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How do European trade promotion organisations manage their stakeholders?

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Abstract

Trade Promotion Organisations (TPOs) exert significant influence on the internationalisation potential of domestic firms and improving the indigenous country's trade balance. However, TPOs' strategies to uphold their impact as to relationship vis-à-vis their stakeholders are largely unknown. This is an important gap in the literature considering that effective stakeholder management can enhance TPOs' performance and the value they develop for three primary stakeholder groups, namely home country government, domestic firms and foreign trade offices. In this study, we employ the stakeholder theory and draw upon in-depth case studies of 14 European TPOs to address this gap. We advance six related propositions on how funding sourcing, services to domestic firms and functions of foreign trade offices can be effectively associated with TPOs' relationship management towards these stakeholder groups. The contribution of the study lies on the application of stakeholder theory in trade promotion and the derivation of related sets of strategies.

Keywords. Trade Promotion Organisations, stakeholder theory, stakeholder salience, European SMEs, internationalisation

Highlights

- The study draws upon the stakeholder perspective to explain strategies and impact of trade promotion organisations (TPOs).
- Home country government, domestic firms, and foreign trade offices are three primary stakeholder groups of TPOs.
- Cases of 14 European TPOs highlight key strategies to manage stakeholders.
- Stakeholder salience must be effectively leveraged to enhance TPO value creation and impact.

1. INTRODUCTION

Trade Promotion Organisations (TPOs) play an important role in promoting and assisting their domestic firms, particularly small and medium-sized enterprises (SMEs), to internationalise. Existing studies on TPOs remain largely focused on describing their functions or estimating their impact on trade performance. Very few have sought deeper understanding of TPOs' strategies, and the challenges that they face to create value for their stakeholders in highly dynamic international business environments. TPOs are successful if they manage to create value for their larger ecosystem, consisting of domestic governments, firms they service and their foreign offices. This lacuna in the literature is hence surprising given that effective TPOs can contribute significantly to the international trade balance of their countries and competitiveness of domestic firms (Álvarez 2004; Durmusoglu et al., 2012; Freixanet 2012; Van Biesebroeck, Yu, & Chen, 2015). A recent International Trade Centre (2016) study on 94 countries, for example, finds that every US dollar spent on trade promotion can potentially generate an increase as high as US\$87 in additional exports and US\$384 in Gross Domestic Product (GDP).

In addition, in recent years pressure has mounted on TPOs to enhance their impact due to increased competition among the governments of developed as well as developing countries to strengthen their international trade position, and because more firms seek to enter foreign markets. Against this backdrop, TPOs often face the dilemma of allocating public funds that typically sustain them among various mandates, adopting a blanket or a targeted and customised approach to supporting domestic firms, and coordinating the different functions of their foreign offices. The ability of TPOs to effectively assess and manage the diverse, and sometimes conflicting, interests of their funders, clients and partners becomes critical in sustaining their performance (Brandi, 2013).

Nonetheless, we have a shallow understanding of how TPOs' strategies are subject to the influence of governments and how TPOs counter such influence. We also know very little about how TPOs tackle the different service demands and needs of domestic firms. We further have limited understanding of how TPOs deploy their foreign offices to fortify the performance of the whole organisation. These are three important voids in extant literature that need to be addressed, in order to help inform policy makers of "*what works in trade promotion and how can we make it better*" (ITC, 2016). Similarly, researchers have been contemplating on the necessity of providing answers to these

significant questions that have so far seemed to evade adequate scholarly attention (Gillespie & Riddle, 2004; Lederman, Olarreaga, & Payton, 2010).

In this study, we draw upon stakeholder theory to advance knowledge pertaining to how TPOs meet these challenges. Stakeholder theory asserts that an organisation must work through its relationships with stakeholders to enhance joint value creation, which is important to the organisation's success (Freeman, 1984; Jones, Felps, & Bigley, 2007). Effective stakeholder management posits that a clear view of *stakeholder salience*, which is a representation of the power and legitimacy of individual stakeholders and the urgency of their claims, helps an organisation to identify the most influential stakeholders to its objectives and hence determine strategic priorities (Agle, Mitchell, & Sonnenfeld, 1999; Herreman, Nazari, & Mahmoudian, 2016; Mitchell, Agle, & Wood, 1997). We identify three primary TPO stakeholders, namely their home country government, domestic firms, and foreign trade offices (FTOs), who have a direct stake in TPOs' missions and/or provide resources (e.g. funding, services, knowledge) critical to the functioning of TPOs.

Our main research questions in the current work are: 1) how do demands of the three stakeholder groups influence the salience of TPOs in relation to the three stakeholder groups? And 2) how do TPOs leverage their stakeholder relationships to increase their salience with respect to these stakeholders? To address these questions, we adopt a multiple case study approach based on empirical evidence obtained from 14 TPOs based in Europe.

This study makes two contributions to the literature. First, advancing the extant literature on the impact of TPOs and equivalent export support agencies (Freixanet, 2012), we introduce a stakeholder perspective to examine and explain how TPOs' strategic priorities and impact may influence and be subject to the influence of their key stakeholders. This enables in-depth explanations of the challenges and opportunities that TPOs face in implementing their strategies, fulfilling their missions, and hence, creating the desired objectives. To the best of our knowledge, this is the first study that explicates decisions on strategic focus by TPOs in the view of their relative salience to that of their stakeholders. Second, this TPO investigation enriches stakeholder theory by illustrating how an organisation may leverage one stakeholder relationship indirectly through serving the interests and uplifting its salience in other stakeholder relationships.

It advances our understanding of the interconnectedness and the potential ‘ripple effect’ among diverse stakeholders (Freeman, Harrison, & Zyglidopoulos, 2018). The understanding is useful to articulate a holistic view of inter-related stakeholder interests, identify shared interests, improve prioritisation and help realise a portfolio approach to value creation for wider groups of stakeholders (Bosse, Phillips and Harrison, 2009).

