry 4.0. For this reason and because of the fact that many small-sized multinationals are also family owned corporations, it seems that internationalisation is now not an option but a must for nearly all companies; small or big.

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 2st International Business Conference aims to focus on international entrepreneurship and small firm internationalisation, and also on activities small multinational companies. The conference will be a global forum aimed 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. The main themes of the conference are social and economic outcomes of foreign investments by small multinational enterprises; internationalisation of small firms and international entrepreneurship; how these outcomes are influenced by home countries and international organizations, through legislation, other legal arrangements, policies, and unofficial mechanisms. The conference also aims to identify the similarities and differences between small multinational enterprises from emerging and developed countries, and to analyse the effects of these on employment, growth and development issues in home and host countries. The Conference explores both theoretical issues in the field and practical issues in formulating policy and strategy and it will pay attention to the issue of employment and growth.

Emin Akcaoglu & Rainer Wehner
Editors
Proceedings of Plenary Session I
Hidden Champions in Russia: Surviving and Developing 2011-2019

Olga Saginova, Plekhanov Russian University of Economics, Russia
Zhanna Musatova, Plekhanov Russian University of Economics, Russia
Irina Skorobogatykh, Plekhanov Russian University of Economics, Russia

Hidden Champions (HCs) first studied by H. Simon in Germany have become subjects of research and even government support in many countries outside Europe. The paper uses results of 2 waves of CEEMAN coordinated international research on HCs in Eastern and Central Europe and Russia to analyse the changing patterns and strategies of HCs in response to the changing environment, as well as their stable characteristics providing market leadership. The authors explain reasons and motivation for HCs’ scaling, mergers and other strategies and identify potential HCs in Russia to observe.

Introduction

“Hidden Champion” is a term, which was used for the first time by T. Levitte in conversation with H. Simon (Simon, 1996), who studied small and medium sized companies from Germany playing an important role in increasing the export potential of the country, and therefore making an important contribution to the national economy. Simon’s research in Germany in 1996 and then in Austria in 2009 laid the foundation for research methodology, and identified features differentiating HCs from other companies. Hidden Champions have proved to be stable to crises and other unfavorable changes in the domestic and global economy, active in creating new jobs, highly innovative and productive (Jaruzelski & Dehoff 2010).

Hidden Champions are usually working in niche markets or produce components and semi-finished products, and they achieve world or regional leadership position in their market niches. With all the results achieved, these companies prefer to keep a low profile, and therefore mass markets do now know them. Their products and services are well known by a limited number of specialists.

Research on HCs using H. Simon’s methodology identified Hidden Champions in France, Greece, China and other countries (Voudouris, Lioukas, Makridakis & Spanos, 2000; Yoon, 2013). “Hidden Champions in the Connected World “, a symposium that took place in 2018 at Zhejiang University in Hangzhou1 explored the factors which induce companies to be Hidden Champions, and the Chinese researchers set an objective to identify at least 100 Chinese HCs.

With all this research little was known about HCs in emerging markets. In 2011 the International Association for Management Development in Dynamic Societies (CEEMAN) initiated and coordinated an international research project which resulted in Springer book “Hidden Champions in CEE and Turkey” (McKiernan & Purg, 2013). Representatives of 18 countries with dynamically developing economies took part in this international research project with 165 HC companies identified. Published in 2013 the book sought to compare and/or contrast the project findings and Simon's work as well as identify what support Hidden Champions need, as the economic environment and historical background in which they are working to succeed has several key differences when compared to more mature and established market economies.

In 2018 CEEMAN has decided to explore the characteristics of innovative companies operating in Central Europe, and South-Eastern Europe (CESEE) and Kazakhstan, identify and describe the present HCs in these countries. Research is underway, preliminary findings are being accumulated. The focus of this paper is to present preliminary results of this research on HCs in Russia, comparing them to 2011 findings and discussing the new challenges for Hidden Champions to survive and develop.

Hidden Champions in Dynamically Developing Markets

Simon (1996) defined the main objective of HCs as an aspiration for gaining the market leadership position. This ambitious goal goes beyond achieving a market share target but also implies professional leadership such as setting rules and influencing trends (Rammer & Spielkamp, 2015).

Another characteristic of Hidden Champions is their strategy of specialisation by focusing on product quality and product-related services (Rammer & Spielkamp, 2015;
Voudouris, Lioukas, Makridakis & Spanos, 2000; Witt & Carr, 2014). HCs are usually niche leaders in B2B markets that are often referred to as “unspectacular” industries (Rasche, 2003, p. 220).

A high degree of innovativeness is a major characteristic of HCs, often they see new opportunities and gain first mover advantages (Schlepphorst, Schlömer-Laufen & Holz, 2016). Voudouris et al. (2000) found that HCs encourage innovativeness among their employees. Highly qualified employees are regarded as a key asset and benefit from continued training provided by the company (see also Witt & Carr, 2014). Intrinsic and extrinsic motivational factors, such as incentives or autonomy in decision-making, strengthen employees’ motivation and commitment (Rammer & Spielkamp, 2015).

Hidden Champions increase their market segments by going international really early (Blackburn et al., 2001; Venohr & Meyer, 2007; Witt & Carr, 2014; Yoon, 2013). In this way they use economies of scale which they would not have been able to achieve in their domestic markets only (Simon, 1997).

Hidden Champions' long-term success also rests on their efforts to avoid the outsourcing of core competences and on their hesitation to enter strategic alliances (Simon, 1996). Rammer & Spielkamp (2015) explained this by companies’ strong aspiration for independence.

Thought all research on HCs use H. Simon’s methodology, specific national economic environments in dynamically developing markets made it difficult to use a uniform approach to companies selection. Initial methodology had to be adapted to market conditions (Table 1).

Table 1 - Comparison of criteria for selection of Hidden Champions in CEE countries

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Hidden Champions (Simon’s methodology)</th>
<th>Hidden Champions in dynamically developing economies.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market position</td>
<td>No. 1 in Europe or top 3 in the World</td>
<td>Regional leaders</td>
</tr>
<tr>
<td>Average revenues (per annum)</td>
<td>£326 million</td>
<td>£141 million</td>
</tr>
<tr>
<td>Revenue growth (within the last 10 years)</td>
<td>8.8%</td>
<td>10.4%</td>
</tr>
<tr>
<td>Export (% of revenues)</td>
<td>61.5% (51.1% 10 years ago)</td>
<td>62.1% (58.2% 10 years ago)</td>
</tr>
<tr>
<td>Productivity (revenue per employee)</td>
<td>£160,039</td>
<td>£99,240</td>
</tr>
<tr>
<td>Median age of the companies (years)</td>
<td>61</td>
<td>19</td>
</tr>
<tr>
<td>R&amp;D expenses (% of revenue)</td>
<td>6%</td>
<td>16.4%</td>
</tr>
<tr>
<td>Number of patents per 1000 employees</td>
<td>30.6</td>
<td>41.98</td>
</tr>
<tr>
<td>ROI (%)</td>
<td>13.6%</td>
<td>32%</td>
</tr>
</tbody>
</table>

Source: Hidden Champions in Central and Eastern Europe, and Dynamically developing environments. Research report 2011

**New Economic Reality**

When the first wave of research was undertaken, Russian economy was recovering from the recession of 2009. 2014-2015 fall in price of oil (by 50%) and international economic sanctions imposed on Russia following the Ukrainian political crisis have kept Russia from returning to its previous strong economic growth. From 2014 through 2016, the economy contracted by an average of 2% per year, and the population living below the poverty line rose by 23%. The ruble devalued twice since 2014 against major world currencies, making foreign goods and services more expensive. Inflation rose nearly twice as fast as incomes, eroding household purchasing power. Only in 2017 the Russian economy returned to modest growth (1.7%). Russian consumers have grown more cautious, pragmatic, and value-conscious. They prefer to save money, as the statistics shows, total savings of Russian population grew approximately by 10% during 2018.

Higher trade barriers and protectionism, geopolitical risks, lower core business revenue, rising barriers to entry into new markets and lower consumer interest in new products have been the major risks faced by businesses. Under these circumstances with capital being more expensive and difficult to access businesses were looking for strategic partnerships, joining bigger holdings, merging with well-known corporations. What used to be independent medium sized businesses developing innovative products and services in their specialized market niches have now become parts of diversified corporations with wider resources and centralized decision making. This changed the overall picture with Hidden Champions in Russia: some former HCs have grown too big to be considered SMEs, some ceased to be hidden due to new lines of business they developed for mass markets, others joined state-owned holdings. Some potential HCs did not manage to grow into industry of regional leaders with geopolitical factors hindering their international expansion.

**Groups of Hidden Champions**

Most Hidden Champions in the dynamically developing markets were established in the beginning of 1990-s with the start of market reforms, and some were founded in late 1990-s – early 2000. During the first wave of research they were divided into two groups (Figure 1) using the parameters of age and market leadership (Saginova, Skorobogatykh & Musatova, 2014).
Though both groups were identified as Hidden Champions in 2011 research wave, their patterns of value creation were different: while companies in the first group were offering technologically complex but standard products, companies in the second group were selling research intensive and customized solutions, leading due to product design and innovations. Economies of scale were used to decrease costs by companies in the first group, intellectual leadership and knowledge management were drivers for the second group (McKiernan & Puré, 2013).

Research wave of 2018-2019 did not find this division into two groups as distinct. Most companies are now customizing their products and rely on innovations rather than economies of scale. However, tougher market conditions and shrinking margins have forced companies to turn their attention to internal business processes. Previously, trying to quickly respond to market demand during growth years, companies generally did not have time and resources to work on operational optimization. Today many of them see the need to enhance operational effectiveness, both in production, logistics and marketing.

Russian Hidden Champions continue to place much focus on R&D, especially now as domestic and international competition intensifies. Increasingly, companies have to account for global technological breakthroughs which transform entire industries. Innovations take place not only on product side, but also in processes. Introduction of smart and digital technologies help the companies to stay on top of the game.

The Changing Number of HCs Identified

In 2011 researchers in Russia shortlisted 5 companies from the initially selected 29 organisations. After desk research using open sources, in-depth interviews with company owners or CEOs of these 5 companies were conducted. Russian Hidden Champions were identified in several sectors, where they took leading positions either worldwide (top 3) or regionally (Europe and CIS): IT (software production, IT-consulting, IT-outsourcing); transport manufacturing (yachts, helicopters); hi-Tech (scientific instruments, nano-technology, scanning probe microscopes, navigation systems for sea ships and aircrafts); pharmaceuticals (generics, anti-flu vaccines); consumer products (sports clothes, ballet and dance shoes, sparkling wines); metallurgy (titan and zinc supplies for automotive producers); “supply” products: equipment, materials, components.

Out of 29 companies identified as HCs and potential HCs in 2011, the 2018-2019 research found that only about half of them are still maintaining the HC status (among them Grishko, NT-MTD Spectrum Instruments); a quarter grew too big to be considered HC through mergers, change of ownership or joining a bigger, sometimes state-owned corporations (e.g. VSPOAvisma, SKIF-M, Luxoft, Russian Helicopters). Another quarter ceased to be hidden and now actively promote their products to mass publics (e.g. Yandex, Kaspersky Lab).

Seven new HCs, which were not studied during the first wave of research, were added to the list, four of them studied in detail. Basing on the in-depth interviews with six HCs’ leaders, 2 of which were present in 2011 wave of research, the main trends and strategies will be further analysed.

Sources of Market Leadership

Compared to 8 years ago, today Russian Hidden Champions find themselves in a very different environment. With sluggish domestic economy, companies witness unstable demand and higher competition. This pushes them to seek new sources of growth. Some have decided to diversify their business into related product categories. Grishko company, initially the producer of pointe shoes, first included dancewear into their product range and then diversified into a wider leisure apparel. Sales revenues have grown by 20% in 2017 compared to 10 years ago, and the company employs a bit more than 500 people. Still a Hidden Champion, this company is building its market leadership on the high quality and natural materials used, as well as on special technologies of ballet shoes construction. Domestic demand has grown and though Russia is still not the company’s biggest market (Grishko sells its products in more than 70 countries including USA, Canada, Great Britain, Germany, France, Japan, Italy, South Korea, and Brazil) its products are now popular not only among professional dancers, but also with those using ballet classes for fitness and exercise.

In some markets domestic demand has grown considerably and companies are changing the balance of their internal and external sales. For example, in research instruments market Russian research institutions and Universities now get more funding and hence place orders for new research equipment. NT-MTD Spectrum Instruments, a Moscow-based producer of atomic force microscopes has increased domestic sales keeping the export volume stable. The company remains a Hidden Champion and has gone through a reorganization of its corporate structure to maintain its leadership in their niche. The company’s market share has not changed since 2011 and is 15%, following its main competitor with 25% of the global market. The nature of the company’s leadership has not changed either. That is R&D, a good network of clients and partners, development of the professional community, talent management, and working with the leading technical universities in the country. In the past 8 years the company has developed local design competences and is no longer acquiring these services abroad.

One of the new HCs added in the second wave of research is Monocrystal LLC (part of the Energomera Group) which has been in the market since 1999. I was identified during the first wave of research as a potential HC.
The company mainly focuses on sapphire for electronics and metallization pastes for the solar industry. A global company with 3 labs in Russia and China, an in-house R&D institute of electronic materials and 5 sales offices worldwide, Monocrystal was recognized as the largest sapphire company in 2014. The company holds the No1 position on the global market of components of synthetic sapphire for electronics and optics. Its global market share is about 40-50%, compared to the closest competitor with a market share of about 20%.

**Internationalisation Strategies of Hidden Champions**

Research of Russian Hidden Champions showed that internationalisation through serving the target markets beyond domestic country borders was one of Hidden Champions success factors (Audretsch, Lehmann, Schenkenhofer, 2018). Reasons for this early internationalisation included existing demand in foreign markets, when the domestic market was not yet ready for the product (Jaruzelski & Dehoff, 2010). With Grishko, pointe shoes in the 1990-s in Russia were bought only by professional ballerinas or students of ballet schools while a much larger group of amateurs took ballet classes as hobby or fitness activities in Japan or Italy and hence needed a constant supply of pointe shoes. Internationalisation motivation can also be strengthened by the existence of high-price/low-volume segment in the foreign markets (Mudambi & Zahra, 2007), which was the case with NT-MTD probe microscopes. Early exports provided Russian HCs a possibility to broaden customer base through entering new markets and achieve a larger volume of production (Lee, Kelley, Lee & Lee, 2012).

HCs continue to use internationalisation and new markets development as their important growth strategies, strengthening their positions in the markets they entered in the early stages of their development. However, for some companies which had been identified as potential HCs during the first wave of research, geopolitical factors hindering internationalization options did not allow to evolve into true market leaders. Some of them catering for the special needs of certain industries ceased to be independent and joined state-owned corporations (e.g. Chelyabinsk Zink Plant, the producer of special zinc-based alloys, was bought by the Ural Mining and Metallurgical Company in 2016, JSC Isotope is now a subsidiary of Rosatom state corporation, Russian Helicopters, which produced special purpose helicopters, is now a subsidiary of Oboronprom United Industrial Corporation).

**Conclusions**

Research on Hidden Champions in the dynamically developing markets aimed to identify and describe the present Hidden Champions in CEESE countries, as well as to understand what the success factors of Hidden Champions are. Additionally, the research was meant to promote the markets and countries researched in terms of their innovative companies, which are the international leaders in their respective niche markets. The exploratory study updated the information contained in the book “Hidden Champions in CEE and Turkey: Carving out a Global Niche” and recognised the common characteristics of Hidden Champions, describing the best practices and spotting the main success factors.

Research results are still being summarised and further research will analyse the development needs of Hidden Champions in Russia to determine how their further expansion can be supported in terms of management, financing or the regulatory environment. The research also attempted to identify potential Hidden Champions (companies that, given their expected development, are likely to become more relevant for their sector in the near future) and industries in which they are likely to appear. This will need further research due to low profile of the HCs and difficulties researchers face when trying to get relevant information through open sources.

**Acknowledgments**

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Jaruzelski, B. & Dehoff, K. 2010. *The Global innovation. Booz & Company’s annual study of the world’s biggest R&D spenders shows why highly innovative*
companies are able to consistently outperform. Their secret? They’re good at the right things, not at everything.


Insights for Entrepreneurship Education from Finnish Startups

Tiina Brandt, Tampere University of Applied Sciences, Finland
Md Moniruzzaman Tanim, Tampere University of Applied Sciences, Finland
Isaac Wanasika, Monfort Business College, University of Northern Colorado, USA

The research focuses on six Finnish startup entrepreneurs who participated in the StartupWorldCup competition in Finland. 62 applicants were selected as finalists to compete in European and World level. The main goal of our study was to understand the views of entrepreneurs regarding the skills and education that future entrepreneurs would need. We also wanted to determine whether networking events are beneficial for startups. Results indicated that important entrepreneurial skills for the future were e.g. people skills, motivation and risk-taking capability. With respect to education, entrepreneurs emphasized e.g. customer-focused projects, hands on experiences and networking techniques.

In Finland there is a high gap between students who are interested of entrepreneurship and those who actually become entrepreneurs. 31% of students said that they are planning to establish a company within five years of graduation. However, the actual percentage of companies are formed by young adults (18-24 years) is only 5.2% (Sieger, Fueglistaller & Zellweger, 2016). It is important to ensure that the right education is provided to support potential entrepreneurs. Our goal was to ask successful, highly growth orientated startup founders their opinion on entrepreneurial skills needed in future, how education should be planned and the value of networking events. Theoretical background is written here below and it is divided into 1) entrepreneurial skills 2) entrepreneurship education and 3) networking.

Entrepreneurial Skills

Relevant studies in the past have focused on entrepreneurial skills. Previous studies indicate that the main predictors of the entrepreneurial intentions in Croatian business students are strength of entrepreneurial identity, aspiration and entrepreneurial self-efficacy (Pfeifer, Šarlja, & Sušac, 2016). Entrepreneurs are generally considered to be “do-ers”, people who get on and take action towards their goals instead of those who might be orientated towards detailed planning and collecting more information before acting (Fisher, 2012). Risk taking, handling uncertainty, learning as a team and emotional intelligence are the most powerful experiences for entrepreneurs stated by Arpiainen (2019). Frank (2007) illustrated the difference between the skills for an entrepreneurs and planners. Calculated risk taking, creativity, communication and negotiating skills and independent decision making are top skills required for entrepreneurs.

Lynch, Kamovich, Andersson, and Steiner (2017) studied linguistic content of interviews of 51 successful high-tech entrepreneurs from Silicon Valley and compared those to a control group of spoken text from average entrepreneurs. Results indicated five themes that come up more often with successful entrepreneurs than non-successful entrepreneurs. The first major theme which seemed apparent to us was the concept of taking actions or steps towards achieving desired outcomes. Secondly, they seemed to be more concerned with the future than they were with the past when compared to the control group. They had less focus on themselves, and are more likely to use words demonstrating a collective perspective. The entrepreneurs seemed to have a very clear focus on their customers and understanding their customers’ needs and requirements. Entrepreneurs were concerned with their customers’ success, not just their own personal success. This might be described as a win-win type mentality. Lastly, study indicated that entrepreneurs are lifelong learners, who are curious and who see experiences as an opportunity to learn and improve themselves. The control group was twice as likely to label an experience as failure as the successful entrepreneurs.

Entrepreneurial Education

Entrepreneurship education aims to develop students’ mindsets, behaviours, skills and capabilities, which will create entrepreneurs of the future. Several studies have been carried out to gain a deeper understanding of the significance of entrepreneurship education and the essential elements of entrepreneurial learning (Rae, 2010) and the impact of entrepreneurship education on students’ entrepreneurial intentions (Fayolle & Gailly, 2015). Entrepreneurship education has some positive overall assessment (Pittaway & Cope, 2007), but in many cases its actual impact on students’ entrepreneurial intentions remains unclear (Krueger &
Networking

The necessity for social networking for the foundation and growth of entrepreneurs has significantly increased nowadays. The concept of network ties has also become into a reality.

According to Elfring and Hulsink (2007) the opportunity identification, resources acquiring and gain legitimacy can be achieved by network ties. Their study also identified three categories where networking plays a vital role. Independent start-ups, spin-offs, incubator-driven companies are the categories that can be also sub-divided by incremental innovation and radical innovation. The network-ties concept showed that social events create strong or weak ties for the entrepreneurs and thus helps them to receive feedback and guidance. Also, interaction between strong ties and weak ties brings a new perspective, new way of thinking and new business models. Initial founding and post entrepreneurial process are also associated with network-ties and thus enhance network evolution, renewal and revolution. Similarly Friar and Eddleston (2007) have found that networking events create a system or chain of information, contacts and support. Networking is an important skill that enhances career and entrepreneurial skills. This research outlined that networking events build more capable relationships with customers, financial support and continuity of the businesses. Additionally, networking events allow entrepreneurs to compare prices, services, taxes and marketing hence these events help entrepreneurs to analyse their effectiveness, performance and help them to make connections for future collaboration with investors.

