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# Challenges to the Internationalisation of Small and Medium-Sized Enterprises in Palestine

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Submitted in accordance with the requirements for the degree of Doctor of Philosophy

York St John University York Business School June 2022 The candidate confirms that the work submitted is his/her own and that appropriate credit has been given where reference has been made to the work of others.

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# To My Father

This thesis is dedicated to my father, Dr Hosni Attari, who always believed in my ability to be successful in the academic arena. He was a constant inspiration to me throughout my years of graduate school. He has gone, but his belief in me has made this journey possible.

## Acknowledgements

The completion of this thesis could not have been accomplished without the constant support of a number of individuals who made this work possible and contributed with their suggestions and advice. I was lucky to work with several supervisors throughout my studies, which helped me develop valuable research skills. I am indebted for their supervision, which has strongly supported the development of this thesis.

First, I would like to express my sincere gratitude to my supervisory team, Dr Nadine Waehning and Dr Greig Mill, for giving me this opportunity and having faith in me. It was with the help of their guidance, experience, immense knowledge, patience, and confidence in me that writing this thesis became possible. I would like to thank them for advising me to take this process as an experience, which kept me going in the last few emotional weeks. My knowledge in the field of international marketing and the approach I adopted have been profoundly shaped by their guidance. Undoubtedly, I feel very privileged to have support from two of the best supervisors. Thank you so much, Nadine and Greig!

I also owe my deepest gratitude to other supervisors, Dr Julie McColl and Dr Brendan Paddison, whom I had the privilege to work with and get their guidance, support and friendship during my studies' first and second years.

I am thankful I met such great people at York St John University who will forever impact me. A special word of thanks goes to Keith Brighty, who has been a supporter and a mentor and assisted me in completing this work. I would also like to thank York St John University staff and faculty who provided me with a comfortable and productive environment that completed this academic journey.

I would like to express my gratitude to my family, who supported me during this intense time of my life. I am most grateful to my encouraging husband, my priceless three sons, my incredible parents and brothers, and my extended family members, who understood the importance of my studies to me and sacrificed a lot to support me unconditionally. Thank you for always being there for me.

Appreciation and special thanks should also go to my exceptional friend, sister, and PhD candidate Maria-Ana Montes de Oca. She has always encouraged and supported me; without her, this journey would not have been complete. I am incredibly thankful to my private social environment, including my friends, for their understanding that this project required complete dedication for a considerable period of time.

## Abstract

There are a number of challenges related to internationalisation in companies of all sizes. Small and Medium-sized Enterprises (SMEs) from developing countries have particular issues to handle. Although there is various research in the field of internationalisation, country-of-origin (COO), and SMEs, the impact of existing research in the specific area of Palestinian SMEs is, arguably, under-researched. This study aims to shed light on the challenges faced by those involved in various aspects of the international trading process and suggest ways to reduce their impact through theoretical and practical contributions.

The focus of the study was to consider the issues related to SMEs in general before narrowing the study to concentrate on the context of Palestine from the perspective of the Trade Support bodies and the businesses engaged in internationalising.

The research design for this study consists of a two-phase sequential qualitative method. Semi-structured interviews were undertaken with two distinctive samples. In the first phase, an understanding of internationalisation challenges and how the COO concept is managed have been achieved through interviews with government and non-government officials. Following the guidance, from these officials, regarding the best sector to approach for the second phase, SMEs in the light manufacturing sector gave their experiences of internationalisation.

The data was analysed using the NVivo software package and the thematic analysis technique. Four themes emerged from the analysis of each phase, discussing Palestinian SMEs' internationalisation challenges and the communication concerns that impact the internationalisation process of these SMEs. In several areas, there was a significant overlap between the findings (themes) of both phases. The final themes that surfaced from the analysis of both phases included challenges to internationalisation, trade facilitation factors, communication issues, and the identification of positive and negative COO associations. These themes are considered the research's 'incremental' theoretical contribution.

Key Words: Internationalisation, small and medium-sized enterprises, developing markets, country-of-origin, positive associations and perceptions, negative associations and perceptions.

# Abbreviations

Abbreviation	Description	
COO	Country of Origin	
GDP	Gross domestic product	
FDI	Foreign Direct Investment	
IMF	International Monetary Fund	
MNEs	Multinational enterprises	
MSMEs	Micro, small, and medium-sized firms	
OECD	Organisation for Economic Co-operation and Development	
PalTrade  Palestine Trade Center		
PCBS	CBS Palestine Central Bureau of Statistics	
PIF	Palestine Investment Fund	
PIPA	Palestinian Investment Promotion Agency	
PLO	Palestinian Liberation Organization	
SMEs	Small and Medium sized Enterprises	
UNCTAD	United Nations Conference on Trade and Development	

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# 1 Introduction Chapter

### 1.1 Focus and Justification for the Study

Scholars have defined internationalisation as the process through which a company grows its engagement in international economic operations and performs transactions in other countries (Welch and Luostarinen, 1988; Beamish, 1990; Pananond and Zeithaml, 1998; Kitchen and Ahmad, 2007). The internationalisation of firms has received a good deal of attention from the marketing, exporting and international business scholars (Zafarullah, Ali and Young, 1997). However, the impact of existing research in the specific field of Palestinian SMEs is arguably under-researched (Linan et al., 2019; Haddoud et al., 2020). This research aims to explore internationalisation challenges facing small and medium-sized enterprises (SMEs) and capture the country-of-origin's impact on the internationalisation process with reference to the Palestinian context.

Small and medium-sized enterprises (SMEs) were chosen for this study due to the importance of SMEs in Palestine, where they account for 99.7% of the GDP (PCBs, Database of General Census of Economic Establishments, 2017). SMEs have also been found to significantly contribute to the national economies of several countries, serving as a source of growth, employment, and competitiveness (Culkin and Smith, 2000), and their presence in international markets is expanding (Mudalige and Ismail, 2014). The internationalisation of SMEs has become an integral part of the growth strategies of most nations (Chandra, Paul, and Cahavn, 2020). There is considerable attention given to SMEs in developed countries (Chowdhury et al., 2019); however, the knowledge of SMEs' internationalisation in developing nations is still very limited (Linan et al., 2019; Haddoud et al., 2020).

According to Johanson and Vahlne (1977, 1990), SMEs from developing nations have obstacles in internationalising and gaining a foothold in the international market. SMEs face challenges when expanding internationally due to constraints on their skills, expertise, and experience (Hashim, 2015). Westhead, Wright, and Ucbasaran (2002) stated that internationalisation entails a significant degree of risk. Smaller companies are less equipped to handle uncertainty and risk than bigger companies because they are not financially stable and do not have managerial or marketing experience. Nevertheless, these challenges do not undermine the importance of international expansion for developing markets' SMEs (Chandra, Paul, and Cahavn, 2020). In the current global economy, developing economies are at the forefront, and it is essential for all companies doing business in developing economies to comprehend the obstacles they face when internationalising (Chandra, Paul, and Cahavn, 2020). Therefore, a better understanding of the challenges is needed to help SMEs expand internationally.

The light manufacturing sector was highlighted in this study following the suggestions of the interviewed trade support bodies. The trade support bodies, governmental and non-governmental institutions, perceived this sector as important to the economy and has the potential to build a positive international image. According to the UNCTAD report (UNCTAD, 2017), the industrial and light manufacturing sectors have greater scope for realising economies of scale and expanding employment because of their export capacity. An important topic that was addressed in regards to the light manufacturing sector's firms is family business management and associated difficulties with growing family businesses (Ramadani et al., 2017). Family businesses in the West Bank are responsible for most of the country's exports (The Portland Trust, 2013; Samir and Abuznaid, 2014). However, it was argued that family businesses in Palestine encountered the issue of succession that challenged family businesses in the long term (Ramadani et al., 2017).

It has been observed throughout this research that developing markets differ from Western countries in terms of culture, economy, and demographics and are characterised by fast socio-political and economic change (Batra, 1997), which provides developing

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markets with significant opportunities for global growth (Klein et al., 2006). However, prior studies suggested that products sourced from highly developed nations are rated highly (Tse and Gorn, 1993; Thakor and Kohli, 1996; Insch and McBride, 1999, 2004; Xie et al., 2015). While developing countries are given the lowest evaluation (Manrai et al., 1997; Phau and Prendergast, 2000).

The importance of home country institutions for a firm's worldwide strategy has been proven in related international business studies (Peng, Wand, and Jiang 2008), which has been called the "country-of-origin" effect (Elango and Sethi, 2007; Harzing and Sorge, 2003; Noorderhaven and Harzing, 2003; Marano et al. 2016). In developing countries, the country-of-origin has been shown to have a negative impact on the product's brand and the consumer's purchasing decision (Koschate-Fischer, Diamantopoulos and Oldenkotte, 2012; Berry et al., 2015). Negative stereotypes are associated with products manufactured in developing nations as opposed to more developed countries (Phau and Prendergast, 2000). Since Palestine is a developing economy, it is partially connected with negative associations affecting people's perceptions of the nation and its brands. According to Anholt-Ipsos Nation Brands Index (2021), Palestine placed last among sixty countries, which had an impact on how associations and perceptions of Palestinian products were formed

Nation branding is a crucial concept within the field of internationalisation. Nation branding is perceived as a powerful political tool, particularly for small nations looking to become stronger economically and compete against economic and financial giants (Volcic and Andrejevic, 2011) (Dinnie, 2016; Abdalmajid and Papasolomou, 2018). A key factor to consider when building the nation's brand is exports (Florek and Conejo, 2007). Exports have a critical role in building the nation's brand because they reflect its image when entering new markets (Dinnie, 2016).

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Palestine's trade environment experienced delays and instability because of political restrictions beyond the business's control (Elagraa, Jamal and Elkhafif, 2014; UNCTAD, 2017; OECD/European Union/ETF, 2018; The Portland Trust, 2013, 2022). Due to Palestine's unstable political and economic situation, it has been challenging to create the nation's brand (Dinnie, 2016; Abdalmajid and Papasolomou, 2018). The Palestinian economy is a unique economy that functions in a context that presents different internal and foreign challenges affecting the speed of its development (The World Bank, 2016). Studies by The Portland Trust (2013, 2022) have identified some challenges that restrict the Palestinian economic growth, which include the political situation, uncertainty and lack of hope in progress, and internal constraints that have contributed to economic stagnation and constrained potential growth opportunities (The Portland Trust, 2013, 2022). These challenges had an impact on Palestinian economy is not developing rapidly enough to increase living standards and lessen the country's high unemployment rate.

Despite the fact that the Palestinian economy operates in a context that presents several challenges (World Bank, 2016; Palestinian Territory, Occupied 2019 Country Reports), it has been acknowledged that access to international markets through trade is essential for private sector growth (The World Bank, 2021, 2019; World Bank- HKTDC Research, 2021). In order to give suggestions for overcoming these barriers and expanding internationally, it is vital to obtain a deeper awareness of the internationalisation of Palestinian small and medium-sized enterprises (SMEs) and the challenges they face. Governments can be crucial in shaping how their countries are regarded (Suh, Hur and Davies 2016).

This study will aim to identify Palestinian SMEs' internationalisation challenges, which will be tackled from the perspective of governmental and non-governmental institutions and businesses operating in the light manufacturing sector. The identification of these challenges will guide people involved in various aspects of the international trading process on what factors should be considered to help reduce internationalisation challenges and improve the country's economy.

## 1.2 Research Aim and Objectives of the Thesis

Observations from the literature have been used to formulate the following aim and objectives.

#### Aim:

The study aimed to explore and examine critical issues associated with the internationalisation of SMEs in the light manufacturing sector within Palestine, taking into account the perspectives of private businesses and governmental and non-governmental support bodies.

#### **Objectives:**

To achieve the research aim, the following objectives were identified:

- 1. Undertake a literature review into aspects associated with internationalisation theory, with particular emphasis on the challenges facing developing economies. The literature review shall also focus on the role of the Countryof-origin and other communication issues associated with international trading.
- 2. Undertake Primary research in the form of semi-structured interviews with governmental and non-governmental trade support bodies regarding the challenges of internationalisation of Palestinian products and how these challenges can be mitigated (Phase-1 interviews).
- 3. Undertake Primary research in the form of semi-structured interviews with representatives of SMEs identified by the interviewed support bodies. The interviews will focus on the challenges of internationalisation, how they view

the support they receive, and how they feel communication-related challenges related to Palestinian country-of-origin issues can be mitigated (Phase-2 interviews).

- 4. Analyse the findings from both phases of the primary research in light of the literature and develop a thematic framework that will demonstrate the perspectives of each of the trade support bodies and SMEs on what they think are internationalisation challenges.
- 5. Evaluate critically the gap between the perceptions of trade support institutions and small and medium-sized enterprises (SMEs) regarding internationalisation challenges to gain a better understanding of these obstacles and to suggest ways to mitigate them. These recommendations will help SMEs in identifying and addressing obstacles to internationalisation. This research will also provide practical recommendations to trade support organizations on how to assist **SMEs** in overcoming certain internationalisation obstacles and enhancing Palestine's image.

## 1.3 Research Methodology and Study Design

For the purpose of this research, the data collection process was divided into two phases and collected through semi-structured interviews. The first phase interviewed governmental and non-governmental institutions (the trade support bodies) to explore their perspective on challenges to internationalisation and the role they played in assisting businesses and affecting the COO's image. The first phase informed the selection of the subsequent sample for the second phase interviews with appropriate SMEs from the light manufacturing sector. The second phase of this study interviewed business managers for companies operating in the recommended industry by the trade support bodies, the light manufacturing sector, to better understand the trade challenges these companies encountered and what they felt were associations that affected their brand perception. Data from both phases were analysed using NVivo to construct the thematic framework, which guided the development of four main themes. The main themes were developed to contribute to a better understanding of the internationalisation challenges and the gap in the opinions of the trade support bodies compared to the business perspective. These themes and subthemes and how they were developed are discussed in chapters seven and eight of this thesis.

#### 1.4 Contribution of the Thesis

The themes that surfaced from the data analysis process are the primary incremental contributions of this research, demonstrating how an understanding of the internationalisation challenges can assist Palestinian SMEs in expanding internationally. The main contribution of this thesis is considered a 'neglect spotting' incremental contribution since the observed factors impacting internationalisation have received little attention in previous research. Even though the internationalisation field has been researched a lot, not much research has been conducted on SMEs from developing countries and ways to reduce their challenges.

The study's thematic framework will result in a set of controllable and uncontrollable environmental factors that influence the internationalisation process of Palestinian small and medium-sized enterprises. The identified controllable factors are considered factors that can be managed to enhance the SMEs' internationalisation processes. While the uncontrollable factors are the ones that must be considered and included in the country's strategic trade plans to improve Palestine's economy.

The findings of this research also have practical implications for key informants from the government and non-government institutions, with particular reference to Palestine, regarding the internationalisation support they are recommended to provide SMEs.

Findings will also guide these institutions to impact the SME's direction on the countryof-origin associations that should be reflected abroad.

#### 1.5 Structure of the Thesis

This PhD thesis is divided into ten chapters, as follows:

Chapter 1: Introduction

In the first chapter, the study begins with an overview of the research, highlighting the research gap it attempts to address and then articulating the study's aim and objectives.

Chapter 2: Review of the Literature of Internationalisation

In the second chapter, the study will examine existing theories on internationalisation before analysing the patterns and issues faced by small and mediumsized enterprises. This chapter will enable the researcher to identify the aspects contributing to the unique setting of small and medium-size enterprises' products in international markets.

Chapter 3: Review of the Literature on Country-of-Origin

In the third chapter, the study will examine existing theories on the country-of-origin, analysing the constructs and concepts from the consumer and business perspectives that have been reviewed in earlier literature on the issue. Other issues related to the country-of-origin strategies and their impact on emerging markets have been discussed, which will allow the researcher to identify the aspects that contribute to country-of-origin associations and perceptions linked with particular reference to a developing country.

The chapter then moves on to brand management, covering brand positioning and strategies in relation to the country-of-origin concept, focusing on small and medium-sized businesses. Other subjects are investigated, such as branding in the era of social media and branding nations, to understand better the relationship between branding, country-of-origin, and internationalisation.

#### Chapter 4: Review of the Literature of Palestine

In the fourth chapter, the study describes the factors that constitute the Palestinian economic and business environment, including networking with Palestinians in the diaspora and aid and sympathy related to small and medium-sized enterprises operating within the light manufacturing sector. This chapter will help the researcher identify environmental factors contributing to some challenges associated with the internationalisation of small and medium-sized companies and the country-of-origin notion.

#### Chapter 5: Research Methodology- Philosophy and Design

In the fifth chapter, the study justifies the empirical research method and strategy chosen for this research with reference to relevant philosophies and methods available for conducting a research project. Namely the method selected was the semi-structured interviews with key informants from the trade support institutions and businesses operating within the light manufacturing sector.

Chapter 6: Findings from the First Research Phase Presenting the Trade Support Bodies' Perspective

In chapter sixth, the study presents the findings (Phase-1) concerning challenges to internationalisation and the country-of-origin issue using an inductive thematic analysis

approach, which involves drawing themes and codes from the qualitative semi-structured in-depth interviews from the trade support institutions.

Chapter 7: Findings and Analysis from the Second Research Phase Presenting the Business Perspective

Chapter seven presents the findings (Phase-2) about challenges to internationalisation and the country-of-origin issue. The study again uses an inductive thematic analysis approach, which involves the same process in chapter seven. Still, the themes and codes are derived from interviews with businesses in the light manufacturing sector.

Chapter 8: Discussion and Analysis of the Findings: Trade Support Bodies' Perspective (Phase-1 Findings) and Businesses' Perspective (Phase-2)

In chapter eight, the study presents the discussion regarding the themes that surfaced from the trade support institutions and businesses (both phases) by comparing and contrasting these with the existing literature.

The analysis starts by looking into business management issues discussed by business representatives (theme 1) and then considers the challenges that small and medium-sized enterprises from developing countries encounter when engaged in international activities (theme 2). The third theme explores communication issues both trade support and business interviewees felt were important for companies' global image. The final theme addresses and recommends the associations that interviewees felt assist in creating a more positive country-of-origin effect of Palestinian products.

Chapter 9: Conclusion

The ninth chapter will include a summary of the complete study, highlighting the impact on theory and practice, presenting the contribution to knowledge, and outlining practical management advice and future research pathways.

### 2.1 Introduction: Internationalisation

According to some scholars, internationalisation is the process through which a company grows its engagement in international economic operations and performs transactions in other countries (Welch and Luostarinen, 1988; Pananond and Zeithaml, 1998; Ahmad and Kitchen, 2008). Internationalisation was described by Calof and Beamish (1995, p. 116) as "the process of adapting businesses' operations (strategy, structures, resources, etc.) to international settings". It should be noted that internationalisation can be used to account for both forward and backward activities (Bell et al., 2003). Moreover, Fletcher (2001) recognises that internationalisation is not just an outward-led activity, as enterprises may become international through import-led actions and activities since 'inward' and 'outward' occurrences are 'connected.'

Internationalisation has resulted in benefits and costs (Hitt, Hoskisson and Kim, 1997; Lu and Beamish, 2004). Benefits include economies of scale and scope, the location-based advantage, broader learning, international management, and market opportunities (Michael Geringer, Beamish and Dacosta, 1989; Hitt, Hoskisson and Kim, 1997; Lu and Beamish, 2004; Hitt et al., 2006; Cardinal, Miller and Palich, 2011; Hennart, 2011; Marano et al., 2016). Costs on the other hand are explained by the outcome of the complexity of internationalisation dynamics due to external and internal factors. External factors include the liability of foreignness, while internal factors comprise the increased management of foreign direct investments (Tallman and Li, 1996; Hennart, 2011; Marano et al., 2016). Liability of foreignness are the costs and challenges that foreign firms have to overcome in order to succeed in foreign markets. Liability of foreignness is the difficulties that foreign firms face in host countries because of their non-native status (Peng, 2012). On the other, increased management of foreign direct investments is the management of capital formation, which has been recognized as a catalyst in the growth of developing nations because it brings an additional source of capital investment and foreign savings (Hermes and Lensink, 2003).

## 2.2 Internationalisation Theories

Internationalisation of a firm has received a good deal of attention from the marketing, exporting and international business scholars (Zafarullah, Ali and Young, 1997). Internationalisation research has been concerned with the applicability of the internationalisation process into foreign markets through "stage" theories (The Uppsala Model) (Johanson and Wiedersheim-Paul, 1975; Bilkey and Tesar, 1977), along with alternate conceptualisations such as the transaction cost theory or network theory (Zafarullah, Ali and Young, 1997). The following table, Table 2-1, summarizes the different theoretical approaches to international marketing.

Internationalisation Theory	Description	Sources
Uppsala Internationalisation Model "Stages Models"	Sequential pattern of entry into successive foreign markets, coupled with incremental deepening of commitment to each market.	Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977.
Internationalisation/ Transaction Cost Approach	The multinational firm would choose between 'internalizing' transactions via direct equity investment and licensing or joint ventures. Internationalisation involves location and mode of control decisions.	Williamson 1975; Buckley and Casson, 1976; Rugman, 1986; Contractor and Lorange, 1988; Kogut 1988; Madhok 1998.
Dunning's Eclectic Approach	According to Dunning the propensity of a firm to engage in international production increases if ownership, locational, and internalization conditions are satisfied (OLI framework).	Dunning, 1988a
Network Approach	The relationships of a firm within a domestic network can be used as connections to other networks in other countries.	Johanson and Mattson, 1988.
Business Strategy Approach	The firm makes trade-offs between a variety of variables in its choice to internationalise and the strategies it employs.	Reid, 1983; Root, 1987; Welford and Prescott, 1994.

#### Table 2-1 Theories of International Expansion

Source: Original, 2022

The internationalisation theories and viewpoints offered here are organised around the key feature of internationalisation addressed, and the review begins with 'the Uppsala Model'.

#### 2.2.1 The Uppsala Model

The management of the internationalisation process, according to the Uppsala "stage" model, is dependent on knowledge of possibilities, challenges, customers, and markets (Couto and João and Ferreira, 2017). Stage theories go back to the "establishment chain" theory as suggested by Johanson and Wiedersheim-Paul dates from 1975 that demonstrated two paths to internationalisation based on research conducted on Swedish firms. The first pattern describes successive stages of entering an international market, a firm begins expansion into foreign markets with exports through independent representatives, then by establishing a sales subsidiary, and finally manufacturing may take place (Zafarullah, Ali and Young, 1997; Hollensen, 2014, 2020). Furthermore, nations with cultural, linguistic, political, industrial, and educational similarities are picked at the start of internationalisation (Johanson and Wiedersheim-Paul, 1975). The second pattern is when a firm enters nearby countries and consequently targets foreign markets with sequentially lesser "psychic distance" as defined by Hofstede's cultural dimensions; (Hofstede, 1981). Psychic distance is defined as an individual's perception of difference between two markets, based on factors such as differences in language, culture and political systems, which disturbs the information, goods and services' flow between the firm and the market (Vahlne and Nordström, 1994; Brewer, 2007). Firms move from their unwillingness to export, to become more experienced through experimental exporting, later they become committed experienced exporters and can manage psychologically distant countries (Bilkey and Tesar, 1977).

The export route was widely recognized for its importance in the early stages of internationalisation during the late 1970s and early 1980s (Crick, 1995; Leonidou and Katsikeas, 1996). Behavioural models were developed to explain export activities, which suggested an incremental "stages" approach; the Uppsala Model, stressing a firm's dependence on exports and increased commitment to more foreign markets (Johanson

and Wiedersheim-Paul, 1975; Jan and Vahlne, 1977; Zafarullah, Ali and Young, 1997). It has been suggested by Welch and Luostarinen, (1993) that the development of such outward activities (export-driven activities) has been influenced by equivalent inward (import-driven activities) internationalisation. Nevertheless, according to Millington and Bayliss (1990) and Sullivan and Bauerschmidt, (1988) the export stages model cannot clarify the internationalisation process adopted by small and medium-sized enterprises (SMEs). In the case of this particular model, companies are moving in a direction were the country is close or culturally similar and country-of-origin issues may be less of an issue.

According to the Internationalisation Process Theory (Johanson and Vahlne, 1977, 1990), a firm's commitment to the international market grows gradually with the increased market knowledge and exporting experience, where government assistance as an external "change agent" stimulates awareness, interest, and trial in the early stages (Czinkota, Ronkainen and Zvobgo, 2011). The accumulation of expertise and knowledge about a given market increases the company's commitment through investment in resources in these markets (Johanson and Vahlne, 1977; Vahlne and Johanson, 2013). Johanson and Wiedersheim (1975) base their incremental creation of their internationalisation model on knowledge and commitment. According to Welch and Luostarinen (1993) and Karlsen et al. (2003), the internationalisation topic has had important policy consequences evident in the extension of the Uppsala "stage" model to include both general knowledge and market-specific knowledge. General knowledge will facilitate the geographic diversification because knowledge of the operations can be transferred from one country to another (Hollensen, 2020). While market-specific knowledge is assumed to be gained through experience in the market, consequently the more the knowledge about a market will reflect in more valuable resources and stronger commitment to the market (Johanson and Wiedersheim-Paul, 1975; Hollensen, 2020).

#### 2.2.2 The Eclectic Paradigm and Transaction Cost Analysis

Professor John Dunning established the OLI model (also known as the eclectic paradigm) in a series of articles in the late 1980s, becoming one of the most popular ideas in

international business literature for analysing the attractiveness of making a foreign direct investment (Dunning, 1980, 1988a, 1992). According to Dunning (1988a), corporations will only engage directly in a foreign market if three elements are present: ownership (O) benefits, location (L) advantages, and internalisation (I) advantages. Ownership advantages relate to the firm-specific competitive advantage that a multinational enterprise must have before engaging in foreign direct investment in order to overcome the inherent liability of being foreign investors. The attraction of certain areas for investment by multinational enterprises is referred to as location advantages. Internalisation advantage refers to the advantage of internal control over alternative ways of market access that do not provide direct control, such as exporting. This strategy is mostly focused on multinational enterprises from developed nations, and it focuses on how to leverage a firm's existing assets in foreign markets through a full or majority equity investment (Li, 2007). International market entry decisions are therefore rationally decided, based on a cost-benefit analysis of the transaction (Whitelock, 2002). Transaction cost analysis (TCA) appears to be particularly beneficial in explaining vertical integration choices, for example how organisations (particularly MNCs) decide whether or not to create a manufacturing unit in a foreign market (Erramilli and Rao, 1993).

The economic-based transaction cost model is a conceptual framework employed to explain internationalisation (Buckley and Casson, 1976b). It is an approach that explains how a firm will perform internally those activities that it can undertake at lower costs through an internal management and control system, while relying on the market for activities that have a cost advantage through independent outsiders such as export intermediaries, distributors or agents (Nicholas Alexander and Doherty, 2009; Hollensen, 2017). The transaction cost approach is an approach that explains how a firm will perform internally those activities that it can undertake at lower costs through an internal management and control system, while relying on the market for activities that it can undertake at lower costs through an internal management and control system, while relying on the market for activities that have a cost advantage through independent outsiders such as export intermediaries, distributors or agents (Nicholas Alexander and Doherty, 2009; Hollensen, 2020). The transaction cost approach assumes that markets are competitive, in other words that there are multiple

providers (in this case, agents/distributors) (Whitelock, 2002). Low control modes are preferred under these situations because the prospect of replacement reduces opportunism and drives providers to operate effectively (Anderson and Gatignon, 1986; Anderson and Coughlan, 1987). The transaction cost analysis is used to justify the choice between internationalising marketing and distribution functions, and employing external agents and distributors (Anderson and Coughlan, 1987). In regards, the transaction cost analysis framework concludes that if the friction between the buyer and seller is higher than through an internal hierarchical system, then the firm should internalize; in the form of its own subsidiaries, to reduce transaction costs (Williamson, 1981). Transaction costs include search costs of gathering information to identify potential export intermediaries, contracting costs associated with negotiating and writing an agreement between seller and buyer, monitoring costs to ensure that both seller and buyer fulfil the predetermined set of obligations, and enforcement costs associated with sanctioning of a trading partner who does not perform in accordance with the agreement (Williamson, 1975; Ghoshal and Moran, 1996).