This paper is structured as follows. The next section provides the theoretical background related to TPOs’ research and stakeholder theory. The section following that details the methodology of this research. The penultimate section elaborates on the findings, which advance six propositions theorising the dynamic of stakeholder salience in reciprocal relationships between TPOs and the three primary stakeholders, and the influence of stakeholder salience on effectiveness of TPOs in accomplishing their mission. The last section concludes with the main implications and future research directions of this research.

2. LITERATURE REVIEW

The majority of countries have TPOs, but they vary in size, governance structure, function and service scope. TPOs are also referred to as Trade Promotion Agencies, Export Promotion Agencies and Export Promotion Organizations in studies (Belloc and Di Maio, 2011). They may range from a small office to a large organisation with extensive local and foreign offices. While a majority of national TPOs are created and primarily funded by the government, they may operate as an autonomous unit managed predominately by a private sector board or as a pure public agency under the umbrella of a ministerial structure (Giovannucci, 2000). Regardless of these differences, a generic role of TPOs is bridging and facilitating domestic firms, particularly SMEs to trade in foreign markets, through opening and assisting access to foreign market information; granting linkages to business partners; providing technical advice and specialised assistance (e.g. legal, financing, training, and business diagnosis); organising marketing events; and, undertaking trade policy advocacy (Belloc & Di Maio, 2011; UNCTAD, 2013).

Effective implementation of the diverse activities requires TPOs to be highly visible and well-connected with key stakeholders at home and abroad; and, to be well-equipped with key resources and expertise to promote international business development. Best practices highlight the ability to stimulate stakeholder engagement and mobilise

stakeholder support as a critical success factor of TPOs (Brandi, 2013; Cellich, 2012; International Trade Centre, 2008).

2.1 Stakeholder theory: identifying and leveraging primary stakeholders in effecting strategic objectives

Stakeholder theory is a core narrative of organisational objectives, strategies and performance (De Gooyert, Rouwette, van Kranenburg, & Freeman, 2017; Harrison, Bosse and Phillips, 2010). It portrays how an organisation works through its relationships with diverse stakeholders, and purports value creation for stakeholders – be it for normative (e.g. obligatory and moral) and/or instrumental (e.g. economic and business performance) reasons – to be fundamental to organisational survival and success (De Gooyert et al., 2017; Jones et al., 2007). In sum, a stakeholder approach to strategic management urges managers of organisations to be cognisant of stakeholder relationships, to recognise and manage stakeholder interests strategically, and to maximise value creation for stakeholders (Freeman, 1984; Freeman et al., 2010).

Studies have confirmed the positive impact of effective stakeholder management on competitiveness and performance (Harrison et al., 2010; Tantalo & Priem, 2016). Improved trust and reciprocity in organisation-stakeholder relationships, greater commitment of stakeholders to organisation objectives, and increased organisation legitimacy are sources of sustainable advantages (Tantalo & Priem, 2016). Given that stakeholders' interests are different and sometimes conflicting (Kassinis & Vafeas, 2006; Jones et al., 2007), prioritisation of the objectives becomes inevitable. Accordingly, it is important for any organisation to first establish a clear view of *stakeholder identity* (who are its stakeholders) and then of *stakeholder salience* (which stakeholder is perceived more crucial to achieving the organisation's strategic objectives) (Frooman, 1999; Herreman et al., 2016; Mitchell et al., 1997).

2.1.1 Stakeholder identity

Freeman's (1984) original definition of stakeholder as “*any group or individual who can affect or is affected by the achievement of an organisation's objectives*” is wide-reaching (Friedman & Miles, 2006). However, the broad-based scope is criticised as being too ambiguous to provide any direction to management consideration (Miles, 2017; Phillips & Riechart, 2000). Subsequent literature has applied different dimensions, such as equity, personal interest, gain/ loss, power, resource inputs, and/or

risk-bearing in the organisation, to refine the definition of stakeholder identity (Friedman & Miles, 2006; Mitchell et al., 1997).

In general, stakeholders are commonly classified into primary or secondary groups (Clarkson, 1995; Freeman et al., 2007). Primary stakeholders comprise customers/clients; employees; funders/financiers; governments; and, suppliers (Agle et al., 1999; Park and Ghauri, 2015; Bridoux & Stoelhorst, 2014). They have direct and significant impact on the organisation's survival (Bridoux & Stoelhorst, 2014; Harrison et al., 2010), which, as Clarkson describes, "*without whose continuing participation the corporation cannot survive as a going concern*" (Clarkson, 1995, p.106). Comparatively, influence of secondary stakeholders, such as competitors, media, consumer advocate groups and other interest groups, is less pivotal to the fundamental existence of an organisation. Their influence is mainly exercised through the primary stakeholders (Freeman et al., 2007). Therefore, primary stakeholders generally take precedence over other stakeholders in the strategy-making of organisations (Harrison et al., 2010).

2.1.2 Stakeholder salience

Heterogeneity of stakeholder interests makes prioritisation and balancing of stakeholder claims necessary in the strategic decision-making of the organisation (Bridoux & Stoelhorst, 2014; Tantalo & Priem 2016). Mitchell et al.'s (1997) stakeholder salience theory was developed to help organisations identify '*who and what really counts*' for prioritising stakeholder claims (Agle et al., 1999; Laplume, Sonpar, & Litz, 2008).

Mitchell et al.'s (1997) theory outlines three principle attributes of stakeholder salience, i.e. *power, legitimacy and urgency*, which are perceived by managers of the focal organisation (also see Agle et al., 1999; and Mitchell, Agle, Chrisman, & Spence, 2011). *Power* is accrued by critical resources that a stakeholder group controls and/or has an influence on. *Legitimacy* is determined by whether the claim of a stakeholder group to the organisation is seen as desirable and appropriate based on some socially constructed system of norms, values, beliefs and definitions. Although power and legitimacy are regarded as two independent attributes in the theory, they are closely linked. Powerful stakeholders are often perceived by managers to be legitimate stakeholders at the same time. For example, a stakeholder who directly or indirectly influences the supply of

resources critical to an organisation has power over and legitimate claims to the organisation, and thus, greater stakeholder salience (Frooman, 1999; Jones et al., 2007; Pajunen, 2006). Finally, *urgency* concerns the time-sensitivity and criticality of a stakeholder's claim; it is based on whether the claim requires immediate attention of the organisation and is most critical for the stakeholder in the long-term.