Sample and methodology

The sample is six Finnish growth-oriented entrepreneurs who took part in the Startup World Cup 2019 held at Tampere on 06- March 2019. Three questions were selected for the interviews. The questions focused on growth-oriented start-up’s views on networking events, future skills for entrepreneurs and entrepreneurial teaching methods at university level. All the questions were semi-structured in nature and the same question was asked in the whole research. Moreover, in semi-structured interviews, there are no yes/no answers rather idea was to get the overall perspective of the interviewees Schulp (2012). All the interviews were conducted in English, and interviews were recorded. 85% of the entrepreneurs were interviewed through face-to-face interviews the event and 15% were interviewed via phone after the competition. All the interviews took approximately 10 minutes each and the method of interview was semi-structured. Table 1 shows the basic information about the start-up in terms of technology field they are working on, time since kick-off and founder

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Brazeal, 1994; Souitaris, Zerbatini & Al-Laham, 2007; Walter, Parboteeah, & Walter, 2011) and in some cases it appears to be negative (Oosterbeek, van Praag & fjsselstein, 2010).

Individual and cultural aspects as well as teaching and learning methods may also have effect on the role of impact of entrepreneurial education on entrepreneurial intentions (Packham et al. 2010; Drost & McGuire 2011; Hytti et al. 2010; Fayolle & Gaillly 2015). There are many methods on how learning to be an entrepreneur is best achieved. For example “learning by doing”, undergoing experiences in real-life situations, theoretical lessons, visit to specific enterprises, case studies, role-plays, internships, business simulations, action learning, and live projects (Gibb, 2002; Hampden-Turner, 2002; Politis, 2005). Although much of entrepreneurial learning also takes place outside formal education, educational institutions and teachers are important entrepreneurship stimulators (Rae & Carswell, 2001). Studies have addressed the role of teachers and teaching methods methods in entrepreneurship education (e.g. Ruskovaara & Pihkala, 2013; Seikkula-Leino et al., 2010; Hänäläinen et al., 2016). Numerous studies (Peltonen, 2015; Ruskovaara & Pihkala, 2013; Gibb, 2011; Hannon, 2006) indicate that teachers have a significant role in enhancing students’ entrepreneurial competences. With their pedagogical choices and actions, teachers can both create and enable learning situations and environments, which challenge students to learn and strengthen their entrepreneurial mindset and orientation or vice versa.

Oksanen (2012) points out that, few students have the will or possibility to practice entrepreneurial action in starting and managing a business, even though it would be very important experience to them. However, institutions offering this experience exist in Finland. These can be found in the entrepreneurial school of Proakatemia at Tampere University of Applied Sciences where the coaches (formally teachers) dare students to study and learn in team enterprises in an inspiring community (Saraketo & Nevalainen, 2017). From Proakatemia 40% of students become as entrepreneurs, a rate that is much higher than the usual 4% for higher education students in Finland.

Studies of Finnish growth oriented entrepreneurs indicated that there were three different categories of how the students should be encouraged for becoming entrepreneur (Brandt, Boedeker & Hautamäki, 2018). According to them, the first dimension consists of concrete knowledge and knowhow, like accounting, selling, strategic knowledge and law. The second category consisted of entrepreneurial way of living, such as discipline, resilience, time and stress management. The third category consisted of concrete ways for education, such as attachment to a company during studies, and simulation exercises.
The interviews were transcribed and then read through several times concerning the entrepreneurs’ views on networking events, future skills and entrepreneurial teaching methods at university level. All the interviews were then coded and categorised. Connecting and interrelation the interview data comes just after. Lastly, these views were further categorized by their content and analysed accordingly in order to find the explanatory meaning (Schulz, 2012).

Table 1. Sample Characteristics

<table>
<thead>
<tr>
<th>Code &amp; Field</th>
<th>Start-up age</th>
<th>Country</th>
<th>Interview details (age, sex, time as entrepreneur)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company A E-Commerce</td>
<td>1 y</td>
<td>Finland</td>
<td>30-35 y, male, 1st time</td>
</tr>
<tr>
<td>Company B Forest Technology</td>
<td>1 y</td>
<td>Finland</td>
<td>30-35 y, male &amp; female, 1st time</td>
</tr>
<tr>
<td>Company C E-Health</td>
<td>1 y</td>
<td>Finland</td>
<td>30-35 y, male, 1st time</td>
</tr>
<tr>
<td>Company D Cloud Service</td>
<td>1 y</td>
<td>Finland &amp; USA</td>
<td>30-35 y, male, serial entrep.</td>
</tr>
<tr>
<td>Company E E-Health</td>
<td>2+ y</td>
<td>Finland</td>
<td>30-35 y, male &amp; female, 1st time</td>
</tr>
<tr>
<td>Company F Cloud Technology</td>
<td>3+ y</td>
<td>Finland</td>
<td>30-35 y, male &amp; female, 1st time</td>
</tr>
</tbody>
</table>

Results

The following section is delineating interview findings in the following order 1) entrepreneurial skills needed at future 2) best way to teach entrepreneurial mindset 3) importance of networking events.

**Entrepreneurial skills for future**

All the entrepreneurs find this question difficult to answer because of the merit of the question. We received mixed answers for this particular question. One entrepreneur emphasises that primary skills for future entrepreneur will be knowing own product and find out what you are excellent at. Many said that onboarding the right people and filling the gaps is very important. Pitch do stuffs (hands-on project work) and ready to take risk (being fearless) comes as another top skills that required for future entrepreneurs. Other skills that were mentioned were qualities such as being visionary, self-driven, self-motivation and influencing others. Some citations describing entrepreneurial skills for the future:

“End your uncertainty”

“Recognize your technology and what you are good at”

“Influence other people to get excited as well”

“Mental agility, grit (sisu), understanding of AI (artificial intelligence), sales and marketing skills, people skills”

The Finnish word “SISU” (a bit like grit) stands for a cultural construct. It is an extreme psychological strength that comes where grit and perseverance end. It is like an extra gear (Breyer, 2019). Maybe this is cultural thing and emphasized overall in Finland, because earlier studies of entrepreneurial qualities do not emphasize persistence or grit as an important entrepreneurial quality. Hands-on, visionary, self-driven and risk-taking are in line of earlier studies (Arpiainen, 2019; Duening, 2010; Frank, 2007). People skills (communication, negotiating skills) have been emphasized also by Frank (2007) and hands on project work by Fisher (2012) and Lynch et al (2017).

Interestingly, when we asked about the skills of future entrepreneurs, the answers were focusing more on the characteristics than learnable qualities (like languages, maths, accounting, marketing etc). Maybe the question was something that would have needed more time to think about, or we could have asked further questions that would be more related to skills. It was interesting that entrepreneurs first thought about the qualities that maybe are needed most in their everyday life startup founders. These were qualities like knowing your strengths, mental agility, risk-taking, self-driven, self-motivation. Secondly, the answers indicated strong interaction and people skills (“onboarding the right people, influencing others and people skills”). Skills that were more concrete and learnable were sales and marketing skills which are strongly related to people skills.

**Teaching entrepreneurial mindset**

We received a mixed reaction from the entrepreneurs when we asked this question of how to teach entrepreneurial mindset at higher education. Most of the entrepreneurs find it difficult to answers in one line or few sentences. Main idea we gathered from the above-mentioned entrepreneurs are given below sequentially:

- Promoting entrepreneurship as a career path
- More customer projects work i.e. hands on experiences along with theoretical and practical lessons.
- Sharing ideas with people and learn networking techniques
• Camping, training and participation in a real team for a while enhance entrepreneurial mindset where coach or teacher will be a team member.

• Also introducing cutting edge concepts and its applications will help to develop entrepreneurial mindset at university. Lastly, entrepreneur B has advised to use Proakatemia* based education system can help universities to build entrepreneurial students. (*The term Proakatemia here describes one of the Finnish education system at Tampere University of Applied Sciences of where students usually teamed up for entrepreneurial studies. They receive training by a coach and form a small co-operative company. The idea is to do business by making tangible product or service for real-life customers.)

Some citations describing teaching entrepreneurial mindset at the university:
“Courses, hands-on workshops, meeting with startups (especially the new and small)”
“Promoting entrepreneurship is a career path”
“Participation in a real team for a while”

Our research findings are aligned with Pihie and Sani’s (2009) findings. Their top three technique considered by students are given as follows, (a) running a real business (b) visiting to a business places and (c) conversation or interviewing entrepreneurs (Pihie and Sani, 2009). These three key learning techniques help students to get prepared and motivate them to start their own business. Collins (2003) also suggested that entrepreneurial study can learn from one another, also entrepreneurship can be learnt by doing stuffs, learnt by discovery or mistake or solving a problem. In addition to that students needs to make self-analysis and own competences to understand readiness, is also falls under entrepreneurship study. According to Dale’s (1969) the most effective way of learning is doing “hands-on”. The hands-on working principle is also coming out from our findings. Lastly Gibb (2002) illustrated that students need to know their own goals and task; they should take ownership of their learning and thus will develop the entrepreneurial mindsets at universities. Gibb (2002) illustration is also in-line with this research.

Importance of networking events

Most of the startup owners agreed that networking events such as start-up competition, pitching events, matchmaking, coaching, etc are a good addition to the entrepreneur’s life and these events help entrepreneurs to meet people or stakeholders in ecosystem. Importance of the events also depends upon the stage of company. For example, for early stage startup these events bring light on them and give signals to others that they exist in the market, whereas more mature companies these events are not so important. In addition to gaining visibility, startups also get to know like-minded industries. Few entrepreneurs agreed that from networking events they can meet investors and get more contacts. The only drawback shared by one entrepreneur is that as these pitching events are time limited so they cannot actually get real feedback and thus experience was that they could not improve anything. Here are examples of remarks describing the importance of networking events:
“Networking events are nice addition”
“Yes, it is important because meeting the investors and different stakeholders”
“Pitching competitions are also a good way to market your solution to investors and the startup community”

Our research findings are very much in line with previous studies (Elfring & Hulsink, 2007; Friar & Eddleston, 2007) that networking events help entrepreneurs to create social capital and transparency as well as help them to achieve access to other elements and informations associated with entrepreneurs.

Conclusions

This study focused on entrepreneurs’ views of skills and education that would be needed in future. Also the interest was to find the importance of networking events. Interestingly, results stressed characteristics more than skills, future education should be hands-on doing and networking is good way to show yourself and meet the investors. The entrepreneurs emphasized the importance of hard skills as well as soft skills by the entrepreneurs. The importance of people skills was mentioned in the many aspects. For example, people skills were mentioned as important skill of future entrepreneurs, universities should teach networking skills and networking events will create possibility to meet investors.

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Presence of German Small and Medium Enterprises in South-East Asia under Digitalisation's moderation: Issues and Suggestions

Hoang Nguyen, University of Social Sciences and Humanities, Vietnam National University
Anh Ly, University of Social Sciences and Humanities, Vietnam National University

Introduction

Problem statement

The foreign direct investment (FDI) from Germany reached around US$ 82.34 billion in 2017. As expected, most German enterprises invested in European countries with approximately 60% (Putten, 2017). Among 11% invested in Asia, ASEAN merely received 1.9% of total FDI from Germany. This amount is so small that EY (2015) ran the headline “ASEAN 2015 and beyond: Are German investors missing out?” In 2016, German enterprises presented a negative US$ 81 million; however, they invested US$ 2.7 billion in 2017 and became one of the top 10 investors in ASEAN (ASEAN Investment Report, 2018). For 2018, the statistical data is not yet available; so far the position of German enterprises has been enhanced thanks to the Practical Cooperation Areas (PCA) for ASEAN-Germany Development Partnership, which is implemented for five-years from 2018 to 2022. These proofs show that FDI from Germany into ASEAN is increasing, but still limited. Given that ASEAN is a dynamic market accounted for 3.5% of the world’s GDP in 2017 and ranked 3rd highest in the world for FDI inflows in 2017 (WIR, 2018), why do German enterprises invest so little in this region? Is ASEAN not attractive enough or are German investors so cautious that they miss the investment chance? In another aspect, German’s FDI was mainly undertaken by large and medium-large enterprises (Putten, 2017), while only 4% of German SMEs engaged in FDI (Abel-Koch, 2017). This causes a question about competitive capacities of German SMEs in doing business abroad.

SMEs - “Mittelstand” are the backbone of both German and ASEAN economies. According to the KfW SME Atlas 2018, there were about 3.7 million German SMEs, accounted for 99.95% of the total number of enterprises in the country, employing 30.9 million workers. Meanwhile, 97-99% of the total number of enterprises were SMEs in ASEAN, employing 66.3% of workers, contributing to around 30-53% of the GDP. These similarities are favourable conditions for ASEAN - German SMEs to easily cooperate and build common value chains. Moreover, deeper penetration into potential markets such as ASEAN is one of the ways to encourage entrepreneurial dynamics in the context that Germany is losing businesses (The Local, 2016). Indeed, at the 2nd ASEAN-Germany Development Partnership Committee Meeting in March 2018, three issues of small and medium enterprises, trade and investment, and institutional strengthening and capacity development were discussed and involved in planned cooperation programmes and projects. This confirms that strengthening SMEs capacity and facilitating SMEs in investment are distinctive concerns for cooperation between Germany and ASEAN countries from now to 2022.

Studies point out some German SMEs’ characteristics such as: low level of willingness to invest; fund of investments either from own resources or borrowing; or lack of business founders moving up (Schwarts, 2018). In addition, lack of understanding of the local market, lack of market knowledge and insights, difficulties in cooperating with local partners for market entry, or a lack of partners is some of constraints for investing in ASEAN (EY, 2015). However, many German SMEs have succeeded in ASEAN. For example, 54% companies want to expand their business in Vietnam and 52% plan to hire more employees (GIC/AHK Vietnam, 2018). What factors lead to success or failure: internal capacity, suitable location, or inner motivation?

Purpose and Objectives

As a result, this study is to identify the relationship between German SMEs capacity and its FDI flows into ASEAN in general. To find the answers, this study aims to:

1. Identify the competitive capacities of German SMEs in light of investing in ASEAN. Hereafter “German SMEs” is a short of “German SMEs investing in ASEAN”.
2. Recognize the locational choice by German SMEs; then compare the locational attractiveness among ASEAN countries and the investment’s motivation between different types of German’s SMEs.
3. Pinpoint factors lead to success of German SMEs.
4. Explore the investment trend in ASEAN in the future.
**Key research questions**

1. What factors of German SMEs’ competitive capacity influence the FDI into ASEAN?
   - Are there different influences of competitiveness among ASEAN countries?
   - Is there a relationship between competitiveness and the types of SMEs, especially those apply digitalization?
2. What factors of locational attractiveness, SMEs’ motivation and competitiveness influence the ASEAN locational choice?
   - Are there different influences of attractiveness and motivation among ASEAN countries?
   - Is there a relationship between motivation and types of SMEs, especially those apply digitalization?
3. Whether competitiveness and locational choice affect the success of German SMEs?
   - Are there different influences of competitiveness and locational choice among ASEAN countries?
   - Is there a relationship between motivation and types of German SMEs, especially those apply digitalization?
4. What is the potential investment’s trend under German investors’ perspectives and whether it matches Authorities’ strategies?

While surfing documents, it is easy to find the phrase "Multinational Enterprises" (MNE) together with big names such as Siemens, Bosch, BMW, Mercedes-Benz, Osram, BASF, DHL, Metro Cash and Carry, or Schaeffler, who are doing business in ASEAN. However, Germany still has a large number of SMEs. In the context of decreasing population and maturing workforce in Germany, a dynamic, fast growing, and productive market like ASEAN is a great alternative. The findings of this study provide not only experiences and lessons to current German investors but also opportunities to motivate potential German SMEs in investing in ASEAN. German SMEs can be present in ASEAN by doing their own business or being suppliers of MNEs. Their performance will contribute to their own business development and German long-term economic growth as well. For ASEAN, the findings provide academic and practical hints that local SMEs need to improve their competitive capacity. Alongside, the governments can create attractive investment environment as well as promote policies for cooperation between Germany and ASEAN.

**Literature Review/ Theoretical Framework** *(The table in appendix)*

**Research Methodology**

**Overview**

A mixed method of quantitative and qualitative is applied. Research strategy includes survey, archival research, narrative inquiry, and case study. Data is obtained through questionnaire, in-depth interviews, document analysis, and statistical database.

**Population and Study Sample**

Population: estimated around 4000 enterprises. Study sample: German SMEs investing in ASEAN.

**Sample Size and Selection of Sample**

According to Hair et al. (1998), the sample size should be at least 05 samples per 01 observation. While Tabachnick and Fidell (1996) suggested $n \geq 8m+50$, with $n$ is the sample size, and $m$ is the number of independent variables. In this study, there are around 15 independent variables, each variable has around 5 indicators. Total elements is around 75. Thus, the sample size should be around $375$ $(75x5)$ to $650$ $[18*75]+50$ SMEs.

**Sources of Data**

Data will be asked from several sources such as German Embassy and German Business Association in each ASEAN countries, Deutsche Bundesbank, AHK, KfW; Ministry for Investment of each ASEAN countries; United Nations Conference for Trade and Investment (UNCTAD), Association of Southeast Asian Nations (ASEAN). Hereafter “Organizations” is a short for some organizations such as German Business Association, AHK, KfW, UNCTAD, ASEAN; and “Authorities” is a short for government authority of both Germany and ASEAN countries.

**Collection of Data**

Field survey with questionnaire, in-depth interviews; Desktop research with document analysis (such as annual reports, corporate websites, public statements), and statistical database.

**Data Analysis Strategies**

Data analysis method varies across different type of data.

- **For quantitative data**, two common techniques are applied:
  - The regression for examining relationship between dependent and independent variables (Rawlings et al., 1998).
    The basis function is: $Y = \beta_0 + \beta_1 X_1 + ... + \beta_n X_n + \epsilon$;
    with $X_1, ..., X_n$ are the independent variables and $Y$ is the dependent variable
  - The analysis of variance (ANOVA/MANOVA) for detecting the differences or similarities in means between two or more groups (Sawyer, 2009).
  - In addition, data collected from the questionnaire will be tested for reliability and validity.

- **Qualitative data** is analysed by discourse analysis, which is to systematically explore relationships of events and texts regarding to the research topic (Locke, 2004).

In addition, TOPSIS (Technique for Order Preference by
Similarity to Ideal Solution) may be used to select the best alternatives (Hwang and Yoon, 1981).

**Expected Results**

German’ SMEs have enough competitive capacity for internationalization. However, they have faced some internal and external obstacles. In addition, digitalization is core competitiveness for their successful in ASEAN. The findings of this study provide not only experiences and lessons to current German investors but also opportunities to motivate potential SMEs. Parallel, ASEAN get more benefits by improving the investment ecosystem to attract more Germany’s FDI.

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### Appendix

The below table presents research issue in combination with theoretical framework, research strategy, and expected results:

<table>
<thead>
<tr>
<th>Research Issue</th>
<th>Conceptual framework</th>
<th>Key hypothesis</th>
<th>Research method</th>
<th>Expected results</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. German SMEs competitive capacity and FDI into ASEAN</td>
<td><strong>IVs:</strong> <em>Internal factors</em> (Human capital, Financial capacity, Technology and innovation acquisition, Experience); and <em>External factors</em> (Governmental supporting policies, Diplomatic relations, Business networking and alliance) (Nguyen and Dinh, 2018; EY, 2015, and synthesized from previous studies) <strong>DV1:</strong> German SMEs FDI in ASEAN</td>
<td>Investing of SMEs is dependent on their competitive capacity</td>
<td>Statistical data, survey, in-depth interviews, document analysis</td>
<td>SMEs competitiveness has positive relationship to FDI flows</td>
</tr>
<tr>
<td>2. German SMEs and Locational choice</td>
<td><strong>IVs:</strong> <em>Attractiveness</em> (Market condition, Cost of Production, Local business condition, ad Institutional policy); and <em>Motivation</em> (Resource-seeking, Market-seeking, Efficiency-seeking, Strategic asset-seeking) (UNCTAD, 2006; Dunning and Laudan, 2008; Nguyen, 2011; and synthesized from previous studies) <strong>DV1:</strong> German SMEs’ locational choice</td>
<td>Investing of SMEs is dependent on locational attractiveness, enterprise’s motivation and competitive capacity</td>
<td>survey, in-depth interviews, document analysis</td>
<td>SMEs locational attractiveness, enterprise’s motivation and competitive capacity has positive relationship to locational choice</td>
</tr>
<tr>
<td>3. Success of German SMEs and Competitive capacity, Motivation, and Locational Advantages</td>
<td><strong>IVs:</strong> Competitive Capacities (in Issue 1), Attractiveness, Motivation (in Issue 2) <strong>DV1:</strong> German SMEs investment expanding in ASEAN</td>
<td>Success of German SMEs in ASEAN is dependent on their competitiveness, motivation, and locational advantages</td>
<td>survey, in-depth interviews, document analysis</td>
<td>Competitiveness, motivation, and locational advantages have a relationship with the success of SMEs</td>
</tr>
<tr>
<td>4. German SMEs and the trend of FDI in industry</td>
<td>Perception of investors on FDI trend in: <em>Extractive industries</em> (oil and gas, minerals); <em>Services industries</em> (insurance, banking, engineering and infrastructure, wholesale and retail, digital activities, IT-BPO real estate, health care, R&amp;D activities, education and e-commerce, including fin-tech, logistics, energy); <em>Manufacturing</em> (chemicals, building materials, Food and beverages, automotive, partly assembling); <em>Agriculture and Forestry</em> and so on (ASEAN investment report, 2017).</td>
<td>survey, in-depth interviews, document analysis</td>
<td>German SMEs highly expectation on logistics, energy, and digital</td>
<td></td>
</tr>
</tbody>
</table>
Being Empowered by Empowering: Evaluation on Entrepreneurship Practices and Internationalization Strategy of Indonesia’s Marenggo Natural Dyes Batik

Chris Petra Agung, Leeds University Business School, University of Leeds, United Kingdom

This study evaluates the entrepreneurship practices of Marenggo, an Indonesian eco-friendly batik brand by using both human cognition framework and Opportunity Business Model (OBM) (Blundel, Lockett, & Wang, 2017) to analyze the entrepreneur and the enterprise respectively. Based on these analyses, a possible internationalization strategy will further be discussed. Results show that Marenggo generally follows the set frameworks, although these frameworks also carry inertia by their primary focus on external matters rather than excellence in internal-firm practices. This study later found that the Uppsala model of internationalization (Johanson & Vahlne, 1977) suits the most with Marenggo’s current characteristics.