#### 2.2.3 The Network Approach

Johanson and Mattsson (1988; 2015) created the network model, which assumes that markets should be viewed as networks of companies accumulating information and that the company builds network relationships with the external environment. In this model, internationalisation takes place in phases, and decisions are based on the relationships of the networks in which the company is situated (Johanson and Mattsson, 2015). However, the network approach is not incrementally progressive in comparison to the Uppsala model (Ojala, 2008). According to network academics, modern advance-tech enterprises do not display a gradual mechanism; instead, they achieve rapid internationalisation through the knowledge and finance of network partners (Mtigwe, 2006).

The network theory tends to focus on interactions, relationships and networks (Zafarullah, Ali and Young, 1997). It has been explained that international market entry is achieved in this case by the fact that entrepreneurs control good international networks of colleagues that aid and facilitate the expansion of subsidiaries (Johanson and Vahlne,

1992, 2009; Zafarullah, Ali and Young, 1997; Morais and Ferreira, 2020). The relationships of a firm in a domestic network can be used as bridges to other networks in other countries (Hollensen, 2020). In regards, it has been argued that firms as a result enter new markets due to the social exchange and interplay between actors in the foreign market and the local firm (Johanson and Vahlne, 1992, 2009). Evidently, business relationships and industrial networks are subtle networks, which cannot easily be observed by a potential entrant (Hollensen, 2020). The bonds between the actors include technical, social, cognitive, administrative, legal and economic (Nicholas Alexander and Doherty, 2009).

Due to the need for extensive information, resources and knowledge of international markets, the use of networks can increase the probability of a firm to succeed in international markets (Zhao and Aram, 1995). These networks provide mutual support and allow firms to combine resources and knowledge to enter and successfully operate in international markets. A company can engage in international business through various operating modes ranging from exporting and importing, direct and portfolio investments, and collaborative arrangements with other firms (Daniels, Radebaugh and Sullivan, 2013). Moving along these entry modes from direct exports to licensing/ franchising and finally to FDI, the level of complexity, risk and resources required increase, but so does the level of control and specific competitive advantages (Zaheer, 1995).

It has been suggested that various types of networks support firms from developing markets not only in their early stages, but also in their international operations after they have become internationalized (Chen, 2003; Ibeh and Kasem, 2011; Kujala and Törnroos, 2018). Therefore, enterprises in host nations should be able to establish new network connections (Ghauri, Tasavori and Zaefarian, 2014). The three network forms available to developing economies firms are personal contacts, business relations, and institutional networks. Each type of network performs specific functions; personal contacts achieved from individual and inter-organizational levels promote research and development (Slotte–Kock and Coviello, 2010), business relations serve as introducers to partnerships

and connections between companies (Slotte–Kock and Coviello, 2010; Oparaocha, 2015), and institutions network is linked to government agencies and aims to improve information capability and control of resources (Udomkit and Schreier, 2017). These network relations allow business opportunities and contribute to the establishment of multinational partnership to enter international markets (Sharma and Johanson, 1987; Coviello and Munro, 1995; Wincent, 2005; Vahlne and Johanson, 2013). Furthermore, network ties enable organizations to acquire external resources and to learn new information (Mtigwe, 2006; Johanson and Vahlne, 2009; Vahlne and Johanson, 2013).

The choice of network form for businesses from developing economies during internationalisation are dependent on the cultural context. For example, in Latin America (e.g., Costa Rica, Brazil), Dib et al. (2010, p. 246) claim that all companies have high networking performance, both at home and abroad. This could be justified by the Latin American culture that is relational like Asia, and personal contacts are used regularly to encourage business with other companies or individuals (Ciravegna, Lopez and Kundu, 2014, p. 920). In the African environment, businesses typically seek to develop positive relationships with institutions and governments in host nations (Boso et al., 2019). Boso et al. (2019) found that the increased internationalisation levels of African companies could be largely attributed to growth and regional integration in the critical sectors, which is a factor in institutional networks being the network of choice for African businesses during internationalisation. In the Middle East, a study of Syrian companies indicated that social contacts and business networks played a significant influence in the internationalisation of the majority of Syrian firms (Ibeh and Kasem, 2011, p. 363).

The network approach has received criticism from several researchers (e.g., (Björkman and Forsgren, 2000; Nummela, 2002; Hadley and Wilson, 2003; Agndal and Chetty, 2007). Kuivalainen et al. (2010) criticized the network model, arguing that, in addressing network-based opportunities for creation, expansion, and international penetration, it disregards the interest of the firm and decision-makers. The network approach to

internationalisation also excludes ways in which businesses could solve internationalisation issues through their network relations (Chetty and Blankenburg Holm, 2000). However, network theory's benefits outweigh the drawbacks because the essence of the approach makes it a powerful tool to identify and evaluate the internationalisation process of companies (Vissak, 2014). Consequently, network connections can guide, promote, or even speed up the company's internationalisation cycle (Johanson and Vahlne, 2009).

#### 2.2.4 A Business Strategy Approach

The business strategy approach is built on the principle of pragmatism, according to (Welford and Prescott, 1994), with the corporation making trade-offs between a variety of factors in its choice to internationalise and the strategies it employs to do so. According to Whitelock (2002), the business strategy approach suggests that international activity is dependent on a variety of elements connected to both the unique organisation and the environment in which it works. These characteristics may be a function of the perspectives and experiences of the relevant decision-makers inside the organisation. Reid (1983) argues that overseas growth is contingent and results from a decision among competing expansion plans influenced by the nature of the market opportunity, company resources, and managerial philosophy. Scholars in the field discuss the factors that should be evaluated using this approach, which includes market attractiveness, psychic distance, accessibility, and informal barriers (Root, 1988; Turnbull, 2012). Whereas the choice of organisational structure to support the market will be influenced by market features as well as firm particular aspects such as foreign trade history, size, export orientation, and dedication (Whitelock, 2002; Turnbull, 2012).

#### 2.2.5 Summary of the Internationalisation Theories

Each of the theories of internationalisation mentioned in Table 2-1 appears to be dependent, to some extent, on the availability of market information to influence internationalisation decisions (Whitelock, 2002). According to Whitelock (2002), the eclectic paradigm, with its focus on transaction cost analysis, indicates the requirement

for information about the attractiveness of the foreign market, for production purposes inside it, so that the business can decide whether or not to choose foreign market production. This information is cost-based, requiring the expenses of running a system to be determined before any evaluation can be made. Moreover, the network approach (Johanson and Mattson, 1988) and the business strategy approach (Welford and Prescott, 1994) give sophisticated models that incorporate a variety of elements that influence market entrance and the choice of a market entry method. As a result, it is evident that knowledge of these criteria is a prerequisite for making this selection (Whitelock, 2002). The Uppsala model, on the other hand, is distinctive in that it considers market information, especially that based on experiential knowledge, to be a crucial indicator of market entry and, more specifically, market entry mode selection (Johanson and Vahlne, 1977; Whitelock, 2002). Table 2-2 below demonstrates the main features of each approach.

Theory	Influential Feature
Uppsala Model	Experiential Knowledge
Eclectic Paradigm	Cost of Transaction
Network Approach	Interaction
Business Strategy	Opportunity, Resources, Managerial Philosophy

Table 2-2 Features of International Expansion Theories

Source: (Whitelock, 2002, p. 346).

For the purposes of this study, the network theory will be utilized because it focuses on interactions, relationships, and networks (Zafarullah, Ali and Young, 1997). In the majority of Palestinian businesses, international market entry is facilitated by entrepreneurs' access to international networks of colleagues and Palestinians in the diaspora who aid and facilitate the expansion of subsidiaries. A company's relationships within a domestic network can serve as bridges to other networks in other nations (Hollensen, 2020). There are various types of networks that support firms from developing markets not only in their early stages but also after they have become internationalized (Chen, 2003; Ibeh and Kasem, 2011; Kujala and Tornoos, 2018).

Consequently, businesses in host nations must be able to establish new network connections (Ghauri, Tasavori and Zaefarian, 2014). There are three network types available to businesses in developing economies: personal contacts, business relationships, and institutional networks. The selection of network structure by businesses from developing economies during internationalisation is contingent on the cultural context, which will be investigated in greater depth throughout this study.

### 2.3 International Modes of Entry

Entry modes available to companies willing to exploit foreign market opportunities include: export, intermediate and hierarchical modes (Hollensen, 2020). While establishing export channels, it may take different forms including indirect export (a firm or individual representative of foreign buyers who is located in the exporter's home country offers services to the foreign buyers) (Rosenbloom and Andras, 2008), direct export modes (via distributors, agents, or an intermediary) (Albaum, Duerr and Josiassen, 2016), or cooperative export (a company with an established distribution channel for its own products contracts to export the goods of a non-competing foreign manufacturer) that is frequently used by SMEs attempting to enter export markets for the first time (Albaum, Duerr and Josiassen, 2016). The second type of entry mode is the intermediate entry mode referred to as a contractual mode, that are considered vehicles for the transfer of knowledge and skills between partners without the involvement of full ownership (Kuo et al., 2012; Hollensen, 2020). Contractual modes include licensing, franchising, joint ventures and strategic alliances and management contracting (Hennart and Zeng, 2005; Welsh, Alon and Falbe, 2006). The final type of entry mode is the hierarchical modes referred to as the investment modes, where the firm completely owns and controls the foreign entry mode (Ross Jr, Dalsace and Anderson, 2005). Table 2-3 below demonstrates the different international modes of entry.

0	2
7	3

International Entry modes				
Exporting Modes	Indirect Export Export commission house Export/import broker Export management company Export trading company	Direct Export International representative office Foreign agent Foreign distributor Own distribution network	Cooperative Export Export grouping Piggybacking	
Contractual Modes	Management contracting Turnkey operations Contract manufacturing International cooperative alliance	Assembly Operations Part fit-up and shimming operations Drilling operations Fastener installation Repair and overhaul operations	Licensing/ Franchising Licensing Franchising	
Investment Modes	Foreign Branch	Joint Venture Subsidiary	Wholly-Owned Subsidiary	

Source: (Wach 2012:101–103).

The choice of entry mode for a given product/target country is dependent upon four groups of factors, which are internal factors, external factors, desired mode characteristics, and transaction-specific behaviour (Hollensen, 2020). Internal factors include firm size, international experience, and the physical characteristics of the product or service (Johanson and Vahlne, 1977; Dow and Larimo 2009). External factors include sociocultural distance between home country and host country, country risk and demand uncertainty, market size and growth, direct and indirect trade barriers, intensity of competition, and the number of available intermediaries (Dow and Larimo, 2009; Lu, Karpova and Fiore, 2011; Hollensen, 2020). Desired mode characteristics depends on decisionmakers if they are risk averse or not, control of management over operations, and flexibility associated with a given mode of entry (Blomstermo, Sharma and Sallis, 2006; Lu, Karpova and Fiore, 2011). Moreover, there are many internal and external conditions that affect the entry mode decision, and it cannot be stated which alternative is best (Root,

1994; Lu, Karpova and Fiore, 2011). It is emphasized that a manufacturer considering globalization may use more than one of these entry modes at the same time; there may be different product lines requiring different modes of entry (Hollensen, 2020).

### 2.4 Internationalisation of SMEs

Small firms aim to go international, but not all firms own products or services with export potential. Nevertheless, for those small firms that do, their export attitude is more "reactive, unplanned and opportunistic" (Bradley and Mitchell, 1986; Sun, Price and Ding, 2019). Some of the challenges faced by small firm exporters are human and financial resource limitations. Regardless, export activity is seen as a growth strategy for these companies, especially when domestic expansion is limited (Leonidou, 1995; Zafarullah, Ali and Young, 1997; Morais and Ferreira, 2020).

Moreover, the limited research on SMEs' foreign operations highlights barriers to rapid internationalisation, such as lack of economies of scale (Welch and Luostarinen, 1988), lack of financial and expertise resources (Karlsen et al., 2003), and reluctance towards risk (Dimitratos and Plakoyiannaki, 2003). According to Westhead, Wright, and Ucbasaran (2002), internationalisation entails a significant degree of risk, and smaller companies are less equipped to handle uncertainty and risk than bigger companies because they are not financially stable and do not have the managerial experience. These obstacles are accentuated when smaller companies internationalise quickly and early (Knight and Cavusgil, 2004). It has been suggested that firms succeeding in internationalising early and quickly do so through a variety of business connections, including strategic alliances, joint ventures, and wholly owned subsidiaries, as well as more traditional entry methods (Crick and Spence, 2005).

There is evidence to suggest that marketing may be beneficial for SMEs if handled effectively (Couto and João and Ferreira, 2017). However, the importance of marketing has been scarcely researched in the context of SMEs (Wong and Merrilees, 2005). SMEs

contribute considerably to the national economy of a number of nations, serving as a source of growth, employment, and competitiveness (Culkin and Smith, 2000), and their position in international markets is growing (Mudalige, Ismail and Dassanayaka, 2014). Nevertheless, an SME's prospects of survival are reduced if it does not consider the risks and possibilities that international competition provides (Ruzzier, Hisrich and Antoncic, 2006). According to some researchers, brand creation and management are strongly connected with the structuring of the internationalisation process and the establishment of competitive advantages in the international competitive environment (Ratten et al., 2007; Armario, Ruiz and Armario, 2008; Fan, 2008; Reijonen et al., 2012; Couto and Ferreira, 2017).

International expansion will indicate the stage in the development of the SMEs operation and the managerial perspective adopted towards the international and global marketplace (Nicholas Alexander and Doherty, 2009). A company considering going international for the first time might go for an ethnocentric approach, depending on the SME's country of origin and the development level of the SME's operation in that market. Whereas, a SME operation that has accumulated the needed international experience might adopt a geocentric approach instead (Ansoff, 1957; Ansoff and McDonnell, 1988; Nicholas Alexander and Doherty, 2009). Most SMEs consider remaining within a series of borders or boundaries; in this case only one is political or regulatory. As a result, SMEs will avoid international expansion because they want to stay within their boundaries (Nicholas Alexander and Doherty, 2009). Again, the logic inherent within this statement is if the SME's strategy is risk avoidance, then what is considered risk for them; to expand internally or externally? Sometimes the survival of a company is dependent on international rather than domestic expansion, of which international growth becomes essential, and not optional (Nicholas Alexander and Doherty, 2009). A company looks for international opportunities when they have exploited national markets. Nevertheless, there are examples of SMEs who have internationalised their operations before reaching the saturation point in their domestic markets (Al-Otaibi, 1990; Nicholas Alexander and Doherty, 2009).

The most exciting development in international commerce and investment is the rise of developing markets (Knight 2015). They are fast-growing economies in the intermediate stage of economic development that provide an appealing international business potential (Knight, 2015). Companies originating from developing markets have distinctive characteristics, internationalisation potential and challenges compared to those originating from developed markets (Dib, da Rocha and da Silva, 2010). It should be noted that two groups of emerging economies exist: developing nations in Asia, Latin America, Africa, and the Middle East, and transition economies in the former Soviet Union and China (Nicholas Alexander and Doherty, 2009). Different emerging economies offer different opportunities and challenges for their companies when expanding internationally (Bruton, Ahlstrom and Obloj, 2008; Dib, da Rocha and da Silva, 2010; Kiss, Danis and Cavusgil, 2012).

Research on developing economies has prompted new inquiries with respect to internationalisation strategies. It is interesting to further investigate how home-based networks of local firms collaborate with multinational enterprises (MNEs), and impact different aspects of internationalisation, for example mode of entry, location choices and speed of internationalisation process (Prashantham and Birkinshaw, 2008; Prashantham and Dhanaraj, 2010). As noted by Heterstein, Sutherland and Anderson (2015), home-based networks can create "networking" assets considered part of a firm's specific advantages, which are considered important in the internationalisation process of multinational enterprises originating from developing markets. Therefore, a better understanding of social networks theories can help in explaining how networks within a business can have a great impact on a firm's internationalisation strategies and performance (Zaheer and Bell, 2005).

### 2.5.1 Internationalisation of SMEs from Developing Markets

There is considerable attention given to small and medium enterprises (SMEs) in developed countries (Chowdhury, Lau and Pittayachawan, 2019). However, knowledge of SME internationalisation from developing nations is still very limited (Liñán, Paul and Fayolle, 2020; Haddoud, Jones and Newbery, 2021). In the current global economy, developing economies are at the forefront, and it is essential for all companies doing business in developing economies to comprehend the obstacles they face when internationalizing (Chandra, Paul and Chavan, 2020). The internationalisation of small and medium-sized enterprises has become an integral part of the growth strategies of most nations (Chandra, Paul and Chavan, 2020). The great majority of research suggests that this problem deserves more consideration than simply conducting another survey (Kahiya, 2018).

Research has been conducted on the internationalisation of Latin American firms; from the developing economy perspective, which stressed the fact that such firms possess special institutional context leading to a difference in the strategies adopted by these firms than of firms based in developed or even other emerging economies in major ways (Dominguez and Brenes, 1997; Ciravegna, Lopez and Kundu, 2014; R. Brenes et al., 2014; Bandeira-de-Mello et al., 2016; Cuervo-Cazurra, 2016; Batsakis and Mohr, 2017). Significantly because of import substitution policies employed by many Latin American Countries, firms were constrained to grow initially through product diversification in their home country (Casanova, 2009; Fleury and Fleury, 2011; Batsakis and Mohr, 2017). Internationalisation in this case was based on an existing level of product diversification. In regards, product diversification has played a crucial role in international expansion when firms aim to grow overseas sales (Alexander, Rhodes and Myers, 2011). Research into the factors that limit Latin American firms from expanding overseas has focused on the role of a firm's capabilities and resources that are considered necessary to expand internationally (Haar and Ortiz-Buonafina, 1995; Aulakh, Kotabe and Teegen, 2000; Thomas et al., 2007; de Góes and da Rocha, 2015; Batsakis and Mohr, 2017). Research illustrates that there are several factors influencing developing countries' firms expanding internationally, these include, the firms' experiential knowledge (de Góes and da Rocha,

2015), their ability to adapt their marketing mix (Aulakh, Kotabe and Teegen, 2000), financial flexibility (Haar and Ortiz-Buonafina, 1995), and country-of-origin effect (Fleury et al., 2014). Another issue with SMEs from developing markets is the lack of marketing expertise and orientation among many emerging markets results in a high dependence on agents and distributors abroad (Katsikeas and Piercy, 1990; Zafarullah, Ali and Young, 1997).

Particular characteristics of Latin American countries have also been investigated to study the effect they have on the international expansion (Ciravegna, Lopez and Kundu, 2016; Batsakis and Mohr, 2017). Related research highlights how extreme political uncertainty, violence, high levels of bureaucracy, and shifts in economic policy hindered the internationalisation of these firms (Dominguez and Brenes, 1997; Ciravegna, Lopez and Kundu, 2014; Cuervo-Cazurra, 2016; Batsakis and Mohr, 2017). It was concluded by Del Sol and Kogan (2007) that firms are lesser likely to internationalise when based in highly regulated countries. Whereas, firms that face liberalization and deregulation domestically are more likely to internationalise. Furthermore, the characteristics of such countries; in the case of Latin America, incorporate a financial system of low savings rates, higher external debt service ratios and foreign exchange controls that led firms to expand through domestic product diversification because access to capital and foreign exchange has been restricted that is needed to grow internationally (Edmunds, 2007; Ciravegna, Fitzgerald and Kundu, 2013).

Other important considerations for international expansion comprise government support to promote the international growth of domestic firms through controlling import policies and tariff barriers, which might foster a national rather than an international growth strategy among firms (Casanova, 2009; Batsakis and Mohr, 2017). The government's role may be seen as affecting the process of internationalisation of emerging market enterprises (Child and Rodrigues, 2005; Buckley et al., 2007; Yiu, Lau and Bruton, 2007; Dunning, 2009; Ramamurti, 2009). Also, institutional contexts reflected in firm ownership with either a high share of (partially) state, private or family-owned businesses play an important role in internationalisation (Casanova, 2009; Fleury and Fleury, 2011). Thus, the function that the institutional environment reinforces will push towards growth either through domestic product diversification or through international expansion (Cuervo-Cazurra and Dau, 2009; Dau, 2013).

#### 2.5.2 Family Businesses and Internationalisation

The family business is essential in both developing and developed economies since it accounts for the majority of the private sector (Znaid and Anastas, 2016). According to various scholars (Fernández and Nieto, 2006; Claver, Rienda and Quer, 2009; Gomez-Mejia, Makri and Kintana, 2010) the family businesses are more hesitant to internationalise than non-family businesses, despite the fact that this strategy is an opportunity for these businesses (Zahra, 2003), and an increasing number of family businesses are looking for growth opportunities in international markets (Alkaabi and Dixon, 2014). Firms under family control are considered more risk-averse (Casanova 2009), and in emerging economies, to survive the economic and political instability, these firms were more likely to focus on less risky product line diversification rather than approach geographic diversification (Fracchia and Mesquita, 2007; Ciravegna, Fitzgerald and Kundu, 2013; Batsakis and Mohr, 2017).

Generally, family businesses have poorer international performance due to strong home market ties (Gallo and Pont, 1996; Arregle et al., 2017) risk aversion (Acedo and Casillas, 2005), a lack of foreign market knowledge (Graves and Thomas 2008), a slow and incremental establishment of new network relationships (Claver, Rienda and Quer, 2007), and a reluctance to employ external expertise and capital (Hennart, Sheng and Carrera Jr, 2017). Furthermore, it has been suggested that a lack of management skills and/or dominating family control can have a negative relationship with international success (Thomas and Graves, 2005; Singla, Veliyath and George, 2014). As for the family firm internationalisation, export has been identified as the dominant route of family company internationalisation (Kuo et al., 2012), since low financial resources, along with a reluctance to use external capital, limit their equity entry mode possibilities (Thomas and Graves, 2005). Family business issues will be revisited in section 4.5.2, to explore further the issues that family businesses face in the Palestinian business environment.

# 2.6 Relation between Internationalisation and Country-of-Origin Effect

The international marketing literature had a long history of examining how the home country affects the sale of products abroad, known as the country-of-origin literature (Peterson and Jolibert, 1995; Verlegh and Steenkamp, 1999), and an even older tradition of assessing countries' comparative advantage in facilitating exports (Ricardo, 1817; Smith, 1776). Related research on international business has established the significance of home country institutions for a firm's global strategy (Peng, Wang and Jiang, 2008), which has been referred to as the "country-of-origin" effect (Harzing and Sorge, 2003; Noorderhaven and Harzing, 2003; Elango and Sethi, 2007; Marano et al., 2016).

Many internationalisation models for multinationals highlight the influence of the home country on their strategy and behaviour. Multinational models involve the internationalisation model (Buckley and Casson, 1976b), incremental internationalisation model (Johanson and Vahlne, 1977), or the knowledge-based model (Kogut and Zander, 1993). These models focused on the country-of-origin (home country) characteristics and their importance to the firm (Luo and Tung, 2007, 2018).

The four causes of the country-of-origin's influence on internationalisation include comparative advantages, comparative disadvantages, country-of-origin advantage, and country-of-origin liability (Stevens and Shenkar, 2012; Cuervo-Cazurra et al., 2018). Whilst comparative advantages and disadvantages affect the firm's internationalisation through the inputs used in the creation of its products and services, the country-of-origin advantage and liability influence internationalisation through the image associated with the firm and its products in international markets (Cuervo-Cazurra and Ramamurti, 2017; Cuervo-Cazurra et al., 2018). The comparative advantage and country-of-origin advantage encourage the firm's internationalisation and exports, whereas the comparative disadvantage and country-of-origin liability not only limit

internationalisation but may also lead to greater imports to compensate for the disadvantages (Stevens and Shenkar, 2012; Cuervo-Cazurra and Ramamurti, 2017; Cuervo-Cazurra et al., 2018).

# 2.7 Chapter Summary

Though there is considerable attention given to small and medium enterprises (SMEs) in developed countries (Chowdhury et al., 2019), yet the knowledge of SME internationalisation from developing nations is still very limited (Linan et al., 2019; Haddoud et al., 2020). In the current global economy, developing economies are at the forefront, and it is essential for all companies doing business in developing economies to comprehend the obstacles they face when internationalizing (Chandra, Paul, and Cahavn, 2020). This research will explore the challenges that small and medium-sized enterprises (SMEs) from a developing market encounter when expanding internationally.

According to Westhead, Wright, and Ucbasaran (2002), internationalisation entails a significant degree of risk, and smaller companies are less equipped to handle uncertainty and risk than bigger companies because they are not financially stable and do not have the managerial or marketing experience. These obstacles are accentuated when smaller companies internationalise quickly and early (Knight and Cavusgil, 2004).

The internationalisation of small and medium-sized enterprises has become an integral part of the growth strategies of most nations (Chandra, Paul, and Cahavn, 2020). It is interesting to further investigate how home-based networks of local firms collaborate with multinational enterprises (MNEs), and impact different aspects of internationalisation, for example, mode of entry, location choices and speed of internationalisation process (Prashantham and Birkinshaw, 2008; Prashantham and Dhanaraj, 2010). As noted by Heterstein, Sutherland and Anderson (2015), home-based networks can create "networking" assets considered part of a firm's specific advantages,

which are considered important in the internationalisation process of enterprises originating from developing markets.

Family businesses have received attention throughout this research because they are considered important in developing and developed economies due to the fact that they form most of the private sector (Znaid and Anastas, 2016). This suggests the importance of addressing family issues in order to improve the family businesses internationalisation, which will improve the country's economic situation. Generally, family businesses have poorer international performance due to strong home market ties (Gallo and Pont, 1996; Arregle et al., 2017) risk aversion (Acedo and Casillas, 2005), a lack of foreign market knowledge (Graves and Thomas 2008), a slow and incremental establishment of new network relationships (Claver, Rienda and Quer, 2007), and a reluctance to employ external expertise and capital (Hennart, Sheng and Carrera Jr, 2017).

In summary, given the seemingly 'unstable' characteristics of developing country's environments such as market irregularities and underdeveloped infrastructures, companies from developing markets face a unique challenge of overcoming barriers which are often driven by prejudices and stereotypes about their home markets (country-of-origin effect) as put forward by Fleury *et al.* (2014). The networking theory provides firms with social support and supply of resources needed by the business, and strategic capacity to learn and organize for new activities (Johanson and Vahlne, 1992; Johanson and Vahlne 2009; Heterstein, Sutherland and Anderson, 2015; Hollensen, 2017). Such networks are very common in developing markets (Ibeh and Kasem, 2010; Boso et al., 2019). According to Johanson and Vahlne (2009), smaller enterprises must rely on networks to overcome export-marketing challenges. Other important considerations for international expansion comprise government support to promote the international growth of developing market companies (Child and Rodrigues, 2005; Buckley et al., 2007; Yiu, Lau and Bruton, 2007; Dunning, 2009; Ramamurti, 2009).

# 3 Review of the Literature on Country-of-Origin

### 3.1 Introduction: Country-of-Origin

This chapter will discuss the significance of a company's country of origin and brand recognition for small and medium-sized enterprises (SMEs) considering international expansion. This chapter will focus on the business perception of small and medium-sized enterprises (SMEs) in emerging markets as opposed to those in developed economies. Consumers' preferences for foreign brands are influenced by the country of origin effect and the branding strategy employed by the country's businesses. In this chapter, the researcher will explore the factors (such as public perception of the country and product quality) that lead consumers to prefer goods made in some countries over others. Since a product's country of origin is a tacit indicator of its quality, consumers will pay a premium for goods that come from countries with positive stereotypes (Nebenzahl and Jaffe, 1996; Chao, 1998; Nebenzahl, Jaffe and Kavak, 2001; Jaffe and Nebenzahl, 2006). In addition, smaller regional brands have a hard time competing with these pervasive cultural signifiers in the minds of consumers (Ger, 1999; Alden, Steenkamp and Batra, 2006; Xie et al., 2015). In light of Palestine's efforts to expand its international presence, this chapter will delve deeper into the related questions of the country of origin and branding.