In sum, the more attributes possessed by a stakeholder group and the stronger the attributes it has vis-à-vis the focal organisation and other stakeholders, the greater the group's salience to the organisation (Jones et al., 2007). It is worth noting that the high or low importance of the attributes is subject to changes on a decision-by-decision basis (Agle et al., 1999; Magness, 2008).

2.2 The primary stakeholders of TPOs

Accounting for those who have a direct stake in TPOs and/or influence resources critical to TPOs operations, the primary stakeholder groups of TPOs could broadly be identified to comprise their home country government, domestic firms and FTOs (ITC, 2008).

2.2.1 Relationship with the home country government

The majority of TPOs are public agencies under the direct administration, normally via the respective ministries in charge of trade issues, of their governments. Furthermore, governments remain the primary funder of most TPOs in both developed and developing countries (Lederman et al., 2010). TPOs must ensure their strategic direction is fully aligned with government interests and directives to safeguard their funding and legitimacy for their operations. Conversely, governments rely on TPOs and their networks of FTOs for first-hand trade and market intelligence to inform trade reforms as well as business development support measures. Moreover, TPOs serve as a highly visible vehicle for governments to demonstrate their countries' international trade balance, credibility and reputation at home and abroad (Giovannucci, 2000).

2.2.2 Relationship with domestic firms

Domestic firms may be involved in multiple relationships with TPOs, as their clients, funders and/or service providers. A core mandate of TPOs is to support and facilitate increased involvement of domestic firms in international business. This mission defines the obligation of TPOs to their domestic firms and hence legitimise these firms' claims

to TPOs. Moreover, many TPOs obtain some income through the services rendered to their domestic firms, and thus are subject to these firms' power (ITC 2016; Lederman et al., 2010). Conversely, TPOs, especially SMEs, are a reliable, and often the most easily accessible, provider of trade support and facilitation services to firms that are interested in developing foreign business.

Positive impact of trade promotion programmes on reducing SMEs' barriers, risks and actual trade costs related to conducting business abroad, and on making initial resources available for SMEs to kick start foreign business, is evident in numerous studies (Brooks & Van Biesebroeck, 2017; Paul, Parthasarathy, & Gupta, 2017; Tan, Brewer, & Liesch, 2018; Van Biesebroeck et al., 2015). These track records and creditability will add to the stakeholder salience of TPOs in the relationship with their domestic firm clients. In sum, salience of TPOs is derived from the power that they accumulate from effectively helping their domestic firms internationalise.

2.2.3 Relationship with foreign trade offices (FTOs)

FTOs of TPOs are key internal suppliers of foreign market intelligence (information and knowledge) and business networks; two core resources essential to the internationalisation of firms. Salience of FTOs in their relationship with their TPOs is linked to their contributions in enabling first-hand access to current knowledge of host locations' business environments, emerging market trends, and important public and private network contacts. Given their physical presence in foreign markets, FTOs are also likely to have higher visibility as well as strong linkages with business communities of host locations, enabling them to mobilise engagement and support of host country partners more effectively than their parent TPOs. Most of FTOs are direct subsidiaries of TPOs and rely on the budget allocated by their parent TPO to operate. Therefore, their interests should be closely aligned with those of their parent organisation. Some FTOs receive as much as half of the budget of their parent TPO, indicating the significance of these foreign offices to the strategies of their parent (ITC, 2016).

Table 1 provides a synopsis of the TPO salience in relation to their key stakeholder groups.

[Table 1 near here]

3. METHODOLOGY

This study, within the export promotion literature, adopts the perspective of the provider of export promotion services (Leonidou, Palihawadana, & Theodosiou, 2011). Its focus is on the services offered by European TPOs.

European TPOs were deemed appropriate because of our interest in the support which exists in Europe as a region as well as the access which was available to the European network of Trade Promotion Agencies (ETPO). Unlike some TPOs in the developing world, which have a wider economic development role, European TPOs tend to focus on enterprise-level interventions. TPOs from this European ‘bloc’ tend to be homogeneous in scope and inspired by the same broad values as they share a similar mandate to assist SMEs in their countries to find export markets. While most of the TPOs are government funded, their approach to enterprise-level services varies on the level of how customised their services are, and the role of knowledge and local expertise in the service provided by their FTOs.

3.1 Research design

The research questions were addressed through case studies of 14 European TPOs. Data was collected through three main ways: structured interviews with officials responsible for strategy within the TPO, analysis of public documents published by or about the TPO, and a workshop meeting with the TPOs.

Export support provider-oriented studies have previously been primarily based on surveys (Naidu & Rao, 1993; Wilkinson & Brouthers, 2006). The case study was deemed to be an optimal design in this study because the phenomena of interest has to be studied in context with the purpose of confronting theory with reality (Piekkari, Welch, & Paavilainen, 2009).

3.2 Case selection

In qualitative case studies, sampling “is about appropriateness, purpose and access to information-rich cases” (Fletcher, Zhao, Plakoyiannaki, & Buck, 2018, p.756). Following Patton (2015) purposeful sampling insights, we selected typical cases that allowed us to understand how TPOs manage stakeholders in the context of the strategies they adopt and the services they provide on an ongoing basis. Thus, the unit of analysis

is the TPO itself as an organisation mandated to assist SMEs to reach international markets.