It is no doubt that there is a growing number of Small and Medium Enterprises (SMEs) that successfully internationalize with limited resources (Ricart & Llopis, 2014). One of the most feasible SMEs to internationalize is Marenggo, an Indonesian batik brand which focuses on natural dyeing as the main method of fabric coloring. With more than three years of establishment, hundreds of local women involved in the production process, and an inspirational, award-winning leader, Marenggo is currently working on one of its missions: to preserve Indonesian cultural heritage.

However, identifying potential key resources and choosing the right entry mode are other cases. Why? Firstly, it is essential to understand why the enterprise was formed and how it exploits its core capabilities to gain competitive advantages. Secondly, according to Asia-Pacific Economic Cooperation, internationalizing SMEs can benefit in many ways including generating more revenue, and accessing foreign markets, which later could lead to improving operational efficiency, if only the right entry mode were chosen (Yuhua, 2015).

This study will first discuss how individuals’ thinking affects their behavior and explain the mental processes when interacting with other people and their environment through human cognition framework (Mitchell et al. in Blundel et al., 2017). Later, Opportunity Business Model (OBM) is used to identify key dimensions (Proposition, People, Place, Process, Profit) and drivers (Personal, Societal, Commercial) that support business ideas and enable them to be exploited in the enterprise (Blundel et al., 2017). Lastly, based on these analyses, an international entry mode will further be discussed.

Method

This study is a single case study which investigates a contemporary phenomenon in depth and with its real-life context. The approach is to place the phenomenon within a framework of the scientific method, collect empirical data and develop conclusions based on the analysis of such data (Yin, 2009). Primary data is obtained from interviews while secondary data is mainly sourced from the academic literature. The official website, magazine and newspaper articles, and web pages are also used to broaden the view.

Analyzing The Entrepreneur

Batik is a part of the Javanese tradition of decorating cloth. It involves blocking out fabrics by brushing or drawing hot wax over them before dyeing them. Batik has been transforming through decades, from the traditional, longer process batik to modern batik that is more simple in its styles and making process (The Batik Guild, 2018).

Nuri Ningsih Hidayati (Nuri) founded Marenggo on March 2015 in Karongan Village, Yogyakarta. She was inspired by local plants and would use them as a source of dyeing. The name of Marenggo derives from a local name of flowering shrub of Christmas Bush (Chromolaena odorata) (Aji, 2017) which grows abundantly in her village (Benang, 2018).

There are four selected key themes of human cognition framework to discuss Nuri’s way of thinking that affects her initiative to transform her personal preferences into an enterprise:

Opportunity Perception

Neill, Metcalf, and York (2017) found that opportunity perception is based on the nature of the entrepreneur: belief in personal abilities, expertise, and skill in concluding. However, Kirzner (1979) in Blundel et al. (2017) suggested that it was not clear how potential entrepreneurs be more “alert” to potential business opportunities than the rest of people. These factors are suggested to be able to explain
these differences: special (or local) knowledge, relevant resources and capabilities, and way of learning.

Nuri was born and raised in a small village of Sleman where most of its residents are batik craftspeople including her mother. She regularly helped her and became interested in batik. With her proved expertise, Nuri then went to vocational high school, majoring in textile science. She pursued an undergraduate degree in textile sciences at Yogyakarta Institute of Art. During college, she placed in some local and national batik designing competitions (Marenggo, 2018b). These achievements led her to learn that her creations which use natural dyeing techniques are most likely to win awards.

Her skill in learning was challenged during her undergraduate project period. Nuri, who is also interested in Japanese culture, combined sakura flower motif with Indonesian traditional natural dyeing techniques which had a high level of complexity and took longer process. However, she considered this as an opportunity that could lead her to another success. She graduated with a cum laude predicate (Agung, personal communication, Dec 21, 2018).

Nuri then thought of being a part of batik industry as her experiences led her to the conclusion that in order to be publicly accepted, one must have uniqueness, and her uniqueness lies on the use of natural dyes (Agung, personal communication, Dec 21, 2018).

Based on these critical points, it can be considered that Nuri’s personal experience does positively contribute to the way she looks around her surroundings. Moreover, she also gained excellent local knowledge and was equipped with relevant resources.

**Entrepreneurial Mindset**

Entrepreneurial mindset refers to a problem-solving approach by sensing problems as opportunities, acting on potential solutions and mobilizing resources and support under uncertain conditions (Haynie, Shepherd, Mosakowski, & Earley, 2010). Nuri’s entrepreneurial mindset was mainly initiated with social concerns.

Initially, she was highly motivated to help reduce environmental pollution from current batik businesses by using natural ingredients for dyeing as an alternative (CMA Indonesia, 2018). She then assumed that by establishing an enterprise, there would always be new outcomes that could contribute to both society and organization as she would have her team to reach that goal (Didi, 2018). She also thought that she could establish her own business from microscale and gradually expand it in the next years as she believes that being independent always starts from little things first (Koran Sindo, 2018). Moreover, accessing business loan from rural banks and cooperatives is getting more approachable (Wulandari, 2018).

**Creativity**

Two determining criteria of a creative solution are: it must be new, and it has to solve the problem in question (Sternberg, 1999 in Della Corte & Del Gaudio, 2017). The problem of common batik lies in the use of artificial fabric coloring. Firstly, the dyes used are not all absorbed in the fabric. Some colors are wasted and polluting rivers. Secondly, 25% of those unabsorbed dyes go to waste which costs high to treat (SWAOnline, 2013).

Natural-dyeing is a part of eco-friendly fashion aiming to reduce harmful waste fast fashion produces (Sarathika, 2017). However, this new concept (Lee, Choi, Youn, & Lee, 2012) still has some limitations as not all natural sources create colors that artificial fabric coloring does such as red. Nuri is now regularly experimenting certain ingredients to find the perfect combination including mango leaves, ketapang (Terminalia catappa) fruit skin, and indigo flower (Indigofera tinctoria) (Kontan, 2017).

Other challenges that she is creatively tackling lie in the dyeing process itself: it takes longer time, it consumes more water, the color results that cannot be entirely controlled due to the basic nutrient coloring, and the need for comprehensive research of natural ingredients that can be used as basic coloring material (Bisnis Indonesia, 2018). Nonetheless, Nuri expects the solutions to be found during the long journey ahead.

**Self-Efficacy**

Self-efficacy refers to the individuals’ beliefs in their capabilities to successfully meet the demands of specific tasks (Bandura, 1977 in Jordaan, 2014). It then influences how they act, their motivation levels, thought patterns and emotional reactions (Breakwell, 1992 in (Jordaan, 2014). Nevertheless, individual-based results may vary. Nurhidayah (2014) and Artiandewi (2016) found that self-efficacy positively and significantly affects Indonesian students’ intention to do entrepreneurship, while Puspitaningsih (2017) found no correlation.

Nuri’s first experiment of natural-dyeing was when she worked on her distinction-graded undergraduate thesis in 2014. Her works were later loved by the wife of National Police Chief of Indonesia and some European collectors. From this awakening point, Nuri was sure that batik would need to be preserved and young generation should take a part of it. She later found out that the people she trained also had willingness to work. This motivated her to establish a business that would make positive impact for the society (Agung, personal communication, Dec 21, 2018).

Nuri believes that everyone has talents however those talents would not be helping if they are not driven by the right intention. Therefore, prior to establishing Marenggo, she encouraged herself to believe in her capacity. She also believes in the power of network in order to develop both her enterprise and herself. These also made her more ready to face business obstacles (Agung, personal communication, Dec 21, 2018). Later on, her confidence would lead her to satisfactory results. She had proved this after winning an
award of Youth Batik Artist from Indonesian Batik Foundation (Benang, 2018).

Analyzing The Enterprise

The enterprise will be analyzed using Opportunity Business Model (OBM) consisting of five key dimensions: Proposition, People, Place, Process, Profit and three drivers: Personal, Societal, Commercial. It is effective to express vision as an opportunity business model in order to accelerate entrepreneurial learning and developing opportunities into viable entrepreneurial ventures (Blundel et al., 2017).

Dimensions

Proposition Seven-word-or-less preposition (Blundel et al., 2017) makes a case for why a customer should pick one product over another as it cites unique values the product provides over its contenders. It might also expose the solution of specific problems the product is addressing (Martin, 2015).

Marenggo’s proposition: Natural Dyes Batik can widely be found on its product labels, website, and social media accounts. It is reasonably clear and direct as it shows two relevant elements (Martin, 2015): newness (natural dyes) and brand (batik).

People Experts describe the entrepreneurial team as two or more persons who have interest in and commitment to a venture’s future and success; and are considered to be at the executive level with executive responsibility in the early phases (Schjoedt & Kraus, 2009). However, Marenggo’s focus is more of empowering people. Nuri’s willingness to preserve batik initiated her to educate people in her neighborhood not only to craft batik but also to preserve plants that will be basic ingredients of natural dyes. She felt satisfied to see local women developing their skills and further being able to teach others (Bisnis Indonesia, 2018).

Place Traditionally batik industry focuses on wholesaling which allows retailers to mark up items. Therefore, it becomes more difficult to draw a line between wholesalers and retailers (Elegance Batik, 2018).

On the contrary, Nuri appreciates her creations more by exhibiting her designs in Jakarta, Bali, East Timor, and Kuala Lumpur (Benang, 2018). Aside from building a workshop in her native village, Nuri also placed two galleries in well-renowned hotels in Yogyakarta (Marenggo, 2017) which one of them is Yogyakarta’s first eco-conscious boutique hotel (Greenhost Boutique Hotel, 2016) and also at one of Indonesia’s growing department store, Fashion Legacy (Lippo Mall Kemang, 2018).

Process When batik is industrialized, assuring supply to meet demand would be the primary challenge (Sandika, 2017). Many batik producers prefer batik cap (stamped batik) and print batik rather than batik tulis (hand-drawn batik). Batik cap involves waxing a cloth using copper stamp called cap (Batik Winotosastro, 2010) while print batik is made by using a special wooden mold to print the patterns (Sandika, 2017). Both are easier, cheaper, and faster to produce. In comparison, patterns in batik tulis are drawn with pencil and redrawn with hot wax using canting (a pen-like instrument consisting of a small copper reservoir with a spout on a wooden handle). The whole process of making batik tulis might be more complex and time-consuming as the more intricate the pattern and the more colors desired, the longer the process takes. Batik tulis, therefore, is more expensive and highly sought after by collectors (The Jakarta Post, 2018).

Nuri and her team stick to batik tulis as they would be able to explore colors, crafting techniques, and patterns (Marenggo, 2017). They currently do resist-stitch-dyeing, also locally known as tritik (lit. dots). Tritik is a method to embellish white cloth by tacking, which is then dyed and removed. The motif is formed after the thread is removed (Titisari, Kahdar, & Mutiaz, 2014).

Profit Marenggo’s primary revenue is from batik sales. Syahida, Ismail, Zulkifli Mokhtar, and Ali (2013) found that introducing new batik designs plays a crucial role in performing a high profit. The fact that Marenggo regularly posts promotional photos that showcase new designs in Instagram may indicate the same finding (Marenggo, 2018a).

Aside from Instagram, Marenggo also uses other digital tools to promote its products including website, YouTube channel, and WhatsApp number (Marenggo, 2018b). The idea of using these ways might lead to higher sales and profit as a previous study by Mokhtar and Wan Ismail (2012) suggested.

Drivers

Personal Personal attributes, background, experience, network, and value (Blundel et al., 2017) will lead to entrepreneurial leadership that possibly affects business activities (Felix, Aparicio, & Urbano, 2018). Lewis (2017) listed three stages of leadership. The first stage is doing, which involves technical specialties. This stage is reflected by Nuri’s adequate personal experience including a degree in textile and some competitions she won.

The second stage is creating an environment for excellence, which is about leading teams who specialize in things the entrepreneur has limited knowledge of and making sure those people can excel at delivering organization strategies. Nuri selected some people to help her deal with certain matters including setting up workshop and galleries and group managing (Agung, personal communication, Dec 21, 2019).

The third stage is the willingness to build the business, which involves both internal and external decisions to make. Internally Nuri set performance management mechanism while externally she works with other parties to introduce her
eco-friendly batik to a new market.

**Societal** For Indonesians, batik is an ancient tradition cherished in everyday life. It is dear and near to the people’s heart as it is worn as a prized fashion for both formal and casual occasions (Putri, 2017). Indonesia also celebrates October 2 as National Batik Day, in commemoration of the day when UNESCO recognized batik as Indonesia’s contribution to the world’s cultural heritage. The existence of Marenggo in batik industry will inevitably enrich the variety of batik. Moreover, as designers have the freedom to use any crafting technique, Indonesian society would have broader preferences of batik collection.

**Commercial** There are some types of batik apparels available on the market including basic batik, exclusive batik, and batik specially designed for young people (Danar Hadi, 2018). The fact that *batik tulis* has better quality, although it is assumed that its high price has limited its potential market, initiated Nuri and her team to target the right market for their product which is mainly people who live in big cities and people who are more aware to quality and price correlation. This idea is in line with recent research finding stating that both batik price and quality simultaneously have significant influence on customer satisfaction (Tamanudin, 2017). Moreover, the popularity of natural color batik shows a gradual increase each year, indicating that the market is ready to accept environmentally friendly products (Kontan, 2017).

**Internationalization Process**

A Multinational Enterprise (MNE) is an enterprise which owns and control activities in different economics. There are different ways to enter a new international market depending on the level of commitment, types of investment, and the significance of the degree of influence (Buckley, Enderwick, & Cross, 2018). According to UNCTAD 2017 world's top 100 non-financial MNEs (2018), top MNEs that are on the list have millions of foreign assets and sales with the dominance of developed origin countries and manufacturing and technology sectors.

Current advances in telecommunication and transportation, lower trade barriers, decreased cross-border trade cost and risk positively encouraged SMEs to pursue international strategies. However, there are concerns that SMEs may not have sufficient resources and expertise to deal with international business risks (Yuhua, 2015). Lu and Zhou (2009) used Porter’s five forces to describe the competition threat which include three forces from ‘horizontal’ competition: threat of substitute products, threat of established rivals, and threat of new entrants; and two forces from ‘vertical’ competition: bargaining power of suppliers, and bargaining power of customers.

**Current Progress**

Nuri attempted to enter new overseas market through exporting (Agung, personal communication, Dec 21, 2018) after exhibiting her works in Malaysia and East Timor (Benang, 2018). However, she found that most of her customers would prefer buying them while they are in Indonesia. At this point, a possible form of internationalization will be further discussed.

**Uppsala Model of Internationalization**

![Uppsala Model of Internationalization](image)

Figure 1: The Uppsala Model of Internationalization

Source: Adapted from (Johanson & Vahlne, 1977)

Uppsala model describes a gradual process and commitment to internationalization - starting from the least commitment entry mode to the highest ones. Firms first must make sure excellence in domestic market with random exporting, indirect exporting, direct exporting, and then moving on to cooperation with foreign firms via sale subsidiaries, and eventually achieving Foreign Direct Investment (FDI) in the overseas markets (Johanson & Vahlne, 1977). Uppsala model is also considered suitable for SMEs to internationalize as it allows SMEs to start slow and suggests an incremental process by starting as domestic firms, and gradually develop international business capacity and become active in the international markets (Yuhua, 2015). By doing so, firms will be able to accumulate knowledge and experiences to compete in the international market.

Firms then export to neighboring countries which have similar business practices, culturally or geographically close countries due to reduction of the substantial existing uncertainty risk (psychic distance) including the differences in language, education, business practices, culture and industrial development (Johanson & Vahlne, 1977).

There are some impressive facts to support the idea that the Uppsala model is suitable for Marenggo. Firstly, Marenggo products had previously been exhibited in some of Indonesia’s neighboring countries: East Timor and Malaysia (Benang, 2018). Secondly, Marenggo attempted to export its products to those countries, although most of the customers would prefer to buy its products when they are in Indonesia. This attempt would possibly give Marenggo an idea on how exporting fashion products works including operational challenges that need to tackle. The last fact is about the product itself. Batik has been widely known, and it is also a part of Southeast Asian countries (Meceda, Aung, Rawson, & Brandon, 2018) more particularly Malaysia,
although each region may have different preferred dyeing techniques, motif, and fabrics (ASEAN Tourism, 2015). However, this niche market can be turned into an opportunity to enter new markets.

Conclusion
Clear and solid evidence is found to support the argument that Marenggo’s entrepreneurship practices are in line with both frameworks with additional interesting and contributing findings including social and environmental issues which Marenggo address are subsequently value-adding. These practices reflect Marenggo’s excellence in acquiring domestic market that would possibly lead Marenggo to enter new neighbouring market through Uppsala model of internationalization.

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Internationalization of SMEs in a Period of Trade Wars: The Role of Export Credit Agencies

Emin Akcaoglu, Beykent University, Turkey
Rainer Wehner, University Applied Sciences Würzburg-Schweinfurt, Germany

Small and medium-sized enterprises or companies (SMEs) are very important in all economies particularly due to their potential for employment generation. However, these companies are also forming the most vulnerable part of economies because of resource scarcity. In recent years, internationalization of SMEs has become a popular topic for governments as well as international organizations such as the EU with the expectation of a potential cure for recession and unemployment following the Global Financial Crisis of 2000s. As is known, financial crises create a crisis of confidence (sometimes vice versa) even among the biggest banks and companies. Strengthening insecurity and the general rise in interest rate levels in such periods cause companies to be more cautious in sales on credit terms in international trade. Thus, the loss of confidence is not only prevalent among financial institutions and bank, but also among trading real sector companies selling on credit terms. In these periods, SMEs are struggling in a much more difficult situation for reaching trade financing. In addition, their direct investment attempts are also badly affected mainly because they cannot – in many cases – deal with the risks involved. Therefore, recalling the recent political and economic developments in the world economy causing a ‘new’ trade war era among major countries and regional economic blocks, we argue that SME internationalization should be supported by external agents like Export Credit Agencies.

With the spread of the financial crisis that started in 2007 in the United States of America, and also in the economies of the major industrialized countries, the world economy has faced an unprecedented economic crisis in the aftermath of World War II. The global crisis has led to significant decreases in the gross national products of both developed and developing countries. Accordingly, the international trade volume fell below the level of the oil crisis in the 1970s (Baldwin, 2009).

The most important reason for the contraction in international trade volume was the contraction in global demand. At this point, the purchasing power for the demand and the financing of the trade have come to the agenda. The crisis had also caused loss of trust. This was obviously overlapping the period when the bankruptcy of banks and other financial institutions were ongoing. In such a financial crisis, clearly there were only very limited resources to be used in international trade finance.

A research conducted by the World Bank among banks and firms in various countries indicates that there were significant problems in terms of financing of working capital and pre-shipment export finance, compared to the pre-crisis period. The challenges faced by small and medium-sized enterprises (SMEs) were particularly serious (Chauffour and Farole, 2009). The same is also evident in the evaluations made by the World Trade Organization (WTO, 2008).