Country-of-origin has been given a considerable amount of attention for more than fifty years (Pharr, 2005; Usunier, 2006; Magnusson, Stanford A Westjohn and Zdravkovic, 2011; Andéhn, Nordin and Nilsson, 2016), it has even been referred to as the core of international marketing research (Tan and Farley, 1987; Usunier, 2006). Due to globalisation, products and brands can be manufactured in several countries including design and assembly (Samiee, 2010). The role of country-of-origin here is to play a favourable country-image to influence positively consumer product evaluations (Gürhan-Canli and Maheswaran, 2000b).

Country-of-origin concept is explained as the effect on a consumer looking to purchase a product from another country and related stereotyping of that country (Sauer, Young and Unnava, 1991; Koschate-Fischer, Diamantopoulos and Oldenkotte, 2012; Suh, Hur and Davies, 2016). Such an effect can increase or detract the value associations made with the country's products or brands (Sauer, Young and Unnava, 1991; Suh, Hur and Davies, 2016). Country-of-origin is the hidden signal for a product's quality, and accordingly, the premium consumers are willing to pay more to get a country's product that is perceived favourably is dependent on the stereotype of that country (Nebenzahl and Jaffe, 1996; Chao, 1998; Nebenzahl, Jaffe and Kavak, 2001; Jaffe and Nebenzahl, 2006). The effect can be equal on both business and consumer markets (Insch and McBride, 2004; Roth and Diamantopoulos, 2009; Chen, Su and Lin, 2011).

Over the past years, the country-of-origin paradigm has evolved to witness significant changes including ethnocentrism (Orth and Firbasová, 2003; Balabanis and Diamantopoulos, 2004), country-specific animosity (Klein, Ettenson and Morris, 1998; Laroche FRSC et al., 2003), stereotypes (Parameswaran and Mohan Pisharodi, 2002; Liu and Johnson, 2005), and Hofstede's societal dimensions (Gürhan-Canli and Maheswaran, 2000b; Insch and McBride, 2004), all of which affected country-specific beliefs and had a major impact on the country-of-origin evaluations (Pharr, 2005). Furthermore, other variables such as a country's economic development level or the way consumers receive information when evaluating a product all come into play and influence the country-of-origin evaluations (Hong and Wyer, 1990; Peeter, Verlegh and Steenkamp, 1999; Gürhan-Canli and Maheswaran, 2000b; Diamantopoulos, Schlegelmilch and Palihawadana, 2011; Josiassen et al., 2013; Andéhn, Nordin and Nilsson, 2016; Suh, Hur and Davies, 2016).

The global economy has stretched geographic borders and redefined alliances (Phau and Prendergast, 2000), to create a more connected and interdependent place (Phau and Prendergast, 2000). Ohmae (1992) demonstrated the concept of a 'borderless' world economy, which according to Sheth (1998) emphasised that globalisation brought

together similarities between blocks of countries instead of stressing cross-functional integration. The international trade growth resulted in products of a multi-country affiliation that furnished fresh insights into country-of-origin research (Han and Terpstra, 1988; Johansson, 1989; Chao, 1993). Moreover, globalisation has played a great role in challenging the way firms operate to create value through access to cheaper resources in developing countries (Koschate-Fischer, Diamantopoulos and Oldenkotte, 2012; Berry et al., 2015; Eng, Ozdemir and Michelson, 2016). Firms look for value within attractive government incentives, tax benefits and low labour cost, as well as product components (Eng, Ozdemir and Michelson, 2016). Despite the advantages of producing in a developing country and enhancing a firm's competitiveness in the global market, country-of-origin in developing countries has been proven to have a negative influence on the product's brand and consumer purchasing decision (Koschate-Fischer, Diamantopoulos and Oldenkotte, 2012; Berry et al., 2015).

Country-of-origin has been divided into brand origin and country of production (Häubl and Elrod, 1999; Godey et al., 2012). In this sense, the country of manufacturing perception may devalue or positively influence the product's brand and purchasing behaviour (Eng, Ozdemir and Michelson, 2016). A number of studies, however, have observed country-of-origin as the country associated with a brand's source and serves as an extrinsic informational cue for consumers' perception of this brand (Verlegh and Steenkamp, 1999), regardless of where the product is actually produced (Jaffe and Nebenzahl, 2006; Koschate-Fischer, Diamantopoulos and Oldenkotte, 2012). Country-of-origin can influence consumers' judgement of product quality, impacts the consumers' perception of value, and affects the purchase intention and decision (Chao, 1993; Pharr, 2005; Phau and Chao, 2008; Wilcox, 2011).

According to the literature, companies will realize the importance of country-of-origin effect on their consumers' perception and brand image and accentuate that effect in their product or brand marketing activities (Niss, 1996). Prior research has stressed the role of economic development role in creating a country-of-origin stereotype, especially for

developing countries (Eng, Ozdemir and Michelson, 2016). It has been perceived that developing countries due to their level of economic development are less capable of producing higher quality and prestigious products or brands (Wang and Lamb, 1983; Verlegh and Steenkamp, 1999; Suh, Hur and Davies, 2016). However, some consumers have been known to prefer foreign products from specific countries because they have an attraction toward that country (Oberecker, Riefler and Diamantopoulos, 2008; Kim, Cho and Jung, 2013). Research in this area is underdeveloped, and how a country's stereotype is formed and differs from one country to another due to the adoption by foreign nationals of a country's cultural initiatives to guide product purchase intention requires further development (Maheswaran, Yi Chen and He, 2013; Suh, Hur and Davies, 2016).

Country-of-origin is an important indicator when it comes to judging a product's quality and realizing how countries are stereotyped (Steenkamp, 1990; Dawar and Parker, 1994). It has been generalized that products from a specific country may come with an expected quality level (Heslop and Papadopoulos, 1993; Suh, Hur and Davies, 2016). Stereotypes act as the invisible hand in guiding people to form a better understanding of their environment and accordingly establish expectations and beliefs of relevant factors to life (Suh, Hur and Davies, 2016). The challenge facing countries is to change an existing country-of-origin stereotype without relying on the consumer to change their stereotyped image due to a greater experience with products from their country (Davies and Harré, 1991; Van Langenhove and Harré, 1994). In other words, how are consumers' perceptions of the country-of-origin altered positively without going through a dramatic experience (Jaffe and Nebenzahl, 2006; Suh, Hur and Davies, 2016). A body of knowledge exists that considers the modification of stereotypes and how it can be achieved through positioning (Davies and Harré, 1991). According to Van Langenhove and Harré (1994), stereotyping is a cognitive process that can be influenced but with difficulty. The countryof-origin effect can be modified due to personal experience moving from a halo effect; when the individual does not have any or enough information about the nation's products, to a summary construct derived from product knowledge or usage (Jaffe and Nebenzahl, 2006). It is easier for individuals to develop rhetoric when thinking about the target, which is how stereotypes are adopted (Suh, Hur and Davies, 2016).

Suh, Hur and Davies (2016) argue that country-of-origin modification can be triggered by a media campaign, but only in situations where the receivers are willing to accept the change. It has been proposed that a substitute strategy may be able to offer individual opportunities to reposition their perceptions; such as exposure to cultural initiatives (Gürhan-Canli and Maheswaran, 2000a; Suh, Hur and Davies, 2016).

### 3.2 Country-of-Origin Construct

Country-of-origin is one of the most researched concepts in marketing and consumer behaviour since the work of Robert Schooler (Schooler, 1965) framed the country-oforigin constructs (Papadopoulos and Heslop, 2002). During these years of research, the obvious conclusion was made that country-of-origin has an influence on consumers' evaluations of the product or service offered (Chao, 2001; Pharr, 2005; Josiassen et al., 2013; Andéhn, Nordin and Nilsson, 2016).

The idea of 'country-of-origin' is developing and considered complex due to the symbolic and emotional components as well as cognitions (Kim, 1990; Ahmed, d'Astous and Eljabri, 2002; Pharr, 2005; Samiee, Shimp and Sharma, 2005; Knight, Holdsworth and Mather, 2007; Yasin, Noor and Mohamad, 2007). A product's country-of-origin evaluations may be subsumed by its brand identity in the form of a multidimensional construct consisting of cognitive, affective, and conative components that reflect the country to which a global brand has historical or developmental ties (Madden, 2003; Liefeld, 2004; Pharr, 2005; Samiee, Shimp and Sharma, 2005; Roth and Diamantopoulos, 2009). (See Table 3-1).

A cognitive process is related to acquiring knowledge of a country's characteristics through perception or judgement to evaluate the country's products (Roth and Diamantopoulos 2009). Through this cognitive dimension, country-of-origin information

and cues formulate the consumer's beliefs, which later affect attitudes, and finally determine the consumer's behaviour (Erickson, Johansson and Chao, 1984; Roth and Diamantopoulos, 2009; Adina, Gabriela and Roxana-Denisa, 2015). Such a cognitive process has long been recognized in the literature and is seen as the most influential role in product evaluation (Obermiller and Spangenberg, 1989; Samiee, Shimp and Sharma, 2005; Knight, Holdsworth and Mather, 2007; Roth and Diamantopoulos, 2009).

Affective process on the other hand is when consumers objectively develop emotions towards countries, culture and people regardless of beliefs about their products (Riefler and Diamantopoulos, 2007; Verlegh, 2007; Adina, Gabriela and Roxana-Denisa, 2015). For example, consumers may develop dislike and hostility towards a country because of its history or certain conflicts; hint they will demonstrate negative attitude and behaviour towards the country's products and as result it will affect their purchasing behaviour of overall products from that country (Shoham et al., 2006; Riefler and Diamantopoulos, 2007). Alternatively, consumers may illustrate positive attitudes towards a country due to esteem or prestige status; thus positive behaviour is developed in relation to the country-of-origin's image that links consumers with a distinct status or value (Verlegh and Steenkamp, 1999; Verlegh, 2007).

The third process to be considered is the normative dimension, which regulates behaviour irrelevant of the objective evaluation of products (Verlegh and Steenkamp, 1999; Laroche et al., 2005). To illustrate, consumers may have positive feelings towards Japanese cars and have neutral emotions towards Japan as a country. Still they will choose to avoid Japanese cars due to a campaign or policy enforced by the government supporting Australian products through a "Buy Australian" campaign (Verlegh and Steenkamp, 1999; Laroche et al., 2005; Verlegh, 2007). Normative aspects include consumer ethnocentrism and disidentification that facilitate the relationship between country-of-origin and product acquisition (Adina, Gabriela and Roxana-Denisa, 2015). Such factors; ethnocentrism and disidentification, can cause positive and negative reactions towards products due to social and personal values, as well as because of the normative level that

is affected by both cognitive and affective processes (Balabanis and Diamantopoulos, 2004; Josiassen, Assaf and Karpen, 2011; Adina, Gabriela and Roxana-Denisa, 2015). Ethnocentrism is defined as seeing one's own group as the centre of everything and all other groups are scaled and ranked with reference to it (Josiassen, Assaf and Karpen, 2011). This perspective explains the positive bias towards locally produced products versus foreign products (Balabanis and Diamantopoulos, 2004; Adina, Gabriela and Roxana-Denisa, 2015). Consumers from developed countries act ethnocentrically towards products from their home country with a similar culture (Watson and Wright 2000; Jiménez and San Martín 2010). On the other hand, disidentification is the opposition towards one's country (Adina, Gabriela and Roxana-Denisa, 2015). Disidentification is the display to disidentify oneself from the typical local consumer by forming negative attitudes towards domestically produced products (Josiassen, Assaf and Karpen, 2011). Ethnocentrism and disidentification should be analysed in-depth to gain an understanding of the target market (Brunsø, Scholderer and Grunert, 2004). Table 3-1 identifies country-of-origin constructs that affect behavioural intentions.

Process/ Component	Description	Sources
Cognitive	A cognitive process includes knowledge and beliefs through perception, reasoning or judgement about a country's level of industrial and technological development, which influences consumer evaluation and buying behaviour. Perceived characteristics of a country involve technological capability, level of economic development, political stability and perceived product attributes such as product value, quality, durability, reliability, purchase risk and trust.	Han, 1988; Hong and Wyer, 1989; Papadopoulos and Heslop, 1993; Tse and Gorn, 1993; Li and Wyer, 1994; Ahmed and d'Astous 1996; Lantz and Leob 1996; Lee and Ganesh, 1999; Leonidou et al. 1999; Knight and Calantone, 2000; Teas and Agarwal, 2000; Ahmed et al., 2002; Jo et al., 2003; Samiee et al., 2005; Knight et al. 2007; Roth and Diamantopoulos, 2009; Adina, Gabriela and Roxana-Denisa, 2015.
Affective	Affective dimension evokes emotions or feelings towards imagery of countries, people, culture or national symbols, regardless of beliefs about products. It includes associations with status, links to heritage, national pride, and autobiographical memories. In an affective	Askegaard and Ger, 1998; Botschen and Hemettsberger, 1998; Fournier, 1998; Verlegh and Steenkamp, 1999; Papadopoulos and Heslop, 2003; Ramaswamy, 2003; Beverland, 2006; Moore et al., 2006; Riefler and

Table 3-1 Country-of-Origin Constructs Affecting Behavioural Intentions

	process, consumers may objectively have a positive evaluation of product attributes and features, yet react negatively towards the product because they are not in favour of its country-of-origin.	Diamantopoulos, 2007; Verlegh, 2007.
Conative	A normative process controls certain behaviour regardless of objective evaluation to products. It is the personal, moral or ethnocentric norms linked to country-of- origin e.g. deciding to purchase or avoiding a country's products due to policies or activities of its government, or purchasing products manufactured in one's own country because of a moral stance.	Shimp and Sharma, 1987; Friedman, 1996; Bruning, 1997; Verlegh and Steenkamp, 1999; Laroche et al., 2005; Adina, Gabriela and Roxana-Denisa, 2015.

Source: Original, 2022

The distinction between the three country-of-origin components is considered ambiguous. While the country-of-origin effect in the consumers' decision making process is mostly acknowledged as the interplay among and between the three components (Verlegh and Steenkamp, 1999). However, the final decision is usually determined by the process considered the most dominant in terms of its influence in the consumer's mind in regards to time and situational factors (Nagashima, 1977; Heslop, Lu and Cray, 2009). Consequently, the dimensions of the three processes must be considered in the quality assessment of foreign products and brands (Pharr, 2005; Samiee, Shimp and Sharma, 2005; Roth and Diamantopoulos, 2009).

# 3.3 Country-of-Origin Impact on Developing Markets

The country-of-origin effect re-emerged as an important topic for developing market firms (North, 1990). Nevertheless, these firms lack strong market-supporting institutions that are needed for their development (Cuervo-Cazurra and Ramamurti, 2017; Cuervo-Cazurra et al., 2018). In regards, economic research was conducted to provide a better understanding of how certain legal systems (la Porta et al., 1998), regulations (Djankov et al., 2002), or governance issues (Kaufmann et al., 2000), affect the development of companies and market transactions (North, 1990).

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Early country-of-origin research presented respondents with different country names and have been asked to evaluate the countries' products, product classes and brands (Schooler, 1965; Schooler and Wildt, 1968; Phau and Prendergast, 2000). Schooler (1965) study illustrated that products produced in less-developed countries were not perceived as of good quality. It was concluded that bias against less-developed countries existed and country-of-origin effects were evident (C Reierson, 1966; Reierson, 1967). Stereotyping was considered an important cue in these researches (Schooler, 1971; Phau and Prendergast, 2000), which is the country-of-origin's effect on a consumer's opinion of a product (Schooler, 1971; R Gaedeke, 1973; Phau and Prendergast, 2000). Most published studies confirmed the existence of country stereotypes with an impact on product evaluations and purchase intention behaviour (Cordell, 1992; Tse and Gorn, 1993). The country-of-origin effect existed for products in general (Darling and Wood 1990), product categories (Cordell, 1992; Martin S Roth and Romeo, 1992), and specific brands (Chao, 1993; Tse and Gorn, 1993).

Prior studies suggested that products are evaluated higher when sourced in highly developed countries (Tse and Gorn, 1993; Thakor and Kohli, 1996) followed by newly industrialising countries (Lascu and Babb 1995), and the lowest evaluation is given to Eastern European/socialist countries and developing countries (Manrai et al., 1997; Phau and Prendergast, 2000). As a result, negative stereotype is linked with products made in developing countries in contrast to more developed countries (Phau and Prendergast, 2000).

Consequently, as country-of-origin research developed, this construct decomposed into more specific components (Insch and McBride, 1999, 2004; Hamzaoui and Merunka, 2006; Usunier, 2006; Josiassen, 2009). Country-of-origin construct has been extended to include country of design, country of assembly, and country of parts (or country of components) (Insch and McBride, 1999, 2004). These three dimensions were first explored by Insch and McBride (1999) to study their effect on product quality evaluation among consumers from two different countries, the United States and Mexico. The

perceived product quality has been defined as the consumer's evaluation of a product's general performance and excellence (Zeithaml, 1988; Insch and McBride, 1999, 2004). It was confirmed through this study that a relationship does exist between country-of-origin effects and a country's economic development level (Insch and McBride, 1999, 2004). In other words, it has been perceived that products from higher developed countries are evaluated more positively than products from lesser developed countries (Schooler, 1971; Wang and Lamb, 1983; Lumpkin, Crawford and Kim, 1985; Papadopoulos, Heslop and Bamossy, 1990; Roth and Romeo, 1992; Crawford and Lumpkin, 1993; Insch and McBride, 1999, 2004; Xie et al., 2015).

The increased exposure to global media and adverts experience has affected consumers' desire to own more branded goods from specific countries (Essoussi and Merunka, 2007), in this case, Western-branded products will provide consumers with the aspired social status (Marcoux, Filiatrault and Chéron, 1997). Due to global alliances and foreign sourcing developments, production took place outside the country that originally designed and manufactured them (Klein, Ettenson and Krishnan, 2006), giving consumers access to a wide variety of foreign products (Essoussi and Merunka, 2007). Therefore, in developing economies, local products and brands are not protected from global and international brands, which triggers a need for effective brand management in order for firms to survive and maintain their sustainability enabling them, later on, to grow internationally (Sheth, 2011). This is due to the rising complexity of the business environment caused by changing markets, distribution and media channels, networks and the need to create value between customers and the organization (M'zungu, Merrilees and Miller, 2010; Sheth, 2011). This reality makes branding a very important consideration in an organization's structure to influence consumers' consumption and promote value and sustainability (Kumar and Christodoulopoulou, 2014). It has been argued that competition is not only about innovating or producing better products, it is about imitating the competitor, which is a common characteristic in lesser developed markets (Green, 2015). Nevertheless, it has been suggested by Sutter et al. (2015) to protect local products' differentiation against competition and imitation, specific attributes such as design, product quality and sustainable production need to be integrated into products and its

value chain (Sutter et al., 2015). In regards, promotion, branding and packing strategies are considered critical marketing activities that can communicate such sustainable actions leading to differentiation and value creation in international markets (Sutter et al., 2015).

It can be concluded from studies conducted in developed and mostly Western countries that there is a significant preference for domestic versus imported products (Netemeyer, Durvasula and Lichtenstein, 1991; Balabanis et al., 2001). While, consumers in developing economies appear to perceive that products from developing countries are of lesser quality and will result in higher levels of dissatisfaction (Okechuku and Onyemah, 1999); country-of-origin effect in which the image of an advanced country is perceived as an advantage (Sheth, 2011). Developing countries' consumers are conscious shoppers for quality goods but often without differentiating between product category attributes and benefits (Batra, 1997; Essoussi and Merunka, 2007). Thus, country-of-origin and brands work as indicators for consumers to inform them of products' quality (Reardon et al., 2005; Essoussi and Merunka, 2007).

As consumers approach a purchasing decision, they are not only concerned about the quality and price of the product but other factors such as a brand's country-of-origin can frame attitudes and the decision-making process for consumers (Yasin, Noor and Mohamad, 2007). Studies confirmed that consumers perceive products originating from developed countries as superior in comparison to developing countries' products despite the price differences (Leonidou et al., 2007; Pappu, Quester and Cooksey, 2007; Josiassen and Harzing, 2008; Sutter et al., 2015). Consumers will prefer French wine rather than Austrian, a German machine rather than a Brazilian, a Japanese car rather than an American (Roth and Romeo, 1992). However, when it comes to specific product categories such as Colombian coffee, Russian Caviar and Egyptian cotton (Sutter et al., 2015), they have been supported by the country image effect (Sharma, 2011; Hakala, Lemmetyinen and Kantola, 2013). The origin effect is the way a place's image displays itself in consumers' evaluations (Roth and Diamantopoulos, 2009; Chu et al., 2010; Andéhn, Nordin and Nilsson, 2016).

Country-of-origin image has been defined in different ways throughout the literature (Sutter et al., 2015). It has been identified in relation to the place of manufacture, which is a concept that is operationalised and linked with the 'made in' term and the country's name printed on the label or packaging of the product (Bilkey and Nes, 1982; Peterson and Jolibert, 1995; Chattalas, Kramer and Takada, 2008). According to Wang, Lin and Chu (2011), country-of-origin image signifies the mental representation associated with a country and its people, which comprises cognitive beliefs dependent upon the perceived level of economic and technological development of the country from which the product, service, or brand originates (Cordell, 1992; Samiee, 1994; Verlegh and Steenkamp, 1999; Roth and Diamantopoulos, 2009; Chu et al., 2010; Andéhn, Nordin and Nilsson, 2016), along with the affective evaluations of the social and political systems of a country (Sutter et al., 2015). Therefore, country image is considered a product of the mind that strives to process, assess and select important information among a variety of available information Many researchers treat the country image as an essential about a specific country. extrinsic stimulus in the evaluation and perception of products that might influence purchasing behaviour (Hakala, Lemmetyinen and Kantola, 2013; Sutter et al., 2015). The consumers' interpretation about a country are based on beliefs developed from past associations (Giraldi and Tornavoi De Carvalho, 2004; Giraldi and Tornavoi De Carvalho, 2005; Suter, et al., 2018). According to Sutter et al. (2015), a company can take advantage of the national characteristics associated with the country-of-origin image and incorporate such values within its marketing strategy for its international products.

In conclusion to the country-of-origin effect and developing markets, developing countries perceive the COO as a determinant of a brand's desirability due to statusenhancing reasons and signifying overall quality (Batra et al., 2000). Consumers in developing markets find foreign brands more desirable than local products (Thuy Hang Dao and von der Heidt, 2018). The foreign brand is perceived to serve symbolic acquisition and communication of social distinctions, particularly status (Douglas 1979), which influences the choice of nonlocal over local products. Brands perceived as having

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a nonlocal and Western COO are attitudinally preferred to brands seen as local within a developing economy (Dao and Heidt, 2018). The reason for this foreign preference is that consumers believe that owning a foreign brand is a way to display the competence of belonging to the Westernized elites (Hannerz, 1990; Batra et al., 2000). Consumers in developing countries seek to emulate the apparently prestigious and glamorous Western consumption practices and purchase the brands that symbolize this high-status Western lifestyle (Batra et al., 2000). Consumers expect higher quality products and services originating from a country perceived as more developed (Samiee, 1994; Roth and Diamantopoulos, 2009; Chu et al., 2010; Andéhn, Nordin and Nilsson, 2016). Nevertheless, even though this connection is used by marketers to explain the practical implications, it lacks specific guidelines on when and how the origin effect can direct marketplace success(Andéhn, Nordin and Nilsson, 2016). Furthermore, the opposition between "developed" and "developing" is becoming vaguer nowadays, and could be replaced by clearer distinctions between developed, transitional, and pre-transitional economies (Insch and McBride, 2004; Andéhn, Nordin and Nilsson, 2016). It has been suggested by Beverland and Lindgreen (2002) that special attention should be given to country image by companies when going abroad, and these companies should be careful in the differentiating strategy adopted when entering international markets (Sutter et al., 2015).

## 3.4 Country-Image and Associations

The vast country-of-origin research indicates the importance of country images in the international marketing strategy formulation (Phau and Prendergast, 1998, 2000). It has been acknowledged that country image refers to beliefs that consumers perceive regarding countries (Kotler, Haider and Rein, 1993; Martin and Eroglu, 1993; Gürhan-Canli and Maheswaran, 2000b; Oberecker, Riefler and Diamantopoulos, 2008; Josiassen et al., 2013). Country image works in different mechanisms according to the consumers' familiarity with products (Johansson, Douglas and Nonaka, 1985; Han, 1989). Unfamiliar products or lack of product information triggers consumers to use the country-of-origin stimulus as an indicator of the product's quality before purchasing it to

compensate for insufficient knowledge about the product (Johansson, Douglas and Nonaka, 1985; Josiassen et al., 2013). Hence, the country image concept is defined as the general associations, attitudes and impressions held about a country (Nagashima, 1970); it is seen as an antecedent of the country-of-origin effect, revealing the perceptual nature of these images, and the variation in how consumers perceive a specific image (Josiassen et al., 2013). The evaluation process of products affecting consumers' attitudes towards the choice of these products is referred to as the 'halo effect' of origin images (Johansson, Douglas and Nonaka, 1985; Josiassen et al., 2013). As such, consumers play a great role in defining a country's image and how products or brands are associated with that country (Ajzen, 2001). To benefit from the halo effect, marketers need to match associations from the country image with the characteristics of the target market (Kleppe, Iversen and Stensaker, 2002).

Encouraging a positive country image entails consistency between all image components (Anholt, 1998; Kleppe, Iversen and Stensaker, 2002). Once consumers become familiar with a country's products through their personal experience or from other sources including word-of-mouth or mass media (Johansson, 1989) they will use the country-oforigin information to summarise the assessments and evaluations made with other available cues, along with the consumers' knowledge of and experience with the products, which is referred to as the 'summary effects' (Han 1989; Hong and Wyer, 1989; Heslop and Papadopoulos 1993). The summary effects hypothesis is based on the perception that consumers depend on stored beliefs and experiences about a certain country's products and use them as a base for product evaluation (Hong and Wyer, 1989; Josiassen et al., 2013). Such perceptions are generalised to other products in the same country, and knowledge of products in the given country is then conceptualized and reflected on the image of the country (Heslop and Papadopoulos 1993). To sum up, consumers have to manage the dominance of the halo and summary effects depending on the level of product (Nagashima, 1970; Johansson, Douglas and Nonaka, 1985; Martin and familiarity Eroglu, 1993; Josiassen et al., 2013), and/or country changes according to the consumers' experience, attitude and knowledge (Hoenen, Karunaratna and Quester, 2005).

However, other origin effect studies identify the product-country image as the main construct for the origin effect. The underlying image perspectives derived from a potential country-of-origin effect are dependent on three constructs. Josiassen et al. (2013) developed a framework that distinguished between these three constructs resulting from the interrelations between place and brand that explain the basis of the association to a place. They comprise basic country image, the product-country image, and a third construct added with respect to a specific product category is the category-country (Josiassen et al., 2013). These facets influence the consumer's evaluation of product quality, as well as explain the variations of judgement related to the associations with country-of-origin effect (Hsieh, Pan and Setiono, 2004; Josiassen et al., 2013; Andéhn, Nordin and Nilsson, 2016). Figure 3.1 refers to the halo model of origin images.

Figure 3.1 The halo model of country images



Source: (Josiassen et al., 2013)

Two of the country image perspectives conceptualize a difference between what consumers perceive of a country; that is the basic country image, and what consumers associate with products from a given country; that is product-country image (Essoussi and Merunka, 2007; Pappu, Quester and Cooksey, 2007; Roth and Diamantopoulos, 2009). The basic country image construct according to Martin and Eroglu (1993, p. 193) is defined as "the total of all descriptive, inferential and informational beliefs one has about a particular country". Country image has been conceptualized as the beliefs and attitudes developed about a country irrelevant to the product (Martin and Eroglu, 1993; Verlegh and Steenkamp, 1999; Kotler and Gertner, 2002). In other words, country image is viewed as a neutral construct reflecting a country's economic development irrelevant

of a country's products (Kotler and Gertner, 2002). Consequently, consumers form perceptions of countries and their citizens' that affect their evaluations of products originating from that country (Kotler, Haider and Rein, 1993; Goldberg and Baumgartner, 2002; Kaynak and Kara, 2002). On the other hand, product-country image construct according to Nebenzahl et al. is defined as:

Consumers' attitudes and perceptions about the attributes and qualities of products made in a specific country; emotions towards the country and resulting perceptions about the social desirability of owning products made in the country (2003, p. 388).