Using a multilevel approach (Fletcher & Plakoyiannaki, 2011), the first decision was related to which countries to include. We placed our focus on European TPOs but selected TPOs that represent different country sizes, and therefore SME populations as well as possible regional differences. This step resulted in 18 TPOs initially being selected. In most European countries the TPO is a national agency, supported directly or indirectly by the government, and thus, the next step in the case selection was to identify the leading TPO within each country. The selection of TPOs ensured a balance between large and small TPOs (based on number of employees) and eliminated those TPOs that do not provide enterprise-level services due to the federal systems in those countries. Two of the 18 TPOs selected in the first stage were eliminated because they were part of federal systems and another two had to be dropped due to insufficient access to data. To this end, 14 European TPOs were identified for our case study. In the specific case of the UK TPOs, we included three TPOs from different regions operating with separate budgets and their own set of service offerings. Hence, they operate like TPOs belonging to separate countries. Further, FTOs of UK1 and UK2 were shared with other agencies, which constitutes a distinguishing factor compared to other cases in the research.

The last step in the multilevel approach was to identify the key informant within each TPO. The main person who was responsible for strategy within the TPO was identified as the sole interviewee in each case. This person oversaw stakeholder relations and the development of new services in the respective TPO, and thus, had full knowledge of the issues central to this research. The role description was communicated to country representatives of the ETPO network of which one of the authors is a member.

Table 2 provides details of the regional locations of the 14 European TPOs, and the number of their staff and foreign offices.

[Table 2 near here]

3.3 Data collection and analysis

Using an approach following Yin (2009), an interview protocol was developed which consisted of the same set of core questions. Questions referred to key aspects that

referred to stakeholder salience including TPO funding sourcing from government, fulfilment of service needs of domestic SMEs and TPO demand for knowledge-intensive support. Conference call interviews were set with each respondent, and the 14 interviews, conducted over a period of three months, typically lasted between 90 and 120 minutes. The interviewees were allowed to elaborate when addressing the open-ended questions, thus allowing for a balance between idiosyncratic depth and comparability between cases (Eisenhardt, 1989). A second key source for data collection was the analysis of official documents that either are published by a TPO (websites, annual reports, financial statements, presentations and similar publicly-available documents) or focus on the TPO (Parliamentary Committee or audit reports).

To achieve triangulation of data (Yin, 2014), a presentation of the key arguments was made during a subsequent meeting of ETPO in Malta and a workshop discussion followed on the key emerging themes. The purpose of the group meeting was to confront the data collected with the reality of the challenges that those present typically face. The meeting lasted more than an hour between the presentation and the discussion. The interviews were transcribed and salient points from the documentation and the group meeting were recorded. Thematic analysis using the conventions of Miles, Huberman and Saldana (2014) was undertaken. A first level coding of the emergent themes was followed by a second level analysis aimed at reducing and grouping key themes. The resulting key evidence from the three data collection sources were used as a basis for the findings and the propositions.

4. FINDINGS

The TPOs in our study manage a number of stakeholder relationships in attaining their strategic objectives. The evidence derived from the interviews, the documentation and the group meetings highlight the way TPOs leverage relationships and their salience with the three primary stakeholder groups. The three themes, i.e. salience of the home country government, TPO salience in relation to domestic firms, and TPO salience in relation to FTOs, are presented below.

4.1 Salience of the home country government

The home country government is a dominant stakeholder of the TPOs in our sample. Governments are the primary funder of their TPOs, providing over half of the total funding of all TPOs with some providing all of the funding. Government funding may

be directly allocated to TPOs (as in the case of NE1 and UK2) and, in some cases, be channelled through EU structural funds or through mandatory Chamber of Commerce membership fees (NW2, C1 & C2). Non-government funding varied from less than 10 per cent in some TPOs (NW1; S2; and C1) to 43 per cent in one TPO in the north (NW2). Compared to government funding, non-government funding can be uncertain and unstable. Apart from its role as funder, governments in the cases studied set policy direction and provided a mandate for TPOs to carry out their activities, facilitated access through their diplomatic networks, and offered support through their various ministries.

Table 3 shows the funding sources and respective proportion of funding for the 14 TPOs.

[Table 3 near here]

Given that the TPOs in our study were administered under government directives and funding conditions, they were susceptible to frequent restructuring efforts driven by government policy and budgetary changes. NE1, which is fully government funded, was asked by its government to downsize following the financial crises at around 2010. Similarly, in the case of S3, the government not only stopped its plan to build a network of FTOs but also closed some existing offices around the financial crises occurred in 2008. The effort was re-started in 2017 – almost 10 years after the initial planning – when government financing and stability had improved. C3, a TPO in the Central region, was asked to integrate FTOs within its remit in 2014; two new organisations were established to take over the remit of a predecessor TPO in other regions in 2013 and 2015, respectively. A government in the South region established a new TPO (S1) in 2014 to take over the function previously held by a predecessor.

These government-driven structural changes were largely based on budgetary reasons rather than service needs and status of development of the TPOs. The non-performance-oriented ad hoc changes directly interrupted the continuity of TPOs' strategies and operations, which negatively affected TPOs' support to domestic SMEs, staffing strategies, and service development and quality. As C3 stated "*experience has shown that changes in Government can mean a change in the attitude towards and support for the TPO*" (C3).

In the face of potential restructuring by governments, TPOs voiced suggestions for reducing intervention in their operations. C2, for example, called for a cross-party

consensus in the formulation of a long-term plan for export promotion to avoid frequent restructuring in between plans. S2 raised the need for a reasonable time to allow the TPO to achieve and demonstrate results and suggested a change to the ‘fits-and-starts approach’ to export support.

Lobbying and advocacy by TPOs aiming to minimise intervention could be exercised through the role as policy advisors to their governments on SME internationalisation and innovation, as in the case of UK1, UK2, NW1, S3 and C2. This advisory role is a means through which TPOs can increase their salience in term of legitimacy in the relationship with their governments.

Building on the above findings, two propositions pertaining to the salience of TPOs in relation to that of their governments are derived below:

P1 – The more a TPO raises funding from non-government sources, the lower the stakeholder salience of the home country government as a funder.