In other words, in times of financial crisis, international trade financing becomes difficult. The most important reason for this is that the crisis strengthens the perception of the increase in credit risk and makes it difficult to establish or maintain the trust relationship between the parties. In this context, the financing of commercial transactions is limited in crises and also the financing cost - due to the increased risk and the risk premium taken into account - is rising considerably. It is based on changes in perceptions that the risk of default on all sides of economic activities will increase. In addition, in such periods, there are significant decreases in asset prices that can be used as collateral elements in borrowing processes; and hence first financing costs of banks and other financial institutions increase seriously; and then it increases for all economic agents in the system.

Moreover, during the recent crisis, started initially started in US and continued in some EU members, governments used large public resources to support the recovery of banks. This was also another major reason for the shrinkage of the resources used in international trade financing and increasing costs. (As is well known, liquidity shrinkage, i.e. decrease in financing resources, increases interest rates and the cost of financing.)

In such periods risk perceptions of banks turn to seriously negative side and they adopt a “cherry picking” approach while lending to real sector companies. Thus, the loss of trust spills over not only among financial institutions, but also among trading real sector companies which sell their products on credit. As a result, such companies start to use financing techniques such as prepayments or letter of credit that are much more costly in comparison with open account
etc. This style of behavior becomes especially widespread in the periods when the default experience becomes frequent. The result in the next stage is clearly substantial hardship in international trade: As a result, all economic activity starts to contract not only the activities of those companies involved in international trade. This is a self-feeding cyclical processes. In short, the contraction in world trade is not surprising during crises periods and one of the major reasons for this is the contraction in international trade finance.

Moreover, it is obvious that international supply chains have gained much importance by now compared to the past. This has also increased the importance of trade and hence trade finance. In modern production systems, many companies of all sizes are integrated to global value chains either as an exporter or an importer. In other words, they are either supply to foreign companies or source from them and, this creates a vital “dependency for existence”. This is especially true for SMEs as they have serious resource concerns. The liability of smallness can perhaps bring flexibility, risk taking as well innovativeness, but at the end during hardship periods, it also causes larger vulnerabilities.

Internationalization of SMEs

SMEs are very important in all economies particularly due to their potential for employment generation. However, these companies are also forming the most vulnerable part of economies – as earlier mentioned - because of resource scarcity. In recent years, internationalization of SMEs has become a very popular topic for governments as well as international organizations such as the EU with the expectation of a potential cure for recession and unemployment following the Global Financial Crisis of 2000s. As already emphasized, the results of the recent global financial crisis indicate very well that a sudden loss of confidence (sometimes vice versa) stops business transactions even among the biggest banks and companies. Feeling of insecurity and rising interest rates in such periods cause companies to be more cautious in sales on credit terms in international trade. In these periods, SMEs are struggling in a much more difficult situation for reaching trade financing. In addition, their direct investment attempts are also badly affected mainly because they cannot – in many cases – deal with the risks involved. However, especially in economic contraction periods, SMEs are badly and particularly needed by everyone; people, governments, and other firms in the related value chains etc. Therefore, it is widely deemed that they should have access to international markets as exporters and even as direct investors. However, due to liabilities of smallness, – if they are newly established – due to liabilities of newness, and – when they go international to foreign markets as foreign direct investors or at least exporters – due to liabilities of foreignness, SMEs face significant hardship. This becomes worse when there are crises conditions are widespread.

Of course internationalization itself can be considered as a cure to such difficulties and risks. However, then to cure the problems, internationalization should be possible. When it reaches a mature stage, then small companies can carry on a much more stable track. To this end, similar to a caring parent for a growing child, small companies should also be getting an external support at least in certain areas till they can reach the strength to compete in foreign markets on its own and built an international structure in which risk can be managed much more effectively.

We think that the recent global crisis has clarified a number of issues with regard to the economic policy needs for stability, growth, use of finance as well as importance of state intervention to markets and economic systems. In this perspective, it has again once more been realized that export credit agencies may have and should have roles for their countries, especially for more vulnerable sections. SMEs are definitely an important issue in this discussion.

Export Credit Agencies and Their Functions

Export credit agencies emerged for the first time in the world in the European countries during the economic downturn following the First World War. The first export credit agency in the world was the Export Credit Guarantee Department established in 1919 in the UK. The aim of these institutions is to support exports or foreign direct investments of companies established in their own countries. Thus, they contribute to foreign trade and current account balances of their countries. These agencies mainly aim to eliminate market failures in their fields of activity. With the concept of ‘market failure’, it is pointed out that due to very high risk levels exposed while the business volume is small, insurance or credit transactions that can be provided by private sector intuitions would not be satisfactory as such private intuitions rather avoid entering that type of transactions under normal market conditions. Therefore, official export credit agencies were formed to undertake these avoided transactions. In other words, export credit agencies have not been rivals of their private counterparts but rather than they have had a complementary role since their inception. In other words, the main purpose of these institutions have been to contribute to the balance of foreign trade and payments of their respective countries by supporting exports and direct foreign investments of their countries by ensuring that risky transactions can be made to the extent that private sector controlled financial institutions are not able to enter. Therefore, export credit agencies mainly focused on raising the welfare of their communities (Stephens, 1999; Gianturco, 2001; Stephens and Smallridge, 2002).

Export credit agencies support their countries’ exports and foreign investments by offering credit, guarantee and insurance facilities in favor of domestic or home companies.
Some of the export credit agencies are organized in different structures focusing only on non-cash financing instruments such as insurance and guarantee, while others are organized in the form of export-and-import-banks, or eximbanks and use cash and non-cash instruments together. The financial resources to be used in these transactions are obtained both from the state budget of their own countries and by borrowing from domestic or foreign sources under the market conditions. However, the services provided by these agencies are at the core of being a source of information rather than just being a direct source of finance. In other words, they provide information and technical support to exporters, investors, and also to banks that provide financing to foreign trade or investment facilities to foreign buyers or borrowers.

Export credit agencies can carry out their activities in various ways: They can give exporters direct support or through the intermediation of commercial banks. They can create demand for the goods of their exporters with the purchasing power they generate by crediting the foreign buyers or the banks that will lend those buyers; insure the risks undertaken by exporters or their banks; or any other type of transaction (such as a loan, warranty or insurance) that may enter into this framework. Of course, in exchange for these transactions, they charge in the form of interest, guarantee commission or insurance premium from the beneficiaries. Therefore, it is generally recommended that export credit agencies normally should be managed with a purely commercial perspective (with an approach at least reaching the break-even point) without resorting to budgetary funds so much, even if they are state-supported (Stephens, 1999; Gianturco, 2001; Stephens and Smallridge, 2002).

Export credit agencies are generally established in the form of public institutions. Although there are some privately-owned agencies as well, even those with private capital those agencies have been assigned with a public mission for some special cases and carry out public activities as well as commercial activities. Such public purposes are usually carried out through so-called national accounts.

States are often the guarantors of the risk that export credit institutions undertake in certain areas of activity. This is the main reason why export credit institutions can undertake the risks that private companies do not want to undertake. On the other hand, private-owned companies that finance foreign trade have previously been more willing to take on some of the risks undertaken by official export credit institutions, but the importance of state-sponsored export credit institutions is increasing. Particularly in undertaking political risks, these institutions play a substitute role in cooperation with private companies or private companies. As mentioned above, this is based on the fact that the states have assumed the ultimate reinsurer role. The ongoing economic crisis has greatly increased the need for such institutions due to the bankruptcy or weakening of the corporation with many privately-owned finance. Moreover, the easing of the economic contraction pressure created by the shrinking demand in times of crisis also caused the need for state or state-supported institutions to be strengthened.

Officially supported export credit institutions in different countries have been undergoing a transformation process for a long time. This process makes the restructuring of institutions inevitable due to the change in economic conditions over time (Ascari, 2007). For instance, the importance of foreign direct investments originating from developing countries is increasing day by day and the export credit institutions of these countries provide financial support to their companies’ foreign investments through various instruments.

### Increasing Importance of Export Credit Agencies

Considering the experience of export credit institutions in the world, it is seen that the success levels of these institutions are based on some significant elements. Gianturco (2001) stated that the sufficiency of the capital of an export credit institution, the organizational autonomy, the constant feeling of state support, the ability to share the risk by other means with appropriate methods, to obtain sufficient interest-commission and premium income, the diversity of the fields of activity and the intensive marketing activities, it indicates that the quality of the senior management, the effectiveness of the business processes, the level of credit analysis skills, working under sufficient collateral and guarantees, and the level of technical expertise are the main factors determining the success. Some of these elements are discussed in more detail in the following paragraphs, taking into account their relations with the type of practices by claiming that they distort international trade movements. These institutions claim that companies should be in competition on the basis of quality and technology levels of goods or services offered to buyers in foreign markets instead of the financial payment conditions offered to buyers. In the latter case, they claim, ideal market conditions and hence natural competitive structures are disrupted.

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2 However, some export credit institutions such as Japanese JBIC are known for their support activities such as ‘subsidized’ loans and foreign investment insurance. For example, the Japanese state supported the foreign investments of Japanese companies during the period following the Second World War with such methods (Solis, 2003; Akcaoglu, 2011). But international law through the OECD and WTO regulations is increasingly opposes these
explanations in the following sections.

**Variety of fields of activity:** The success of an export credit institution is closely related to the diversity of its activities. A successful export credit institution should be carrying out credit, guarantee, insurance and consultancy activities together. The fact that the export credit institution operates in all of the mentioned areas will not only strengthen its contribution to increasing the country's total exports, but will also lower the profitability in some areas to be compensated by high profitability in other areas. Furthermore, all these areas are areas that support each other. For example, the presence of technical support / consultancy services can improve risk management processes and in this way enable better management of the risks incurred as a result of transactions with credit, guarantee or insurance support.

**The nature of management and personnel:** The management and operation of export credit institutions by professionals who have assumed or assumed responsibilities in private financial institutions prior to their duties in these institutions; they will increase the success of these institutions because they are familiar with profitable, flexible, efficient work and familiar with complex financial instruments. Therefore, export credit institutions should be able to offer their personal rights (wages and other rights) under similar conditions to their peers in the private sector in order to be able to employ (and hire) competent and equipped personnel.

**Efficiency of business processes:** In order for an export credit institution to be successful, workflow and administrative processes need to be simple and effective. The most successful export credit institutions are under one week to meet credit, guarantee and insurance applications. Checklists should be used in workflows within the organization rather than correspondence. According to the size of the risk undertaken, the powers in the decision-making processes should be transferred to the subordinates in a way that accelerates the process.

**Intensity of marketing activities:** Marketing activities, including product development, should be one of the most important export credit institutions. Export credit institutions only provide information on financial support programs and consultancy services provided by exporters and the banks that mediate foreign trade and investment transactions through such activities. Marketing activities are also of great importance for the identification of the needs of exporters, foreign investors and the banks providing financing for such transactions and for the development of financial products or programs suitable for meeting these needs.

**The superiority of credit analysis skills:** The level of skill of an export credit institution, such as any financial institution, on credit risk analysis will determine the quality of the risk that the institution undertakes. Moreover, the existence of any financial institution and its most important feature that distinguishes it from other companies are their credit analysis skills. Therefore, export credit institutions should be in an effort to maximize their expertise in this area.

**Level of technical knowledge:** Similar to credit skills, the success of an export credit institution is related to the complexity of the financial techniques and instruments it uses. The fact that the aforementioned techniques and instruments are not different from those used by foreign competitors affect the success of the institution. In addition, the institution should strive to transfer its technical knowledge to other banks and financial institutions in its country.

**The use of appropriate collateral and guarantee systems:** The success of an export organization depends on the operations of guarantee mechanisms required by the risks it undertakes. The activities carried out require the risk to be assumed by the nature of the work. These risks should be managed with appropriate guarantees and guarantees.

**Use of appropriate risk-sharing mechanisms:** The credit institution carries out the risks it undertakes as much as possible with the relevant private sector organizations (firms or banks); Where necessary and possible, reinsurance companies and other countries' export credit institutions should be shared with instruments such as reinsurance, joint insurance, joint guarantee facility or lending. In addition, it is vital that the political risks undertaken are covered by the state.

**The availability of appropriate level of interest, commission and premium income:** In order for an export credit institution to maintain its existence in a healthy manner, it must have a financial structure that does not suffer any loss (not below the break-even point) even if it is not profitable. This may be possible by properly pricing the risk under consideration and thus maintaining the capital of the export credit institution. Therefore, the interest rates applied by the export credit institution are at the level of market rates; the insurance premiums and guarantee commissions are subject to the appropriate price risk; they should be at a sufficient level to cover the claims and general expenses.

**Conclusion**

As can be seen above, the elements of success factors of ECAs mentioned above would be absolutely relevant for the needs of SMEs to carry on commercial and investment activities in foreign markets. During hardship times in economies, SMEs are struggling in a much more difficult situation for reaching trade financing, or considering foreign
direct investment. With regard to direct investment attempts, in many cases the risks involved will just stop SMEs at the beginning of the process even before an attempt. Therefore, recalling the recent political and economic developments in the world economy causing a ‘new’ trade war era among major countries and regional economic blocks, we argue that SME internationalization should be supported by external agents like Export Credit Agencies by using financial and non-financial tools and techniques. This area needs to be explored more deeply to understand all such options.

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Political Risk Insurance and Foreign Direct Investments

Banu Erkök, Türk Eximbank, Turkey

Globalization has caused increase in foreign trade and investment. Investor companies face a number of risks while investing overseas. Therefore, the political insurance tool becomes an important requirement for these companies. Besides through the insurance policies, these investor companies can not only increase their business capacity but also support their financial structure. Having an insurance policy allows them to facilitate to reach finance. In this context, this paper aims not only to explain these political insurance but also provide information to those companies in order to reach finance easier.

Introduction

In today’s world, global trade and overseas investment is increasing rapidly where the requirement for securing the collection risk is becoming crucial. Hence, overseas investment insurance (Political Risk Insurance (PRI)) become important tools to secure the return of investments. PRI protects foreign investors from risks arising from the unpredictable political events in the host country. PRI is provided by either Export Credit Agencies (ECAs) or private insurance companies and multi-nationals (e.g. African Trade Insurance Agency (ATI), Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), Arab Investment & Export Credit Guarantee Corporation (DHAMAN) and Multilateral Investment Guarantee Agency (MIGA). Generally, ECAs’ mandate is to insure credit risks of their national companies arising from their foreign direct investments (FDI).3 PRI is an important risk management tool for foreign investors where the assets, returns and revenue of investments are insured against expropriation, political violence, contract frustration and default by governments and other such risks. It is crucial for the investor companies to have the PRI policy not only to support their foreign investment against unforeseen political risks but also provide long term financing from the banks. Within this frame, within this paper, PRI is discussed and recommendations are given for the investor companies in order for them to develop the most effective insurance method to secure their receivables and to reach finance easier.

Political Risk Insurance (Overseas Investment Insurance)

Liberalization of flows of goods and capital has taken place as a result of structural changes in economic policies which have been adapted since 1980 in the world economy. Furthermore, FDI makes important contributions to the modernization of the production structure and brings dynamism to developing economies not only through additional capital and related employment opportunities they create but also through new technologies they provide. Enhancing economy’s capacity of production, increasing output and creating employment, bringing new technology and know-how, increasing currency reserves and export, eliminating monopoly, creating competition, dynamism and economies of scale and increasing tax revenues of the state can be stated as the positive effects of FDI. After the liberalization with the rise of neoliberal policies, flows of goods, services and capital have increased rapidly. According to World Investment Report issued by UNCTAD, global FDI has fallen 23 per cent in 2017 to an amount of 1.43 trillion dollars compared to 1.87 trillion dollars in 2016. This made FDI a crucial tool for developing economies where they contribute to the modernization of the production structure and dynamism to developing economies. They also enhance host country’s economic capacity of production, increase output and create employment, introduce new technology and know-how, increase currency reserves and export, eliminate monopoly, create competition, dynamism and economies of scale and increase tax revenues of the state (Erkök and Yıldırım, 2018). In the meantime, as a profit seeker, the investor companies have no choice but to focus to invest in risky countries. Political risks have become a crucial matter for the investor companies since they have invested capital abroad. Investor companies may face significant risks for their investments, in particular, in Africa, Middle East and Central Asia region. FDI in such countries can face serious risks, such as, civil war, rebellion, political instability, insurrection or contract frustration by the host government (Erkök and Yıldırım, 2018). PRI insures the assets, returns and revenue of investments mainly in

3 According to OECD Benchmark Definition of Foreign Direct Investment (OECD, 2008:17) direct investment is a category of cross-border investment made by a resident in one economy (the direct investor) with the objective of establishing a lasting interest in an enterprise (the direct investment enterprise) that is resident in an economy other than that of the direct investor.
developing countries against expropriation, political violence, contract frustration and default by governments and other such risks. PRI generally insures noncommercial risks where it provides coverage against political events, including the direct and indirect actions of host governments that negatively impact investments. (MIGA, 2010) Besides providing safe field to the investor companies, PRI’s one of the most important benefit is supporting investor companies to access finance in better terms. In other words, investor companies are asked to have PRI policy in order to obtain long term finance from banks, especially in project finances. PRI also plays a crucial role in PPP projects and projects finance where financing capital projects that depends for its security on the expected cash flow of the project itself rather than guarantees from the borrower or third parties. (Grimsey and Lewis, 2007) PRI is almost a must in financing of long term infrastructure, industrial projects, and public services. The insurance providers are similar like ECI- either ECAs, multilaterals and private investment insurance entities. The Overseas Private Investment Corporation (OPIC) is one of these entities. OPIC is a self-sustaining U.S. Government agency that supports American businesses invest in emerging markets. ECA focus on cross-border trade and investment, generally for investors in their own counties. Multilaterals such as the ICIEC, ATI, the Asian Development Bank and the MIGA also provide cover and risk-mitigation instruments for investments. ECAs are natural providers of PRI for their national investors as a mandate while the private insurance market is also a PRI provider for investors and some private players have a lot of expertise. ECAs usually support investors and lenders from their home country entering into developing countries, and may also have mandates to support development and be self-sustaining. Finally, several multilateral agencies, also provide PRI, these providers often have special programs for small and medium investors, companies, and banks from developing countries (MIGA, 2019a).

Definition and Covered Risk

PRI captures most, but not all, non-commercial risks: mainly covers political events, including the direct and indirect actions of host governments that negatively impact investments and are not properly compensated for (MIGA, 2010:5). The purpose of PRI is to insure the profit and asset of the investor company or loan providing bank in case of a loss occurred arising from host government’s non-payment. Some ECAs provides businesses with the tools to manage the risks associated with foreign direct investment, fosters economic development in emerging market countries, and advances their national foreign policy and national security priorities. They help their national businesses gain footholds in new markets, catalyzes new revenues and contributes to jobs and growth opportunities both at home and abroad, by providing businesses with financing, political risk insurance, advocacy and by partnering with private equity investment fund managers. (OPIC, 2019) It is crucial for the investor company to have the PRI policy not only to support its investment against unforeseen events where the investment takes place but also provide long term financing from the banks. Having a PRI policy makes it easier to have finance in better terms. The insurance cover for foreign investments is insurance or a guarantee provided to an investor for the loss of investment made in foreign country, resulting from expropriation, nationalization, war, civil disturbance, restrictions on transfer of funds and other political events. The contractual parties in an investment contract are the investor and the recipient of the investment. The recipient is investments project and it can be government, enterprise or others form of business activity. The country where the investment is made and where the investment project is located is called the host country and it is different from the investor’s country. When provided by multilateral and large national insurers, PRI can also support deter harmful actions by host governments, can support resolve investment disputes, and can provide access to best practices in environmental and social standards (MIGA, 2010:5). The covered risks are listed within Table 5.

Table 5. The Covered Risks

<table>
<thead>
<tr>
<th>Risks and Their Definitions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Transfer restriction:</strong> If host government or central bank decides to impose restrictions or prohibitions on the conversion of the local currency, this prevents dividends, profits or other monetary benefits derived from the Insured Investment to leave the country (e.g. arising from an investor’s inability to legally convert local currency (capital, interest, principal, profits, royalties, and other remittances) into hard currency and/or to transfer hard currency outside the host country where such a situation results from a government action)</td>
</tr>
<tr>
<td><strong>Expropriation of Investment:</strong> Any executive or administrative or legislative action of the host government may prevent the investor company from exercising its ownership rights on the investment</td>
</tr>
<tr>
<td><strong>Expropriation of Funds:</strong> Any executive or administrative</td>
</tr>
</tbody>
</table>

4 Public-Private Partnerships. Building modern, sustainable and reliable infrastructure is critical for meeting the rising aspirations of billions of people around the globe. Infrastructure investment helps raise economic growth rates, offers new economic opportunities, and facilitates investment in human capital. PPPs is a crucial tool to deliver much needed infrastructure services. (World Bank, 2019)

5 Project Finance is the structured financing of a specific economic entity – a Special Purpose Vehicle (SPV) – created by the sponsors using equity or debt. The lender considers the cash flow generated from this entity as the major source of loan reimbursement. (CFI, 2019)
or legislative action of the host government may prevent the investor company the use and control of any funds held by the investor company or the project enterprise in an account in the host country and constituting dividends, profits, or other monetary benefits derived from the investment.