The product-origin perspective is considered a dominant perspective in academic literature (Josiassen et al., 2013). The basis of this perspective is that origin-image effects originate from product-related characteristics of the people or from images attached to products, from a specified origin (Roth and Romeo, 1992; Josiassen et al., 2013). These two constructs are used at different times according to how the country's and consumer's contexts conceptualize the potential origin effect (Laroche et al., 2005; Andéhn, Nordin and Nilsson, 2016). Roth and Romeo (1992) on the other hand argued that origin-image effects are product category related. As Roth and Diamantopolous (2009, p. 726) claimed:

The focus of country-of-origin research has gradually shifted from evaluating differences in product evaluations and preferences based on the mere notion of the national origin of a product (e.g., Italy, Japan, USA) to a more complex construct, namely the image of the countries under consideration.

Furthermore, it has been observed that a country's association can have a strong impact when the consumer makes a perceptual link between a country and a product category (O'Shaughnessy and O'Shaughnessy, 2000; Ittersum, Candel and Meulenberg, 2003; Diamantopoulos, Schlegelmilch and Palihawadana, 2011). As stated by Verlegh et al. (2005, p. 128) *"for a given country, this image and its valence may vary across products, so that it is best defined at the level of product categories"*. This category-origin perspective is the most recent of the three constructs and is still developing (Hsieh, Pan and Setiono, 2004; Insch and McBride, 2004; Josiassen et al., 2013).

Laroche. et al. (2005) propose that attitudes toward a particular country determine how a product is evaluated in regards to its association with that country, regardless of the level

of consumer knowledge and personal experience (Laroche et al., 2005). In practice, consumers can establish positive associations towards a specific product category from a country-of-origin that was perceived as poor in basic country image and product-country image (Nebenzahl, Jaffe and Lampert, 1997; Kotler and Gertner, 2002). Conversely attitudes can be positive towards a country's brand based on basic country image and product-country image, and can result in an exceptionally positive effect on the perception of product categories linked with that brand; as in the case of German automobiles (Leclerc, Schmitt and Dubé, 1994; Thanasuta et al., 2009). Usunier and Cestre (2007) affirm that the country-product relationship is a reciprocal relationship, in which a country's image can stimulate the perception of a country (country-product image). Given how the different country-of-origin constructs come into play to form consumers' attitudes toward brands, associations with a country's image can be enhanced

when the category of one's brand, product, or service proposition relates to a country that conveys a positive and striking meaning for consumers (Samiee, Shimp and Sharma, 2005; Andéhn, Nordin and Nilsson, 2016).

### 3.4.1 Product Category

Country-of-origin research has attracted considerable attention (Pharr, 2005; Usunier, 2006; Magnusson, Westjohn and Zdravkovic, 2011; Andéhn, Nordin and Nilsson, 2016). Nevertheless, this research has been criticised due to the lack of theoretical development in the field and the practical implications of the effect (Samiee 1994, 2010; Usunier 2011). To gain a better understanding of the impact of a place on consumer judgement, a body of literature has evolved on the influence of product categories on the country-of-origin effect (Roth and Romeo, 1992; Diamantopoulos, Schlegelmilch and Palihawadana, 2011; Josiassen et al., 2013; Andéhn, Nordin and Nilsson, 2016). Product category- country associations refers to the consumers' ability to trigger a specific country association when the product category is mentioned (Josiassen et al., 2013; Andéhn, Nordin and Nilsson, 2016). Consumers develop associations towards places, products, brands and country-of-origin (Pappu, Quester and Cooksey, 2006). Such associations are characterized by

direction and strength (Pappu, Quester and Cooksey, 2006; Josiassen et al., 2013). Farquhar and Herr (1993) explained that product category associations can be bidirectional, consumers may recall a brand name when they think of a product category or vice versa; they may relate to a product category when they think of a brand name. In this sense, country-of-origin has been perceived as an extrinsic cue (Thorelli, Lim and Ye, 1989), which is known to influence consumers' perceptions and attitudes leading consumers to cognitive elaboration, similar to brand name (Hong and Wyer, 1989; Josiassen et al., 2013).

Country-of-origin has been researched directly or indirectly to reflect a product-centric perspective; matching specific product categories with certain countries assuming that consumers purchase brands from these countries because they have superior capabilities and reputations in such product categories (Hui and Zhou, 2003; Samiee, Shimp and Sharma, 2005; Diamantopoulos, Schlegelmilch and Palihawadana, 2011; Andéhn, Nordin and Nilsson, 2016). For example, Turkey is known for carpets (Ahmed, d'Astous and Eljabri, 2002; Diamantopoulos, Schlegelmilch and Palihawadana, 2011), Greece for its yogurt (Ahmed, d'Astous and Eljabri, 2002; Diamantopoulos, Schlegelmilch and Palihawadana, 2007; Andéhn, Nordin and Nilsson, 2016), Japan for electronics (Yasin, Noor and Mohamad, 2007; Diamantopoulos, Schlegelmilch and Palihawadana, 2011), Columbia for coffee (Andéhn, Nordin and Nilsson, 2016), and Holland for cheese and flowers (Diamantopoulos, Schlegelmilch and Palihawadana, 2011).

Product categories' influence on country-of-origin literature proposes that the country-oforigin effect is stronger where a positive influence for that category is closely associated with a particular country (Kotler and Gertner, 2002; O'Shaugnessy and O'Shaughnessy, 2003). Research by Andehn, Nordin, and Nilsson (2016) demonstrated this effect with respect to Colombian coffee. European and North American consumers view Colombia as a country linked with violence and drugs, which is most likely to evoke negative associations with products from this country. However, if the evaluation was dependent on the coffee product category as Colombian coffee then the evaluation will tend to be positive as a result of the strong moderating effect of categories (Kotler and Gertner, 2002). This has been the case for developing countries; the country itself might create negative associations with a brand, while the brand's category is what creates a positive influence on the purchasing intention and assists in the internationalisation process of a brand (Balabanis and Diamantopoulos, 2008). According to Pasquier (2007), nations must perform extensive research to establish the foundation of promotional activities in order to correct image problems that may possibly affect a country's image. Kotler and Gertner (2002) suggest that generating new positive associations to improve a country's image may be easier than rejecting previous negative associations. Dinnie (2016) investigates the consequences of a negative country-of-origin bias on the products and corporate branding of a country. He believes that such a negative bias can lead to a number of problems, including consumers' unwillingness to associate with brands whose origins are tainted by antipathy toward the nation's political regime, unflattering media images, or a variety of other social, cultural, economic, or historical associations (Dinnie, 2016).

### 3.4.2 Authenticity

There is some evidence to suggest that consumers actively seek authentic businesses, brands, places, and people (Cohen, 1988; Holt, 2002; Alexander, 2009; Beverland, 2009; Athwal and Harris, 2018). Authenticity is considered a key brand identity dimension and positioning device (Beverland 2006; Alexander 2009). Authenticity is felt to be essential to distinguish brands because consumers look for authentic brands and experiences (Holt, 1995). According to Beverland (2005), the concept of authenticity is described as brands that "appear to be committed to values that are above commercial considerations"(2005, p. 1008). Beverland (2006, p. 257) recognises six features of authenticity that include: *"heritage and pedigree, stylistic consistency, quality commitments, relationship to place, method of production, and downplaying commercial motives"*. Alexander (2009) agrees on most 'authenticity' dimensions, he describes attributes of authenticity to present: *"high quality, craftsmanship heritage, place, downplaying commercial motives, stylistic* 

*consistency, and ethical behaviour and integrity*" (2009, p. 558). Although the dictionary definition of "authenticity" includes genuineness, sincerity, truth, and realism, these concepts can mean various meanings to different people in different (Goulding, 2000; Fine, 2003; Grayson and Martinec, 2004; Gottdiener, 2020).

Authenticity is a challenging issue having several, and sometimes contradicting, connotations in the literature (Beverland 2009). Moore et al. (2007) use the concept of brand authenticity to cover different dimensions that include craftsmanship and country-of-origin. Consequently Beverland and Farrelly (2010) note that "...despite the multiplicity of vocabulary and meanings associated with authenticity, what is ultimately constant across the literature is that authenticity encapsulates what is genuine, real, and/or true" (2010, p. 839).

High quality is considered an important dimension that contributes to the authenticity of brands (Alexander, 2009), and authenticity is important to create the country's brand identity (Beverland, 2006; Alexander, 2009; Athwal and Harris, 2018). Beverland (2006) identified quality commitments as one of the six attributes of authenticity. The authentic or original quality of a product can help in claiming some brands (Alexander, 2009). Consumers use a brand's COO to inform the quality and acceptability of the brand (Peterson and Jolibert, 1995; Verlegh and Steenkamp, 1999). Therefore, improving the brand's quality will have a positive impact on the COO brand's associations.

According to Alexander (2009), references to time and location (place) are used by brands to create an impression of uniqueness and heritage. Brand stories, like any other good story, require a location- a place, and a time (Alexander, 2009). The aura created by a brand's authenticity – the ambiance surrounding a brand – is well established in branding, but not in marketing theory (Alexander, 2009). The brand's link to location, as well as the downplaying of commercial motives, is perceived as being critical to the brand message and the formation of brand aura (Alexander, 2009). As Beverland and Luxton

(2005, p. 103) explained, "no research reports exist on how firms create and maintain such auras". According to Gnoth, Baloglu, and Ekinci (2007), the application of effective branding strategies helps differentiate and identify the place (destination) by creating positive associations that generate a positive image, which emotionally connects individuals with the location.

### 3.5 Country of Origin and Branding

The branding concept, creation and development have been well documented over the last three decades as a source of sustainable competitive advantage for a company (Taylor, 1987; Dibb and Simkin, 1993; Kasper, Helsdingen and Vries, 1999; McDonald, de Chernatony and Harris, 2001; de Chernatony and Segal-Horn, 2003; Gilmore, 2003; Horan, O'Dwyer and Tiernan, 2011; Palmer, 2013). The success of an enterprise or a product produced depends on the ability of the target market to differentiate this enterprise or product from competitors (Erenkol and Öztaş, 2015). Creating and building strong brands has been realized as a marketing priority by many organisations due to a number of advantages (Yasin, Noor and Mohamad, 2007). Strong brands assist firms in establishing a distinctive identity in the market place (Aaker, 1996), less vulnerability to competition (Keller, 2001; Hoeffler and Keller, 2003), larger margins, new opportunities to brand extension, and greater intermediary cooperation and encouragement (Delgado-Ballester and Munuera-Alemán, 2005; Yasin, Noor and Mohamad, 2007). A brand is used as a marketing tool to provide quality approval (Keegan and Green, 2005). Moreover, it is important that companies are confident to deliver the branding experience to their customers for them to communicate and maintain positive associations (Changsorn, 2002). As suggested by Berthon et al. (2008, p. 30), brand management is the "process of creating, coordinating and monitoring interactions between an organisation and its stakeholders". Consumers' understanding and perception of a specific brand determine the value it has to its owners (Aaker, 1996; Atilgan, Aksoy and Akinci, 2005).

Due to the large impact, a brand name has on producers, retailers, and consumers (Yasin, Noor and Mohamad, 2007), marketing researchers have explored the concept of 'brand

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equity' to measure the overall value of a brand (Baldinger, 1990; Aaker,1991; Keller, 1993). Brand equity is the result of consumers' perception of a brand that is influenced by different dimensions including marketing and non-marketing mix factors (Yoo, Donthu and Lee, 2000). Marketing mix variables contributing to the formation of brand equity in the consumers' minds include advertising, distribution, price and product quality (Cobb-Walgren, Ruble and Donthu, 1995; Yoo, Donthu and Lee, 2000). Some researchers believe that the marketing mix reflects the company's brand approach (Aghaei et al., 2014). A brand is perceived to have positive brand equity if consumers respond favourably to the elements in the marketing mix factors (Yasin, Noor and Mohamad, 2007; M'zungu, Merrilees and Miller, 2010). Consumers during the actual process of purchasing are not only looking for the price and quality of a product, but rather for other non-marketing mix factors such as the brand's country-of-origin (Bilkey and Nes, 1982; Erickson, Johansson and Chao, 1984; Hong and Wyer, 1989, 1990; Thorelli, Lim and Ye, 1989; Cordell, 1992; Srikatanyoo and Gnoth, 2002).

Brands' understanding is given more attention in today's market due to the increasing amount of well-known brands that result in different values based on their image and customer recognition (Erenkol and Öztaş, 2015). As a basis for brand evaluation, brand image and brand reputation can be used to assess specific brands developed in the consumer's mind through many encounters (Stern, Zinkhan and Jaju, 2001; Veloutsou, 2015). Brand image is the evaluation dependent on the interaction with the brand, while brand reputation is the overall assessment of the brand (Romaniuk, Bogomolova and Riley, 2012). The brand's image and reputation are managed through the brand's expression, which includes the brand's introduction and expansion in the market, defence and reinforcement over time to sustain its value (Herbig and Milewicz, 1995; Puzakova, Kwak and Rocereto, 2013).

### 3.5.1 Country-of-Origin Influence on Brands

Knowledge of why consumers across the world reveal a preference for global brands over traditional and local ones is still incomplete (Steenkamp et al., 2003; Xie et al., 2015). Smaller local brands are facing difficulties to compete with these globally accepted consumer cultural images (Ger, 1999; Alden, Steenkamp and Batra, 2006; Xie et al., 2015). It has been evident from previous studies that the main advantages of global brands are the higher perceived quality and prestige of a brand (Batra et al., 2000; Steenkamp et al., 2003). Furthermore, other routes have been explored to explain the relationship between global brands and positive consumer responses (Xie et al., 2015). Swoboda, Penne-mann and Taube (2012) suggest that consumers in developing countries select global brands due to the psychological advantage of feeling globally accepted and the positive emotions linked to the brands' global benefits. Global brand benefits include positive associations with a brand to provide consumers with a global identity or global membership in the global community (Strizhakova, Coulter and Price, 2008). As a result, the global brand advantages are obvious in developing country consumers because consumers would associate such global brands with the aspired lifestyle of consumers in the advanced world (Strizhakova, Coulter and Price, 2008) and perceive these brands as the route to becoming a global community member (Batra et al., 2000; Swoboda, Pennemann and Taube, 2012; Xie et al., 2015). Nevertheless, local brands can take advantage of their "local iconness" perception (Xie et al., 2015).

Research has shown that it is possible for local brands to tackle the competitive advantages and threats of global brands (Ger, 1999; Dimofte, Johansson and Ronkainen, 2008; Xie et al., 2015). A local brand can gain a competitive advantage by building strong associations with the local culture, national identity, and heritage (Ger, 1999; Özsomer, 2012). Connecting with local culture gives local brands the opportunity to develop a deeper understanding of local needs and tastes, as well as adapt to local market needs (Dimofte, Johansson and Ronkainen, 2008). It has been perceived that a culturally iconic brand is more emotionally appealing than a brand with no cultural iconic value (Holt and Holt 2004). According to Roll (2006) and Dinnie (2016) the nation's distinctiveness is expressed in its culture, history, and people, which contributes to the establishment of

brand identity. Components and expressions of a country's culture must be included in an authentic nation brand or it will be perceived as shallow and not truly representative of the country (Dinnie, 2016; Kubacki and Skinner, 2006). This implies that local national brands are based on the truth of the country's culture, which is arguably the most accurate and authentic differentiator that any brand could strive to have (Dinnie, 2016). Moreover, it has been observed by some researchers that consumers view local brands as more unique, authentic, distinctive, original, symbolic and culturally representative in comparison to global brands (Grayson and Martinec, 2004; Schuiling and Kapferer, 2004; Swoboda, Pennemann and Taube, 2012).

Studies have further explored how global and local brands are able to convey to consumers the desired identity (Dimofte, Johansson and Ronkainen, 2008; Zhang and Khare, 2009; Xie et al., 2015), moving beyond the perceived quality and prestige highlighted in past literature (Xie et al., 2015). As explained by Chernev, Hamilton and Gal (2011, p. 67), brand associations connected to one's self-identity are becoming an "increasingly important source of brand value." It has been acknowledged that consumers integrate the associated meaning of a specific brand into their "extended self" (Belk, 1988). Consequently, consumers will use these brands to construct their perceived identity and provide self-definition (Berger and Heath, 2008; Strizhakova, Coulter and Price, 2011). Also, brands are used by consumers to determine who they are or whom they want to be (Zhang and Khare, 2009; Batra, Ahuvia and Bagozzi, 2012). The "brand identity expressiveness" is defined as the ability of a brand to construct and demonstrate a person's self-identity to himself, as well as reflect his/her social identity to important group members (Westjohn, Singh and Magnusson, 2012; Xie et al., 2015). Accordingly, the "brand identity expressiveness" definition is more than the "global consumer identity" (Holt et al., 2004; Strizhakova, Coulter and Price, 2008) it includes the consumer's need for self-continuity, self-distinctiveness, and self-enhancement (Escalas and Bettman, 2003; Aaker, Fournier and Brasel, 2004). Therefore, a brand has a greater possibility to be used to express the consumer's identity if the brand's identity is perceived as more attractive due to its social value, distinctiveness, and similarity to the consumer's selfconcept (Chernev, Hamilton and Gal, 2011).

Consumers are challenged to possess a global identity and a local identity in a global environment (Xie et al., 2015), which results in consumers adopting practices and designs that are culturally global while continue to preserve their local cultural values and traditions (Leung et al., 2005). In practical implementation, gaining the knowledge of how country-of-origin dimensions are evaluated will enhance the development of marketing activities internationally (Magier-Łakomy and Boguszewicz-Kreft, 2015). In other words, emphasizing the most positively perceived dimension in a marketing campaign produced for a specific country will assist in improving the position of dimensions perceived at lower levels (Magier-Łakomy and Boguszewicz-Kreft, 2015).

### 3.5.2 Branding Relevance to Small and Medium Size Enterprises (SMEs)

Brand management research has not given a lot of attention to small and medium-size enterprises (SMEs) studies (Abimbola, 2001; Inskip, 2004; Krake, 2005; Mowle and Merrilees, 2005; Wong and Merrilees, 2005; M'zungu, Merrilees and Miller, 2010), although SMEs constitute 95 to 99 percent of businesses worldwide (OECD, 2005). It should be recognized that most branding literature adopts big business perspectives that are either not relevant or applicable to SMEs (Krake, 2005; Centeno et al. 2013). Literature enhances the significance of branding to small and medium enterprises from a management perspective (Horan, O'Dwyer and Tiernan, 2011), which demonstrates the results of branding in added value, competitive advantage and customer retention (Rooney, 1995; de Chernatony, 2010; Horan, O'Dwyer and Tiernan, 2011). Wong and Merrilees (2005) believe that SMEs understand the power of branding and express an interest in using branding tactics in the future when their financial position enables them to. Kennedy and Wright (2016) agree and add that most managers are preoccupied with various aspects of brand growth but have never set out a logical and consistent plan.

Branding is deliberated as a marketing practice relevant to SMEs (Abimbola, 2001). The marketing concept is the anticipation and satisfaction of consumers' needs and wants profitably (Kotler, 2012; Baker, 2014). Marketing as a management tool embodies the

principle that the appropriate way of solving today's problem does not necessarily mean it can be relied upon for solving tomorrow's problem (Baker, 2014). This principle is a fundamental link between marketing and the SMEs' strive for innovation and initiative to identify and recruit new customers for previously unfamiliar offerings (Kotler, 2012; Baker, 2014). Firms aim to satisfy customers more effectively and faster than competitors (Abimbola, 2001). Throughout this, brands are perceived as a means to approach challenges and create new and innovative ways of customer satisfaction (Murphy, 1992; Abimbola, 2001). As a result, branding is considered one of the firm's core practices that emphasizes the continuity and connectedness with the external environment which constitute the customers (Abimbola, 2001).

Through branding, different-sized firms are able to create, develop and innovate their market-based assets to compete with larger organisations (Aaker and Keller, 1993). The branding strategy entails "the development and maintenance of sets of product attributes and values which are coherent, appropriate, distinctive, protectable and appealing to customers" (Murphy, 1992). From this perspective, branding is considered a successful practice applied by SMEs to build upon and face challenges (Kohl and Stephens, 1999; Krake, 2005). Brands may serve as the basis for innovative practices to enhance market based assets including reputation and trust (Garvin, 1993; Abimbola, Broderick and Saunders, 1999; Abimbola, 2001). It has been argued that branding relevancy should be increased irrespective of the firm's size (Abimbola, 2001), this is because of the success rate it provides businesses with enabling them to introduce new and innovative product offerings into the market place (Penrose, 2009). Furthermore, prior brand presence in the market presents a benefit for a comparative assessment of new offerings with the firms previous known brands, which guides consumers in their decision making process (Aaker and Keller, 1993). Another positive association a strong brand can bring to a firm is that it is difficult for competitors to copy, which represents a source of immutable assets (Garvin, 1993; Aaker, 1996; Krake, 2005). This immutable asset represents "a strong source of intellectual property for small or medium size companies, as well as source of sustainable growth" (Abimbola, 2001). As a result, SMEs have a better ability to

communicate their capacity and competency to deliver superior value to customers, in comparison to competitors by building a reputable brand (Garvin, 1993; Boyle, 2003).

According to Reijonen *et al.* (2012), SMEs' and entrepreneurs' branding approaches lack clear positioning and distinctiveness within the market. On the other hand, (Ojasalo, Nätti and Olkkonen, 2008) discovered that lack of clear market segmentation and weak branding goals were other issues to be considered by SMEs (Renton et al., 2015). Moreover, SMEs face the dual constraints of limited resources and budget compared to large businesses (Abimbola, 2001). Nevertheless, such effects of these constraints could be reduced through careful planning, cohesive understanding, and involving the whole organisation in building a consistent and strong brand (Cohen and Stretch, 1989; Kraft and Goodell, 1989; Huang and Brown, 1999; Krake, 2005; Keller, 2019).

An awareness of how brands are created in SMEs is critical to business success and sustainability (Renton et al., 2015) as branding is realized as a value-based differentiation factor in a highly competitive context (Reijonen et al., 2012). Strong brands are perceived as an important tool to introduce specialised and differentiated offerings into emerging markets (Abimbola and Vallaster, 2007; Renton et al., 2015). Furthermore, brands create value for organisations by raising awareness and acceptance of innovations in new market places (Renton et al., 2015). Therefore, the benefit of increased understanding and appliance to branding and brand management will reflect positively on both managers and entrepreneurs (Wong and Merrilees, 2005; Ojasalo, Nätti and Olkkonen, 2008; Spence and Essoussi, 2010; Renton et al., 2015).

#### 3.5.2.1 Social Media for SMEs

Marketing communication approaches and methods have changed dramatically with the introduction of the internet and social media, for example, Facebook, Twitter, and YouTube (Dev C, 2010). Social media has become a dominant "word of mouth" communication tool by giving the opportunity for consumers to share their experiences,

which can result in a positive or a negative influence based on the consumer's level of satisfaction (Trusov, Bucklin and Pauwels, 2009; Lim, Chung and Weaver, 2012; Caniëls, Lenaerts and Gelderman, 2015; Glavas, Mathews and Bianchi, 2017).

According to Lu, Zhao, and Wang (2010), social media is widely used in SMEs, in addition to personal networking, due to the variety of benefits it offers such as greater brand identification, word-of-mouth exposure, and higher sales volume. Social media, according to Fue, Li, and Wenyu (2009), has enabled businesses to communicate with their target audience by developing and sharing useful content. Hanna, Rohm, and Crittenden (2011) suggested that social media has transformed traditional marketing strategies. Jones, Borgman, and Ulusoy (2015) highlighted the usage of social media for improving the company's image.

The general expansion of smartphones and consumers' interest in using communication apps, such as Instagram and Telegram, has resulted in the rising of individuals referred to as influencers in marketing research (Gudigantala and Bicen, 2019). Influencers may play an essential role in the various stages of presenting a product as well as developing loyalty because of the variety of social communications as well as the influence they have on the audience (Yousefi and Hadad Zadeh, 2021). In this regard, influencers and social media platforms play a vital role in creating viral marketing or word-of-mouth marketing for SMEs (Ahmadi, Iravani and Mamani, 2017). Social media influencers are now influencing people all over the world, taking the word-of-mouth marketing phenomena to new heights (Kozinets, 2010).

In developing nations, mutually beneficial and collaborative businesses can co-create value and thus contribute to technological advancement (Dey, Babu and Rahman et al., 2019). Subsequently, the introduction and evolvement of social media platforms have resulted in the formation and maintenance of trust and commitment being, in many respects, somewhat impersonal and more distantly facilitated (Durkin, Mcgowan and Mckeown, 2013). Trust and commitment are essential for reducing risks and uncertainties

for all parties engaged in a business, as well as for building and sustaining value in critical customer relationships (Aldrich and Dubini, 1991; Morgan and Hunt, 1994). As a result, social media presents the SME owner/manager with the challenge of investment in the development of personal contacts, as well as how such contacts can be nurtured and maintained within a network (Conway, Jones and Steward, 2001; McGowan and Durkin, 2002; Turkle, 2017).

Regardless of the challenges of social media, SMEs may connect with their consumers more efficiently through the usage of social media in order to attain greater speed and scope in their internationalisation efforts (Mithas and Rust, 2016; Alarcón-del-Amo, Rialp-Criado and Rialp-Criado, 2018). The use of the internet to boost performance is frequently described as allowing SMEs to increase the sharing of information internally and externally, build worldwide customer relationships, and decrease management and communication hurdles for geographically dispersed firms (Chen, Fan and Sun, 2015; Bianchi, Carneiro and Wickramasekera, 2018).

Similar to how social media is used in the rest of the world, it is utilised in Palestinian SMEs for a variety of personal and business objectives such as social networking and connecting with friends, customers, and clients (Sayyad, 2018). In this sense, social media in Palestine is utilised for both social and business objectives in the country and plays a key role in the international communication platform (Sayyad, 2018).

### 3.5.3 Brand Management and Internationalisation

Brand management plays a critical role in providing a differentiating statement and a competitive advantage if applied and used appropriately in the global competitive environment (Keller, 2001; Ojasalo, Nätti and Olkkonen, 2008; Spence and Essoussi, 2010). According to some researchers, brand creation and management are strongly linked to the configuration of the internationalisation process and the establishment of

competitive advantage in the context of worldwide competition (Ratten et al., 2007; Armario, Ruiz and Armario, 2008; Fan, 2008; Reijonen et al., 2012). International branding, according to Whitelock and Fastoso (2007), is the discipline of international marketing that focuses on the issues that businesses confront when their brands cross national borders. These difficulties are connected to the foundation of the brand, which includes the brand name, the visual component, and the personality of the brand (Couto and João and Ferreira, 2017). Doole and Lowe (2008) suggested that a company exhibits international marketing strategies when it implements one or more marketing mix decisions outside of national borders.

Companies' increasing worldwide economic activity necessitates the transformation of their national brand into an international brand capable of competing in new markets and reaching new consumers. Understanding the variations and similarities between local branding and branding in global markets is essential (Kuvykaitė and Maščinskienė, 2010; Miloch et al., 2012). Branding locally is a multi-stage process with several stages. However, when brand development is done abroad, the process becomes even more difficult (Kuvykaitė and Maščinskienė, 2010) due to the variables that may differ depending on the markets to be targeted, such as consumer behaviour, marketing infrastructures, legal regulation, and competition (Couto and João and Ferreira, 2017). These distinctions might be critical in the international branding process (de Chernatony, Halliburton and Bernath, 1995). Given the complexities of international brand building, Onkvisit and Shaw (1989) and Hollensen (2014) believe that there are four tiers of brand creation when expanding to overseas markets, as shown in Table 3-2.