P2 – The lower the stakeholder salience of the home country government as a funder of a TPO, the less the TPO will be subject to potential government interference, thus resulting in more autonomy in decision-making and structural stability.

4.2. Leveraging services for domestic firms for TPOs’ stakeholder salience

To leverage relationships with domestic firms and uplift their internationalisation prospects, most TPOs in the study (NW1, NW2, NE2, NE3, C2, UK1, UK2, UK3) have distinguished between different categories of firms, especially in terms of growth potential. While the mandate of TPOs broadly covers all domestic firms that are interested in conducting foreign business, our findings suggest that domestic firms with higher potential for international success were increasingly being treated as a priority. This is evident in the way that TPOs were working to automate standard services for general SMEs so that they could orient most of the resources towards supporting those with higher potential; customise services to different groups of domestic firms; increase efforts in identifying innovative and scalable SMEs for targeted support and; design and deliver programmes to smaller groups of selected SMEs.

4.2.1 Automate standard services for general domestic SMEs

We found that some TPOs in our sample (UK1, UK2, UK3 and NW1) have increasingly automated services and upload most standard information on-line to encourage self-serving by domestic firms. This arrangement aimed to free up resources, including staff, to assist those SMEs identified to have higher growth potential but which required closer hand-holding support. NW1 explained:

“Increased digitalisation and self-service for our clients will give our staff the opportunity to focus more on assisting the companies that we believe have the highest growth potential”. (NW1)

UK3 expanded the on-line availability of ‘volume services’, such as applications for standard services and enquiries on trade or legislation, with the aim to free up time for targeted client interventions. S1 utilised EU funds to finance the development of a knowledge platform with a similar scope. C1 intended to stop commissioning general market reports that were available on-line. UK1 and UK2 also made export-readiness tools available on-line, which an SME can use without being in physical contact with the agency; C3 also actively encouraged SMEs to access information that was available through openly accessible databases, while reducing and discouraging the provision of such information directly through agency personnel.

4.2.2 Customise services to matching the needs of selected SMEs

In contrast to automating some services, TPOs put more effort into customising advanced services based on the needs of domestic firms to better match their business conditions and state of foreign development. For example, by categorising domestic SMEs into those seeking to kickstart foreign business, such as early-stage exporters, mature exporters and international new ventures, services are tailored according to the individual needs of these firms. Managers in UK2 mentioned that they would hold formal discussion sessions with individual firms to comprehend their needs, concerns and constraints, with a view to designing and delivering tailored solutions. UK2 explained:

“Experience has showed us that the more mature companies become in the internationalisation process the more they need customised services....”.

Similar procedures were found in the case of NW1, C1, S1 and NE2, although they were less formal. For example, S1 personnel understood the rationale of client firms’

foreign market choice, specified key service needs for that market, and then customised support. In NW1, personnel would review and understand the business model of their clients, identifying outstanding questions and problems of the model before developing target service recommendations and assistance. NW1 explained that this approach signified a move of the TPO “[from] *selling standard hours to challenging business models [of clients] and getting them to think bigger*”.

4.2.3 Deepen support for high-potential firms

In addition to customising services, some TPOs in our study went further to target specialised support for SMEs that demonstrated innovation, scalability and uniqueness, considered as key to successful internationalisation. NW1 planned to focus on high value, high innovation cases. The intention to fast track high-potential firms was also expressed by two TPOs in Central Europe (C2, C3). Active efforts were placed in identifying high-potential SMEs to enable support targeting. As UK2 explained:

“We wish to get in touch with firms that have high international potential as early as possible. This way it is possible to get them thinking about going international”. (UK2)

Specifically, the proliferation of high-profile ceremonies that recognised and awarded leading internationalising SMEs illustrates the strategic focus of these TPOs on selecting and promoting individual ‘winners’ for fast track internationalisation. Internationalisation awards were held in at least two TPOs in the Central region (C1, C3), two in the UK (UK1, UK2) and S2.

Moreover, tailoring programmes for high-potential firms was an increasingly common practice among the TPOs. For example, UK1 ran a High Potential Start-Up programme, aimed at potential International New Ventures (INV). The programme went beyond mentoring and training to include potential investment by the TPO in the start-up that demonstrated great growth prospects. UK3 had a programme dedicated to larger firms looking for high value opportunities. The programme would assign specific personnel to identify major opportunities for selected firms that demonstrated strong capabilities to realise these foreign opportunities. In a similar vein, NW2 explained:

“There is a demand for fast tracking service, where we identify companies and assist them to export and grow fast. This will be an export accelerator where you take them to market and give them the necessary experience”.

4.2.4 Optimise programmes for small groups of selected participants

To achieve the objective of deepening service support for selected SMEs, we find that capacity-building programmes, which most TPOs in our study run, are often designed for small groups of participants to allow dedicated hand-holding support. NW2 had a four-month programme that included workshops, training and consultancy, and was meant to hand-hold participating firms in the initial phases of internationalisation. Only 10 domestic SMEs are accepted to this programme. Similarly, an 18-month programme organised by NW1 enrolls only 12 firms, which would receive intensive training, were assigned a mentor each and arranged to visit the target market twice. S2 also ran a programme for 12 selected firms, which would be mentored and offered financial assistance when implementing their export plans. C2 had a training programme specifically designed for 15 selected early-stage exporters whose aim was to develop their skills. An award-winning programme developed by NE2 includes training, advisory and market preparation for a maximum of 12 SMEs only. NE1 also explained that one of their key programmes involved *“[organising] individual trade missions in which [the TPO] takes a brief from a company and then organise meetings and all the necessary preparations [for that company] in the target market”.*

From the stakeholder management perspective, high-potential firms had stronger urgency and commitment to internationalise their business than the general population of firms supported. The return of investment of this approach was apparently more certain for TPOs as the immediate and visible results of the beneficiary SMEs could be used to increase the impact of the TPO. Allocating more resources and dedicating support to these firms was justified as a means to enhance the significance of TPOs’ effectiveness or impact, and hence their stakeholder salience in their relationship with both domestic firms and their home country government. Building on this understanding, the following two propositions are developed:

P3 – The higher the need and urgency for TPO services, the stronger the stakeholder salience of a TPO in the relationship with domestic firms.