**War and civil disturbance**: Loss occurred as a result of the destruction or disappearance of, or physical damage to, tangible assets in the host country utilized for the investment project are covered.

**Breach of contract**: Loss occurred as a result of the inability of the investor company or the project enterprise (on behalf of the investor company) to enforce an award rendered in its favor against the host government, provided that the investor company made all reasonable efforts to enforce the award against the host government, including initiating and participating in appropriate judicial proceedings are covered. (e.g., government’s breach or repudiation of a contract for a concession or a power purchase agreement with an investor).

**Business Interruption**: Temporary inability (non-permanent character) to conduct, totally or partially its operations (both total and partial cessations), as a result of political violence damage and which deprives the insured of all or part of its profits.

**Embargo**: Imposition of any law, order, decree or regulation (including the cancelation or non-renewal of a valid export or import license) by the host government in circumstances beyond the control of the investor company and/or the project enterprise, which directly and solely prevents the project enterprise, continuously for the duration of the waiting period, from exporting or importing goods or services which are essential for the project enterprise’s operations.

**Non-honoring of sovereign financial obligations**: PRI protects against losses resulting from a government’s failure to make a payment when due under an unconditional financial payment obligation or guarantee given in favor of a project that otherwise meets an insurer’s requirements. It does not require the investor to obtain an arbitral award. This coverage is usually applicable in situations when a sovereign’s financial payment obligation is unconditional and not subject to defenses.


**Coverage and Pricing**

There is a growing demand for PRI due to geopolitical tensions, investor’s appetite for developing markets and infrastructure projects (especially in MENA, Africa region). The insurance policy is concluded between the insurance company and the investor company in writing. The investor company has to submit all documents concerning the project (i.e., oil extraction, power production, and infrastructure sectors). The insurance company do due diligence on the projects and arrives a figure of creditworthiness and inform the maximum limit of amount can be covered. The insurance company collects premium depending on the volume of the investment and the scope of the policy based on OECD regulations (only for member countries). OECD country ratings are designed to set guidelines to price the default risk on export credit and to set minimum premium rates charged by participating ECAs. The ratings came into effect in 1999 as part of rules known as the Knaepen Package, which is integrated into an arrangement seeking to create a level playing field for official support of export credits and encourage the convergence of premium rates (MIGA, 2016:12). The rating primarily assesses the ability of a country to service its external debt. It is based on two components: (i) a quantitative model of country credit risk that is based on payment experience and on the country’s financial and economic situation, and (ii) a qualitative assessment that seeks to integrate relevant elements not quantified into the model, such as political factors (MIGA, 2016:12). The investor companies are asked for submitting the following documents (MIGA, 2019b): feasibility study or a business plan supporting the economic viability and financial soundness of the project, financial forecast/model, all loan documentation, including shareholder and non-shareholder loans and all loan-related documents, all loan guarantees (including back-stop guarantees from parent companies), financial statements and incorporation documents/by-laws from the investor and the project enterprise in the host country, environmental permits/environmental impact assessment and land purchase/lease agreements. The duration of the underwriting process depends on the complexity of the project. The main parameters for due diligence on the projects are as follows; determination of financial structure that will be used to finance the project, debt to equity ratio, project related aspects, investor related aspects, bilateral investment treaties (BIT), assessment and rating of the different covered events, industry sector related aspects, cost-benefit analysis of the project, experience (investors’ experience, claims experience) and finally some specific issues: like equity value in case of acquisition, project finance and pledge on investor’s shares. Special attention is required during due diligence process for issuing PRI policy. Determination of return on equity ratio, debt to equity ratio and the financial structure that will be used to finance the project demand for a critical analysis of the business plan of the investment. The ratio submitted by the investor company cannot been accepted automatically. Return on equity ratio serves not

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6 OECD, Minimum Risk Premium: the Knaepen Package.
7 OECD Arrangement on Officially Supported Export Credits.
8 These events are host government related risks, political violence risks, currency inconvertibility and transfer agreements risks.
only as a basis for calculation of lost profits in case of business interruption and embargo but also a parameter to limit the indemnification payment. It is crucial to examine the relevant agreements. (Including the agreements existing between the project enterprise and the host government). Pricing is determined for each covered event. Premium is due on an annual basis. Differentiation in pricing made between structured loans on the one hand and (quasi-) equity on the other hand.

**Claims and Recoveries**

Insurance company indemnifies the loss incurred by the investor company in accordance with the terms of the PRI policy, provided that there are no fault attributable to the investor company. If the loss occurs from expropriation of equity investments, indemnification amount is based on the net book value of the insured investment. Concerning expropriation of funds, the insurance company indemnifies the insured portion of the blocked funds. If the event of war, terrorism, and civil disturbance, the investor company indemnifies unavoidable continuing expenses and extraordinary expenses associated with the restart of operations and lost business income or, in the case of loans, missed payments. (MIGA, 2019b) For tangible asset losses, the insurance company indemnifies the investor’s share of the lost assets, or the book value of such assets if they are neither being replaced nor repaired. If the business is interrupted as a result of war, civil disturbance or violence in the host country, the insurance company indemnifies the net book value of the insured investment. In addition to that, if the investment is financed by a bank, the insured portion of the principal and interest payment is also indemnified. (MIGA, 2019b) On the other hand if the loss occurs under the article of non-honoring of financial obligations (losses resulting from a failure of a sovereign, sub-sovereign, or state-owned enterprise to make a payment), the insurance company indemnifies outstanding principal and any accrued and unpaid interest. If the loss arises from breach of contract, the insurance company asks the investor to commence dispute resolution mechanism, such as an arbitration. If, the investor is unable to obtain a decision the insurance company may pay an advance indemnification pending the outcome of the dispute. In all cases the investor company is also entitled to assign and transfer all his rights and interest in the expropriated investment to the insurance company solely and exclusively.

**Case Study**

SENAC S.A was delegated for the concession to build and operate the expansion of the existing Dakar toll road by the Senegal Government. This road connects central Dakar to the new international airport as well as to other important economic zones of the country. The targets are spurring economic growth, employment, and new opportunities that contribute to poverty reduction by facilitating transport between key infrastructure and outlying areas with the capital city (MIGA, 2019c). MIGA supported the project through a guarantee supporting a swap between Standard Bank Plc and the Senegalese Government (MIGA, 2019c), International Finance Cooperation (IFC) acted as the lead arranger and global coordinator of a 101.2 million dollar debt financing package to SENAC. MIGA supported the project in 2011 by backing a U.S. dollar cross-currency swap arrangement between Standard Bank Plc (SB) and the Government of Senegal. The Ministry of Economy and Finance entered into the swap with SB as a hedge against currency risk exposure related to a 10-year tenor, 500 million dollars Senegal Eurobond issued in May 2011. The proceeds of the Eurobond were used to finance new infrastructure projects, including the toll road. MIGA’s guarantee of 99 million dollars to SB provides coverage against the non-honoring of sovereign financial obligations for a period of 10 years. Specifically, it insures against a failure by the Government of Senegal to honor its obligation to make requisite payments under the swap. The MIGA guarantee supported the government access commercial financing needed to fulfill its financial commitments to the toll road construction (MIGA, 2019c). The outcomes are as follows: the project has improved commute times between central Dakar and outlying neighborhoods from more than two hours to less than 30 minutes, businesses have emerged in Dakar’s center due to reduction in land costs, thousands of families have gained access to better housing conditions outside of central Dakar’s tight and expensive housing market, new economic and residential growth areas have sprung up along the motorway’s right of way (MIGA, 2019c).

**Outcome**

PRI paves the way for foreign investors to invest in risky countries, like MENA Africa, Middle East region. Thus, lets an increase in turnover and profitability of the investor company, by taking advantage of the economies of scale. Furthermore, FDI makes important contributions to the modernization of the production structure and brings dynamism to developing economies not only through additional capital and related employment opportunities they create but also through new technologies they provide. Enhancing economy’s capacity of production, increasing output and creating employment, bringing new technology and know-how, increasing currency reserves and export, eliminating monopoly, creating competition, dynamism and economies of scale and increasing tax revenues of the state can be stated as the positive effects of FDI. In addition, PRI contributes to increasing the global competitiveness of the investor by taking advantage of the raw material, energy and tax advantage in the host country. PRI facilitates the financing of investments by banks. Investor companies face a number of risks while investing overseas. At the same time
banks also face a number of risks while financing overseas investment. Some of these risks can be mitigated by conducting due diligence on the economic viability of the investment. Some risks are harder for both investor companies and financing banks to predict. These are mainly political risks. PRI is a tool to mitigate and manage risks arising from the unpredictable of government of host country. As a risk-mitigation tool, PRI allows less risky and a stable environment for investor companies. PRI also enables investor companies to provide an opportunity to finance. Avoiding potential losses, and indemnifying them in case of a covered loss related to political causes PRI enables investor companies to focus on the commercial aspects of investments. On the other hand, PRI gives comfort to the financing banks. PRI improves the opportunity to access to financing, including the amounts, interest, and tenor of loans. At this point investors are advised to secure themselves against the political risks they may face in the country they are investing in. Moreover, PRI will increase the FDIs. At this point, it is worth pointing out that the market-oriented investment will also increase the exports. Thus, together with the PRI, both investors will feel safe while investing abroad and therefore will increase their investments and contribute significantly to the exports of their countries.

References
CSR: A Value-Creation Business Strategy to engage Millennials

Tashfeen Ahmad, The University of West Indies, Mona Campus, Jamaica

**Purpose:** The purpose of this short piece is to share ideas on value creation strategies to engage millennials at work. This is in the context of changing requirements and expectations of younger workforce.

**Design/methodology/approach:** The paper offers the viewpoint of this author which is backed by recent findings and surveys.

**Findings:** Corporate social responsibility (CSR) has been very instrumental in creating value and growth for businesses; however, Deloitte’s recent survey (2018) indicates that the younger generation of millennials, are expressing grave misgivings about the true intentions and motivations surrounding a company’s CSR policy and ethical conduct. This piece offers three perspectives on CSR implementation strategies which are useful guidelines to generate enhanced value in the changing times.

**Originality/value:** Businesses have to be flexible and responsive by adopting appropriate CSR strategies in order to remain relevant and competitive. The three models in this viewpoint will help business managers to enhance engagement, create value and build their businesses for stakeholders and wider society. Most importantly, these strategies will help in gaining millennials losing trust on businesses and streamlining strategic direction.

**Introduction**

Businesses operating in an increasingly competitive environment require strong strategic direction in order to survive. To thrive, they need a purpose beyond profits. One way to achieve this is by demonstrating thoughtful social responsibility.

Firms which participate in community activities earn good reputation in society and benefit from enhanced brand image and reputation. This creates further opportunities for businesses in terms of expanding their customer base and attracting talented employees.

Corporate social responsibility (CSR) today is a major plank of strategy integrated into overall company strategy of major businesses across the globe. Many have developed best practices around CSR not only as a strategy for business but more importantly, as a vital driver of value creation and growth (Epstein, 2018).

However, there are growing doubts towards the perceived effectiveness of CSR policy for the benefit of the broader society. Deloitte’s recent survey (2018) indicates that the younger generation of millennials, are expressing grave misgivings about the true intentions and motivations surrounding a company’s CSR policy and ethical conduct.

**Impact of Millennial Generation on Strategy**

Deloitte Millennial Survey (2018) cite startling statistics indicating that 75% of millennials surveyed believe that businesses focus on their own agenda rather than society at large.

$$\begin{align*}
\text{Share of Millennials who say businesses focus on their own agendas rather than society at large} \\
\text{Agree: 75\%} & \quad \text{Disagree: 25\%} \\
\end{align*}$$

**Source:** Deloitte Millennial Survey, 2018

62% of the millennials think that businesses have no ambition beyond wanting to make money.

$$\begin{align*}
\text{Share of Millennials who say that businesses have no ambition beyond wanting to make money} \\
\text{(This question was not asked in 2015)} \\
\text{Agree: 62\%} & \quad \text{Disagree: 34\%} \\
\end{align*}$$

**Source:** Deloitte Millennial Survey, 2018
This has serious implications for CSR policy and the long run sustainability of businesses. Businesses will have to urgently address this disconnect between the younger generation’s perceptions about businesses’ priorities and what business objectives should be. Companies will need to craft policies which realign and better balance the profit motive drive with millennial’s 21st century concerns and outcomes.

Among the top concerns identified include:
- Climate and sustainability issues
- Income inequality
- Employment opportunities

It is recommended that businesses’ goals should be redesigned to achieve a broader set of objectives and include the following:
- Focus on workplace issues - especially policies to enhance inclusion and diversity,
- Create value added products and services by generating innovative and creative ideas,
- Have a greater impact on society and care for the environment, and
- Generate higher levels of employment and human resource development to improve workers quality of life.

Millennials are more informed, mobile and sensitive to wider global social issues and less loyal to firms which are less engaged and lacking in policies which encourage diversity and inclusion at the workplace. Failure to address their concerns could have serious repercussions for the sustainability of modern enterprises operating in an increasingly competitive global environment. Companies can find it increasingly difficult to attract and retain top talent in the future and this will inevitable impact future financial performance and by extension, create less value for all stakeholders and society at large.

Direction of CSR Strategy and Implementation

The following three perspectives on CSR implementation strategies offer useful guidelines to generate enhanced value in the aforementioned context.

1: Seven Step Process for using CSR to build business value

Commonly referred to as the seven step process, this framework developed by David Grayson and Adrian Hodges in 2004, forms one of the first in depth research studies since the onset of the globalization era dedicated to discovering how best to utilize CSR strategy to build business value. It provides a rethink on strategies by combining recommended steps with practical real world examples. It goes beyond conventional accepted approach which views CSR as just a cost input of doing business and protecting brand image, to reorient thinking to unlock future opportunities. Risk management and approaches to drive value creation activities through product innovation, markets, and the development of unique business models which create competitive advantages are the focus of this model.

The seven specific process steps utilizing CSR strategy to attain value are:
1. Triggers
2. Scoping
3. Making the business case
4. Committing to action
5. Resources and integrating operations
6. Engaging stakeholders
7. Measuring and Reporting

This simple framework is a great tool for managers to implement in their overall business strategy and build business value.

2: CSR Strategy in Creating Value for Customers, Suppliers and Employees

Built around the concept of value, this model emphasizes the importance of using CSR as a strategy to create benefits for its many stakeholders. Value is decomposed into elements of value creation (value added), value redistribution (appropriation of benefits) and value integration (incorporation of other activities).

In the context of CSR, the definition extends to incorporate:
A. Value creation - gains or benefits beyond activities derived from product differentiation. Benefits derived from social considerations built into firm strategy which leads to innovations must be taken into account as it creates win-win for customers, suppliers and employees in the value chain.
B. Value integration - must incorporate not just shareholder concerns into firm’s overall strategy, but also broader stakeholder differing or conflicting perspective of what constitutes value for them. The challenge is to balance financial benefits with respect to social and environmental values.
C. Value redistribution - to strike a balance to create shared economic and social benefits as control over value added benefits can lead to inequalities and social problems leading to the erosion of “social value” for all stakeholders.

This value model (Maas and Boon, 2017) describes two broad conditions under which CSR can be used as a strategy tool to create value. First, it must be embedded and “bolted-on” into the overall business operations strategy. Secondly, mechanisms must be in place to measure and monitor value.
derived from CSR strategy to ensure transparency, accountability and to assess how much value is accrued (or lost) for stakeholders, so as to enable business leaders to make decisions.

3: CSR Communications Strategies for Engagement

Developed by Lim and Greenwood (2017), this model outlines a framework to enhance effective CSR communication strategy to achieve overall stakeholder objectives. Based on the “two way symmetrical communication methodology” of engagement and responsiveness, it emphasizes the importance of building modern corporate stakeholder relationships beyond mere business objectives to capture wider stakeholder concerns. Specific strategies include:

A. Embed two way symmetrical communications strategy (engagement and responsiveness).
B. Implement structured engagement process: listen, reflect, consult, consent and dialogue.
C. Respond by adopting both proactive and reactive measures to issues, threats and risks.
D. Reinforce with structured engagement process involving consultation, dialogue and invitations to participate in CSR initiatives.

Conclusion

CSR practice and policy have undergone significant change in recent times in reaction to the dynamic global environment and shifting stakeholder values and perspectives. Businesses have to be flexible and responsive by adopting appropriate CSR strategies in order to remain relevant and competitive. The process outlined through abovementioned three models present useful insights and applicable tools which business managers can utilize to enhance engagement, create value and build their businesses for stakeholders and wider society.

Hopefully, these strategies will help in gaining millennials losing trust on businesses and streamlining strategic direction.

References


Methods of Financing Foreign Trade: 
A Sectoral Comparison on Turkish Firms

Türker Susmus, Ege University, Turkey  
Emin Akcaoglu, Beykent University, Turkey  
Özgür Babacan, Ege University, Turkey

International trade is a very important economic activity for all countries’ economies. Many companies in different sectors throughout the world are involved in either imports or exports. In this respect, what type of financing techniques are used by companies in international trade transactions and how these techniques contribute to financial profitability is an important issue. In this context, in this study, the financing of foreign trade transactions is examined in important financial problems are determined. To collect empirical data, a questionnaire survey was applied to a group of Turkish companies operating in Izmir, and the data were analyzed by SPSS 22 statistics software.

Acknowledgement: This study was carried out with the financial support of Ege University Scientific Research Projects Unit.

This study aims to clarify which type of international trade finance techniques are utilized by Turkish companies based in Izmir. In this respect, it adopts an explanatory perspective for those companies involved in foreign trade transactions. To that end a survey questionnaire was developed purposefully for this research as there was not a readily available template applicable. The survey was applied to a randomly selected sample of Turkish companies in Izmir. Though the sample only consisted only companies from a particular region in Turkey, we think that the results can be generalized for Turkish companies in general as the sample companies’ characteristics are similar to their peers in other parts of the country. The research has a qualitative nature, and the data collected were analyzed by a statistical software (SPSS).

Evaluation of Research Findings

A total of 330 companies were interviewed in the survey. All these companies are involved in foreign trade operations, either exporting or importing. 47.6% of the respondents were company owners and 52.4% of them were managers of foreign trade departments. It can be normally expected that foreign trade managers have a high level of knowledge and experience about foreign trade activities. However, such an expectation cannot be normally the case for owners. However, the results of the survey indicate that all the participants who responded to the questionnaire had sufficient knowledge on the research area.

Approximately 29 percent of the respondent companies only import while 37.9 percent of them only export. The percentage of companies that are involved in both of these is 33 percent. Therefore, 70.9 percent of the respondents import and 62.1% export. And, only 16 percent of the respondents are family-owned companies. With regard to the number of employees, results show that 43.6 percent of the respondents have 10 or more employees while 56.4 percent of them have less than 10 employees. In other words, a great majority of the respondents are small and medium-sized enterprises (SMEs).

A great majority of these companies utilize air transportation (65.8 percent) for the export operations, though some of them use surface transportation (21.9 percent) and the rest (12.3 percent) use sea ways. It may be surprising to understand this result but we know that the companies use air transportation more because of the seasonal characteristics of the products such as textile and clothing.

The companies involved in the survey were asked if they were exporting or importing to or from which countries. It seems that Germany, France and Italy are the top Turkish export markets for these companies. These are followed by Iran, Iraq, the Netherlands, Belgium, Azerbaijan and Lebanon.

Considering the possible economic and political risks that the world economies face currently another question was about the respondents’ expectations for the future prospects. The respondents were particularly asked to indicate their expectations for their export volume by 2020. It is observed that 56.1 percent of them expects an increase while 36.4 percent’s expectation is negative. The remaining group thinks that steady state will be the case. 7.6%. Based on these, it can be concluded that exporting firms are looking positive for the future. With regard to the importers’ case, it is observed that 43.3 percent of the respondent importers expect a bright future, while only 9.1 percent is pessimist, the remaining but the biggest part (47.6 part) expects the steady
The respondents were also asked which type of delivery methods (as defined by the Incoterms 2010 such as EXW: Ex Works, DAP: Delivered at Place, CIP: Carriage and Insurance Paid to, and CFR: Cost and Freight) they use generally. The exporters indicate that the frequency order is as follows: 1) DAP, 2) EXW, 3) CIP, and 4) CFR.

When the most used payment method in import was asked it is observed that “advanced payment” is the most used method in the respondents’ imports. The is followed by “open account”, “payment against documents” and “payments against goods”. However, the last two methods’ use is significantly lower. Surprisingly, the use L/Cs (letter of credits) is very rare. This seems to be related to the higher cost that such instruments impose. This proves that in foreign trade confidence in a country for foreign exporters counts a lot. Therefore, Turkish economy’s worsening conditions and rating have also negatively affected the local companies’ standing in international markets with regard to payments terms.