Brand level	Description of brand creation at international level			
Branded product or generic product	Exporting products without a brand necessitates lower production, marketing, and legal expenditures. They are, nevertheless, exposed to increased competition because no differentiated benefits are seen by consumers.			
Private label, co- branding, or own brand	The manufacturer's identity is not disclosed in the case of a private label. When you have limited financial means, you can join highly competitive markets by employing private labels, because merchants are in charge of advertising.			
	Co-branding is a relationship that allows a brand to access a foreign market by partnering with a national brand. It is a method of getting experience rapidly with reduced related expenses and obtaining market space more quickly (Keller, 2008).			
	In the case of own brand, this belongs to the manufacturer, allowing the manufacturer to attract consumers while still having control over marketing and distribution decisions. This, in turn, raises production costs (Hollensen, 2011).			
Single brand or multiple brands (single market)	ls product reputation are both strong (Kuvykaite and Mascinskiene, 2010). The			
	The multi-brand choice is defined by the use of numerous separate brands to designate a product or set of items that have no link to the company's name or other products that it manufactures. This strategy has higher marketing expenses and requires market segmentation, but it lowers the risk if a product fails (Hollensen, 2011).			
Local brand or global brand	A local brand is one that occurs in a certain country or geographical region and may be owned by a local, international, or global corporation (Shuiling and Kepferer, 2004).			
	A global brand is a good strategy when a product has a strong reputation or is known for its quality, expanding that brand to all products promoted by the firm is the proper strategy (Hollensen, 2011).			

Table 3-2 The four levels of brand creation when expanding internationally

Source: Original, 2021

Additionally, an important factor to consider in the company's brand management approach is the origin of the brand (Couto and João and Ferreira, 2017). The brand's origin is defined as the location, region, or nation from which customers perceive the brand (Thakor and Kohli, 1996), and consequently, it constructs emotional and cognitive components associated with the brand (Han, Yoon and Vargas, 2005).

According to Fan (2008), when a firm seeks to grow worldwide, its branding management and strategy have a significant influence on the countries it chooses and how it enters them, as demonstrated in Table 3-3.

Table 3-3 Stages	of branding	internationalisation
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Branding strategy	Stage of branding internationalisation
Domestic brand	Presence only in the national market
The company is prepared to compete in international markets in terms of production and quality, yet lack marketing skills and branding know-how.	Indirect Export
Own brand and distributor: The company has a greater commitment to export and develop skills and confidence, gradually advancing towards the sale with own brand	Direct Export
International branding	Subsidiary
Global branding	Manufacturing structure

Source: Couto and Ferreira, 2017

Creating an effective international branding strategy lies in orchestrating a global strategy in terms of content and consumer recognition, that can coordinate different brands internationally to minimize the conflict between their images and positioning it occupies in the consumers' minds (Bendixen, Bukasa and Abratt, 2004; Kotler and Keller, 2006). In an increasingly globalised world, the difficulty of positioning and differentiating a company's products from those of its competitors has become crucial for nations fighting for both domestic and overseas consumers (de Chernatony and McDonald, 2003; Jobber and Fahy, 2003; Dinnie, 2016). According to Dinnie (2016). The branding process can help to eliminate misconceptions about a country and allow it to position or reposition itself favourably in the eyes of its target audience. Consequently, a company's brand/image is getting increased attention as a resource to be exploited because it is considered a means to attaining a sustainable competitive advantage (Kowalczyk and Pawlish, 2002). Companies might change their names as a means of redefining their image (Spence and Essoussi, 2010). Due to the increased global business, and the increased global mergers and alliances, it has become very important for organisations to carefully select their business image when designing their branding strategies (Gabrielsson 2005; Krake 2005).

#### 3.5.4 Place/Nation Branding and Public Diplomacy

Academic literature on place branding and nation branding does not always distinguish between the two concepts, however, a minor difference prevails. Place brands have to do with making the place's companies and investments appealing to encourage the place's tourism and export industries, and provide a sense of identity to its citizens. Whereas, nation branding is linked with nation-building from a political or cultural perspective (Olins and Hildreth, 2012). The two concepts blur due to their identical purpose of promoting a specific geographic location to a target audience in order to enhance place tourism and export industries (Moilanen, 2009). Both concepts play an important role in improving the brand and perception of the nation.

The definition of place branding is "a network of associations in the minds of consumers based on the visual, verbal, and behavioral expression of a place, which is embodied through the aims, communication, values, and general culture of the place's stakeholders and the overall place design" (Zenker and Braun, 2010, p.4). Rainisto (2003) describes place branding as the procedure for establishing a location's identity. Place branding entails the creation of an identity, its reinforcement through associations (image), and subsequent customer behavior based on the place's offered benefits. Previous studies in the context of brand equity for a place have primarily dealt with tourism marketing and tourism destination image (Pike, 2007, 2009; Elliot, Popadopoulos and Kim, 2010; Gartner and Ruzzier, 2010) and from the perspective of country-of-origin effects and product country image (Fetscherin and Toncar, 2010; Prendergast, Tsang and Chan, 2010). Scholars argue that, in addition to these traditional perspectives on place branding,

place branding can also be studied from the perspectives of regional identity (Singleton and McKenzie, 2008) and public diplomacy (Jones and Smith, 2006; Singleton and McKenzie, 2008; Bose, Roy and Tiwari, 2016).

Public diplomacy is defined as "a government's process of communicating with foreign publics in an attempt to bring about understanding for its nation's ideas and ideals, institutions and culture, as well as national goals and policies" (Tuch, 1990, p. 3). Using marketing and a brand orientation in public diplomacy will boost the place's brand equity (Ham, 2002) and its "competitive identity" (Anholt, 2010, p.94) . Increased brand equity means more domestic and international visitors, increased foreign direct investment, and expand exports (Cardinale, Nguyen and Melewar, 2016). Therefore, investments, exports, and tourism all benefit directly from public diplomacy, making it a crucial factor in place branding (Bose, Roy and Tiwari, 2016).

Another important concept in promoting tourism and export industries is nation branding. Nation branding is perceived as a great political tool, particularly for small nations looking to become stronger economically and compete against economic and financial giants (Volcic and Andrejevic, 2011). The concept of nation branding has been reinforced by Kotler and Gertner (2002) who stated the importance of this concept, which has been stressed repeatedly in the literature. Nation branding has been explored heavily by previous researchers due to its potential economic, political, and strategic values considered essential in developing a positive and favourable image of the country (Jiménez and San Martín, 2012; Lee, Lee and Lee, 2013; Dinnie, 2016; Abdalmajid and Papasolomou, 2018). The majority of literature on nation branding presents it as a strategic strategy for improving a country's competitive advantage (Kaneva, 2011). According to Anholt (2003), the aim of nation branding is to "promote a positive nation image for the country and its people, to establish its brand identity, to enhance the export of its products and to attract tourists and FDI" (Anholt, 2003, p. 4). Nation branding has to do with the image and reputation of a country among international markets that can be positive or negative (Fan 2008), which can directly influence the country's attractiveness

as a producer and/or destination (Anholt 2003; Fan 2006, 2008). A key factor to consider when building the nation's brand is exports (Florek and Conejo, 2007). Exports have a critical role in building the nation's brand because they reflect the nation's image when entering new markets. To assist export promotion, different strategies can be applied including the use of the 'Made in' campaign to be used as a nation branding tool (Dinnie, 2016).

According to Imran (2017), nation branding is no longer a practice employed just by the world's largest economies; rather, less economically developed countries are engaged in nation branding operations to improve their reputation. Several examples have been identified in current literature, including Singapore (Song, 2017), Azerbaijan (Imran, 2017), the UAE (Zeineddine, 2017), South Africa during the 2010 World Cup (Knott, Fyall and Jones, 2015), and Oman (Alzadjali, 2011). However, nation branding can present unique challenges that are not normally encountered, such as difficult is from *"multiple stakeholders, diffuse socio-political objectives, and difficult to measure outcomes"* (Papadopoulos, 2004, p. 4). Yet, the need for managing countries and places progressing towards unwanted directions (Kotler and Gertner, 2002; Papadopoulos, 2004).

Palestine, including Bethlehem and Jerusalem, has been an important pilgrimage destination for generations (Isaac, Hall and Higgins-Desbiolles, 2016). Despite the fact it has one of the world's oldest brands, it suffers from having an unclear nation brand (Isaac, Hall and Higgins-Desbiolles, 2016). Due to Palestine's unstable political and economic situation, it has been challenging to create the place/nation's brand (Dinnie, 2016; Abdalmajid and Papasolomou, 2018). According to Isaac, Hall and Higgins-Desbiolles (2016), branding the State of Palestine is no longer an option, but rather a necessity, and that the branding strategy itself should be founded on an integrated effort by all main stakeholder groups. Cakmak and Isaac (2012) summarise Palestine's uniqueness by stating that it is *"the newest country perhaps with the oldest nation brand* 

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in the world" (p. 228). Recent research has suggested that the government's duty is to define a country's perceived reputation, devise a plan for managing it, and create a public image that is fair, genuine, powerful, appealing, and beneficial for the country's economic, political, and social goals (Anholt, 2007; Dinnie, 2015; Vlados and Chatzinikolaou, 2021). According to Anholt (2007), there is no standardized method for developing a nation brand; rather, the process must be collaborative because each country has its own set of circumstances, resources, and competencies. The Anholt Ipsos Nation Brands Index (NBI) was developed to assesses each country's reputation on six dimensions of national competence that included: exports, governance, culture, people, tourism, immigration, and investment. These factors add up to offer an overall picture of a country's reputation, which accordingly Germany retained its top position in the 2021 Anholt-Ipsos Nation Brands Index for the fifth year in a row, whereas Palestine was ranked at the bottom of the list; number 60 out of the 60 nations being measured (IPSOS, 2021). A framework based on the management of a nation's relationship with its stakeholders may be used to analyse nation branding more effectively (Dinnie, 2008). A nation is the intersection of a complex network of stakeholder ties, including the business and public sectors, political partners, non-governmental organisations, tourism groups, and trade associations and unions (Dinnie, 2008). According to Anholt (2000), Hankinson (2007), and Dinnie (2008), country branding as a process is influenced by many stakeholders who engage with and shape the nation brand.

Abdalmajid and Papasolomou (2018) suggested a conceptual model for developing a place/nation brand that proposed, in accordance with previous research conducted by Anholt (2000) and Dinnie (2008), the entire place/nation branding process should be strategically controlled by the nation's government, and consequently the government's vision for the nation brand should strategically lead the nation branding creation and execution procedures (Abdalmajid and Papasolomou, 2018). Furthermore, the branding process must represent the government's vision for the nation's brand, as well as internal and external brand identity (Hankinson, 2007).

The role played by governments and public diplomacy in changing the way their countries are perceived could be achieved, for example, by sponsoring international cultural initiatives such as exhibitions of a country's art (Suh, Hur and Davies, 2016). However, such an approach does not always yield positive results due to psychic and cultural distance (Parsons, Ballantine and Wilkinson, 2012). The purpose of both the psychic and cultural distance in relation to the country-of-origin study is that buyers perceive any difference from their own culture as a disadvantage for the seller because consumers look for brands sourced from a country similar to their own country (Parsons, Ballantine and Wilkinson, 2012), or from a culture that is admired (Katzenstein and Keohane, 2007). Therefore, governmental initiatives might not always yield the intended perceptions if they do not result in an increasingly competitive identity of the place.

### 3.5.4.1 Cultural and Heritage Branding

Culture has been characterised as the most intangible but defining feature of any community and country (Pant, 2005). Tylor (1903) described a culture in an earlier definition as something humans experience without notice. Culture is all around us and is part of the human makeup; it is the shared values that we exercise in our everyday activities. According to Banerjee (2008), a more recent definition of culture is that culture can be learned, shared and practised by a society guided by abstract determinants, depending on what has been shared with individuals in a society. Hofstede (2007, p. 12) defined culture as "the collective programming of the mind which distinguishes the members of one group or category of people from another". Culture is transmitted from one generation to another by sharing similar behaviours, values, language and symbols that will shape and distinguish a culture among a group of people. The values and norms that bring society together define culture-inspired social behaviour, which reflects on how people interact with each other and with others external to their own culture (Craig and Douglas, 2006). Evans and Lindsay (2005) confirmed that culture controls a person's behaviour. Such behaviour that is rooted in a person's upbringing determines what products are consumed, considered acceptable, and produced to reflect one's culture.

Culture is simply descriptive, it is how things are in society (Barrow and Mosley, 2011). It is believed that brand stories are more likely to be linked to true history and tradition rather than fictional stories, which try to contribute to a nation's identity (Balmer, 2001). Past heritage, on the other hand, is a significant cultural feature that should be displayed and transmitted to other markets with caution (Dinnie, 2016). This is due to the country's branding strategies' desire to embrace both previous historical heritage and current living culture so that outdated representations do not distort consumer perceptions of what may be dynamic modern cultures (Szondi, 2007; Dinnie, 2016). Strong brands are created as a result of society's popular culture and trends (Roll, 2006; Dinnie, 2016). Holt (2004) studies how businesses become symbols via creative involvement with their culture, a process he refers to as "cultural branding" and feels is especially pertinent to nations. Grant (2011) provides a similar culturally conscious view of brands, saying that a brand is a "cluster of strategic cultural conceptions".

### 3.6 Country-of-Origin Research from a Business Perspective

A firm's country-of-origin and country image are considered a source of competitive advantage or disadvantage for a firm (Cuervo-Cazurra and Un, 2015; Suter et al., 2018). The country-of-origin image represents a strategic decision as to include or not to include its features in a firm's local and international marketing strategy (Suter et al., 2018a). Nevertheless, there has been a gap in research to support a firm's belief in the country-of-origin image as a country-specific advantage (Johansson, 2014), that can also be utilized by a company as a competitive advantage (Rugman and Verbeke, 2001; Suter et al., 2018a). According to Rugman and Nguyen (2014, p. 53):

Country-specific advantages are exogenous location factors in a country that represent economic and institutional environments (including geographic location, factor endowments, government policies, national culture, institutional framework, and industrial clusters).

While Meyer et al. (2011, p. 239) discuss, "First, firms are shaped by the home context from which they originate". At the same time, Meyer et al. (2011) conclude, that such enterprise embeddedness in their home country can be treated as either an incentive or a

barrier to some business activities when going abroad. Until recently, it was not clear as to whether the country image should be viewed as a resource for the firm or not (Suter et al., 2018a), because the country image can present positive or negative perceptions when linked to products (Magnusson, Haas and Zhao, 2008; Cuervo-Cazurra and Ramamurti, 2017; Suter et al., 2018a). It has been asserted by some international business researchers that country-of-origin image may cause negative perceptions due to associations with a country-specific disadvantage (Cuervo-Cazurra and Genc, 2008; Cuervo-Cazurra and Ramamurti, 2017; Suter et al., 2018a), or might even increase 'liability of foreignness' (Moeller et al., 2013). Moreover, institutions that are considered weak with poor reputations reflect a negative country image (Fiaschi, Giuliani and Nieri 2016).

Consequently, the country's image creates more barriers than opportunities for firms operating in such negatively perceived countries (Herstein, Jaffe and Berger, 2014; Giuliani, Fiaschi and Nieri, 2016; Suter et al., 2018a). Thus, a lot of developing market firms alleviate or might even consider hiding their country's image when expanding geographically and competing internationally (Magnusson, Haas and Zhao 2008; Herstein, Berger and Jaffe 2014; Cuervo-Cazurra and Ramamurti 2017; Suter et al. 2018b). On the other hand, some alternative studies demonstrate that developing market firms can effectively integrate their country-of-origin attributes in their branding strategy (Suter et al. 2017), which can transform a possible disadvantage into an advantage (Cuervo-Cazurra and Genc 2008). Illustrations of firms that have effectively integrated their country image into their branding strategy include café Colombia (Colombia), Pima cotton fabric firms (Peru), and Havaianas (Brazil) (Suter et al., 2018a). Such studies demonstrate positive country image evaluations by firms that emphasize the country-oforigin impact from the consumers' perspective (Usunier, 2006; Carneiro and Faria, 2016; Suter et al., 2018b), but don't give attention to "the richness and significant strategic implications" of this impact on the internationalisation process for firms (Papadopoulos and Heslop, 2014, p. 4). This stresses the fact that country-of-origin should be integrated into a firm's brand strategy to reflect the special skills needed to leverage country-oforigin as a country-specific advantage (Buckley, 2017). Consequently, a firm needs to build toward its competitive advantage by utilizing its firm-specific advantage demonstrated in its unique assets or capabilities (Barney, 1991; Rugman, 2009).

### 3.6.1 Operationalising the Country-Specific Advantage

According to Islam and Siengthai (2010), human resource management is needed to capture the needed assets that have a critical influence on SMEs' success. Moreover, Cacciolatti and Fearne (2011) indicate that good application of structural marketing information, as well as good marketing strategies, yields a higher chance of growth for these SMEs. A firm-specific advantage comprises a firm's marketing communication capability to convert the country's image into a resource; the firm's competitive advantage, that will influence and reinforce the country-specific advantage (Buckley, 2017). The country image elements will be considered by a firm's branding strategy since a brand is perceived as a semi-permanent asset for a company (Buckley, 2017; Suter et al., 2018a).

According to Suter et al. (2018b), transforming the country-of-origin to a specific country-specific advantage is linked to recognizing the country's natural resources, (Thakor and Kohli, 1996; Verlegh, 2001; Kumar and Steenkamp, 2013), measuring how consumers evaluate a product/brand based on the perceived image of a country's culture (Kumar and Steenkamp 2013), marketers power to articulate the textual and visual elements of a brand to show the country's name, acronyms, and the flag and its colours (Samiee, Shimp and Sharma, 2005), and the use of senses associated with country-of-origin to give consumers a feeling and an experience to relate with the brand, motivating consumers to perceive as more genuine and trustworthy (D'Antone and Merunka, 2015).

Research regarding country image transformation into country-specific advantage has been approached from the managers' perspective (Cuervo-Cazurra and Un, 2015; Suter, et al., 2018a). Related studies enable managers going through the internationalisation

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process to take advantage of opportunities that have been overlooked from their countryof-origin perspective highlighting important country-of-origin cues that can be used to get consumer's positive attention (Costa et al. 2016). Unfortunately, turning country image into country-specific advantage is a process that requires skill and experience, which is not acquired by every firm (Suter et al., 2018a). Furthermore, the country image has not been investigated enough from the business perspective (Cuervo-Cazurra 2011; (Samiee, 2010; Cuervo-Cazurra and Un, 2015), neither has research explored the partnerships between governments and businesses and their impact on the development and use of country-specific advantage during the international expansion stages (Cuervo-Cazurra and Un, 2015; Suter et al., 2018a). Firms can consider internalising some features from their home country-specific advantage, and exploit them when expanding internationally (Buckley, Forsans and Munjal, 2014; Gugler, 2017). In this respect, country-of-origin and country image will be further explored from the business perspective throughout this research, highlighting the relationship between the government, non-government institutions, and companies in guiding the internationalisation process of firms originating from a developing country.

## 3.7 Country-of-Origin Strategies

Companies can only benefit from the COO effect across borders if customers are aware of it locally and internationally (Aichner, 2014). Companies are seeking to communicate the COO and to increase their customers' COO awareness with a number of different strategies, which are discussed in Table 3-4. Strategy in the researched context is intended to be a synonym of approach, which identifies different approaches to communicating the COO of an SME or its brands to international markets.

#### Table 3-4 COO strategies

	Strategy name	Strategy type	Communication complexity
1	'Made in'	Explicit	Low
2	Quality and origin labels	Explicit	Low
3	COO embedded in the company name	Explicit	Low
4	Typical COO words embedded in the company name	Implicit	Medium
5	Use of the COO language	Implicit	Medium/high
6	Use of famous or stereotypical people from the COO	Implicit	Medium/high
7	Use of COO flags and symbols	Explicit/implicit	Low/medium
8	Use of typical landscapes or famous buildings from the COO	Implicit	Medium

Source: (Aichner, 2014).

Table 3-4, summarizes all strategies and classifies them with regard to the typology (implicit/explicit), and communication complexity from a company's perspective. This table elaborates on the strategies that a corporation might use to communicate the COO. Considering firms can only benefit from the COO if their consumers are aware of it, companies are attempting to convey the COO through various techniques, including regulated and unregulated COO initiatives (Aichner, 2014). The use of cultural and religious associations by companies to promote brands is viewed as an unregulated COO strategy for communicating the company's COO (Aichner, 2014). These approaches may include the use of state symbols and other national characteristics, such as famous buildings or landscape from the COO (Aichner, 2014). Furthermore, to develop a company's or a brand's position, it occurs through presentation via verbal and nonverbal cues, and social networking (Khedher, 2014). Presentation is considered a strategy for

promotion that can complement the COO strategies (Buckley, 2017). Names, logos, positioning, brand associations, and personality are all examples of brand attributes that can be used for presentation (that can be seen or felt when contact is made) (Rashid, 2012). Presentation will get people's attention and reinforce the brand image the company intends to achieve (Haynes, Lackman and Guskey, 1999). This is why it is important to present and display products in an attractive way to get people's attention and reinforce the brand image the company intends to achieve (Insch and McBride, 2004).

The 'Made in...' phrase and quality label, which are part of the product labelling, are considered legally regulated COO strategies that companies employ to convey COO and increase COO awareness among their customers (Aichner, 2014). These regulated COO methods, the 'Made in...' phrase and quality label, will be reviewed next.

### 3.7.1 The 'Made in ...' Phrase

The "Made in ..." concept is the most frequently used and regulated strategy to communicate the product's COO (Bilkey and Nes, 1982; Aichner, 2014). In this case, customers do not need to associate signs, words or slogans with a country since the COO is mentioned explicitly. Additionally, the COO element is compulsory for products in most countries around the world because legislators want to be to identify products from specific countries for import bans and to ensure customers know where the product was produced so that they can boycott products from specific countries if needed (Aichner, 2014). The 'Made in' campaign can be used as a nation branding tool and a COO strategy to assist export promotion (Dinnie, 2016). In some countries, such as the European Union, the legislation for the use of the 'Made in ...' phrase is not clearly defined and is partially influenced by Madrid's protocol, national trade mark laws, customs legislation, and competition laws (Florek and Conejo, 2007).

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Companies usually use 'Made in...' labels if national laws do not require it because they feel it would improve the image of the product and thus sales. However, some products and companies prefer to use regional or geographic indications instead of countries, such as 'Made in Bergamo' or 'Made in Prato' (Guerini and Uslenghi, 2006), this looks to be an exception rather than the norm. Nonetheless, in two circumstances, the inclusion of regional or local geographical indicators seems to be suitable (Aichner, 2014). First, if the COO has a bad image in general or in a specific company field, such as Chinese-made watches (Aichner, 2014; Aichner, Forza and Trentin, 2017). In this scenario, it may be advantageous to indicate that the timepieces were manufactured in Tianjin or Guangzhou rather than in China in order to minimise the unfavourable COO impacts associated with China. Furthermore, it is simpler to establish a strong reputation for items originating in a certain region rather than a complete country (Aichner, 2014). According to Aichner (2014), if the COO's reputation is thought of as a scale ranging from minus one to one, with zero indicating that consumers have no positive or negative associations with the COO for the specific product. Assuming Chinese manufacturers had a reputation of -0.8 for creating watches, it would take more money and effort to raise it to a positive level. Whereas, watches manufactured in Tianjin begin with a score of zero and are thus more likely to achieve a favourable reputation in the future with lesser effort. Of course, this is only true if the majority of Tianjin-made watches are considered of good quality and the COO is effectively marketed (Nebenzahl, Jaffe and Kavak, 2001; Aichner, 2014). Second, the use of regional or local geographical indicators appears to be suitable if a single region/province/city already has a very high reputation in a specific economic area (Aichner, 2014).

#### 3.7.2 Quality Label

The second regulated COO strategy is the quality label. The quality label is perceived as a marketing advantage (Walley et al., 1999), given its influence on the highly motivated quality-conscious consumer (Fotopoulos and Krystallis, 2008). An example of a central COO strategy has been presented by the European Union regulations, namely the use of quality and origin labels (Moschini, Menapace and Pick, 2008; Aichner, 2014). Aichner

(2014) discussed that the use of quality and origin labels allowed the protection and promotion of the origin for quality agricultural products for member and non-member European Union countries. In this specific case, the European Union allows for the preservation of the origin associated with the food processing business, which is one of the most essential industries in terms of a COO's image development. In general, such systems establish trustworthiness, allow for quality assurance, and reduce customer externality costs (Hobbs, 2004). In situations when buyers cannot easily evaluate the quality of a product before purchasing it, quality labels reduce the perceived risk of purchasing an unsatisfactory product (Resano, Sanjuán and Albisu, 2012). Such quality and origin labels by the European Union are regulated by law on an international level (Aichner, 2014). However, there are examples of local, regional, and national markings that are partially governed by national or regional legislation or are simply administered and awarded by public or private businesses (Aichner, 2014).

### 3.8 Country-of-Origin and Globalisation

Globalisation can reduce the clarity of a product's country-of-origin to consumers (Essoussi and Merunka, 2007), but at the same time it gives managers more control to choose the countries associated with the product (Insch, 1995; Insch and McBride, 2004). Some studies found that cultural or national animosity can have an impact on attitudes and purchase intention toward products associated with specific countries (Klein, Ettenson and Morris, 1998; Nijssen and Douglas, 2004). This discrimination against some imports can be considered as invisible barriers to globalisation, emphasizing the importance to illustrate a product attribute's origins (design and/or manufacture) (Essoussi and Merunka, 2007). Furthermore, globalisation has placed a greater emphasis on the value and management of intangible assets of organizations (Berthon, Ewing and Napoli, 2008). Such resources help position an organization through its capabilities, competencies, skills and brands to enable it to develop a competitive advantage (Berthon, Ewing and Napoli, 2008). Branding has emerged in connection with the marketing concept (Li, Cui and Lu, 2017). It was observed in some companies that the function of marketing and branding is not a priority; instead such companies depend more on personal reputation and relationships to market their products and create brand equity (Horan, O'Dwyer and Tiernan, 2011). Based on the abovementioned, it can be concluded that business networks are a very important consideration in developing economies, where they play an important role in connecting businesses of weak institutional frameworks (Delios and Beamish, 1999). Such networks are based on organisational or personal relationships and trust (Hobdari et al., 2017); they offer important channels to access complementary resources and share of knowledge (Hobdari et al., 2017). In the past ten years, literature has emerged integrating networks with the internationalisation process perspective of emerging economy firms (Johanson and Vahlne, 2009; Meyer and Thaijongrak, 2013). The critical aspect is the development of supplier networks achieved between global and local players, and these global players are willing to support local suppliers outside their home market (Hobdari et al., 2017). The key here is how country-of-origin perceptions influence this development.

It has been noted that the uniqueness of developing market multinational corporations may not be linked to their country-of-origin effect, but rather a result of other factors including their industry of operation, stage of internationalisation, global context or prior international experience and knowledge (Ramamurti, 2012). Developing country multinational enterprises are considered less competitive than their developed country counterparts (Cuervo-Cazurra, 2008), partially due to the challenges of operating in home countries with underdeveloped institutions (Bartlett and Ghoshal, 2000; Cuervo-Cazurra, 2008). In comparison to developed country multinational enterprises are usually smaller in size (Wells, 1983), possess not as much sophisticated technology (Lall, 1983), and basic resources (Dawar and Frost, 1999; Bartlett and Ghoshal, 2000).

The impact of the home country on firms' internationalisation has evolved as researchers built upon each other's work (Peterson and Jolibert, 1995; Verlegh and Steenkamp, 1999; Cuervo-Cazurra et al., 2018). Recently it has been observed that what distinguishes multinationals from developing markets is the home-country influence (Cuervo-Cazurra, 2012; Ramamurti, 2012). It has been suggested that the main drivers of the home-country

impact on internationalisation via trade are comparative advantage and country-of-origin (Cuervo-Cazurra et al., 2018). While comparative advantages play a role in a firm's internationalisation through the inputs used by the firm to create its products and services, the country-of-origin affects internationalisation through the image associated with a firm's products and services in foreign markets (Chao, 1993; Nelson, 1993; Sharma, Shimp and Shin, 1995; Lundvall, 2010).

Moreover, features of the home country must be taken into account when examining the specific ownership advantages of developing markets' firms (Cantwell and Barnard, 2008; Gugler, 2017). As explained by Dunning and Lundan (2008), the owner-specific advantages are influenced by the home-based assets and determined by the home country factor endowments, institutions and markets. It has been acknowledged by Dunning (2009) that the owner-specific advantages relate to Porter's (1990) observations about firms' competitive advantages that influence firms' ability to succeed internationally (Porter, 1990; Dunning, 2009; Gugler, 2017). However, the specific context of the home country (Berry, Guillén and Zhou, 2010; Chang, 2011) in the case of developing markets reflects multinational enterprises' foreign investments based on the specific-ownership advantages (Gugler 2017). Such findings confirm that the owner-specific advantages are determined by the location advantages of the home country for developing market enterprises (Narula and Nguyen 2011).