P4 – The more effective a TPO is in supporting and improving its domestic firms' internationalisation, the higher the TPO's stakeholder salience in its relationship with domestic firms and the home country government.

4.3 Leveraging the functions of foreign trade offices (FTOs) for TPOs' stakeholder salience

All of the 14 European TPOs in our sample had a network of FTOs in key foreign markets to provide services to their domestic firms. Such networks differed in size: some TPOs had as few as one office overseas (S2) while others had a wider spread of over 100 offices, such as in the cases of S3 and C1. Furthermore, some TPOs expanded or were planning to expand their TPO networks outside tradition European markets to distant and/or emerging markets, including the United States, China, Middle East (NE1 in UAE; S3 in Muscat and Doha) and African countries (S3 in Ghana). As Table 2 shows, TPOs have a large presence in offices abroad, demonstrating the importance given to the FTOs by TPOs. In all the cases, the parent TPO had decision-making power over the role and budget allocation of its FTOs.

Business models of FTOs varied from reporting exclusively to the parent TPO (C3, NW1, S3, C1, UK1), sharing resources within embassies (C2, S2, NE2) to using *ad hoc* advisory firms (NW2). Those TPOs that have sole ownership and control of their FTOs reported that they offer more personalised and effective services to client firms. C2, for example, had recently proposed to establish seven new FTOs because it recognises the need for effective control over the resources deployed abroad, rather than sharing them with other entities such as ministries or other public agencies, to enhance customisation of services. In the case of C1, it based their core service offerings around their overseas office networks, with 600 of their 720 staff being located there. The head of strategy stated:

“Our wide office abroad network is essential for us to be able to deliver an effective service to exporting clients. This is why we have a network of over 100 offices, equipped with highly competent people” (C1).

Some of the TPOs (NW1, NE2, UK1 and UK2) highlighted the importance of effective FTOs in customising services, such as partner search and scanning for opportunities in foreign markets. Accordingly, these TPOs are committed in investing in recruiting and

training of high-quality human resources in FTOs. NW1, an agency known as a popular employer amongst graduates in the country, commented:

“In many of the offices abroad we have some of the agency’s key people, who bring knowledge and an incredible network to the services we offer” (NW1).

In the case of NE2, management acknowledged the presence of physical offices in the markets of interest as a necessity to deliver customised service offering, and to enhance value-added services for high-potential firms. They stated:

“To offer a personalised and effective service, we need to develop an international network of offices in the key markets we are interested in” (NE2).

Conventionally, officials within FTOs were mainly involved in logistics and administrative support to clients interested in the market to which they are located. However, in some TPOs, FTOs were increasingly positioned as the key providers of market intelligence and business networks, foreign business capacity-building specialists as well as advisors to their parent TPOs and domestic SME clients. The increased specialisation of FTO functions were highlighted in the interviews with four TPOs – three UK TPOs (UK 1, UK2 and UK3) and one northwest agency (NW1). This strategic direction was confirmed by a UK parliamentary committee reporting that clients expect TPOs to be a *“source of deep expertise”* on the markets and the opportunities therein (UK International Trade Committee, 2019). UK1, UK2 and NW1 are redefining the role and the contribution of their FTOs in line with this emphasis on knowledge or expertise. For example, UK1 defined the role of their overseas offices as:

“Opening doors, identifying buyers and assisting companies in that market but with a strategic direction to turn such offices into providers of knowledge” (UK1).

Officers in NW1’s FTOs were assigned an advisory role, providing knowledge ranging from *‘doing business in a country’* to more specialised *‘local partner search and insights’* to its parent.

The significant role of FTOs was appreciated by smaller TPOs whose budgetary pressures are high. C3 had been expanding its overseas offices and, at the time of the interview, employed almost the same number of staff as that at the head office (50/60). C1 and C2 had also expanded their FTO networks recently; UK1 had been assessing

similar expansion options. Those TPOs that did not have an FTO network stressed that they were restricted from offering customised and effective services to their clients. To address this constraint, some were exploring more cost-effective options to fit their budget. For example, NE2 had been exploring the use of external advisory firms as an interim model between having no wholly-owned FTO and the possibility of having a fully-fledged set-up.

The emphasis on expanding the specialised role of FTOs was found in the TPOs that were more advanced in providing customised services based on high-potential, innovative companies, as explained previously (NW1, UK1 and UK2). Table 4 lists the specialised roles and functions of FTOs.

[Table 4 near here]

Elevating the investment in the specialised functions of their FTOs enhanced the TPOs' expertise and performance in driving the internationalisation of their domestic SMEs. Thus, it increases TPOs' stakeholder salience in the relationship with domestic firms and the home country government. Accordingly, two propositions are formed as follows:

P5 – The higher the investment of a TPO in developing the specialised services of its FTOs, the stronger FTOs' contributions to providing expert local knowledge and foreign business networks.

P6 – The stronger the FTOs contributions to providing specialised services, the more effective the parent TPO is in supporting and improving its domestic firms' internationalisation.

5. CONCLUSIONS AND IMPLICATIONS

Drawing upon the stakeholder theory, this study aims to explicate how relationships with three primary stakeholders, namely home country government, domestic firms, and FTOs influence and are influenced by TPOs' strategic choices. It adds to empirical evidence pertaining to stakeholder management in organisations in the public sector, amidst predominant stakeholder research on private commercial corporations. We show how funding sourcing, services to domestic firms, and functions of FTOs are associated with the stakeholder salience of TPOs to that of the three stakeholders. Six propositions are developed accordingly to conceptualise the associations. Findings

articulate key strategies in terms of diversification of funding sources, customisation and targeting of services, and specialisation of FTO functions that TPOs can pursue to increase their salience in relationship with their stakeholders. The findings further suggest how their autonomy and structural stability are essential to maximising value creation.