The companies in the sample were also asked the problems which were encountered during export or import processes. In fact, their answers were different from what we expected: The majority of the companies participated in the survey (70 percent) stated that they did not encounter any problems during export processes. They indicate that only few problems can be mentioned regarding delivery times and customs procedures.

The public financial support to particularly SMEs may be very important to carry on their routine operations and develop their business potentials. In this respect, sampled companies were asked if they had received such supports within the last 10. It is observed that majority of the respondents have got support of KOSGEB (Small and Medium Enterprises Development and Support Administration). This is followed by the use of support tools of the Chamber of Industry and Commerce, and then of the Ministry of Economy. The companies also used “Credit Guarantee Funds (KGF)” support over private commercial banks’ involvement.

**Sectorial Differences**

Within the scope of the research, it was examined whether the companies' preference of the delivery forms in Incoterms 2010 differed according to the sectors.

With this regard, the results indicate that only for there are sectoral difference for CIP (Carriage and Insurance Paid to) and DAP (Delivered at Place) methods. But not for the rest among the companies operating in different sectors. In these two case, textile and apparel firms are differentiated from the rest at statistically significant levels. In this respect, it is understood that textile and apparel companies use CIP and DAP delivery methods significantly more than the others. Similarly, textile and apparel companies also use air delivery significantly more than the other companies operating in other sectors. As mentioned earlier, this can be due to the nature of this industry. In this industry due to sessional trends delivery times would be required to be in strict preferences.

**Results**

In today’s international markets, competition is not only dependent on traded goods characteristics such as quality etc. or companies' core competencies but also on financial issues.

With this regard, this empirical research has aimed to explore the behaviors of a sampled group of Turkish companies involved in foreign trade particularly with respect to finance related issues.

In this context, for example, the research results indicate that Turkish importers mainly use advance payment method in their international trade transactions. On the other hand, Turkish exporters are generally payed for the exported goods by payments methods such as “payment against goods”, “payment against documents” or “open account terms”. This means that Turkish exporters take the credit risk of the importer at significantly high levels.

The problems encountered in the financing of trade become one of the reasons that hinder the development of exports. Due to the export credit limits provided by the commercial banks and the tightening standards when lending, the credit utilization rate is decreasing and the credit costs for the enterprises are high. Companies that want to increase their trade volume are more likely to turn to insurance instruments in order to guarantee their receivables arising from exports when opening to new markets.

Finally, we understand that with regard to these issues there are not statistically significant differences among Turkish companies operating in different sectors.

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A Multi-Country Analysis of Future Influencers

Isaac Wanasika, University of Northern Colorado, Monfort College of Business, USA
David Říha, University of Economics, Department of Marketing, Prague, Czech Republic
Elena Říhová, Skoda Auto University, Department of Informatics and Quantitative Methods, Czech Republic

Through the power of Influencers, organizations are increasingly turning to engineered social contagion to sell products, shape opinion, and advocate for new ideas. Through Influencers, organizations are able to tap into the social power of a few individuals to shape and change opinions and perceptions for innovation and new ideas, product sales, branding, social change, political opinion and other forms of activism. This type of influence is not unlike other influence tactics used by organizational leaders and individuals. This study focuses on understanding the characteristics of future influences. The study has three main goals. The first objective is to determine who shapes the values and preferences of future influencers. The second objective is to determine values, preferences and characteristics that determine future influences from three cultural groups: Czech Republic, Italian and United States. The three cultural groups have distinct cultural orientations, yet they are all relatively advanced in economic development and social media penetration. The third objective is to determine job and management priorities of future influencers from the three cultural groups.

Previous studies have examined the power of social networks via word-of-mouth or social media in influencing others. As emphasized by Li et al. (2011, p. 5143), “word-of-mouth marketing is increasingly being recognized as a crucial strategy in social influence and marketing domains”. A broad set of potential customers can be significantly attracted by social interactions, in which influencers participate. Studies have shown that word of mouth communication has strong influence on decision-making. Haryani and Motwani (2015, p. 50) found that word-of-mouth communication (WOM) is a primary information channel that influences consumer decision-making. Due to technological advances, WOM has radically been transformed into social media influence. As digital natives, millennials and subsequent generations around the world have adopted social media as the communication method of choice. In addition to these findings, they found that 77% of online consumers check online reviews and the ratings of products before deciding to make a purchase, and 92% of consumers reported that online reviews are extremely helpful.

Social network platforms have upended traditional notions of networks and word-of-mouth influence. Among millennials and subsequent generations, this is the medium of choice. Early studies on influencers can be found in consumer behavior and psychology. However, while the medium has changed from word-of-mouth to digital, the power of the Influencer is even more virulent and persistent. Influencers often create an online persona to attract attention and followers (Khamis, Ang & Welling, 2016) that has been categorized as micro-celebrity (Chae, 2018). Influencers’ tactics are novel and may involve rational persuasion, testimonials, putting their full lives on display, creating fictitious lives of opulence, humor or even engaging in grotesque acts. Regardless of tactic used, studies have found that consumers have a preference for the opinions of Influencers compared to celebrity endorsements (Howland, 2016). Millennials are also likely to identify and be influenced by Influencers during their purchase process (Freedman, 2017).

Figure 1: Theoretical Model

Clearly, influencers play a significant in shaping opinion in many aspects of consumer, social and political environments. Studies have attempted to understand the centrality of influencers and characteristics that make them effective in shaping opinion and influencing individual decision making process. Previous studies have looked at traits (Goldenberg, Han, Lehmann & Hong, 2009), knowledge and competence (Leonard-Barton, 1985) and wisdom of crowd effects (Tanase, Tessone & Algesheimer, 2009).
2018) in trying to understand antecedents of Influencers and the Influencer process. Based on previous findings, network theory, social learning theory, social comparison theory and consumer behavior theory, we developed a theoretical model as the basis of our study. The model is summarized in figure 1 below.

A total of 768 surveys were collected. The following table (Table 1) breaks down the sample characteristics.

Table 1: Sample Characteristics

<table>
<thead>
<tr>
<th>Sample characteristics: Age 20-25 college-educated</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nationality</td>
<td></td>
</tr>
<tr>
<td>US</td>
<td>282</td>
</tr>
<tr>
<td>Male</td>
<td>54%</td>
</tr>
<tr>
<td>Female</td>
<td>46%</td>
</tr>
<tr>
<td>Female</td>
<td></td>
</tr>
<tr>
<td>Czechia</td>
<td>320</td>
</tr>
<tr>
<td>Male</td>
<td>52%</td>
</tr>
<tr>
<td>Female</td>
<td>48%</td>
</tr>
<tr>
<td>Italy</td>
<td>166</td>
</tr>
<tr>
<td>Male</td>
<td>30%</td>
</tr>
<tr>
<td>Female</td>
<td>70%</td>
</tr>
<tr>
<td>Total</td>
<td>768</td>
</tr>
</tbody>
</table>

The methodology involved several steps. The first step was to develop a questionnaire instrument for the study with variables measuring future influencers’ personal attributes and preferences, organizational attitudes towards work and work-life balance, preferences and perceptions of organizational decision-makers, and consumer perceptions of future influencers. The second step involved validity and reliability test of the measures. The next step involved online data collection (n = 768). Finally, a series of statistical tests were conducted to test the hypotheses. These involved modeling the theorized model as well as performing a series of chi-square tests of independence.

A series of hypotheses were developed to test the conceptual theory. Education is a significant part of processing in social media activities. In our initial findings, 63.5% of the US future influencers thought that education was a significant component of their lives, 53.1% of the Czech and 50% of the Italian sample thought education was a significant aspect of their lives.

H1: There is no differences in perceptions of higher education as an important aspect of life. The hypothesis as rejected ($p < .05$). There is a difference in cultural perceptions of education as a significant aspect of life. Higher education is most important for the US sample, and least important for Italian sample. The results are shown in Table 2.

Table 2: Hypothesis 1

<table>
<thead>
<tr>
<th>Chi-Square Tests</th>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>20,074a</td>
<td>4</td>
<td>.000</td>
</tr>
<tr>
<td>Likelihood Ratio</td>
<td>19,988</td>
<td>4</td>
<td>.001</td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>768</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The second hypothesis sought to test whether there are differences in the perception of a role model/idol, who was admired as a potential Influencer. The best role model for the US sample is a family member (69%); the biggest role model for the Italian sample is a famous person from the arts, sport or science, and for the Czech sample there are almost similar percentages from business, politics, arts, science, sport and family.

H2: There is no differences in the perception of the idol, which is admired by the influencers according culture. The hypothesis was rejected ($p < .05$).

Table 2: Hypothesis 2

<table>
<thead>
<tr>
<th>Chi-Square Tests</th>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>796,644a</td>
<td>8</td>
<td>.001</td>
</tr>
<tr>
<td>Likelihood Ratio</td>
<td>46,875</td>
<td>8</td>
<td>.001</td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>768</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The next question was with respect to priorities of future influencers. Priorities for US young people is family (28.7%) and finance (28.4), priorities for Italian people is Career (48.8%) and for Czech people priorities, primarily, is family (27.8%).

Table 3: Priorities of future influencers

<table>
<thead>
<tr>
<th>Priority</th>
<th>Czech Republic</th>
<th>Italy</th>
<th>USA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Career / Career Progress</td>
<td>10%</td>
<td>48%</td>
<td>10%</td>
</tr>
<tr>
<td>Education, self-education</td>
<td>6%</td>
<td>6%</td>
<td>3%</td>
</tr>
<tr>
<td>Family life (partner, family, children)</td>
<td>27%</td>
<td>8%</td>
<td>28%</td>
</tr>
<tr>
<td>Finance, financial security</td>
<td>15%</td>
<td>7%</td>
<td>28%</td>
</tr>
<tr>
<td>Health</td>
<td>15%</td>
<td>10%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Leisure, leisure time activities</td>
<td>4%</td>
<td>4%</td>
<td>6.4%</td>
</tr>
<tr>
<td>Personal reputation</td>
<td>4%</td>
<td>6%</td>
<td>1.8%</td>
</tr>
<tr>
<td>Possibility to influence important topics</td>
<td>5%</td>
<td>3%</td>
<td>7.1%</td>
</tr>
<tr>
<td>The meaningfulness of work</td>
<td>11%</td>
<td>4%</td>
<td>10.3%</td>
</tr>
</tbody>
</table>

H3: There is differences in priority according the culture. The hypothesis was rejected, there is differences in priority according the culture ($p < .05$).

The next model involved step involved factor analysis.
and modeling through confirmatory factor analysis. The most important work-life preferences were education, career and financial security. The most important personal values and preferences were family life (partner, family and children), meaningfulness of work and personal health. In addition, our study found significant cultural and gender differences between work-life preferences and personal values and preferences. Regarding influence impact, the most important factors were influencers’ connections, influencers’ interactions, and influencers’ activities. In addition, there were cultural differences with respect to influencers’ activities, while gender differences were insignificant. We did not find a good model fit or meaningful interaction between work-life preferences, personal values preferences and influence impact as had been hypothesized in our model.

The study had a few limitations. The sample included adults between 20–25 years from the three countries. A more demographically representative sample might have yielded different results. In addition, the sample was collected from individuals with a college degree and those pursuing college education. A more diverse representation of educational attainment is likely to affect how individuals interact with technology. There is a likelihood that the measurement instrument suffered mono-method bias and perceptual bias. Finally, social perceptions and perceptions of influencers are not necessarily stable and are likely to change within a very short timeframe.

This study contributes to the expanding body of knowledge by analyzing who shapes future Influencers, significant attributes of these influencers and whether there are cultural and gender effects in the process. Influencers are increasingly becoming persuasive opinion leaders in many aspects of people’s lives. Influencers are also challenging traditional notions of innovation, product development and marketing. An area that has generated attention is consumer decision-making process. Marketing strategists are increasingly tapping into the power of influencers to drive their brands and sales. This paper makes a contribution by identifying critical values and attributes of future influencers. Organizations should be interested in these findings as a means of shaping their strategies to identify and nurture influencers and transforming their organizations to reflect the changing preferences.

References


Conventional Consumer-Based Brand Equity: A Review of the Literature

Philip S. Baker, Jamaica
Dante A. Baker, The Netherlands

A careful review of the published literature on conventional consumer-based brand equity (CBBE) is presented. It critically analyses the attention-interest-desire-action (AIDA) framework as well as the Keller and Aaker brand equity models, highlighting the primary concepts, leading proponents, theoretical preoccupations, key critics and the main points of criticism. It broadens the analysis by focusing on inbound marketing (IM) and thought leadership (TL) in order to propose a Conceptual Model that synthesizes the Aaker model, IM and TL as a new integrated consumer-based brand equity framework (ICBBEF) appropriate for enterprises adapting to the requirements of the digital age.

Introduction

Brand equity is dynamic and embodies multiple dimensions. Against this backdrop, Farquhar (1990) claims that there are three (3) fundamental elements to building sustainable brand equity, namely:
1. creating positive brand perceptions via a value-added product offering;
2. inducing accessible brand attitudes in order to stimulate consumer purchase behaviour; and
3. developing a trusted brand image and attributes that provide synergy and affinity with the prospective consumer.

Ailawadi et al. (2003) and several other studies have demonstrated the connection between marketing activities, for example, advertising, and brand equity. Therefore, this research paper begins with a look at the attention-interest-desire-action (AIDA) model, before delving into conventional customer-based brand equity (CBBE) frameworks such as Keller’s and Aaker’s brand equity models. The paper will also examine more recent concepts such as inbound marketing (IM) and thought leadership (TL).

The Attention – Interest – Desire -Action (AIDA) Model

The earliest, and still the best known, hierarchical model—AIDA—was first introduced by E. St. Elmo Lewis in 1898. As Strong (1925) reminds us, it initially served as a salesman’s guide on how best to create awareness for products on offer. As an outbound marketing (OM) conversion framework, the AIDA model is concerned with turning non-users into users. However, this concept pays less attention to the post-consumption effects on the consumer.

Moreover, it is built on the notion that effective advertising should attract attention, spark interest, create a desire and thus induce action from a prospective consumer. As the theory goes, this approach, in essence, should help to facilitate the development of brand equity.

In the view of Barry and Howard (1990), the AIDA model came into more general use during the 1990’s and has over the many years since its introduction in 1898 found favour with marketing practitioners.

The model reflected the mantra for SMEs to prioritize growth over profitability, dominate the market before competitors, and subsequently customers and profit would naturally follow. Such apparent pragmatism added to its popularity.

However, most outbound (interruption-based) marketing techniques such as the conventional AIDA model are based on print ads, direct mailing, outbound call centres, TV and radio advertisement, intrusive online ads, etc. However, in the assessment of Drell (2011), these techniques have become somewhat ineffective. The AIDA model relies mainly upon the availability heuristic (a mental shortcut) where the call to “Get Big Fast” implies resorting to big events to raise awareness and generate interest, thus leading to desire and finally action from the prospective customer. It is felt that these big events are more likely to stay in a customer’s mind, creating a mental short cut, and thus inducing discussion and action.

In light of the foregoing, upon accomplishing the initial steps of the model—Attention and Interest—the total number of potential clients will decrease incrementally upon descent of the model’s inverted triangle. This is due to the increasing difficulty in reaching the target audience.

The overall objective of this model generally is to enlarge the final step—Action—of the triangle, thereby increasing the conversion rate of prospective customers to actual sales. The AIDA model’s step-process is illustrated in Figure 1 below.
According to Stahl and Heitmann (2012), conventional marketing mix practices such as price, promotion, product and place drive customer equity and brand equity. Moreover, Ailawadi et al. (2003) have shed light on the relationship between marketing activities and brand equity, while Venkatesan and Kumar (2004) posit that marketing activities are also associated with customer equity. However, the ultimate function of marketing, in regards to the AIDA model, is advertising and is intended to induce sales. In contrast, Lavidge and Steiner (1961) maintain that advertising alone will not always trigger immediate purchases from prospective customers who are exposed to it.

Indeed, Lavidge and Steiner (1961) contend that prospective customers exposed to the advertising-centric AIDA model are likely to approach the decision of purchase systematically via a series of steps. However, because advertising cannot guarantee an immediate effect process, Johnstone and Dodd (2000)–following from (Lavidge and Steiner, 1961) among others– have found it necessary to search for predictive measurements of advertising effectiveness.

In addition, the irregularity between promoting and the customer's needs or the aversion to advertising itself, tends to lessen the rate of conversion or progression to the subsequent steps of the AIDA model.

### Brand Equity Perspectives

According to Aaker (1991), brand equity is “the set of assets—and liabilities—linked to a brand’s name and symbol that adds the value provided by a product or service to a firm and/or that firm’s customers.” Therefore, it can be argued that a positive brand equity affects a firm’s future profit and long-term cash flow, thus, reinforcing its paramount importance for not only Start-ups but established organisations as well. This is emphasized by Yoo and Donthu (2001) who argue that brand equity influences an array of factors. These include the willingness of consumers to pay premium prices, merger and acquisition decisions, marketing communication effectiveness, stock prices, long-term sustainable competitive advantage and the marketing success of a firm.

In addition, to further highlight the effect of brand equity, Leone et al. (2006), Rust et al. (2000), and Peppers and Rogers (2004), propose the notion that brand equity affects the hard measures of customer behaviour which ultimately impact the Customer Lifetime Value (CLV). Farris et al. (2006) define CLV as “The present value of the future cash flows attributed to the customer relationship.” Blattberg et al. (2008) argues that CLV represents a metric for enterprises when deciding if a group of customers is worth acquiring.

Baalbaki (2012), argues that there are three principal and distinct perspectives regarding brand equity, notably the financial perspective, employee perspective and the customer perspective. Farquhar et al. (1991) and Simon and Sullivan (1990) explain that the financial-based brand equity (FBBE) perspective concentrates on the financial market’s appraisal of a brand’s asset value which, in essence, plays a key role for managers in a merger or acquisition scenario. Farjam and Hongyi (2015) highlight the employee-based brand equity (EBBE) component. Moreover, Farjam and Hongyi (2015) argue that EBBE is an integral component of an organization’s overall brand management (brand-equity). It, therefore, helps to enhance an employee’s brand knowledge, role clarity and brand commitment. In consequence, EBBE essentially aims to create a cognitive feeling of emotional attachment and responsibility towards the organisation, which in turn helps to lower the employee churn rate.

In contrast, customer-based brand equity (CBBE) is perceived by Keller (1993) and Shocker et al. (1994) as involving the evaluation of the consumer’s response to a brand. According to Chen and Tseng (2010), a strong brand can enhance customers’ trust in purchasing a product as well as enable them to better imagine and comprehend intangible products. Meanwhile, Keller (1993) argues that brand equity can be operationalised to generate brand value when considered entirely in financial terms.

However, this research paper will not be looking at the financial market’s appraisal of a brand’s asset value nor the employee’s emotional attachment with a firm or its culture. (i.e., the FBBE and EBBE perspectives). Instead, its focus will be on the customer cognitive psychology and increasing current and prospective customer’s interaction with and response to the brand. Therefore, CBBE strategies will be the main line of inquiry. Considering that the Aaker and Keller models are the main CBBE benchmarks in the published literature, these models will form the basis of our study of conventional CBBE frameworks.

### Aaker’s Brand Equity Model (Dimensions of CBBE)

Aaker (1991) suggests five dimensions of brand equity, particularly brand loyalty, brand awareness, brand association, perceived quality and brand proprietary assets such as patents, trademarks and channel relationships.

However, Keller (1993) proposes that these dimensions are embodied in two components, specifically brand awareness and brand image. Keller’s conceptualization is similar to two of the brand equity dimensions accentuated in Aaker (1991) and are dependent on brand knowledge. The Aaker brand equity model is illustrated in Figure 2 below.

(“Insert Figure 2 about here”).
Brand awareness is the first and fundamental attribute of customer brand equity. This is supported by Aaker (1991) and Tong and Hawley (2009) who mention that brand awareness is at times an underestimated component of brand equity. In particular, Aaker (1991) defines brand awareness as “the ability of a buyer to recognize or re-call that brand as a member of a certain product category”. Keller (1993), meanwhile, argues that brand awareness consists of both brand recall and recognition and that brand recognition relates to the consumer’s ability to recollect prior exposure to the brand if/when the brand is given as a cue.

In Keller’s own words, brand recall is “related to a consumer’s ability to retrieve the brand when given the product category, the needs fulfilled by the category, or some other type of probe as a cue”. According to Aaker (1986), when developing a new or niche brand the important issue is recognition. On the other hand, for a well-known existing brand, recall and top-of-mind awareness is more sensitive and significant.

In light of the foregoing and drawing on Wang et al. (2008) and Xu and Chen (2010), entrepreneurs and marketers should concentrate on brand equity and appropriate tactics to build and maintain brand awareness by enhancing the connection between a product and its customers so as to influence customer brand selection.

Brand association is yet another important component of overall brand equity. On this point, Aaker (1991) argues that brand awareness is defined as “anything linked in memory to a brand”, whilst, Keller’s element of brand image is seen as “a set of associations, usually related in some meaningful way”.