Recent years have witnessed a change in international trade forms due to globalization and the value-chain formations, which doubted the relevance of the origin effect central concepts (Roth and Diamantopoulos, 2009; Chu et al., 2010; Andéhn, Nordin and Nilsson, 2016). Nevertheless, an increase in the importance of the brands and the logic of branding in the commercial world surfaced as an integral theme in the field of marketing theory and practice (Balabanis and Diamantopoulos, 2008), whereby researchers suggest that the origin effect focus should be shifted towards brands instead of products (Thakor and Lavack, 2003; Pharr, 2005; Josiassen and Harzing, 2008; Usunier, 2011). However,

the inability to recognize brand origin does not undermine the importance of the origin effect (Magnusson, Westjohn and Zdravkovic, 2011; Andéhn, Nordin and Nilsson, 2016). According to Magnusson et al. (2011), consumers are induced by the brand's perceived association with a country, and this association does not have to reflect the actual value-chain configurations of the brand.

### 3.9 Chapter Summary

In summary, this chapter will provide a better theoretical understanding of the environmental factors that can impact the development of the country-of-origin in the Palestinian business context. There is some evidence to suggest that consumers actively seek authentic businesses, brands, places, and people (Cohen, 1988; Holt, 2002; Alexander, 2009; Beverland, 2009), which indicates the importance of associating brands with authenticity to receive acceptance. Research on COO has shown that it is possible for local brands to tackle the competitive advantages and threats of global brands (Ger, 1999; Dimofte, Johansson and Ronkainen, 2008; Xie et al., 2015). A local brand can gain a competitive advantage by building strong associations with the local culture, national identity, and heritage (Ger, 1999; Özsomer, 2012). Furthermore, this chapter stresses the role of the government in changing the way their countries are perceived, for example by sponsoring international cultural initiatives such as exhibitions of a country's art (Suh, Hur and Davies, 2016). However, companies can only benefit from the COO effect across borders if their customers are aware of it locally and globally, which is why companies are attempting to communicate the COO and increase their customers' COO awareness through a variety of different strategies, such as the "Made in" and quality label (Aichner, 2014).

Since this research will be looking deeper into the internationalisation activities of SMEs, branding will be emphasized due to its importance for international development (Kohl and Stephens, 1999; Krake, 2005). According to Fan (2008), when a company aims to expand globally, its branding strategy has a considerable impact on the countries it chooses to enter and how it does so. According to Isaac, Hall and Higgins-Desbiolles

the branding strategy itself should be founded on an integrated effort by all main stakeholder groups. Anholt (2000) and Dinnie (2008) have proposed that the entire nation's branding process be strategically managed by the government.

The next chapter is about Palestine, which will set the context for this research and discuss related topics and environmental factors of Palestinian SMEs.

# 4 Review of the Literature of Palestine

### 4.1 Palestine as a Developing/Emerging Market

Emerging markets is being adopted in place of 'less developed countries', 'newly industrialized countries', or 'third world countries (Arnold and Quelch, 1998), which emphasizes the countries' cheap labour and raw materials (Arnold and Quelch, 1998). Emerging economies are characterised as low-income, and rapid growth countries in the evolving world economic order (Hoskisson et al., 2000). This growth potential caused a shift in multinational corporations' investment to cope with the rapidity of economic and political change in emerging economies (Hoskisson et al., 2000). Emerging economies are divided into two groups: developing countries in Asia, Latin America, Africa, and the Middle East and transition economies in the former Soviet Union and China (Alexander and Doherty, 2009). In regards, emerging economies and developing economies is subsumed under emerging economies (Alexander and Doherty, 2009).

It has been notified that more than 80 per cent of the world's consumers live in developing markets and transitional economies (Steenkamp, Batra and Alden, 2002), while developed markets represent a shrinking portion of the world's economy (Wilson and Purushothaman 2003). Emerging markets differ culturally, economically, and demographically from Western countries, and are characterised by rapid rates of sociopolitical and economic change (Batra, 1997), which gives them a great opportunity for global growth (Klein, Ettenson and Krishnan, 2006). Developing markets received a lot of attention (Hoskisson et al., 2000; Amsden, 2001; Wright et al., 2005), due to how developing country firms are catching up in a speedy manner and the internationalising of their activities and products (Aulakh, Kotabe and Teegen, 2000; Cuervo-Cazurra, 2007, 2008; del Sol and Kogan, 2007; Luo and Tung, 2007). Therefore, international marketers are approaching and seeking opportunities in developing markets with renewed interest due to their growth potential (Keller and Moorthi, 2003). Developing markets

also move quickly to formulate a developed retail system (Jones 2003). It has been observed that retailers in developing markets can react successfully with greater competitiveness to international firm's threats, which resulted in higher levels of concentration, improved retail offers, and adoption of finest retail practices from foreign retailer (Bianchi and Mena, 2004).

The Middle Eastern Market resembles the world's developing markets, except for a major difference that is the natural resources; in specific oil (Alexander and Doherty, 2009). Markets considered high in oil revenue; Kuwait, is seen as attractive market for European and US companies due to their economic growth and business system development (Alexander and Doherty, 2009). On the other hand, geopolitical uncertainty can cause major problems for oil rich countries (Alexander and Doherty, 2009) . For the purposes of this study, Palestine will be explored further as a developing market in order to better understand the problems of internationalisation and the opportunities that Palestinian businesses face when expanding internationally. In the next section, the impact of political uncertainty on businesses expanding internationally from Palestine and generating a unique business context will be explored.

### 4.2 Palestine's Political and Economic Environment

During the 1970s and 1980s, the Palestinian economy developed primarily by exporting labour services to Israel and Arab oil-producing states, but demand for these services fell in the 1990s for a variety of political and economic reasons (UNCTAD, 2012). As a result, the Palestinian economy's future growth will be critically dependent on its ability to better mobilise natural, human, and financial resources while also increasing its exports of goods and services (UNCTAD, 2012). This would include diversifying trade flows into regional and international markets and shifting away from reliance on a single trading partner (UNCTAD, 2012).

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Palestine's political situation continues to be the most significant impediment to economic growth (The Portland Trust, 2013; Technical Progress Report, 2020). Since Israel's annexation of the West Bank and Gaza Strip in 1967, the Palestinian economy became heavily reliant on the Israeli economy (Elagraa, Jamal and Elkhafif, 2015). Uncertainty and internal restraints, have all led to economic stagnation (The Portland Trust, 2013). Palestine has been going through continuous loss of productive base, land and natural resources to settlements, fragmentation of the economy into disconnected markets and regions, as well as restrictions by Israel on essential production imports that caused an escalation in production costs, depressed investment and as a result the economy was set on a misleading path of increasing unemployment and poverty (UNCTAD, 2017). Song (2017) highlights the fact that increased political instability and social division countries can damage their nation brands. He claims that nations that were once at the top of global country-brand rankings have had their national brands damaged by increased political uncertainty and societal division (Song, 2017). Many regional integration initiatives among developing countries have had some economic success, but they have been weakened, if not destroyed, by political disagreements between their member governments and political uprisings in certain member countries (UNCTAD, 2012). Prolonged war, strife, and political upheaval in the Middle East have undermined any efforts at regional economic cooperation (UNCTAD, 2012).

The Palestinian economy functions in a context that presents different internal and foreign challenges. According to the World Bank (2016), the Palestinian economy is not developing fast enough to increase living standards and lower the country's high unemployment rate. The internal division that has established a parallel regulatory framework between the West Bank and Gaza has also had a negative impact on economic activity and the revenue base (The World Bank, 2016). The broader outlook for the Palestinian economy largely depends on political and security developments (*Country Reports - Palestinian Territory, Occupied.*, 2019). It has been predicted that the Palestinian economy will continue to expand at a restrained pace during the next two to three years unless political and security developments become more stable (*Country Reports - Palestinian Territory, Occupied.*, 2019). Overall, economic risks within the

Palestinian context are considered high, reflecting the effects of difficult political and security conditions on the economy. Also, the internal conflict and Israeli-imposed border closures, curfews, and travel restrictions have left the Palestinian economy almost entirely dependent upon government spending and donor aid (IMF International Monetary Fund, 2018). Private investment is depressed by political uncertainty and remains inadequate to fuel the healthy and sustained economic growth needed to reduce crippling unemployment and poverty (*Country Reports - Palestinian Territory, Occupied.*, 2019).

Palestine's economy is heavily reliant on donation support from other countries in order to maintain economic development. Donation and aid support have a crucial role in Palestine's development agenda, along with lifting of the restrictions imposed by Israel on the Palestinian productive and trade activities (UNCTAD, 2016, 2017). Palestine's GDP is heavily dependent on public and private consumption, which elaborates why lower levels of aid support and a decline in government spending will result in a weak economic growth (UNCTAD, 2017). Stressing the need for donor support is important to maintain the gains achieved by Palestinian National Authority in building the foundations for a Palestinian State and creating peace in the Middle East. Nevertheless, although donor support is substantial for the economic growth of Palestine, it should not be a substitute for calling on Israel's power to deliver its responsibilities under international law (Khalidi and Taghdisi-Rad, 2009; UNCTAD, 2017; International Labour Organization, 2018). It has been evidenced that the massive flow of foreign currency into Palestine can lead to a regression of the industrial tradable sector in comparison to the non-tradable service sector (Drelichman, 2003). Shoukair (2013) acknowledged the impact of the flow of currency from foreign aid abroad on the economic growth of the West Bank and Gaza. The impact of foreign aid on growth caused an ongoing debate underlying positive and negative correlations (Burnside and Dollar, 2004; Levy, 2007; Rajan and Subramanian, 2008, 2011). Claims that the West Bank and Gaza are affected negatively by foreign funds, have received limited support from systematic academic study (le More, 2005; Lasensky and Grace, 2006). However, the declining donor support and government spending will have a negative effect on Palestine's economic growth, on the supply and demand side (UNCTAD, 2017). Furthermore, weaker growth and a quiet gross domestic product will worsen the debt burden and reduce investment even

further (UNCTAD, 2017). Thus, unemployment remains high, and the humanitarian assistance and freer movement of goods and people are needed if the situation in the territories is to improve (IMF International Monetary Fund, 2018).

### 4.2.1 Aid and Empathy

Foreign aid is one area of international affairs in which empathy may play a significant role (Bayram and Holmes, 2020). The arousal of emotions in oneself as a result of another person's sorrow or pain is referred to as affective empathy (Decety and Yoder, 2016; Bayram and Holmes, 2020). It is suggested that arousal is the most important factor in affecting foreign aid decisions (Bayram and Holmes, 2020). At a conceptual level, support for foreign aid undoubtedly requires some ability to sympathise with the struggle of others, often those who are geographically and culturally distant (Bayram and Holmes, 2020). Official development assistance (ODA), which is described as government aid aimed to enhance the economic growth and welfare of poor nations, has been a focus in Palestine (Head, 2015; Bayram and Holmes, 2020).

Several recent studies have investigated empathy in the larger context of humanitarianism, which may give important insights. Empathy, for example, has been demonstrated by Newman et al. (2015) to regulate individuals' sensitivity to the suffering of immigrants. Empathy has been recognised as a fundamental human characteristic and a component of social and political life in fields as diverse as political theory, social psychology, and philosophy (Head, 2015). Despite the fact that empathy has evolved as an important topic in the domains of peace studies and conflict resolution, it has previously received relatively little attention in 'International Relations', despite its booming emotional literature (Head, 2015). In mediation, problem-solving workshops, or peacebuilding programmes, attention has been concentrated on the interpersonal or intergroup dimension of empathy, without recognising its broader political importance inside and between nations and communities (Sasley, 2011; Head, 2015). It is believed that the reason empathy has been undertheorized (Booth and Wheeler, 2007) is due to its emotional aspect, since 'International Relations' turn to emotions is relatively new.

Recently, the study of empathy in global politics, which was formerly a gap in International Relations (IR) theory, has received considerable attention (Bayram and Holmes, 2020). Much of this research has concentrated on the normatively desirable components of empathy in encouraging a deeper understanding between opponents and allies (Bayram and Holmes, 2020). Empathy enables people to grasp the perspectives, interests, and feelings of others, which may help with the development of trust and, as a result, improve the likelihood of collaboration (Bayram and Holmes, 2020). Furthermore, empathy is considered essential in developing political strategies such as nonviolent resistance (Head, 2012), which has been implicitly connected to democratic peace (e.g., Brock, Geis and Müller, 2006) and security communities (e.g. Koschut, 2014).

Overall, it is unclear whether and how empathy impacts political preference development and decision-making (Bayram and Holmes, 2020). Philosophers and commentators alike have recently begun to call into question the qualifying nature of empathy, claiming that, far from being a solution for many global problems, empathy is a poor decision-making guide and may even cause more damage than good (Bayram and Holmes, 2020). According to Booth and Wheeler (2008), empathy is neither good nor harmful because it may be utilised to understand the struggle of others in order to help them or to control them. Therefore, depending on the intention of empathy, to assist or dominate others, its benefit will be determined.

The prolonged conflict in Israel and Palestine is one of the most difficult cases in world politics, but it is also an essential location for the study of empathy (Head, 2015). This is largely due to the significant emphasis on people-to-people peacebuilding activities initiated by local and international organisations following the Oslo Accords, for which empathy was a key component (Head, 2015). Research indicates that foreign development aid is made conditional on good governance and policy reform by more than simply donor states and international organisations (Bayram and Holmes, 2020), the whole public does as well. Even the most empathic people might develop a dislike towards unworthy beneficiaries. This implies that recipient governments have an

incentive to be deserving, or to create the impression that they are (Bayram and Holmes, 2020).

In the Palestinian context, the link between aid and development is particularly complex (Wildeman and Tartir, 2014). Palestine is an aid-dependent economy that is barely surviving under occupation (Khalidi 2012; Wildeman and Tartir, 2014). Since the international community's goal is to promote economic growth in Palestine in order to drive the peace process (Keating, le More and Lowe, 2005), scholars generally believe that aid has failed (Roy, 1999; Nakhleh, 2004; Khalidi and Taghdisi-Rad, 2009; BISAN, 2011; Khalidi and Samour, 2011; Barghouti, 2012; Tartir and Wildeman, 2012). Despite the massive amount of aid that has poured into the Palestinian economy, ordinary Palestinians continue to lack fundamental economic rights and, more importantly, personal security from violence (Tartir, 2012).

In summary, the Palestinian economy is small and limited, with a few major holding firms leading certain sectors (The World Bank, 2019, 2021). Since the local market is small, access to international markets through trade is critical for private sector growth (The World Bank, 2019, 2021; World Bank- HKTDC Research, 2021). However, Israeli border restrictions will stay in place, hindering exports and capital goods imports (The World Bank, 2019, 2021). The fails to achieve progress toward peace and reconciliation has resulted in an unsustainable economic condition in the Palestinian territories, affecting the business and trade environment (World Bank- HKTDC Research, 2021). If the situation in the territories is to improve, humanitarian aid and freer movement of products and people are required (International Monetary Fund, 2018).

## 4.3 Palestine's Trade Environment

The Palestinian economy, both the West Bank and Gaza, suffers significantly as a result of the ongoing war with Israel (PalTrade "Palestine Trade Center" 2010; Gal and Rock

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2018). Palestine Trade Centre states that political uncertainty and the movement and access restrictions are the main obstacles impeding investors and direct foreign investment in Palestine. The Palestinian trading environment is experiencing delays due to the requirement for Palestinian companies to undergo more 'security' inspections, which can result in a variety of additional charges - both in time and money (The World Bank, 2017). Driven by political and security concerns, disruptions in the movement of Palestinian products became the norm rather than the exception (UNCTAD, 2017). In general, the efforts of developing nations' to grow their share of global commerce are frequently hampered by inadequate infrastructure and excessive transportation costs, which diminish the competitiveness of their products and impose considerable trade and development barriers (Elagraa, Jamal and Elkhafif, 2014). In this perspective, trade facilitation of international trade and transport procedures through rapid, reliable, and effective transport and logistical trade-related services is a significant priority to be pursued in developing nations. According to Elagraa, Jamal and Elkhafif (2014), the structural constraints on economic development have worsened as a result of longstanding Israeli restrictions on Palestinian people and goods movement, settlement expansion, Palestinian producers' inability to access productive resources, a decline in aid flows, and pervasive political and economic uncertainty. While these issues are significant in the Palestinian context, the link between growth and trade should be considered in light of the Israeli occupation's restrictive policies, Palestinian economic dependence on Israel, the severity of the political conflict, and its economic repercussions (Elagraa, Jamal and Elkhafif, 2014; Gal and Rock, 2018). As a result, economic circumstances in Palestine deteriorated, and the Palestinian economy's reliance on Israel grew even stronger, with Israel increasingly being the primary supplier of imports and the primary destination of exports. In 2012, Israel consumed more than 80% of Palestinian exports and 70% of Palestinian imports, with the Palestinian trade imbalance with Israel accounting for 77% of the entire deficit (Elagraa, Jamal and Elkhafif, 2014).

Exports to other countries, mostly Arab states such as Jordan, have risen in recent years (Gal and Rock 2018; PCBS 2019). Despite the increase in Palestinian imports from other markets recently, Israel remains Palestine's major commercial partner (Gal and Rock,

2018). There is a trade imbalance in favor of Israel, since Palestinian imports from Israel are 2.5-3 times higher than Palestinian exports to Israel (Gal and Rock, 2018). Israel has consistently accounted for the largest segment of Palestinian international trade (UNCTAD, 2017). This dependence on Israel by Palestinian producers affected Palestine's trade relations with the international market because there was no incentive to expand internationally. Trading with Israel was a way to help avoid Israeli imposed trade restrictions and guarantee the profit that producers are looking for (UNCTAD, 2017). Thus, trading with Israel caused an imbalanced economic relationship. Palestinian imports from Israel exceeded exports to Israel almost by \$2.6 billion, when Palestine could have been importing from cheaper and more competitive sources worldwide (Palestine Economic Policy Research Institute (MAS), PCBS and Palestinian Monetary Authority, 2017). Almost all Palestinian imports from non-Israeli markets pass through Israel into Palestine, and a large part through Israeli importers (Gal and Rock, 2018).

Furthermore, Palestine encountered a massive trade deficit as a result of the weakness of tradable goods sector and the incompetency of the agricultural and industrial producers to penetrate potential international export markets, not to mention the producers inability to compete domestically against imports from abroad (Palestine Economic Policy Research Institute (MAS), PCBS and Palestinian Monetary Authority, 2017). Reasons for concern regarding the decline of the industrial and agricultural sectors are associated with the sectors' capacity for export, since these sectors have the potential to recognise economies of scale and expand employment. The industrial and agricultural sectors in Palestine are considered more dynamic and innovative than the service and construction sectors (UNCTAD, 2017). The fact that manufactured and agricultural goods are internationally tradable is considered an incentive that should be emphasized to maintain technological progress, improve efficiency and encourage international competitiveness, which are considered critical goals to push the Palestinian economy up the global supply chain (Palestine Economic Policy Research Institute (MAS), PCBS and Palestinian Monetary Authority, 2017).

Palestinian Trade Centre (PalTrade) did not update export regulations since 2012, they did work on developing an export strategy to support projects going international and facilitate trade relations (PalTrade "Palestine Trade Center", 2015; Palestine Exports Council (PEC) and PalTrade, 2020). In 2017, the Palestinian National Authority made plans to set the foundations for an independent Palestinian State, and to do that Palestine's National Policy Agenda for 2017–2022 was drafted. This agenda revolved around developing priority targets in diverse sectors including agricultural and water resources, renewable energy, tourism, quarrying, trade facilitation and public transportation, including railroads and the establishment of an airport in the West Bank and a seaport in Gaza (UNCTAD, 2017). Some of these targets such as renewable energy, railroads and airport have not been achieved yet.

#### 4.3.1 Palestine Trade Agreements

In regards to trade agreements, Palestine Authority has several preferential access agreements that started with 'Paris Economic Protocol' in 1994 between the Palestinian Liberation Organization (PLO) and the government of Israel (Abdelnour, 2010; UNCTAD, 2012). This economic trade agreement stated the principles of free trade between the two parties, which resembled free exchange of goods with no tariff or nontariff barriers whatsoever, and sharing revenues in customs clearance; the Israeli customs are responsible for clearing Palestinian imports on behalf of Palestinian customs and then transfer the revenues to Palestine (PalTrade "Palestine Trade Center", 2010). This framework within which the Palestinian foreign trade regime operates later incorporated the Israeli-Palestinian Interim Agreement on the West Bank and Gaza Strip, so called the Oslo II Accord, in 1995. The Paris Protocol is built on, internally, free exchange of goods between Israel and Palestine, and externally, application of unified import policies except for a limited list of strategic goods that the Palestinian National Authority has some flexibility in import policies if meeting Israeli specifications. Israel has control over Palestine's external and internal trade movement. It should be noted that Paris Protocol when first envisaged, was based on reciprocity between Israeli and Palestinians. This spirit of Paris Protocol no longer exists because it is not functioning as agreed (Khalil MH and Expert TF., 2008; Elnamrouty, 2019). Other trade agreements took place later on with different countries involving Jordan (1995), United States of America (1996), European Communities (1997), Egypt (1997), Canada (1998), EFTA Countries (1998), Great Arab Free Trade Area (GAFTA) (2000), and Republic of Turkey (2004) (Palestine Trade Centre 2010 (Technical Progress Report, 2020). According to the Observatory of Economic Complexity (2019), which is the world's leading data visualisation platform for international trade data, countries that Palestine exports the most to are Jordan (\$45.1M), United Arab Emirates (\$21.7M), Saudi Arabia (\$13.1M), Turkey (\$9.03M), and Belarus (\$7.07M).

Palestinians have stopped all economic and security coordination with Israel on May 2020 due to the Israeli plans to start the annexation process in some parts of the West Bank (Technical Progress Report, 2020). As a result, Palestine was no longer bound with any agreements with Israel. This affected the Palestinian trade relations, most notably the licensing of international imports since almost 30% of the overall import value into Palestine need coordination with Israeli authorities (Technical Progress Report, 2020). Consequently, a number of Palestinian business operators in different sectors have not been able to obtain or renew their import licences for products obtained from international markets, including agricultural products, vehicles and car parts, as well as stone and marble (Technical Progress Report, 2020).

According to Gal and Rock (2018), reviving commerce between Israel and the Palestinian Authority will necessitate the removal or further relaxation of Palestinian economic restrictions. Priority actions could include improving dual use and land access, developing water and energy infrastructure, and updating Annex V of the 1995 Interim Agreement (also known as the Paris Protocol), which governs economic and trade relations between Israel and the Palestinian Authority, to reflect current Palestinian economic needs (Gal and Rock 2018). Gal and Rock (2018) suggested that free-trade industrial zones could be part of such a solution. These zones have been developed as mainstays of trade and export, oriented economic development in the United Arab

Emirates and Jordan and have been developed in other Arab countries as well (Gal and Rock 2018).

The Ministry of National Economy, in September 2020, approved an updated Strategy for National Economic Development 2021-2023. This strategy focused on the expansion of Palestinian exports internationally in an attempt to reduce the current deficit in the trade balance, as well emphasized the diversification importance of Palestine's trade partners, whether in terms of exports or imports, in addition to the development of the industrial zone clusters in Hebron and Nablus (Technical Progress Report, 2020).

#### 4.3.2 Cluster Approach

The Palestinian Ministry of Economics has recognised and supported the creation of three industrial clusters in Nablus, Hebron, and Jenin that make leather shoes, clothes, glass, and olive soap, among other products (Technical Progress Report, 2020). A "cluster approach" can be used as an effective tool to improve the compliance of SMEs and, as a result, their environmental performance (Daddi, Testa and Iraldo, 2010). The most recent thinking in industrial strategy favours clustering (Porter, 1990; Department of Trade and Industry, 1997), a strategy that encourages firm links, resulting in collective efficiency and increased competitiveness (Porter, 1990; Monitor Company, 1995; Department of Trade and Industry, 1997). A cluster-based approach starts with the industries and assets in a region and questions how they can be better. This approach allows for a productimprovement strategy; the regional economic infrastructure, that will be promoted to target industries, and can be used to identify which industries will support the existing economic base of the country (Desrochers and Sautet, 2004; Bergman and Feser, 2020). The cluster-based approach will help improve the production and quality, as well as encourage cooperation within various sectors, which will assist in distinguishing the Palestinian industries.

Nadvi and Schmitz (1994) discovered that clustering is important to the industrial organisation of small-scale manufacturing in developing nations for numerous reasons in their international study on clustering of small companies among developing countries. First, the cluster is believed to have improved overall production efficiency, competitiveness, and economies of scale. Second, the cluster's development has been crucial in fostering an atmosphere of mutual respect and understanding in which business alliances are formed, resulting in the possibility for improved business capabilities. Third, clusters are frequently coupled with some type of shared social identity or network that defines acceptable behaviour. Fourth, the government, in collaboration with the business sector, may play a critical role in business development, forging a partnership dedicated to supporting corporate progress (Nadvi and Schmitz, 1994; Davies, 2001).

There is growing consensus that clustering might assist businesses in overcoming expansion limits and competing in emerging markets (Cavalheiro, Marcuzzo and Brandao, 2017; Saadatyar et al., 2020). Members of a cluster should be private small and medium-sized firms (similar organisations with compatible governance and management practises), which would encourage them to collaborate and compete with bigger and more established businesses. Ghauri, Lutz, and Tesfom (2003) recognised that clusters could be effective in resolving export-marketing issues for manufacturing firms in developing economies, and the authors explored the circumstances under which learning and capability exploitation can occur in Brazilian clusters. Many of the cluster studies, however, have concentrated on the supporting role of government and public agencies in cluster performance (Richardson, 2013; Kamran et al., 2017)), demonstrating that when the social connection in a certain cluster is poor, government interventions are more important.

### 4.3.3 Labelling

Countries that Palestine exports to determine labelling requirements, which can include traceability, use of a specific language for labelling purposes, product name and grade, batch code, name and address of exporter, best-before date for food products, what category the product belongs to, net weight, and recommended storage conditions (PalTrade "Palestine Trade Center", 2019). Such requirements can differ depending on the product and country the company will be exporting to.

Labelling in Palestine is regulated and administered by different national authorities that include the 'Palestine Standards Institution' that coordinates its activities with the 'Ministry of National Economy' to ensure the health and safety of the products and to protect against cheating and deception of consumers (Palestine Standards Institution, 2021). The label is approved after a detailed review by the Palestine Standards Institution and technical regulations to ensure it includes all essential information that must be written, pained, inscribed, affixed, or attached to the products or its packaging for all kinds of products; food, chemicals, construction materials and many others (Palestine Standards Institution, 2021). Afterwards, the applicant for this label will follow up with the concerned parties, Ministry of National Economy and/or Ministry of Health. This label will ensure that the product meets the principles and objectives of the international governments and parties to which Palestinian firms export.

According to the 'Palestinian Investment Promotion Agency-PIPA' (2021), the common shipping marks include the importer's identity, the number of the packing case, the port of destination, gross and net weights, exterior case measurements, the country-of-origin, and cautionary marks if cautious handling is required (Elnamrouty, 2019; PIPA, 2021). However, the regulations governing shipping marks may differ depending on the country of destination. Food, medicines and cosmetics, textiles and clothes are often subject to strict regulations (PIPA, 2021). The importer provides label information in accordance with the regulations of the destination country (Elnamrouty, 2019).