5.1. Implications for research and future research avenues

This study offers a comprehensive and realistic view of TPOs' strategies and value creation beyond the narrow focus on their immediate client, i.e. domestic firms as found in most existing studies. We recognise TPOs as largely public-funded organisations, which rely heavily on the local services of their foreign offices to support and drive the internationalisation of domestic firms. In this regard, discussion of TPOs' strategies as well as value creation will be partial without accounting for the role of and value to the other two key stakeholders: the government as the main funder and policy-maker, and FTOs as key internal service providers. The study, therefore, introduces a stakeholder perspective into research on TPOs and equivalent export and foreign business support organisations, which helps advance the explanations of TPOs and similar organisations' strategic choices and impact. Accordingly, several research implications and direction are derived.

The stakeholder salience model is shown to be useful for identifying influential stakeholders and, more importantly, key bases of such influence. The model is largely used to examine the salience of stakeholders of an organisation in focus in existing studies. Future conceptual and empirical research may explicitly articulate the bi-lateral nature of stakeholder relationships (e.g. domestic firms are stakeholders of TPOs, and vice versa in our context) and account for the salience of both parties in the analysis, as we aim to do in this study. This approach provides a relative view of the bases of salience of the focal organisation to those of its stakeholders (as in Table 1), allowing a clearer assessment of the position of the organisation in each of the relationships, the advantages (and disadvantages) it has, and the strategic areas that it can pursue to increase salience essential to achieving its objectives. Analysis using this approach will be enhanced by covering the focal organisation and respective stakeholder's perceptions, with which a two-sided view of the salience from both parties (Miles, 2017) can be created to enrich relational explanations (Harrison et al., 2010).

Extending the above discussion, the understanding that “*the more attributes possessed by the stakeholder group, the greater the salience for managers*” (Jones et al., 2007, p.150) appears overly generic. Whilst we have clearly profiled the main bases of salience of TPOs and their stakeholders in this study, we are cognisant of the limitation in capturing the different weights of these bases of salience to individual entities. Further studies will benefit from conceptual refinement and extension of the model with clearer frameworks that help operationalise: 1) different weights of the three attributes and their sub-elements (e.g. Jones et al., 2007; Mitchell, Agle, Chrisman, & Spence, 2011; and 2) changes in the weight of the attributes in different circumstances or points in time (e.g. Myllykangas et al., 2010). In the same vein, how the interplay between each pair of the three attributes may influence the level of salience is worth further development and verification to advance the stakeholder salience framework (Mitchell et al., 2011). In particular, the attribute ‘urgency of claim’ appears to be understudied comparing to ‘power’ and ‘legitimacy’, which have attracted significant interest in management studies. Researchers can extend this line of enquiry by investigating how ‘urgency of claim’ may catalyse the effect of power and/or legitimacy on salience and/or what tactics firms can use to effectively heighten urgency of their claims to attract attention and stimulate reciprocal actions of stakeholders.

The understanding of interconnectedness and interaction among stakeholder relationships of an organisation is central to effective stakeholder management (Freeman et al., 2018). A major contribution of this study is illustrating how TPOs may seek to increase their salience in one stakeholder relationship (with the home country government) through leveraging other stakeholder relationships (with domestic firms and FTOs). It is recognised that analysis of interconnection and interaction of diverse stakeholders goes beyond a focus on the reciprocity between dyadic entities (Harrison et al., 2010). As Rowley explained, “*firms do not respond to each stakeholder individually, but instead must answer the simultaneous demands of multiple stakeholders*” (Rowley, 1997, p.906-907). In this respect, further integration of network theory and social network analysis to analyse and reveal the interplay and dynamics of stakeholder salience within a web of stakeholder relationships is warranted.

The study was based on 14 European cases of TPOs and therefore the findings are limited to these countries. However, the purpose was theoretical generalisation not to a

broader population, and so further research could be conducted in other international contexts to examine different insights to enrich existing theory.

5.2. Implications for practice

The study offers several practical implications for stakeholder management of TPOs specifically, and for public-funded business development service providers and support agencies in general.

A clear view of stakeholder interests helps a TPO determine the strategies that it could pursue. A dedicated mapping exercise is useful to not only identify different interests but also those shared among stakeholders, with which TPOs can more closely examine the strategic choices likely to achieve higher level of inclusiveness in value creation. For this purpose, such mapping exercise requires an extension of TPOs' focus from solely on the direct beneficiaries of their services (i.e. domestic firm clients) to a wider scope of primary stakeholders that will influence, and will be influenced by, the organisation. Such holistic approach is more likely to help realise the ideal outcome of *“[increasing] utilities for multiple essential stakeholder groups simultaneously, rather than simply establishing priorities and making trade-offs among [their stakeholders'] competing interests”* (Tantalo & Priem, 2016, p.327; also see Freeman et al., 2010, p.28).

Extending the above understanding, different needs and interests within one stakeholder group cannot be ignored and/or neglected (Freeman et al., 2018; Westermann-Behaylo, Van Buren, & Berman, 2016). In our cases, the strategic choice to increase service customisation for, and targeting domestic firms with, high internationalisation potential may enhance performance and hence stakeholder salience of TPOs. However, heed is given to how interests of general domestic firms – whom TPOs also have an obligation to support – are not completely excluded. Recognition and engagement of different segments within a stakeholder group are important to generate deeper information about the group and individuals, allowing TPOs to better balance the interests in subsequent strategic decision-making (Torres, Clegg, & Varum, 2016). Further, explicit and transparent selection criteria and process of domestic firms for targeted support should be well-defined and communicated, in order to create awareness (Torres et al., 2016) and perceived fairness (Harrison et al., 2010) for positive reciprocity (Bridoux & Stoelhorst, 2014; Harrison & Bosse, 2013). Given that representatives from the domestic business community may exert influence on its home

country government through advisory and lobbying activities, a more instrumental approach to leverage such influence could enhance TPOs' position and support for their strategies (Bridoux & Stoelhorst, 2014). In the same vein, marketing mechanisms are useful to increase legitimacy and power, particularly visibility, reputation and credibility of TPOs.