This prompted the rejoinder in Keller (1993) that brand association is the “impression based on other information that is related to impressions created by the brand in the minds of the consumers”. Xu and Chen (2010) propose that the related association (impression) link can be realized via a product, country of origin, firm, competitor, seller, or users with particular demographic or lifestyle characteristic. However, Marinova et al. (2011) suggest that the association with a brand can be stronger when it is based on numerous experiences or exposure to communications, rather than a few.

Erenkol and Duygun (2010) contend that brand associations help communicators to easier deliver an idea of a product or service to consumers or communicate thoughts related to the brand, but also provide brand differentiation and positioning.

They find support from (Aaker, 1991; and Tong and Hawley, 2009) who posit that brand association creates value for the firm as well as for its customers by assisting to process information, distinguishing the brand, creating positive attitudes and feelings, providing a reason to purchase a brand and forming the basis for brand extensions. As such, the development of positive brand associations may lead to the formation of a positive brand image, which is a conceptual antecedent to enhanced brand equity (Aaker, 1991; Faircloth et al. 2001).

We come now to perceived quality which is one of the main dimensions of brand equity. Aaker (1986) argues that perceived quality is “the core construct” in the study of measuring brand equity. Zeithaml (1988) defines perceived quality as “the consumer’s subjective judgment about a product’s overall excellence or superiority”. Therefore, the consumer’s perceived quality is not the real quality of the product, but as Erenkol and Duygun (2010) note, it is the consumer’s subjective evaluation of the specific product.

An additional refinement is provided by Yoo et al. (2000) who claim that “personal product experience, unique needs, and consumption situation” can be affecting the consumer’s subjective evaluation of quality. Aaker (1991) joins the debate by accentuating the values that perceived quality offers to entrepreneurs and marketers.

These values include establishing reasons for purchase by the customers; differentiating the brand from competing brands; enabling the option to charge high prices; attracting the interest of distribution channel members; and facilitating the opportunity to scale the brand. This points to the observation in (Yoo et al., 2000) that perceived quality is a component of brand value which persuades consumers to select a particular brand rather than another competing brand.

Next, we look at brand loyalty which is believed to be the most important dimension of brand equity. According to Tong and Hawley (2009), brand loyalty can be rightly perceived as the outcome of the three foregoing elements, namely brand awareness, brand association and perceived quality. Aaker (1991), however, defines brand loyalty as “a measure of the attachment that a customer has to a brand”. Subsequently, Oliver (1997) explains brand equity as being “a deeply held commitment to re-patronize a preferred product or service consistently in the future”. Moreover, Erenkol and Duygun (2010) tell us that brand loyalty reduces uncertainty and offers financial efficiency when seeking new relational exchanges with other brands. However, the issue is put into sharp focus in (Aaker, 1991) with the observation that brand loyalty differs from other brand equity dimensions due to it being associated with usage experience.

Keller’s Brand Equity Model

Figure 3 below illustrates Keller’s brand equity model, where the four steps of the pyramid represent four fundamental questions that customers will ask – often subconsciously – about a brand. Furthermore, the four steps contain six building blocks that must be in place for entrepreneurs to reach the top of the pyramid and, therefore, develop a successful brand.

(“Insert Figure 3 about here”).
Keller’s (2001) model, above, focuses on how best SMEs and larger companies can develop their brand equity. According to Keller (2001), developing a strong brand involves four sequential steps: (1) establishing the proper brand identity; (2) creating the appropriate definition for the brand via strong and unique brand associations; (3) attaining and acquiring positive feedback and brand responses; and (4) developing brand relationships with prospective and current actively-loyal customers.

**Keller’s Building Blocks**

Careful attention to the sequence of the steps is important. For unless an identity is created, brand meaning cannot be established and responses cannot be elicited unless the brand meaning has been developed. Finally, the desired relationship between customer and the brand cannot be induced unless the necessary responses have been obtained. Taking the argument a bit further, Keller (2001) advises that achieving the foregoing four (4) steps, in turn, involves establishing six (6) brand-building blocks. These are brand salience, brand performance, brand imagery, brand judgements, brand feelings and brand resonance.

To achieve brand resonance—the most beneficial of the building blocks—entrepreneurs have to establish the other brand building blocks prior to achieving the targeted brand affinity. Therefore, brand resonance embodies an attachment where customers express their loyalty by consistently seeking to interact with the brand and offer feedback and/or share their experiences with prospective customers. This will then help in realizing the benefits of having a strong brand equity.

Keller (1993) lists higher price premiums, less vulnerability to competitors’ actions, greater efficiency and effectiveness when conducting marketing campaigns and licensing brand-extension opportunities as some of the benefits that brand resonance can confer. This view is further refined in (Keller, 2003) with the first step in building a strong brand being identified as ensuring the correct brand identity. The purpose here is to create an identification of the brand with customers and an association in their minds with a specific product class or need. To do this, there must first be brand salience, represented by aspects of brand awareness and the range of purchase and consumption situations in which the brand comes to mind.

The salience building block is therefore made up of two sub-dimensions, specifically need satisfaction and category identification. Expanding on this idea, Gordon et al. (1993) note that business-to-business (B2B) products also possess image, association and perceptions of value, but initial awareness and associations are often achieved by direct contact with company salespeople. Meanwhile, Gordon et al. (1993) and Rosenbroijer (2001) add that in industrial markets branding is dependent on the surrounding distribution network, thereby making the role of distributors particularly important in building brand equity.

Elaborating further, Gordon et al. (1993) and Morris et al. (1999) remark that large organisations often have a buying centre consisting of various departments with specialists and other employees who impact the purchase decision. This, according to Ghingold and Wilson (1998), makes the process more complex as each member will possess different needs and view the purchase situation, buying criteria and alternative suppliers in different ways.

The foregoing theorisations lead to the conclusion that the Keller model is focused primarily on individuals’ perceptions of brands in the assessment of brand equity, but in a B2B context there are other factors influencing brand equity. The second step establishes brand meaning by linking tangible and intangible brand associations. Therefore, Keller (2003) perceives brand meaning in terms of either functional (brand performance) or abstract (image-related) associations.

Functional attributes are 1) primary ingredients and supplementary features; 2) product reliability, durability and serviceability; 3) service effectiveness, efficiency and empathy; 4) style and design; and 5) price. Abstract (image-related) associations relate to the extrinsic properties of the product: 1) user profiles; 2) purchase and usage situations; 3) personality and values; and 4) history, heritage and experiences.

Brand response (Keller, 2003) is the third step in the model and represents opinions and evaluations of the brand, based on a combination of associations identified in brand meaning. These judgements include quality, credibility, consideration and superiority. Brand feelings are customers’ emotional responses and reactions to the brand, these being six in number, notably warmth, fun, excitement, security, social approval and self-respect. This approach reflects a customer’s focus on the functional, emotional and self-expressive benefits of a brand.

In contrast, Mudambi (2002) argues that industrial brand management is characterised by branding at the corporate level, with greater customer emphasis on risk-reduction than on expressive benefits. One way of managing and mitigating risk and uncertainty for the organisation is by buying leading brands from reputable companies (Mitchell, 1995; Mudambi, 2002). This supports the importance of feelings and imagery in the organisational buying context, but suggests that different types of feelings and imagery to those specified by Keller may be required in a B2B brand equity model.

Brand relationships (Keller, 2001) constitute the final step in the pyramid where brand response is converted to create an intense, active loyalty relationship between customers and the brand. The pinnacle of the pyramid is resonance, which refers to the nature of the relationship between the customer and the brand. It is described as having four elements: behavioural loyalty, attitudinal attachment, a sense of community and active engagement.

Furthermore, Mitchell et al. (2001) suggest that
customer loyalty-generating factors have also been found to be important to the success of industrial brands. For unlike consumer markets, the gain or loss of a few large customers can significantly impact an industrial manufacturer’s bottom line.

This makes brand loyalty as important as firm loyalty (Gordon et al., 1993) as changes for one product may affect perceptions of all products and cause a distributor to switch suppliers in all categories after a poor experience with an individual product. While there is insufficient research to confirm the existence of attitudinal attachment and a sense of community in industrial markets, there is evidence of active engagement. Indeed, Hutton (1997) found evidence of a willingness to communicate about the brand and make brand referrals. He also found that some organisational buyers had developed such a strong relationship with the brand that they were willing to extend this to other products with the same brand name. We turn now to Inbound Marketing (IM).

Inbound Marketing

The introduction of digital technology and the spread of the Internet have led to radical changes in the way companies meet the expectations and interests of their stakeholders (Wertime and Fenwick, 2008) and in corporate communication (Winer, 2009). Moreover, inbound marketing (IM) has been adopted in response to the inefficiencies of conventional outbound marketing (OM). Over the years the quantity of advertisements has risen almost exponentially so that both the virtual and real marketing domains have been inundated with various promotional activities. The plenitude of products and services being offered to current and prospective clients accompanies excessively numerous advertising messages. According to Godin (1999), approximately one million messages are seen by the average consumer per year, translating into approximately 3,000 messages per day.

Moreover, due to the mechanics of the human brain and the vast quantity of messages that an average customer receives daily, it should not be unexpected that the average customer's brain will attempt to unconsciously disengage with overpowering promotions (Fox, 2011). Furthermore, marketers have—unintentionally—exacerbated the issue, resulting in potential customers seeking methods to restrict excessive solicitation. These include—but are not limited to—disposing of received promotional pamphlets without reading them and switching TV channels during commercial breaks, using ad-blocking applications and spam filtering email tools.

In contrast with OM, digital marketing (IM) focuses on the substance—that is, content. Chaffey et al. (2000) define content as “the design, text and graphical information that forms a web page. Good content is the key to attracting customers to a website and retaining their interest or achieving repeat visits.”

Furthermore, Pulizzi and Barret (2009) claim that “content marketing is a marketing technique of creating and distributing relevant and valuable content to attract, acquire, and engage a clearly defined and understood target audience with the objective of driving profitable customer action. Content marketing is owning, as opposed to renting media. It is a marketing process to attract and retain customers by consistently creating and curating content in order to change or enhance a consumer’s behaviour.”

Most importantly, the development of proprietary advisory research assets (PAs) are key in creating a leadership image in the minds of the consumer (Forbes, 2015). In this regard, PAs include insightful research-based content assets that credibly articulate a company’s core themes, original ideas and unique value to help generate response, referrals and meetings.

In addition, optimizing the reach of published content asset is a key aspect within IM (Lawrence, 2016). This reach optimization is facilitated through the utilization of strategic ‘Keywords’. These are words or phrases used to describe a topic of significance (Hubspot Academy, 2017) that is linked to the internal substance of the provided content asset. Keywords are also integral to search engine optimization (SEO), as good SEO allows the content asset to rank highly (on or close to the first page) in search engine results (Lawrence, 2016).

Along with the foregoing key elements that play an integral role in optimizing IM, lead cultivation and calls-to-action serve as the backbone to the IM system (Probert, 2016). According to (Marketo.com), lead cultivation/nurturing encapsulates the relationship development process within the IM sales funnel (buyer’s journey). It emphasizes promotion and communication resources on customer-centricity by highlighting the needs and expectations of potential consumers (Marketo.com). A ‘call-to-action’ is exactly that, it is a stimulus in persuading the potential customer to act on a suggested value proposition (marketingterms.com), whether it is filling out an email sign-up form or purchasing a product or service (Boag, 2017). All aforementioned aspects can be tracked via Web Analytics—which is the analysis, interpretation and communication of meaningful data patterns (Kohavi, Rothleder and Simoudis, 2002).

Furthermore, the focus on content involves analysing new marketing models and is very different from the conventional format that has been mostly used by firms. Kucuk and Krishnamurthy (2007) argue that content marketing attracts potential consumers and increases their engagement and empowerment. This it does through the creation, dispersal and sharing of free content that is important, significant, profitable and ready to facilitate trust in existing and potential customers.

Moreover, according to Handley and Chapman (2010), “content marketing is anything an individual or an
organization creates and/or shares to tell their story. What it isn’t: A warmed-over press release served as a blog post. It is conversational, human and doesn’t try to constantly sell to you. It also isn’t a tactic that you can just turn on and off and hope that will be successful. It has to be a mind-set that is embraced and encouraged. You’ve got to start thinking like a publisher and use that to plan and execute your entire marketing plan for which content of any variety should be a part.” However, Goodwin (2013) argues that enterprises with considerable resources shouldn’t ignore the benefits of reaching a wider audience using conventional OM methods. Notwithstanding, effective IM requires concurrent use of all the computerized channels, non-stop reinforcing of electronic platforms, improvement of viable content and usage of analytical instruments all working together to accomplish unparalleled results.

Furthermore, Drell (2011) notes that implementing IM reduces costs by 62% per lead in relation to traditional OM. Therefore, by delivering a greater return on investment (ROI), IM is an ideal strategy for SMEs to leverage when trying to further scale the business. Moreover, the content shared via digital platforms bolsters a positive association between brands and potential or existing customers, thereby leveraging the brand’s equity and enhancing its conversion results. IM induces top-of-mind preference (Nedungadi and Hutchinson, 1985), in contrast to OM which is more inclined to give rise to top-of-mind awareness (Thomson Reuters, 2013). Furthermore, IM marketing activities—such as thought leadership (TL)—can enable newly-formed brands to gradually move beyond simple awareness to generate preference and, implicitly, brand addiction.

Lastly, IM is the primary tool to utilize when marketing to the very influential millennial customer segment which according to Stokes (2015), accounts for 25% of the adult European population. Moreover, (Awesomedia.org, 2016) notes that millennials spend at least twenty-five hours per week online. In this connection, millennials are those born between 1980 and 2000. They have become an increasingly influential consumer segment relative to older generations due to being pioneers across all industries from fashion to food (Schawbel, 2015). Therefore, engaging them via useful digital content—within their environment—is a no-brainer. However, Burgio (2008) argues that due to the high saturation of content on the internet, topics of interest have already been curated or covered and it is therefore difficult to compete within the content marketing context.

We will now shift attention to the issue of Thought Leadership (TL).

Thought Leadership

The concept of Thought Leadership (TL) did not spring from academic research, but, as claimed by Kellaway (2007) and Kurtzman and Goldsmith (2009), was developed in 1994 within a business milieu. And, as indicated by Stern (2014), in subsequent years, the term—for the most part—was made popular by business magazines, consultancies and corporate visionaries.

Indeed, Kurtzman and Goldsmith (2009) recommend that an enterprise should have the capacity to address everything and be sufficiently open to sharing thoughts and data while, keeping in mind the end goal of becoming a thought pioneer.

Meanwhile, Prince and Rogers (2012) define TL as “an individual or firm that prospects, clients, referral sources, intermediaries and even competitors recognize as one of the foremost authorities in selected areas of specialization, resulting in it being the go-to individual or organization for said expertise.” However, this research paper aims to characterize what TL implies for an entrepreneurial venture or organization as opposed to the individual as there is no academic agreement on what the term suggests in regards to the individual.

In contrast, Kellaway (2007), questions the use of the term and sees it as simply redundant, while also maintaining that a person’s thought can be manipulated in various ways. Rampton (2014) argues that there is an expanding demand for charm, accomplishments, name recognition and organizational competence as a basis for being a thought leader. However, this can be seen as semantics by any organization that would like to embrace TL in order to build a competitive advantage.

On this issue, Grant (1996) emphasizes that the association of TL with acquiring a competitive advantage becomes clear with the focus on a few viewpoints, issues, audiences or market territories. These market territories (zones), according to Rasmus (2012), can -with the help of TL- be developed through dynamic inclusion and the involvement of various networks. The interest ought to then not be restricted to sponsorships, but additionally incorporate presentations and workshops. This suggests that an important objective of TL is to effectively seek after conceivable outcomes and widely share the associated fervour and energy.

Rausch and McCrimmon (2005) propose that innovation is the establishment of TL, however, the two are not indistinguishable. They argue that TL is scalable from minor adaptation to the redefinition of [organizational] culture and can take a variety of forms, including case studies, exhibition and argumentation. Like innovation, TL can be fuelled by thoughts that change the way we see the world.

While Rausch and McCrimmon (2005) portray TL from a workforce point of view inside management structures, Rasmus (2012) contends that a push to persuade potential clients that your item is the best answer for their requirements diminishes the concept of TL. Thoughts ought to be the main thing that is promoted and even they ought to be given away for free.

Hence, it is discouraged to connect TL with any sort of money-related strategies or information like an income
stream. Furthermore, as is the case with networking, the constructive outcomes cannot be measured by performance metrics. Rather, it allows insight into how the business relationship changes over time. Therefore, following from Rasmus (2012), if potential clients become inspired by the product/service offering without a prior business relationship or contact, then the organization implementing the foregoing approach to TL should be destined for success.

The foregoing perspectives on TL highlight the point that not many organizations grasp the true essence of the concept and are thus unable to harness it fully. Indeed, in the thinking of Kurtzman and Goldsmith (2009), TL should be regarded as being more than a mere booster for a service or product and embraced instead as a key feature of organizational strategy that is embedded at each level of the workplace. This is much along the lines of the redefinition of culture alluded to by (Rausch and McRimmer, 2005).

Categorization of Theoretical Orientations in the Literature

In Table 1 below, we present a categorization of the key theoretical orientations in the published literature on the customer-based brand equity (CBBE) framework, the AIDA model, inbound marketing (IM) and thought leadership (TL). The categorization highlights the leading proponents of the foregoing four (4) concepts in column 2, the preoccupations in column 3, the respective critics and their main points of criticism in column 4.

(“Insert Table 1 about here”).

Conceptual Model

Having carefully reviewed the available CBBE literature above and identified areas of deficiency, a synergistically integrated customer-based brand equity framework (ICBBEF) shown in Figure 4 below is being proposed. In particular, the ICBBEF incorporates three (3) elements: Aaker’s Customer-based Brand Equity Dimensional model, thought leadership (TL) and inbound marketing (IM). These elements have been explained in considerable detail above and are being proposed as holistic brand equity strategies that are conducive to the digital era and evolving consumer behaviours.

(“Insert Figure 4 about here”).

In Figure 4 above, Aaker’s CBBE, inbound marketing (IM) and thought leadership (TL) are fused together synergistically to create the proposed ICBBEF paradigm. Therefore, each circle represents an integral building block within the “whole” (Gestalt) and the specific shape or design offers a modern outlay to conventional designs.

In order to operationalize the ICBBEF, there are three (3) integral phases.

These are: Phase 1). Implement Aaker’s Model as the core element of the ICBBEF. For ease of reference, the Aaker model has been preferred to the Keller model due to the latter’s (Keller’s) deficiency in a number of areas. More particularly, as shown in Table 1, the Keller model lacks the association of brand loyalty, as well as brand image, which is inextricably linked to psychographic attributes. It also suffers from an inability to deliver customer and company value in order to assist in cultivating long-term customer relationships (Tong and Hawley, 2009).

Meanwhile, as highlighted above and Table 2 below, Aaker’s conceptual model is multi-dimensional in the sense that it combines brand awareness, perceived quality and brand loyalty. It also facilitates company and customer value creation, fosters long-term customer relationships and focuses on perceived quality to scale both the brand and the business. When combined synergistically with IM and TL, these attributes make the proposed ICBBEF a holistic ecosystem for SME brand equity development in the digital age. Lastly, the Aaker model provides the proprietary assets (PAs) dimension that allows a smooth utilization and development of thought leadership (TL), in order to provide a competitive advantage.

Phase 2) Identify and develop research-based insightful proprietary assets (PAs) and respective deliverables. Very important to realising TL status is the adoption of a bespoke content architecture enabling analysis of the effectiveness and efficiency of existing marketing and sales resources in supporting the conversion of leads to actual sales and delivering a high quality customer experience. Therefore, it is imperative to create unique and insightful research-based digital proprietary assets (PAs) that induce positive emotions within the target audience and fit strategically with the go-to-market strategy. Moreover, as Brenner (2017) notes, TL helps with establishing brand affinity and brand image and is, therefore, a key element in sculpting how potential customers perceive and relate to a brand. Besides, utilizing strategic partnerships with subject-matter experts—whether internally or externally—will also aid the overall quality of the content, perception, awareness and positioning of the brand. In addition, the aforementioned proprietary assets (PAs) should be research-based, educational and well-aligned with identified target customer pain-points (problem or need), company sales objectives and brand positioning, thus facilitating the go-to-market strategy and process.

In order to achieve the foregoing, SMEs will need to have seamless communication and cooperation between their marketing and sales teams, thereby executing and communicating a coherent and organic point of view.

Also, a digital publishing process needs to be identified and established. Therefore, integral to the effectiveness of the TL strategy is the creation of specific routines and forms of unique and insightful content that is easily accessible via
the company’s digital media platforms.