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### 4.4 Palestine's Industrial Sectors

According to Hoffman (1968) industries are classified into two broad groups: 1) light industries, included basic consumer goods, such as food, beverages, tobacco, textiles, clothes, leather, and wood products (involving furniture, printing and publication, rubber products and plastic), and 2) heavy industries, included developed consumer goods, industrial and capital industries (such as paper products, industrial chemicals, oil refineries, coal, metal products, and equipment) (UNIDO "United Nations Industrial Development Organisation,", 1983; Kirkpatrick, Lee and Nixson, 1984). It has been proven that the industrial sector in emerging and less developed countries is focused on light industries (Kirkpatrick, Lee and Nixson, 1984, p. 17). Furthermore, the nature of the Palestinian market is comprised predominantly of light industries (PCBS "Palestine Central Bureau of Statistics", 1994, 2000, 2009; Palestine Economic Policy Research Institute (MAS), PCBS and Palestinian Monetary Authority, 2017). This is explained by the relationship between increase in income and industrial progress as contributors to heavy industries. Consequently, the portion of manufacturing in heavy industries is considered minimal in Palestine, reflecting the weakness of the industrial base there (PCBS "Palestine Central Bureau of Statistics" 2000; Makhool et al., 2005). Palestine has been engaged in the following industries; as evident from the most recent report by the Palestinian Central Bureau of Statistics (2017), light manufacturing, wholesale and retail trade, and other service activities. An important economic activity in Palestine is the footwear and leather sector with a clearly defined export strategy (PalTrade "Palestine Trade Center", 2014).

Consequently, the Palestinian Trade Centre has identified eight industrial sectors that impacted the Palestinian economy, which included the stone and marble sector, food processing sector, pharmaceutical sector, leather and shoes sector, textiles and garments sector, handicrafts sector, tourism sector, and information and communication technology sector (PalTrade "Palestine Trade Center", 2015). While in the year 2019, 'The Palestinian Central Bureau of Statistics' identified four main sectors of the Palestinian economy. The most important sector was the agricultural sector, followed by the industrial sector (which included the manufacturing sector), the service sector, and the construction sector (PCBS 2019). The stone and marble sector is another sector that has been considered a catalyst in Palestine's economic growth (PalTrade "Palestine Trade Center", 2015).

ISIC	E Economic Activity	Employment Size Group						
		+100	50-99	20-49	10-19	5-9	1-4	Tot
В	Mining and quarrying	0	3	10	45	147	115	32
С	Manufacturing	29	78	430	1,032	2,721	14,835	19,12
D	Electricity, gas, steam and air conditioning supply	11	4	10	6	9	45	٤
Е	Water supply; sewerage, waste management and remediation activities	1	0	2	9	34	257	3
F	Construction	8	11	62	108	183	474	8
G	Wholesale and retail trade; repair of motor vehicles and motorcycles	14	39	242	677	3,194	76,394	80,5
Н	Transportation and storage	0	7	77	181	302	701	1,2
Ι	Accommodation and food service activities	4	26	107	270		7,026	
J	Information and communication	11	21	54	102			
K	Financial and insurance activities	20	10	73	183	219	834	
L	Real estate activities	0	1	10	15	33	349	4
М	Professional, scientific and technical activities	1	3	38	122	506	4,208	4,8
N	Administrative and support service activities	4	6	23	31	126	1,776	1,9
0	Public administration and defence; compulsory social security	1	0	5	10	6	24	
Р	Education	24	44	233	468	1,168	2,156	4,0
Q	Human health and social work activities	32	24	116	237	406	5,223	6,0
R	Arts, entertainment and recreation	0	2	28	123			
S	Other service activities	1	15	104	210	554	12,715	13,5
Τ	Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	0	0	0	0	0	1	
U	Activities of extraterritorial organizations and bodies	4	3	7	10	15	27	
	Not stated	0	0	0	0	3	45	
	Total	165	297	1,631	3,839	10,847	130,087	146,8

Table 4-1 Number of Operating Establishments\* in Palestine by Main Economic Activity

Source: Palestinian Central Bureau of Statistics, 2017. Establishment Census 2012, Main Findings.

### 4.4.1 Light Manufacturing Sector

Palestine has a market for handmade products, among other light manufactured products (Office of the Quartet Representative, 2011, 2014). According to the UNCTAD report (2017), the industrial and light manufacturing sector have greater scope for realizing economies of scale and expanding employment because of their export capacity. According to the Office of the Quartet Representative (2014), the light manufacturing sector, includes lifestyle products such as, embroidery, clothing, hand-made products, soap, pharmaceuticals, furniture, leather and shoe, and clothing and textile . This sector is felt to present great international opportunities due to the untapped strengths conducive to growth within this area evident through bilateral agreements with large markets, high level of education and trainable skills, and strategic geographical location (including proximity to Egypt, Jordan, Turkey and Israel) (The Portland Trust, 2013). Furthermore, the most competitive product sectors between 2008 and 2010 were: 1) olive oil, 2) stone and marble, 3) furniture, 4) footwear, 5) leather, 6) food, and 7) pharmaceuticals, all of which raised their 'Revealed Comparative Advantage' Standard between 2002 and 2004 (PalTrade "Palestine Trade Center", 2014).

The regulatory environment, administrative processes and documentation, infrastructure bottlenecks, certification prices, internet connectivity, and the cost of support services are all considered constraints that might have an impact on transaction costs and export competitiveness in Palestine (PalTrade "Palestine Trade Center", 2014). In addition, there are barriers to growth for the light manufacturing sector such as, sub-optimal productive facilities, limited electricity, limited manufacturing expertise and marketing efforts, unpredictable import and export processes, limited innovation and no brand image (with few exceptions) (The Portland Trust, 2013). As a result, a National Export Strategy comprised of cross-sector functional strategies targeting areas such as access to financing, trade information, quality management, trade facilitation and logistics, national marketing and branding, and export skill development has been proposed (PalTrade "Palestine Trade Center", 2014).

It has been stated in the Portland Trust Report (2013) that branding is an important issue that should receive more attention to create positive perceptions of quality and reliability that are likely to open new markets for Palestine's exports (The Portland Trust, 2013). It has been proposed that enterprises participating in international projects will learn how to enhance their marketing, product offering, knowledge of customer needs, and finding new clients and business partners, laying the groundwork for future business success (PalTrade "Palestine Trade Center", 2014).

The quality infrastructure in the State of Palestine has a number of gaps that must be resolved in order for exporting firms to obtain enough assistance in order to supply quality products to external markets (PalTrade "Palestine Trade Center", 2014). To start with, international accreditation must be in accordance with key target markets such as GAFTA nations, the United States, and Europe (PalTrade "Palestine Trade Center", 2014). Having accredited labs is insufficient to assure product quality (PalTrade "Palestine Trade Center", 2014). A solid quality infrastructure necessitates the use of competent experts to conduct quality checks, as well as the need to effectively disseminate information about quality standards and certificates to businesses (PalTrade "Palestine Trade Center", 2014). Furthermore, there is a critical need for efficient and coordinated institutions capable of providing quality management assistance, producer and business training, and product testing and controls, as well as technical support (PalTrade "Palestine Trade Center", 2014).

In accordance with the suggestions of the trade support bodies that were interviewed in this research (phase-1 interviews), the sector that will be further investigated for the aim of this research and based on its expansion potential is the light manufacturing sector; the leather and shoes, handicrafts and handcrafts, and pharmaceuticals companies.

#### 4.4.1.1 Handmade products

The Palestinian oriental handcrafts sector includes embroidery work, pottery-making, soap-making, glassmaking, weaving, and olivewood and Mother of Pearl carvings, among others. Handcraft and handicraft are used interchangeably, the main difference between them is that handicrafts require skill of hand (PalTrade "Palestine Trade Center", 2015). Considering the skills, experiences and resources available in Palestine, this sector offers a variety of unique and authentic products (PalTrade "Palestine Trade Center", 2015), The handmade/handicraft sector in Palestine has been producing mostly "olive wood (covers 35%), stone and mosaics (22%), embroidery (17%), ceramic (12%) and the rest of the silver, candles, carpets, bamboo and others (14%). These products are sold domestically and internationally (PalTrade "Palestine Trade Center", 2015). The handcrafts sector is growing internationally, it is exporting products to the Israeli market, Europe, United States of America and Arab countries. Exports increase during various religious holidays and in the summertime (PalTrade "Palestine Trade Center", 2015)

#### 4.4.1.2 Leather and Shoe

The Palestinian shoe and leather business has been around for a while, and is considered a significant and well-established industry (PalTrade "Palestine Trade Center", 2015). This sector thrived in the 1970s, but after the year 2000, overseas imports, particularly from China, significantly hindered future development, reducing investment in this sector from \$220 million to \$70 million (PalTrade "Palestine Trade Center", 2015). To protect local craftsmen and reduce unemployment, the Palestinian Ministry of National Economy explored protectionist measures before settling on an innovative option in Palestine, which was the cluster method (AFD, 2018). The clustering of small enterprises meant that these leather and shoe businesses could obtain economies of scale (for example, cooperative purchase of raw materials) and gain access to markets they would not have been able to win over on their own (AFD, 2018).

The Leather and Shoe Cluster was founded in 2013 with a core group of 18 SMEs from the leather and shoe value chain in Hebron (HLSC, 2021). Since then, the cluster has grown to include over 80 active members representing the whole value chain including tanneries, chemicals suppliers, accessories suppliers, designers, mould makers, sole makers and last makers shoes, manufacturers, and retailers (HLSC, 2021). Following a lengthy and efficient diagnostic research, the Hebron Leather and Shoe Cluster plan is being developed utilising a bottom-up participatory approach (HLSC, 2021). In 2017, the Palestinian Hebron Leather and Shoe Cluster became a member of ' The next society ' Cluster Booster Track (HLSC, 2021). 'The next society' is an open community of changemakers, entrepreneurs, investors, corporations, non-governmental organisations (NGOs), public and private innovation, research, and economic development hubs from Europe and seven Mediterranean countries: Algeria, Egypt, Jordan, Lebanon, Morocco, Palestine, and Tunisia (The next society, 20220). The mission of 'The next society' is to mobilise, promote, and strengthen innovation ecosystems and economic growth in the MENA area (The next society, 2022).

This sector is mostly engaged in leather tanning (10.6%) and footwear production (89.4%) (PalTrade "Palestine Trade Center", 2015). The production of footwear is mostly concentrated in Hebron, although it is also present in Bethlehem and Nablus (PalTrade "Palestine Trade Center", 2015). There are currently over 200 businesses and 12 tanneries in this industry, employing approximately 3,000 people (PalTrade "Palestine Trade Center", 2015). Despite the fact that the sector's manufacturing capacity is over 13 million pairs, less than 20% of it is actually used. Products are exported directly to the UAE, KSA, Qatar, Jordan, Turkey, Germany, and Belgium, and indirectly (through Israel) to Canada and the EU (PalTrade "Palestine Trade Center", 2015).

According to 'The State of Palestine National Export Strategy' (2014), that has been developed by the International Trade Centre, Ministry of National Economy, Palestine Trade Centre, with the assistance of the EU, there is a plentiful supply of skilled company managers in the industry; the main challenge is ensuring that they are effectively

employed (PalTrade "Palestine Trade Center", 2014). The issue is that the majority of Palestinian footwear and leather industries are modest, family-owned businesses controlled and operated by close relatives (PalTrade "Palestine Trade Center", 2014). These businesses are often reluctant to recruit external managers, which causes them to reject best practices in areas ranging from operational and financial management to strategic goal development (PalTrade "Palestine Trade Center", 2014). Furthermore, Palestinian leather and shoe sector often demonstrates low levels of engagement in national and international trade events, which affects the flow and sharing of best practises and innovative business models across the sector (PalTrade "Palestine Trade Center", 2014). This impacts the design quality of the Palestinian footwear and leather business. Palestinian designers have high-quality talents when it comes to handcrafted designs, but many lack the knowledge to use advanced design software to compete on international standards (PalTrade "Palestine Trade Center", 2014). Due to poor

awareness and financial viability, the industry also has relatively few ties with foreign peers in the design profession (PalTrade "Palestine Trade Center", 2014).

### 4.4.1.3 Pharmaceuticals

In terms of innovation and development, the Palestinian pharmaceutical industry stands apart from the rest of the economy (PalTrade "Palestine Trade Center", 2015). This industry primarily serves the local market, where 1,118 registered and Palestinian-made pharmaceutical products account for 45 percent of the Palestinian pharmaceutical market (PalTrade "Palestine Trade Center", 2015). This industry supplies a variety of items to the local Palestinian market that are tailored to people's common demands in terms of pharmaceutical products (PalTrade "Palestine Trade Center", 2015). However, because these items are mainly generic, they result in homogeneous manufacturing lines, causing inter-industry competition and restricting the sector's development and innovation (PalTrade "Palestine Trade Center", 2015). This limits the industry from experiencing considerable economic growth by limiting possible investments, R&D opportunities, and the use of economies of scale (PalTrade "Palestine Trade Center", 2015). In order to focus on product quality, the sector committed more than \$30 million to achieve Good Manufacturing Practices (GMP) requirements (PalTrade "Palestine Trade Center", 2015). As a result, all Palestinian pharmaceutical factories adhere to GMP standards and are ISO 9000 and ISO 14000 certified, and over 1,000 items are created and registered with the Palestinian Ministry of Health (PalTrade "Palestine Trade Center", 2015). Palestinian pharmaceuticals are considered important manufacturing exports (PalTrade "Palestine Trade Center", 2015). Palestine Trade Center", 2015). They are mostly exported directly to Israel, 66 % of the sector's exports (\$6.4 million). While the remaining exports are directed to overseas markets such as Poland, Algeria, Malta, and Jordan, among others, and account for 34% of overall pharmaceutical exports (PalTrade "Palestine Trade Center", 2015). Internationally, Palestine is ranked as the world's 90th largest pharmaceutical exporter (PalTrade "Palestine Trade Center", 2014, 2015).

### 4.5 Palestine's Business Environment and SMEs

The specific economic and political realities of Palestine have an impact on the business climate. As a result of this condition, the adoption of commonly used business climate development tools, advice, and working methodologies need significant changes or altogether different approaches (OECD, 2019). Generally, Palestine suffers from a lack of business culture, which as a result limits business practices and restricts an organization's ability to handle operational and strategic goals (PalTrade "Palestine Trade Center", 2014; Spear, 2018; Fanack, 2020). The Palestinian Authority has responsibility and control over legal and civil matters in the areas of the West Bank and Gaza Strip that fall under its full authority (*Country Reports - Palestinian Territory, Occupied.*, 2019). Consequently, the Palestinian Authority controls business areas related to taxation, trade, industry, banking, commercial and corporate transactions, and the judiciary (*Country Reports - Palestinian Territory, Occupied.*, 2019). The role of the Palestinian authorities and their agencies, in particular the Palestinian Investment Promotion Agency, is key in communication and image-building, with a view to influence and change the perceptions on the business climate, despite the local political conditions (OECD, 2019).

The political context in Palestine results in low levels of local and international investor trust, unstable markets, low productivity, a lack of employment and entrepreneurial opportunities, and external assistance focused only on humanitarian needs (OECD, 2019). Concurrently, the Palestinian economy benefits from active private sector associations, an energetic entrepreneurship ecosystem, a promising diaspora eager to invest if conditions improve, and emerging initiatives to improve the business climate, such as a proposal companies' law and a registry of moveable assets underpinned by a secured transactions law (OECD, 2019). In this vulnerable situation, adaptable and consensus-based tactics, policies, tools, and guidance are required to carry the structural business agenda forward (The World Bank, 2012; OECD, 2019).

#### 4.5.1 Palestinian SMEs

The term SME refers to a wide range of firms in emerging nations, from a modest shop selling handicrafts to a sophisticated engineering corporation selling in international markets (Fischer and Reuber, 2003; Hashim, 2015). The Palestinian economy is driven by micro, small, and medium-sized enterprises (SMEs) and entrepreneurs, however they face greater challenges than their worldwide counterparts (OECD, 2019). Data provided by the PCBS 'Palestine Central Bureau of Statistics' (2017) states that the dominance of the Palestinian private sector constitutes mostly SMEs, which comprised a consistent 90% of the total number of registered operating establishments in the Palestinian territories in the years 1994, 1997, until the end of 2004. Data published by the PCBS 'Palestine Central Bureau of Statistics' (2013) indicate that the number of SMEs operating in the remaining West Bank and Gaza Strip reached 131,366 firms in 2012. More recent statistics by the PCBS 'Palestine Central Bureau of Statistics' (2017) presented in Table 4-2, noted that the number of SMEs has escalated to constitute 99.7% of the economy. These figures represent the significance of SMEs in Palestine, among other developing economies. In both developed and developing nations, SMEs is often regarded as a significant engine of economic development, innovation, and job creation (Dehbokry and Chew, 2015; Dubihlela and Dhurup, 2015; Ramadan and bin Ahmad, 2017). SMEs have a key role in stimulating gross domestic product (GDP); according to the annual report of the Palestine Investment Fund (PIF) in 2014, the contribution of Palestinian SMEs to GDP is 55% (Palestine Investment Fund, 2014), SMEs in Palestine have been defined as an enterprise

operating with lesser than 50 employees and have an operating surplus of at least \$5000, while firms' ineligible for a bank loan of over \$10,000 are excluded from the SMEs sector (Makhool et al., 2005). A more recent 'official' definition of SMEs by the Palestinian Authority has been introduced by the Ministry of National Economy and approved by the cabinet in 2011 (see Table 4-2), which has also been accepted by the Palestinian Investment Promotion Agency (PIPA), the Palestinian Monetary Authority (PMA), the Prime Minister Office, the Palestinian Central Bureau of Statistics, the banking association and private sector organisations (OECD/European Union/ETF, 2018; OECD, 2021).

Criterion	Місго	Small	Medium
Employment criterion	1-4 employees	5-9 employees	10-19 employees
Financial	Annual turnover ≤	Annual turnover ≤	Annual turnover ≤
criterion	USD 20 000	USD 200 000	USD 500 000
	Paid-up capital ≤	Paid-up capital ≤	Paid-up capital ≤
	USD 5 000	USD 50 000	USD 100 000

Table 4-2 SME de	efinition by the Cabinet

Source: SME Definition by the Palestinian Authority (OECD/European Union/ETF, 2018).

The fundamental issue challenging SMEs in such economies is their social isolation, which makes it more difficult for them to enter new and current markets, as well as acquire information, financial, and institutional assistance (Swierczek and Ha, 2003). Internal and/or external factors, psychological traits of entrepreneurs, financial challenges, capitalization, marketing and branding, technological advancement, social networking, government policy issues, and firm management and family issues could all be factors preventing SMEs from reaching their full potential (Chowdhury, Alam and Arif., 2013).

The economic development agenda in Palestine is marked by a tough and an unstable climate, particularly given recurring instability, fragmented markets, and a significant reliance on foreign funding (OECD/European Union/ETF, 2018; OECD, 2021). Following the 1993 Oslo Agreement, Palestine has developed direct and exclusive competence in a variety of areas relating to the broader business environment and enterprise development agenda, such as SME policy, business rules, access to financing, innovation, entrepreneurship education and training (OECD/European Union/ETF, 2018; OECD, 2021).

SMEs frequently face several challenges in their attempts to access the global market because of their restricted size and resources (Coviello and McAuley, 1999; Lu and Beamish, 2001). At the international level, SMEs experience constraints on their skills, expertise and experience, exposing them to a range of problems such as the existence of bigger enterprises, fierce competition, high barriers to entry, and power imbalances in value chains (Hashim, 2015). According to Johanson and Vahlne (1977, 1990), SMEs from developing nations encounter challenges in internationalising and gaining presence in the international market due to a lack of market and product expertise as well as cultural differences. It has been observed that most SMEs in emerging countries operate along traditional lines in production and marketing (Sheth, 2011). Nevertheless, the main problem challenging SMEs in such economies is not their small size but their isolation as an entity from their society, which makes it more difficult to enter new and existing markets, as well as to receive informative, financial and institutional support (Swierczek and Ha, 2003).

Palestinian SMEs face restrictions in terms of trade, regional development, and other civilian activities (OECD/European Union/ETF, 2018; OECD, 2021). A study by Ramadan and Bin Ahmad (2017), explains the challenges facing Palestinian SMEs, which are divided into three areas. The first area is the internal challenges confronting

companies, which can include lack of attention to the marketing department (Sheth, 2011; Ramadan and bin Ahmad, 2017; Mousa, Sági and Zéman, 2021). Most business owners in Palestine did not employ marketing tools or have a strong understanding of the value of marketing (Ramadan and bin Ahmad, 2017). Other internal challenges concern manufacturing and productivity, such as low product quality and excessive production costs as compared to imported goods (Hamid et al., 2009; Jalad, 2009).

Due to Israeli regulations, Palestinian shippers face additional direct and indirect charges, raising transaction costs and, as a result, the final cost of manufacturing and distribution (Beck, Demirgüç-Kunt and Martinez Peria, 2008; Elagraa, Jamal and Elkhafif, 2014). The competitiveness of Palestinian exportable and importable items in both the local and global markets declines, while the cost of imported inputs and consumer goods rises (Elagraa, Jamal and Elkhafif, 2014). In addition, there is a concern connected to competitiveness, where the majority of enterprises suffer from low competitiveness, which is why they continue to employ outdated methods and machinery in their manufacturing processes (Kiswani, 2016; Ramadan and bin Ahmad, 2017). Another internal challenge that was observed by Ramadan and Bin Ahmad (2017) and also previously supported by Hamed et al. (2009) and Abdelkarim (2010), is the insufficient finance for most enterprises to develop and expand their activities, thus most firms agreed on the necessity for external financing. In 2018, nearly two-thirds of Palestinian SMEs needed external financing to develop and grow their activities (Palestine Economic Policy Research Institute (MAS), PCBS and Palestinian Monetary Authority, 2017). According to a local Palestinian investor, "Our SMEs need to be able to raise capital, come together, and access markets abroad" (The Portland Trust, 2013, p. 73). According to the Portland Trust Report, access to capital can be achieved by offering flexible bank loans, a grant facility established by a consortium of donors or a direct lease-to own financing schemes (The Portland Trust, 2013; Office of the Quartet Representative, 2014; Technical Progress Report, 2020).

The second topic of discussion around challenges facing Palestinian SMEs is external challenges, which highlighted the poor support offered by Palestinian government authorities to businesses (Ramadan and bin Ahmad, 2017). Elmusa and El-Jaafari (1995) argued that the extent to which Palestinians can take advantage of opportunities and mitigate political constraints depends on Palestine's government's ability to coordinate activities between Palestine's national institutions and businesses, as well as their capability to formulate proper policies to support trade relations. Furthermore, Palestinian companies and sellers claim that they lack direct face-to-face contact with the relevant employees at West Bank commercial crossing sites. As a result, resolving inevitable disagreements becomes more challenging (Elagraa, Jamal and Elkhafif, 2014).

The final and third challenge discussed is the Israeli policies towards Palestinian companies, which included political, economic, and social restrictions that hindered the companies' expansion potential and affected their trade relations (Rantisi, 2016). Due to occupation, Palestine lacks control over its seaport and borders, which makes it become reliant on other nations' transport and port capabilities, particularly those of Israel, to reach worldwide markets (Elagraa, Jamal and Elkhafif, 2014). The situation of Palestine is more challenging because of the closure policy and complex restrictions on Palestinian people and goods mobility. As a result, Palestinian businessmen' access to the world market has become increasingly dependent on political developments, and Palestinian trade patterns are mostly controlled by the constraints imposed by occupation rather than comparative advantages (Elagraa, Jamal and Elkhafif, 2014). An option to alleviate the effects of occupation has been recommended by Elagraa, Jamal and Elkhafif (2014), and that is to seek and employ donor help. However, Tartir (2012), among other researchers (Roy, 1999; Khalidi and Samour, 2011; Barghouti, 2012; Tartir and Wildeman, 2012) felt that aid failed the economic development of Palestine.

Palestine's business environment involves strengths and weaknesses that have been suggested by the (*Country Reports - Palestinian Territory, Occupied.*, 2019). Table 4-3

describes some of the main strengths and weaknesses within the Palestinian business context.

Strengths	Weaknesses	
The Palestinian Authority is committed to establishing a liberal environment for foreign investment with support from international donors.	The Palestinian Authority suffers from a fragmented legal system that is the result of the multiple historical jurisdictional influences on the West Bank and Gaza Strip.	
The Palestinian Authority has sought to reform the tax system and has reduced the tax burden on individuals.	In addition to periodic crises in the territory, border closures, a weak infrastructure, corruption, and complex bureaucracy present major operational obstacles to business.	
	Due to frequent Egyptian and Israeli border closures, as well as continuing restrictions on the transport of Palestinian goods, obstructions to the free flow of goods remain.	
	Expropriation risks are high in the West Bank as a result of Israeli land seizures.	

Table 4-3 Strengths and Weaknesses of the Palestinian Business context

Source: HIS Markit, Country Reports - Palestinian Territory, Occupied. (2019)

From what has been described in the Table 4-3 above, the Palestinian business context is committed to establishing a liberal environment for foreign investment supported by international donors, which is perceived as an advantage for businesses (*Country Reports - Palestinian Territory, Occupied.*, 2019). The tax system is another strength considered for businesses because it is being reduced. Furthermore, the country report (2019) illustrated in the table above, explains that the Palestinian Authority suffers from a fragmented legal system, as well as political issues affecting business operations. Palestine's business activity is severely obstructed by Israeli border closures, weak infrastructure, and complex bureaucracy (IMF International Monetary Fund, 2018). Palestinians lack of control over borders due to political restrictions made the movement of goods across borders more difficult, which is a weakness for Palestinian businesses (*Country Reports - Palestinian Territory, Occupied.*, 2019). Such restrictions also

presented high risks for the Palestinian market due to the unstable environment and sudden seizures ("Country Reports - Palestinian Territory, Occupied.," 2019).

#### 4.5.2 Family Business and Succession Issues

As earlier indicated, Palestinian SMEs experience internal and/or external challenges (Chowdhury, Alam and Arif., 2013; Ramadan and bin Ahmad, 2017). A key issue that has not been addressed yet is the management of firms and family succession issues (Ramadani et al., 2017). Family business are a major contributor to the economy worldwide (Znaid and Anastas, 2016). Family business is considered important in developing and developed economies due to the fact that it forms most of the private sector (Znaid and Anastas, 2016). The Palestinian private sector, which is about 97% of the national operating establishments in the West Bank and Gaza Strip (PCBS, 2019), is mainly family business and it applies to the commercial industrial, agricultural and service sector (Samir and Abuznaid, 2014). Institutional context reflected in firm ownership plays an important role in internationalisation (Casanova, 2009; Fleury and Fleury, 2011). Significantly, family owned businesses in emerging economies choose to grow either through domestic product diversification or through international expansion (Cuervo-Cazurra and Dau, 2009; Dau, 2013). Family businesses in the West Bank are responsible for most of the country's exports (The Portland Trust, 2013; Samir and Abuznaid, 2014). Palestine's small family businesses (Samir and Abuznaid, 2014) play a pioneering role in the national economic development by protecting against the spread of unemployment resulting from the deteriorating political condition (Abuznaid, Doole and Stokell, 1999). Individuals are attracted to work in family firms and be their own boss rather than work in corporations (Scarborough and Cornwall, 2014).

Ramadani et al. (2017) argued that the issue of succession is a challenge facing family businesses in the long term. Generation change process can be difficult and often face resistance from older generations, but continuity is necessary to keep a family business going (Ramadani et al., 2017). This is why it is important to prepare and foresee the key

aspects of leadership, regulation and business adjustment in case of a sudden change such as death (Hnátek, 2013; Znaid and Anastas, 2016; Ramadani et al., 2017). The purpose of the transfer of control and responsibility of the family business is to ensure the success of the business in the future, and be independent of the outgoing chief executive (Ramadani et al., 2017). To achieve a successful succession plan the older generation should be open to change, bringing in new ideas, and recruiting new non-family members to the family business to maintain professionalism and bring in new innovative skills to assist the family business in developing and growing internationally (Znaid and Anastas, 2016). The family business mechanism and the entrepreneurial drivers are complementary in real life (Znaid and Anastas, 2016). In other words, every family business is based on an entrepreneurial vision (Jose C. Casillas and and Jose L. Barbero, 2010).

#### 4.5.3 Networking and Palestinians in the Diaspora

Networking assets are seen as part of a firm's specific advantages and are essential in the internationalisation process of enterprises originating in emerging economies (Hertenstein, Sutherland and Anderson, 2015). Such social networks can be supported by government contacts and sponsorship, which are considered as crucial in the internationalisation of multinational corporations originating in emerging nations (Moran, Abramson and Moran, 2014; Hertenstein, Sutherland and Anderson, 2015).