Strategies that account for FTOs' capabilities and interests help promote co-competence creation and define the contributions of FTOs to the overall performance of TPOs. To achieve these aims, it is required that: 1) shared goals and interests between TPOs and their FTOs are established; 2) the expertise of individual FTOs is recognised; and 3) a clear strategy for FTOs' specialised functions is developed and communicated. Given that most TPOs have a network of FTOs, and many are seeking to expand the network to distant markets – either geographically or culturally – as observed in this study, clear governance and management arrangements must be put in place. These are crucial to avoid significant asymmetries and irregularities that may render the relationship with FTOs problematic and undermine relationships with external stakeholders at home and abroad.

To this end, it is clear that TPOs need to place efforts in developing a set of capabilities to manage their diverse stakeholders' interests, in addition to enhancing functional expertise. These capabilities should deal with how a TPO collects, analyses and uses stakeholder intelligence; motivates stakeholder engagement; balances interests and attains solidarity; and measures and controls stakeholder-based performance for broader value creation (Freeman et al., 2018). Given that stakeholder management capability is now widely considered as a key sustainable competitive advantage to elevate an organisation's performance and impact (Tantalo & Priem, 2016), it should be integrated as part of TPOs' long-term strategies.

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Table 1. Stakeholder salience in TPOs' relationships with home country governments, domestic firms, and their foreign trade offices

Primary stakeholders	The stakeholder's bases of salience in the relationship with TPOs	TPOs' bases of salience in the relationship with the stakeholders
Home country government	<ul style="list-style-type: none"> • Funding • Policy directives and mandates • Administrative control (of public TPOs) 	<ul style="list-style-type: none"> • Expertise and specialised resources in international trade and foreign business • Track records and reputation of supporting domestic firms to internationalise • Domestic firms' need and demand for TPOs. services • Expert advisor to international trade and foreign investment policies
Domestic firms	<ul style="list-style-type: none"> • Main clients under TPOs' mandates • Funding - service fees or other contributions 	<ul style="list-style-type: none"> • Expertise and specialised resources in supporting internationalisation
Foreign trade offices	<ul style="list-style-type: none"> • Expertise and specialised resources in foreign markets • Performance and reputation in supporting domestic firms 	<ul style="list-style-type: none"> • Funding • Administrative control

Table 2. Selected TPOs, regions, staff and basic data

Code	Region	Total staff	SMEs in the country	Offices abroad	Staff abroad (% of total staff)
NW1	Northwest Europe	320	281,777	38	53%
NW2	Northwest Europe	43	15,985	10	23%
NE1	Northeast Europe	235	87,616	21	11%
NE2	Northeast Europe	60	134,107	Relies on embassy office	Relies on embassy staff

NE3	Northeast Europe	24	62,590	9	50%
S3	Southwest Europe	1,800	2,252,777	100	66%
S2	South Europe	870	3,718,236	80	61%
S1	South Europe	6	30,494	1	16%
UK1	United Kingdom	626	155,751	32	20%
UK2	United Kingdom	395	395,050	41	Presence in UK3's offices abroad
UK3	United Kingdom	1910	1,814,616	102	70%
C1	Central Europe	720	307,330	110	83%
C2	Central Europe	27	115,600	5 (shared with Tourism office abroad)	55%
C3	Central Europe	110	1,000,000	45	55%

Table 3. Funding sources of the 14 TPOs in the study (% to total)

TPO	Direct government funding	Indirect government funding via EU Structural Funds	Indirect Government funding via mandatory Chamber of Commerce Funding or similar channels	Non-Government fees and other revenues
NW1	97	-	-	3
NW2	12	-	45	43
NE1	100	-	-	-
NE2	80	-	-	20
NE3	85	15	-	-
S1	90	-	-	10

S2	95	-	-	5
S3	80	10	-	10
UK1	95	5	-	-
UK2	100	-	-	-
UK3	100	-	-	-
C1	-	-	97	3
C2	40	50	-	10
C3	85	-	-	15

Table 4. Specialised roles and functions of FTOs

<p>A Foreign Network Broker: identifies high-potential local clients and partners; and organises qualified introductions for client firms</p>	<ul style="list-style-type: none"> • FTOs actively identify business opportunities and channel them to SMEs in the home country [S2, UK1, NW1, C3] • FTOs open doors by identifying buyers and assisting companies make effective connections in the host market and around that opportunity [UK1]
<p>A Capacity Builder: hand-holding SMEs from their home countries through the key stages of internationalisation from identifying to capitalising an international opportunity</p>	<ul style="list-style-type: none"> • FTOs actively identify business opportunities and channel them to SMEs in the home country [S2, UK1, NW1, C3] • FTOs open doors by identifying buyers and assisting companies make effective connections in the host market and around that opportunity [UK1] • FTOs provide a range of information services, ranging from basic doing business in a market information to partner search and specific advice [NW1] • Advisory services offered by the FTOs ranges from basic information, to first level due diligence, partner search and sourcing of opportunities [NE3] • Advisors within the FTOs offer services which range from basic market research, to networking, and partner search, all at a charge for the client [S3] • FTO in China identify advisors that assisted client firms through the whole market entry process [NE1] • FTOs offer partnering services at three consecutive levels: finding potential partners, doing basic due

An Expert Advisor:
generates and provides
local market intelligence
and knowledge

diligence on selected potential partners, and
securing a meeting with selected potential partners
[C3]

- Offices abroad have an advisory role, providing local knowledge and expertise [NW1]
- The TPO head office actively turns foreign trade offices into knowledge providers to better assist SMEs [UK1]
- FTOs are a source of knowledge, where the local officers act as advisors providing local knowledge [UK2]
- TPO to be a source of deep expertise and to provide good introductions on a commercial diplomacy front [UK3]