Furthermore, to enable the go-to-market strategy, content deliverables—which are conducive to the SMEs’ specific digital media platforms—need to be identified and utilized in alignment with key performance indicators (KPIs) and/or Web Analytics. More specifically, content deliverables are key facilitators in delivering the right information to the right people at the right time and place. They consist of original research reports, infographics, e-books, webinars, research podcasts and videos as well as subject-matter expert blogs. Their combined deployment with KPIs will assist in informing, educating and creating demand from prospects and existing customers where and when they are most accessible.

Lastly, the right information to the right people at the right time and place should also be focused internally (IDC, 2009). In other words, in order to execute a coherent and organic view point to prospects and existing customers, marketers will need to leverage informative data, content and technology with their sales teams. This helps in creating informed scenarios where sales representatives can better convert leads—created by the marketing team’s TL content assets—into actual sales. Disseminating content internally can be done via an intranet platform, departmental emails, along with other sales-enabling tools.

Phase 3). Prospective and existing customer engagement. Upon completing the foregoing—creating a content architecture, identifying digital marketing media deliverables, platforms and channels—we now come to the final phase. This consists of deciding how best to execute an effective and efficient standardized process that accentuates and communicates the unique point of view of the respective SMEs’ TL content assets throughout the integrated sales, digital media platforms and marketing channels.

Drawing on insights from the Gartner Group (2010), SMEs need to deploy a sales playbook In order to effectively and efficiently engage prospects and existing customers. This involves the adoption of targeting, solution-selling and cross-selling objectives to engage and trigger their audience into conversations that lead to sales opportunities. This can be carried out by SMEs via specific calls-to-action on owned digital platforms—social media accounts and/or company website—and utilizing selling events such as speaking engagements, client education events etc., to further drive the solution-based TL point of view, analyze and cultivate audience profiles. This is likely to give rise to measurable sales outcomes by inducing organic quality audience responses, face-to-face meetings, referrals and potential leads conversion (Forbes, 2015).

Such measurable sales outcomes necessarily imply the use of strategic KPIs. In this context, KPIs include the early and overall repeat rate, content and sales analytics, web analytics, particularly website and content analytics and specific integrated keywords that assist with search engine optimization (SEO).

(“Insert Table 2 about here”).

References

Faircloth, J. B., Capella, L. M., and Alford, B. L. (2001), The effect of brand attitude and brand image on brand

62


Lewis, E. St. Elmo. (1898), "The Spatula, 1897-98.


<table>
<thead>
<tr>
<th>FRAMEWORKS &amp; CONCEPTS</th>
<th>LEADING PROONENTS</th>
<th>PREOCCUPATIONS</th>
<th>CRITICS</th>
<th>MAIN POINT of CRITICISM</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. CBBE Models</td>
<td>Aaker (1986, 1991, 1996).</td>
<td>Branding theory based on building, measuring and managing brand equity from the perspective of customer cognitive psychology. Brand loyalty is associated with usage experience. “Brand equity is a set of assets (and liabilities) linked to a brand’s name and symbol that adds (or subtracts from) the value provided by a product or service to a firm and/or that firm’s customers” (1996: p.7).</td>
<td>Zeithaml (1988); Yoo et al., (2000); Erenkol &amp; Duygun, (2010). Tong and Hawley (2009).</td>
<td>Perceived quality is subjective and not the core construct. Also, lacks brand knowledge component. Brand loyalty is the outcome of brand awareness, brand association and perceived quality.</td>
</tr>
</tbody>
</table>
associations, while underemphasising the emotional relationship the brand evokes in the heart of the consumer.

<table>
<thead>
<tr>
<th>2. AIDA Model</th>
<th>Lewis, E. St. Elmo (1898); Strong (1925).</th>
<th>Concept of advertising hierarchy of effects for salesmen.</th>
<th>Lavidge &amp; Steiner (1961); Zajonc and Markus (1982); Peterson et al. (1986).</th>
<th>Advertising alone will not produce immediate purchases from prospective customers. In addition, affect-based path is misunderstood by advertisers.</th>
</tr>
</thead>
<tbody>
<tr>
<td>3. Inbound Marketing (IM)</td>
<td>Godin (1999).</td>
<td>Customer affinity with products and services via content marketing, social media marketing and search engine optimization (SEO).</td>
<td>Burgio (2008)</td>
<td>Most content topics are already covered, along with high saturation of content on the internet. It is also more difficult to track marketing ROI.</td>
</tr>
<tr>
<td>4. Thought Leadership (TL)</td>
<td>Grant (1996); Rausch and McCrimmon (2005); Kurtzman and Goldsmith (2009). Prince and Rogers (2012).</td>
<td>Is scalable from minor adaptation to redefinition of culture. Enables delivery of value added to customers via content and is a very effective business and brand equity development methodology.</td>
<td>Kellaway (2007) Rasmus (2012).</td>
<td>The term is redundant and there is the downside that thought can be manipulated. TL should be decoupled from money-related strategies.</td>
</tr>
</tbody>
</table>
Table 2: The Main Components of the Conventional Brand Equity Models & AIDA Concept

Sequencing from left to right, Table 2 below highlights the main characteristics (column 1) of the conventional brand-equity models (column 2) and how they compare (column 3) with the proposed ICBBEF depicted in Figure 4. The main characteristics were compiled from the theoretical data set out earlier.

<table>
<thead>
<tr>
<th>MAIN CHARACTERISTICS</th>
<th>COMPONENTS OF CONVENTIONAL BRAND EQUITY MODELS</th>
<th>PROPOSED ICBBEF (see Fig.4)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>KELLER</td>
<td>AIDA</td>
</tr>
<tr>
<td>Customer Satisfaction Feedback</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>B2C Focus</td>
<td>YES (focuses on individual’s perception of the brand)</td>
<td>YES</td>
</tr>
<tr>
<td>Focus on perceived quality to scale the brand and thus the business</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Recall and Top-of-Mind Awareness</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Explicit leveraging of proprietary assets</td>
<td>NO</td>
<td>YES</td>
</tr>
</tbody>
</table>
Inbound Marketing (including the use of KPIs)

<table>
<thead>
<tr>
<th></th>
<th>NO</th>
<th>NO</th>
<th>YES</th>
<th>YES (see Fig. 4). Also uses KPIs to track performance.</th>
</tr>
</thead>
</table>

Thought Leadership (TL)

<table>
<thead>
<tr>
<th></th>
<th>NO</th>
<th>NO</th>
<th>NO</th>
<th>YES, Deploys TL to help develop brand affinity and image.</th>
</tr>
</thead>
</table>

### Table 2—Cont’d: The Main Components of the Conventional B.E. Models & AIDA Concept

<table>
<thead>
<tr>
<th>MAIN CHARACTERISTICS</th>
<th>COMPONENTS OF CONVENTIONAL BRAND EQUITY MODELS</th>
<th>Proposed ICBBEF (see Fig. 4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Associations of brand image related to psycho- graphic characteristics</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>Customer and company value creation and building long-term customer relationships</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Collection of brand assets and liabilities</td>
<td>NO</td>
<td>YES</td>
</tr>
<tr>
<td>Multi-dimensional (combining brand awareness, perceived quality and brand loyalty)</td>
<td>NO</td>
<td>NO</td>
</tr>
</tbody>
</table>
Disadvantages (Limitations)

1. Lacks KPIs, especially customer lifetime value (CLV).
2. Focuses on individual’s perception of the brand.
3. Difficult to measure relationship between brand awareness and perceived quality.

1. Insufficient attention to post-consumption effects on consumer.
2. Relies on the availability heuristic.
3. Doesn’t take customer satisfaction into account.

1. Lacks distinguishable element of brand image.
2. Lacks quantitative measurement estimators such as KPIs. Relies instead on psycho-graphic attitudes of customers.

Figure 1: The AIDA Framework. Source: (Foundrmag.com) –The elements of the AIDA model map a sequence of events—sequencing from top to bottom—that will occur whenever a buyer engages with an advertisement: namely, awareness (attention), interest, desire and action.
Fig. 2: Aaker’s Brand Equity Model – Sequencing from left to right, brand equity is broken down into five (5) elements (dimensions), subsequently followed by the foregoing elements’ attributes and benefits. Source: Aaker, D (1991).
Figure 3: The Keller Brand Equity Model—each block represents a sequential step (moving from the base (Salience) up to the apex) in realizing brand equity. Source: Keller, K. L. (2001).

Phase 1: Implement Aaker’s Model as the core element of the ICBBEF.

Phase 2: a) Develop research-based insightful proprietary assets (PAs) and respective deliverables. b) Identify and align strategic keywords to PAs for SEO. c) Identify and acquire strategic partnerships.

Phase 3: a) Strategically disseminate PAs digitally and utilize strategic KPIs/Analytics. b) Engage customers and provide call-to-action. c) Utilize strategic partners to optimize Pas’ impact. d) Analyze, cultivate and convert leads to sales.
In today's companies, sustainability has become a mega trend. The aim of this review is to criticize how marketing training, marketing communication, management's decision-making factors and the great interest shown in sustainable marketing, have been carried out in practice with the help of the following factors.

A comprehensive analysis of the three specified factors is aimed at guiding a company in sustainable marketing practices.

The research is focused on emphasizing the importance of creating customer value to achieve company goals through sustainable marketing. In this framework, the most important sustainable marketing activities and related management functions will be researched.

The research has resulted in a framework for sustainable marketing practices and a prospective, recommended road map. It is predicted that the research findings will be informative to companies that operate in the fields of agriculture, industry, commerce and services.

The survey was conducted among women and men of different educational levels and ages. The number of participants was 104. 18%, of the men, aged 50-64 were graduates, 14% of the men were aged between 27-35 years old and 5% of women were aged between 22-26 years old. Participants were asked questions about sustainable marketing related to education, decision making and communication and their opinions were evaluated according to certain age groups.

Introduction

Today, the business world and methods of doing business evolve rapidly. Sustainability is now a vital element which companies tend to consider. With the help of current and future marketing policies, whose practices are reviewed in terms of social responsibility and environmental awareness, the expectations of consumers, companies and the external environment can be met simultaneously.

Male and female participants of different educational levels living in different cities were surveyed about sustainable marketing in terms of education, communication and decision-making factors. 12 questions were asked and the responses of the participants were analyzed with the help of the feedback received.

Sustainability Term

Believing in the sustainable development required to meet today's needs without compromising the ability of future generations to meet their needs should become a principle for the United Nations, governments, private institutions, organizations and businesses. The common interest of all countries to follow the global nature of significant environmental issues, policies to promote sustainable and environmentally sound development, demonstrates the importance of redirecting national and international policies towards sustainable development models.

Sustainable marketing is closely related to the problem of sustainable development. It is necessary to provide the conditions that ensure the continuity of constructive relations between humanity and the natural world, then long-term activity is required to implement sustainable marketing practices in companies. The concept of sustainability has three main components: environmental, social and economic. Traditional marketing activities are only aimed at increasing a company's income while sustainable marketing promotes sustainability and company goals together.

Sustainable Marketing Term

Today, sustainability is an important term in the ability of a company’s activity to continue. Sustainable marketing is defined as planning, organizing, applying and controlling the marketing sources and programs by taking account of social and environmental factors to meet customer demand and needs.

Sustainable marketing is the process of creating value, transferring and delivering to customers as preventing both natural and human capital. Sustainable marketing controls planning, organization, marketing sources and programs in order to meet customer demands and needs.

There are several very important internal and external variables affecting a company’s sustainable marketing applications. The significant variables around companies are customers, public opinion, regulations and competition.
It has been shown that the most effective and dominant factor for sustainable marketing is management decision making within companies.

Sustainability affects the demand for products and services which are sensitive to the media and society.

To meet these demands, boards of directors should be brave enough to take marketing decisions in terms of providing related conditions. The decision taken should be clearly explained and applied.

In marketing decisions, management should take into account customer demand, the company's reputation and the benefits provided to shareholders as a whole; as well as manufacturing, service, distribution channels, price, cost and promotion.

Sustainable marketing is a very important component of a company’s activities as it makes progress towards a sustainable business. Planning consists of organizing and executive activities and also controlling marketing services and programs in order to meet customer demand and needs to take account of social and environmental targets.

For companies, a sustainable perspective means considering humanity, the planet and the company’s profits at the same time. With all shareholder contributions, the company’s social responsibility and sustainability strategy carries that perspective.

Today, research and publications about sustainable marketing focus on creating customer value. Sustainable marketing also can be named as a process producing value for customers and having a contact with them. In this process, it is the main issue to protect and develop both natural and human assets.

Sustainable marketing meets current customers’ and companies’ needs and provides and safeguards the needs of future generations.

Responsible marketing managers understand that there is a necessity to prove that services and products create value for the customer in order to meet their needs. Some companies, however, are not committed to the elimination of marketing applications that do not meet customer expectations. Moreover, not meeting some demands of customers causes harm to other customers and society in the future.

Marketing managers consider all aspects of this issue in order to determine whether a company’s activities will be sustainable or not in the long term.

Businesses are required to make radical changes if it introduces sustainability into its marketing applications. Businesses and their marketing departments must study numerous sources of information to determine whether their proposed production, delivery and consumption do not contribute to pollution, water famine and other costs and at least, companies do not suffer financial penalty.

The Main Idea of the Study

This field research is applied to increase the awareness of sustainable marketing. The study evaluates the relationship between knowledge of sustainable marketing of the employees working in different areas of a company and the application of sustainable marketing knowledge.

To investigate this relation, field research will be done about the level of knowledge transfer from management to workforce, workforce education, regular updates to employees, building relationships with them to get results and to follow procedures.

Questions are prepared by utilizing a qualitative study done by Fabrizio Baldessarre and Raffaele Campo and it is turned into quantitative research using 5 Likert Scale.

H0= There is no meaningful difference and relation between the knowledge of sustainable marketing of employees in companies and the application of that knowledge in practice.

Hypothesis:

H1= There is a positive relation between the training given by management, and learning and application of sustainable marketing by employees in companies.

H2=There is a positive relation between the management having a communication with employees and application of sustainable marketing by employees in companies.

H3=There is a positive relation between the decision taken by management about sustainable marketing and application of sustainable marketing by employees in companies.

Likert scale is used for the investigation. Assessment means field survey having 12 questions.

Research main mass sampling size is n. Easy sampling method is used and survey is sent to employees at different levels in companies. It is done as sending survey link to randomly selected employees.

Main Findings

Findings and examined factors can be categorized in 3 topics in the study. Employees should be enriched by giving them education regarding sustainable marketing. Companies should take the decision to increase the environmental awareness of customers and employees. Companies should focus on the most vital issue about philanthropy towards society and should be in contact with internal and external customers at all times.

Investigated Judgments

1. Employees mention that the activities of the company are sensitive to the social environment.
2. Employees are regularly sent announcements with sustainable marketing issues that need to be taken into account when producing and serving.
3. The Company benefits from trainers describing
sustainable marketing issues that reduce costs and increase the recycling rate.

4. Employees help this company by thinking together and gaining benefit for the environment and society and gaining benefits in sustainable marketing training.

5. Employees' sustainable marketing-oriented information is not strengthened through regular training.

6. The number of all sustainable marketing activities, which are realized in the companies and which are beneficial to the society and customers, are recorded.

7. There is no training activity by the company to protect its natural environment.

8. The company's overall sustainability goals and sustainable marketing objectives are regularly announced to all employees.

9. There are no sustainable marketing issues on the agenda of meetings held for decision making.

10. Management will not make decisions that will benefit society and humanity in the future as much as it does for its current customers.

11. Management will make decisions that will benefit the society and create value for its customers and think about future generations.

12. Management takes regular decisions for philanthropic activities sensitive to society, people and the environment.

6. Limitations and Analyzing in Detail

The most important restriction of the study is selecting the easy sampling method for research filed. In addition to that, multinational companies in the marketing sector can also be a research subject. This is because the most investigated area of multinational companies' regarding sustainable marketing is how the production process can be realized using renewable energy and recycled materials.

Research and development into the use of recycled materials has become very popular with companies today. Sustainability is a mega trend. Managers talk about sustainability but few of them have any idea regarding production, research and development and processes concerning sustainability while taking long-term gains into consideration.

The survey is conducted with women and men of different age groups and with different levels of education. 50.5% of the respondents were male and female having bachelor's degree. 18% of the men are aged 50-64 having bachelor's degree, 14% of men are aged between 27-35 having Master of Science degree and 5% of women are aged between 22-26 having master of science degree as shown in figure 1. Questions were asked about sustainable marketing related to education, decision making and communication factors.

The age range of 27-49 among the sub-age groups participating in the survey agree that the employees disagree with the idea that the activities of the company are sensitive to the social environment, but participant in the 50-64 upper age range disagree. In the age range of 36-49, 14% of the respondents agree that they have been sent announcements with sustainable marketing issues when making production on a regular basis and providing service to employees. 20% of the participants in the 27-49 age groups agree that all sustained marketing activities, which are beneficial to the society and its customers, are recorded in writing. The age range of 36-49 and 19% of the respondents agree that the company's overall sustainability goals and sustainable marketing goals are regularly communicated to all employees.

17% of the participants are between the ages of 36-49 and it is believed that there are no sustainable marketing issues on the agenda of the meetings held for decision-making, and the high rate of participants, 36%, 27-64 in the wide age range, will not be on the agenda of decision-making meetings for sustainable marketing. Of the respondents, 19% are between the ages of 36-49 and do not share the idea that management will not make decisions that will benefit society and humanity in the future as well as for its present customers as shown in figure 3. 21 % say management will make decisions that are beneficial to the community and think about future generations to create value for their customers, and 17% think that management will make regular decisions for beneficial to society, people and the environment.

13% of participants in the 27-35 age group and 11% of participants in the 36-49 age group and 9% of participants in the 50-64 age group are participating in the training program by benefiting from trainers who explain sustainable marketing issues that reduce costs and increase the recycling rate.

39.4 percent of the respondents agree that employees put in the practice in this company considering all of people, society and gain that they have learned from sustainable marketing training. Between the ages of 27-49, 24% of the respondents agree that the employees' sustainable marketing-oriented information will not be strengthened through regular trainings. The age range of 27-49 and 22% of the participants stated that there is no training activity in our company for environmental protection, the higher age group is between 50-64 age group and 9% of the participants agree that the company has training activities for natural environment protection as shown in figure 4.

Educational factors:(T3) The Company benefits from trainers covering sustainable marketing issues that reduce costs and increase the recycling rate. (T4) Employees apply this training by shared ethos and gaining the people, society and earnings that they have learned in sustainable marketing education. (T5) Sustainable marketing-oriented information of employees is not strengthened through regular training (T7) Our Company does not have any training activities to protect its natural environment.
Communication factors: (C1) Employees talk among themselves that the activities of the company are sensitive to the social environment. (C2) Employees are regularly sent communications regarding sustainable marketing issues that need to be taken into consideration when producing and serving. (C6) and in writing, a written record of all sustainable marketing activities. (C8) The company’s overall sustainability goals and sustainable marketing objectives are regularly disclosed to all employees.

Decision-making factors: (D9) there are no sustainable marketing issues on the agenda of meetings held for decision making. (D10) Management does not make decisions that will benefit society and humanity in the future as much as it does for its current customers. (D11) Management takes decisions that are beneficial to society and consider future generations to create value for their customers. (D12) Management takes regular decisions for philanthropic activities sensitive to society, people and the environment.

Result

Sustainability practices for companies at marketing area have an effect of getting a quick result by creating customer demand.

Companies should believe in placing sustainable marketing term in the work processes and taking decision means to create value for their customers.

Aim of companies should take all of humanity, world and gain into consideration. Sustainability is developing popular trade tendency. In future, also powerful companies’ competitiveness and survival probabilities will be affected by this tendency.

Sustainable companies create value for present and prospective customers as taking responsibility for the society, environment and business ethics. Companies should take natural environment, soil, air, climate, forest, water, sea, raw material sources into account as designing ethic marketing applications.

The sustainable marketing applications of companies create value with their individual customers in society as a whole. Sustainable marketing actions are not only to do the right, but also to do good activities for the company.

Sustainable marketing meets the need of today’s customer and also, to succeed into the future it must consider the future customers, shareholders and employees.

Sustainable marketing can be used to generate new customers by establishing good customer relationships and retaining existing customers.

Actually, it is required that sustainable marketing interacts with consumers, companies, political decision-makers and others in a well-functioning market mechanism to realize responsible marketing actions.

Employees believe that the company is sensitive to the environment, keeps them informed and communicates with their employees, and that sustainable marketing targets are transferred to the employees. Employees believe that training provided by the company reduces the cost and increases the rate of recycling.

Moreover, that sustainable marketing is applied by taking the society, the human part and gain into consideration.

On the contrary, employees believe that training provides no contribution to the development of sustainable marketing and that there is no company policy to protect natural environment.

References


FIGURES:

Figure 1: Women and Men at Different Ages Are Classified According to Their Education Levels.

Figure 2: Tendency of People About Communication Factors Questions in Survey
Figure 3: Tendency of People About Decision Making Factors Questions in Survey

Figure 4: Tendency of People About Educational Factors Questions in Survey