According to Johanson and Mattsson's (1988) network theory, companies' networks allow fast internationalisation. Johanson and Mattsson (1988) suggested that all enterprises in a market are regarded to have ties in one or more networks with their suppliers, subcontractors, consumers, and other market players. Emerson (1981) described a network as a collection of two or more connected business ties, with each exchange interaction considered as a collective actor between business enterprises. Business internationalisation is perceived as a natural continuation from network collaborations with foreign persons and enterprises (Johanson and Mattson, 1988). As a result, when

there are no links with the host nation, networking is a source of market information and expertise that is gathered through time. As a consequence, SMEs may leverage their network to establish confidence with clients, meet partners, and become acquainted with regulatory and governmental bodies in the worldwide market (Paul, 2020).

According to Qi and Chau (2018), networks allow enterprises to learn directly or indirectly from network members, and by employing this information, SMEs are more likely to simplify their operations in order to grasp international cultures that are significant in global operations. Participation in exhibitions and conferences is considered a network opportunity (Kontinen and Ojala, 2011). Contacts made at international fairs and exhibits proved to be a useful source of information and opportunity (Kontinen and Ojala, 2011). Such significant encounters resulted in "not only the diffusion of innovations, but also the diffusion of any ideas or information" (Granovetter, 1983, p. 214) on new market and product trends, technology and production development, and insight into new international business opportunities, as well as exposure and direct interaction with potential new foreign clients.

Diaspora networks emerged as a result of the reality of human movement and how it operates as a process, with the same networks likely to act as networks for companies seeking internationalisation (Sirkeci and Zeren, 2018). Diaspora communities frequently welcome a small number of entrepreneurs as well as significant customer groups (Sirkeci and Zeren, 2018). This is potentially crucial for the significant ethnic economy, which offers housing, jobs, and assistance to immigrants as they settle and advance in their goals (Liu, 2017; Seo and Skelton, 2017; Liu, Luo and Cui, 2018). Diasporas are viewed as important strategic partners due to their economic activities, such as trade, business, and investment, that benefit both their country-of-origin and the country in which they live (Country of Residency) (Sirkeci and Zeren, 2018). According to Faist (2010), most definitions of diaspora rely on a mixture of similar qualities, the first of which is being scattered or having migrated. The second feature is the existence of cross-border ties with a fictive or genuine motherland. Homeland is seen as a source of loyalty, worth, and

identity (Brubaker, 2005). Diasporas give to the country with the assistance of this consciousness and solidarity among diasporas (Safran, 1991). These linkages are of a multinational character, including economy, society, and politics (Vertovec, 1999). The final feature is integration with the country of residency (Brubaker, 2005).

Diasporas provide benefits by merely lowering the psychological distance between the country-of-origin and country of residency via the establishment and maintenance of relationships (Sirkeci and Zeren, 2018). Diasporas are considered important financial sources, as well as sources of commerce, foreign investment, and tourism, all of which benefit development in both the country of residency and country-of-origin (Nijkamp, Poot and Sahin, 2012). Their experience, talents, and social networks also reduce transaction costs and potential information conflicts between country-of-origin and country of residency (Hatzigeorgiou, 2010). Education strengthens these links and potentials, since highly skilled individuals are recognised for their contributions to technology transfer and capacity building (Saxenian 2007; Lin 2010). Diasporas aim to promote the culture, goods, and services of the country-of-origin to the host nation, therefore improving the country-of-origin's image in the country of residency (Chand, 2010; Chand and Tung, 2011). The diaspora's relationships with the country-of-origin, together with pre-existing commitments and affiliations, provide solid basis for countryof-origin firms to enter markets in advanced economies (Sirkeci and Zeren, 2018). The existence of diaspora entrepreneurs enhances these opportunities because they have expertise, experience, and access to information in both the country-of-origin and country of residency (Ojo, 2013). As a result, they have an edge over others in the market and are more likely to recognise distinct prospects (e.g. bringing new products or brands from country-of-origin to country of residency and vice a versa).

Globally, there is a significant sense of solidarity among Palestinians living under occupation and in the diaspora (Farah, 2009). For Palestinians, diaspora is defined by Faida Abu-Ghazalaeh as "exile or alienation from their people, society, and territory" (Abu-Ghazaleh, 2011, p. 90). The occupation and uprisings transformed ethnic and

national identities into some of the most recognizable modern-day initiatives in support of Palestinians both under occupation and in exile (BDS "Boycott Divestment Sanctions," 2020). The effect of Palestinians in the diaspora, particularly Palestinian women in the diaspora, is critical for current and future Palestinian political organisations (Abdulhadi, 1998; Lamberti, 2020). Palestinian political agency has shown to be effective in various social and political movements (BDS "Boycott Divestment Sanctions," 2020). Such movements have reshaped the international narrative of Palestinian identity and are partially attributed to the Palestinian Diaspora (Farah, 2009). In the Gulf, new communities of middle- and upper-class Palestinians emerged, most notably in Kuwait, Saudi Arabia, the United Arab Emirates, and Qatar (Labadi, 2018). They represented the diaspora's new entrepreneurial, but also political and cultural, elite (Labadi, 2018)

# 4.6 Chapter Summary

This chapter investigates the environment in Palestine that affected SMEs performance and international activity. The Palestinian economy is a unique economy that functions in a context that presents different internal and foreign challenges affecting the speed of its development (The World Bank, 2016). The political environment is perceived as the most significant impediment to economic growth (The Portland Trust, 2013; Technical Progress Report, 2020). It has been suggested by Song (2017) that an increased political instability and social division of a country can negatively impact the nation's brands. However, there have been regional integration initiatives among developing countries that have had some economic success (UNCTAD, 2012).

The use of a "cluster approach" is assumed to encourage firm links, resulting in collective efficiency and increased competitiveness (Porter, 1990; Monitor Company, 1995; Department of Trade and Industry, 1997; Daddi, Testa and Iraldo, 2010). This approach allows for a product-improvement strategy that will be promoted to target industries, and can be used to determine which industries will support the existing economic base of the country (Desrochers and Sautet, 2004; Bergman and Feser, 2020). There is growing consensus that clustering might assist businesses in overcoming expansion limits and

competing in emerging markets (do Canto Cavalheiro and Brandao, 2017; Sadat Saadatyar et al., 2020). Many of the cluster studies, however, have concentrated on the supporting role of government and public agencies in cluster performance (e.g.,(Richardson, 2013; Kamran et al., 2017).

An important topic that was discussed due to its crucial role in Palestine's development agenda is donation and aid assistance (UNCTAD, 2016, 2017). In the Palestinian context, the link between aid and development is particularly complex (Drelichman, 2003; Shoukair, 2013; Wildeman and Tartir, 2014). The impact of foreign aid on growth caused an ongoing debate underlying positive and negative correlations (Burnside and Dollar, 2004; Levy, 2007; Rajan and Subramanian, 2008, 2011). Some authors felt that donations can present Palestine with a regression in some sectors (Drelichman, 2003; Shoukair, 2013). Despite the massive amount of aid that has poured into the Palestinian economy, ordinary Palestinians continue to lack fundamental economic rights and, more importantly, personal security from violence (Tartir, 2012). In the case of Palestine most aid was due to empathy (Khalidi and Samour, 2011; Barghouti, 2012; Tartir and Wildeman, 2012). According to Booth and Wheeler (2008), empathy is neither good nor harmful because it may be utilised to understand the struggle of others in order to help them or to control them.

According to the UNCTAD report (UNCTAD, 2017), the industrial and light manufacturing sector have greater scope for realizing economies of scale and expanding employment because of their export capacity. In accordance with the suggestions of the trade support bodies that were interviewed in this research, the sector that will be further investigated is the light manufacturing sector. An important topic that was addressed in regards to the light manufacturing sector's firms is family business management and associated difficulties with growing family businesses (Ramadani et al., 2017). Family businesses in the West Bank are responsible for most of the country's exports (The Portland Trust, 2013; Samir and Abuznaid, 2014). However, it was argued that family

businesses in Palestine encountered the issue of succession that challenged family businesses in the long term (Ramadani et al., 2017).

Another important topic that was discussed in this chapter is networking with the diasporas. Globally, there has been a significant sense of solidarity among Palestinians living under occupation and in the diaspora (Farah, 2009; Labadi, 2018). Diasporas are viewed as important strategic partners due to their economic activities, such as trade, business, and investment, that benefit both their country-of-origin and the country in which they live (Country of Residency) (Nijkamp, Poot and Sahin, 2012; Sirkeci and Zeren, 2018). It has been suggested that diasporas provide benefits by merely lowering the psychological distance between the country-of-origin and country of residency via the establishment and maintenance of relationships (Sirkeci and Zeren, 2018). As a result of this, diasporas have reshaped the international narrative of Palestinian identity and are partially attributed to the Palestinian Diaspora (Farah, 2009).

Palestine's trade environment experienced delays and instability due to political restrictions that are beyond the businesses control (Elagraa, Jamal and Elkhafif, 2014; OECD/European Union/ETF, 2018). Trading with Israel was a way to help avoid Israeli imposed trade restrictions and guarantee the profit that producers are looking for (UNCTAD, 2017). An understanding of the environment helped explain why the Palestinian economy's reliance on Israel grew stronger, with Israel increasingly being the primary supplier of imports and the primary destination of exports (Elagraa, Jamal and Elkhafif, 2014; Gal and Rock, 2018).

# 5 Research Philosophy and Design

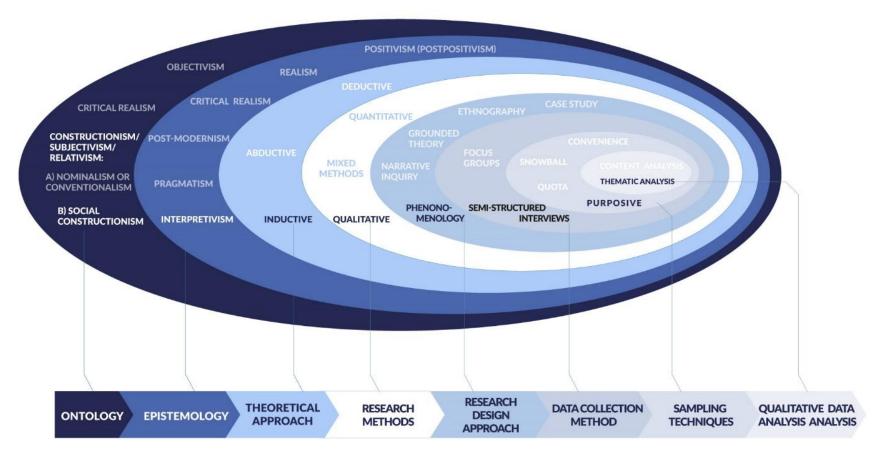
# 5.1 Introduction

The methodology chapter explains what the researcher did to undertake this research, including the justification for the chosen research approach, philosophy, strategy, design, sampling techniques, and data analysis method (section 5.3- 5.7). Sections 5.8 and 5.9 cover research considerations, such as data reliability, validity, and ethical issues. The final part of this chapter reflects on the researcher's process and draws upon the conclusions of this chapter (Sections 5.10 and 5.11).

Due to the limited research conducted on 'Third World Countries' image and its relation to the internationalisation process (Casanova, 2009; Fleury and Fleury, 2011; Fleury et al., 2014; Batsakis and Mohr, 2017), an inductive strategy was applied to conduct qualitative research. Moreover, because there are research limitations within this field, it was considered sensible to apply exploratory research into the problem (Neville, 2005). Therefore, a qualitative approach was applied to examine and understand rather than measure (Zikmund, 2003).

The research onion developed by Saunders (2015) demonstrates several approaches to conducting research. This onion had been modified to better suit the needs of this research (see Figure 5.1 below). Figure 5.1 is a visual summary of the path to a phenomenology approach chosen for this research after a critical evaluation based on constructionism, interpretivism, and an inductive approach.

Figure 5.1 Research Onion



Source: Original, 2021; adapted from Saunders et al., 2015 and Creswell and Creswell, 2018

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# 5.2 The Philosophy of Social Research

Understanding research philosophy is essential, according to Ritchie et al. (2013), it shows the assumptions made about the nature of the social world or reality (ontology) and the nature of knowledge (epistemology). In other words, any research design is supported by a certain research philosophy (Gray, 2004; Wilson, 2014). Acknowledging philosophical issues, according to Easterby-Smith et al (2012) and Wilson (2014), is very useful because it helps to clarify the research design, which includes identifying the type of evidence required, research methods, and techniques that may be used to collect, analyse, and interpret the data.

Sections 5.2.1 and 5.2.2 will clarify this research's philosophical foundations (ontology and epistemology).

### 5.2.1 Ontology

The discipline of philosophy known as ontology is concerned with the nature of reality and existence (Easterby-Smith, Thorpe and Jackson, 2012; Wilson, 2014). Social ontology explains the nature of social entities (Creswell and Miller, 2000). Wilson (2014) states that the basic aim of ontology in social science is to explore whether the world is external to social actors (objective) or produced from the behaviour and perception of the social actors (subjective) (King and Horrocks, 2010; Bryman and Bell, 2015). There are two major ontological positions: objectivism and constructionism.

Objectivism implies that a social phenomenon is treated as an entity independent of social actors (Bryman, 2016). Such a social entity is based on publicly observable and replicable facts (Bernstein, 2008; Letherby, Scott and Williams, 2012; Wilson, 2014; Bryman and Bell, 2015). Moreover, the researched entity represents a social order by applying pressure on individuals to conform to the requirements of the entity (Charmaz, 2008;

Bryman, 2016). Therefore, objectivism asserts a constraining force that controls and inhibits its members (Bryman and Burgess, 1999). Thus, the data is moulded and structured in a kind of theoretical framework offering statistical evidence, using a quantitative approach (Reiss and Sprenger, 2014).

Constructionism is another ontological position; also known as social constructivism, that implies that social phenomena are constantly being created and developed by social actors (Creswell and Miller, 2000; Bryman, 2016), meaning that the researcher is able to present a specific view of social reality through social interaction, rather than one definitive version. Knowledge is constantly reviewed, and a social phenomenon is viewed as socially constructed (Bryman, 2016). Easterby-Smith et al. (2008) used the term "social constructionism", within which interpretivism is a part, to describe the goal of "understanding and explaining why people have varied experiences rather than looking for external causes and fundamental laws to explain behaviour" (Easterby-Smith and Prieto, 2008, p. 30).

Due to the ambiguity of the internationalisation process of light manufacturing companies from a developing country, and the associations linked to Palestine's COO, these actors are treated as social entities that are not external to the researcher. Rather the social entity is constructed and constituted in and through interaction (Bryman, Stephens and Campo, 1996; Bryman, 2016). Such an ontological assumption; constructionism, will feed into how the research evolves.

#### 5.2.2 Epistemology

Epistemology, as defined by Easterby-Smith et al. (2012) and King and Horrocks (2010), is a theory of knowledge that deals with several aspects of knowledge, such as methods, nature, sources, limitations and scope. Epistemology is described as *"what constitutes acceptable knowledge in a field of study"* (Saunders, Lewis and Thornhill, 2016, p. 127). The epistemological issue deals with the question of what is viewed as acceptable

knowledge in a discipline (Bryman, 2016). Different epistemological positions have been adopted in business and management, including positivism, post-positivism and interpretivism (Easterby-Smith, Thorpe and Jackson, 2012; Bryman and Bell, 2015).

Positivism supports the application of natural science methods to the study of social reality and more (Bryman, 2016). In order to ease replication, positivist researchers are inclined to utilize a highly structured methodology (Gill and Johnson, 2010; Bryman, 2016; Creswell and Creswell, 2018).

Positivism and related approaches were judged unhelpful for this project. Instead an interpretivist approach is adopted.

Interpretivist writers share the view that the subject matter of the social sciences; people and institutions, is completely different from what is applied by the natural sciences (Bryman, 2016).

The use of interpretive research in international business is justified, according to Saunders et al. (2016). They claim that an interpretive perspective is particularly suited to business and management research, especially in fields like international marketing (where internationalisation research lies), because business situations are complicated and distinctive (Saunders, Lewis and Thornhill, 2016, p. 141). Furthermore, as Bloomberg and Volpe (2008) argue, the interpretive paradigm captures this complexity by viewing reality as socially produced. Bloomberg and Volpe (2008) emphasize the relevance of the interpretive view's *"process of interaction among individuals"* (p. 9).

Therefore, the interpretive paradigm is the most appropriate for gathering large amounts of data and interpreting the complexities of SMEs' internationalisation operations.

# 5.3 Theoretical Approaches

This section discusses the process of determining which research approach is optimal for understanding the phenomenon being studied (Thornhill, Saunders and Lewis, 2009; Bryman, 2016). Inductive and deductive research methodologies are used to start or organise a study design. Inductive research assumes known premises to generate unproven conclusions, whereas deductive research considers that if the premises are true, the conclusion must be true as well (e.g. (Easterby-Smith, Thorpe and Jackson, 2012; Bryman and Bell, 2015). Abduction, a third approach to theory, was also discovered, in which known premises are utilised to generate testable conclusions (Saunders, Lewis and Thornhill, 2016). Table 5-1 provides an overview of the research approaches.

	Deduction	Induction	Abduction	
Logic	In a deductive inference, when the premises are true, the conclusion must also be true	In an inductive inference, known premises are used to generate untested conclusions	In an abductive inference, known premises are used to generate testable conclusions	
Generalisability	Generalising from the general to the specific	Generalising from the specific to the general	Generalising from the interactions between the specific and the general	
Use of data	Data collection is used to evaluate propositions or hypotheses related to an existing theory	Data collection is used to explore a phenomenon, identify themes and patterns and create a conceptual framework	Data collection is used to explore a phenomenon, identify themes and patterns, locate these in a conceptual framework and test this through subsequent data collection and so forth	
Theory	Theory falsification or verification	Theory generation and building	Theory generation or modification; incorporating existing theory where appropriate, to build new theory or modify existing theory	

Table 5-1 Deduction, induction and abduction: from reason to research

Source: Saunders, Lewis and Thornhill, 2016

Deductive and inductive strategies are better approached as tendencies rather than separate distinctions and are considered as an orientation to the link between theory and research (Bryman, 2016, 2017). Therefore, when theory is already known it is preferable to start with a deductive strategy testing the presented theory (Gray, 2014). While, if theory is not defined and research is needed to generate theory, then inductive strategy is best to start with (Bryman, 2016, 2017; Creswell and Poth, 2018). Moreover, the deductive approach is usually linked with quantitative research, while the inductive approach of relating data and theory is typically associated with qualitative research.

An abductive technique, rather than moving from theory to data (as in deduction) or data to theory (as in induction), swings back and forth, thus integrating deduction and induction (Suddaby, 2006). Abduction begins with the discovery of a "surprising fact," followed by the development of a reasonable theory as to how this could have happened. It may be more acceptable to work inductively when researching a new issue with minimal prior literature while generating data, analysing and thinking about what theoretical themes the facts reveal (Saunders, Lewis and Thornhill, 2016).

#### 5.3.1 An Inductive Approach

An inductive approach was used for this research study since the objective is to create an understanding of important factors that play a role in the process of internationalisation and develop a thematic framework of challenges to internationalisation based on these factors. With an inductive stance, generalizable inferences are drawn out of observations, which result in theory out of research (Bryman, 2016). Furthermore, the author identified the lack of availability of substantial literature suitable for the study on 'Third World Countries' SMEs' and their relationship to the internationalisation process (Casanova, 2009; Fleury and Fleury, 2011; Carneiro and Brenes, 2014; Fleury et al., 2014; Batsakis and Mohr, 2017). This further solidifies the suitability of an inductive approach for this qualitative research. Insofar as it is useful to attach the research approaches to the different research philosophies, the inductive approach links well to phenomenology (Saunders, et al., 2000).

## 5.4 Qualitative Research Strategy

For the purpose of this study, and due to the limited amount of previous research within this field, it is considered sensible to adopt a qualitative approach with an aim of examining and understanding rather than measuring (Zikmund, 2003). Qualitative research employs interviews to examine phenomena and to uncover underlying motivations and desires (Gorman et al., 2005; Bogdan and Biklen, 2007). The method used includes semi-structured interviews, which is considered most appropriate for obtaining a specific type of data (Carson et al., 2001), especially those relating to perceptual behaviour in customary contexts, eliciting positive and negative associations of the country-of-origin concept, and the challenges impacting the internationalisation activity.

According to Bryman and Bell (2015), qualitative methods have a variety of characteristics, including an inductive perspective, an interpretivist epistemological stance, and a constructionist ontological stance. These features have been recognized for this research. When a qualitative approach is utilized, data can be collected, analysed, interpreted, and comprehended from a holistic perspective. This is ideal for research investigating the "whys" and "how's" of organizational management decision-making (Gummesson, 2000; Silverman, 2020). As for quantitative measures and the statistical analyses, they do not fit with the research problem since the necessary interactions among people to capture the phenomena (in relation to the internationalisation process of SMEs from a developing country) are difficult to capture with existing measures (Creswell and Creswell, 2017).

As the emphasis of this research is on the qualitative method, the following sections will further explain and justify the qualitative research design and methodology techniques available to implement qualitative research and achieve the aim and objectives of this research.

## 5.5 Qualitative Design Approach

Research design is the framework for conducting a research project (Saravanavel, 2009; Ríos and del Campo, 2013). In qualitative data analysis, a variety of strategies can be used, and the method used is determined by the researcher's philosophical approach, research design, and setting (Harding and Whitehead, 2013). For this research, an interpretivist approach with a phenomenological philosophy is used, which is explained next.

#### 5.5.1 Phenomenology

Phenomenology, which is part of the interpretive paradigm, is described as a philosophy and a method that aims to understand the meaning of the phenomena from a more subjective viewpoint (Brown and Baker, 2007; Vicars and McKenna, 2014) through the lived experience of those in time of that action or phenomena (Mack, 2010; Creswell, 2014). The purpose of phenomenology, according to Creswell, is to *"reduce individual experiences with a phenomenon to a description of the universal essence"* (Creswell and Poth, 2016, p. 121). The interpretations of Bloomberg and Volpe are similar, with the goal of *"identifying the basic essence of human experience as stated by research participants"* (Bloomberg and Volpe, 2008, p. 11). Vicars and McKenna (2014) clarify that the phenomenological approach and method include investigating a limited number of subjects over a long period of time in order to generate patterns and relationships of meanings, as well as a new understanding of the world's paradigm. Furthermore, according to Easterby-Smith et al. (2012) and Willis et al. (2007), phenomenology frequently employs an inductive strategy, strengthening subjective reasoning through lived experience.

The phenomenological approach considers the messiness of existence and is capable of dealing with many realities (Denscombe, 2017). This perspective is required to

comprehend internationalisation, which involves direct connection with different institutions and companies, raising the chance of various realities. Patton (2015) argues that in order to collect data from a phenomenological perspective, data must be acquired from persons who are directly involved in the event.

For the aim of the study, all interviews were conducted with respondents from the trade support institutions or managers of SMEs, who are actively involved in international operations. The research uses a phenomenological approach because it is based on the interviewee's impressions of the internationalisation process, including all the potential human flaws in perceiving and remembering the past, as well as the interviewer's role in how the responses are interpreted and analysed.

# 5.6 Qualitative Data Collection: Sampling and Interviewing

It is considered advantageous to examine a phenomenon which has little research conducted using a qualitative method (Creswell, 2003). Qualitative research is an interpretive approach to inquiry (Littler, 2006). In other words, qualitative research is used to investigate and understand respondents' underlying experience, reasoning, opinion, motivation, behaviour, and interpretation of non-numerical data (Miles and Huberman, 1994). The fundamental truth does not lie in the number of research approaches for qualitative methodology but in the flexibility and 'participant orientation' of these approaches which provide a real insight into the lived experiences of the research participants (Alase, 2017).

For qualitative research methodologies, a number of techniques have been discovered. Several scholars proposed the qualitative interview or the focus group technique as two common techniques (Kothari, 2004; Thornhill, Saunders and Lewis, 2009; Bryman and Bell, 2015). For this research, the interview method was selected, and the reason for the selection will be discussed in section 5.6.2.

Next follows the discussion of the sampling strategy and method of data collection.

#### 5.6.1 Non-Probability Purposive Sampling

This exploratory research examined the country-of-origin effect on the internationalisation process of Palestinian companies and the challenges these companies faced from the perspectives of the trade support bodies and the industry.

To achieve the following, this research has used a non-probability, purposive sampling technique to select key informants from two key participant groups. The first participant group, for phase one being the trade support bodies'; including ministry and industry key informants, and the second participant group for phase two being companies from the light manufacturing sector (refer to section 5.6.1.1 and section 5.6.1.2 for detail on sample selection).

Purposive sampling was used by the researcher in order to ensure the sampled entities are selected because of their significance to the research criteria relevant to the units of analysis, which was advised by Creswell (2014) to ensure the sampled entities are considered based on their relevancy to the research question.

It was apparent that there was a difference between the government's and companies' opinions on the challenges that Palestinian companies encountered when going international. Due to the difference in opinions, two phases were conducted. Furthermore, the output of Phase-1 provided guidance for selecting the sample, from the relevant sector to consider, for Phase-2 interviews.

The above decisions accord well with good practice noted in the literature. According to Bryman (2016), most sampling in qualitative research requires some kind of purposive sampling. In purposive sampling, the research units, organizations and people are selected because of their significance to the research criteria relevant to the units of analysis (Creswell, 2014). In terms of Hood's clarification, a purposive sampling approach is contingent on the research questions guiding the sampling of participants (Hood, 2007). According to Saunders, Lewis and Thornhill (2016), the researcher's aim is to sample cases/ participants strategically in relation to the research questions.

The next section will discuss in more detail the sampling procedure and selection criteria for each phase.

#### 5.6.1.1 Phase-1 Sampling Procedure and Selection Criteria

The key organisations that support business internationalization were identified for phase one interviews. These organisations included governmental and non-governmental institutions referred to as trade support bodies. Government bodies included participants from the Ministry of National Economy and the Ministry of Tourism. While nongovernment bodies include the Palestinian Trade Centre (PalTrade), and Chambers of Commerce for different cities across the West Bank of Palestine.

Following the identification of the relevant bodies, the respondents from the organization were chosen based on criteria designed to ensure that the respondents had experience and knowledge, and were sufficiently senior in their organization that they had an overview of the elements of internationalization support that their agency was responsible for (see

Table 5-2). The following criteria had to be met in order to qualify: All respondents had to have a minimum of 10 years of experience in the organization and be in a senior management or board-level position.

Consequently, twelve government and non-government institutions were selected that impact trade relations. One participant from each institution was selected, which included the minister, chief executive officer, consultant or trade expert.

Table 5-2 Description of sample - Phase-1

ID	Gender	Job position (Trade support body)	Years of experience	Sector	Nationality
ID1-01	Male	Marketing/ Branding Consultant in Palestine (Non-Government Institution) A	34	Industrial	Palestinian
ID1-02	Male	Expert in International Trade (Government Institution) A	34	Industrial	Palestinian
ID1-03	Male	Chamber of Commerce / Ramallah Chairperson (Non-Government Institution) B	25	Industrial and Light Manufacturing	Palestinian
ID1-04	Male	Chamber of Commerce Coordinator (Non-Government Institution) C	27	Industrial and Light Manufacturing	Palestinian
ID1-05	Female	Palestine Trade Centre/Manager (Non-Government Institution) D	27	Industrial and Light Manufacturing	Palestinian
ID1-06	Female	Minister (Government Institution) B	18	Tourism	Palestinian
ID1-07	Male	Chamber of Commerce / Bethlehem Chairperson (Non-Government Institution) E	20	Industrial and Light Manufacturing	Palestinian
ID1-08	Male	Minister (Government Institution) C	38	Economics	Palestinian
ID1-09	Male	Economic Consultant (Government Institution) D	34	Service	Palestinian
ID1-10	Male	Chamber of Commerce / Hebron Chair & Employees (Non-Government Institution) F	20	Industrial and Light Manufacturing	Palestinian
ID1-11	Female	Ministry of Economics/ Manager of Trade (Government Institution) E	19	Economics	Palestinian
ID1-12	Male	Manager & Expert in Branding Palestine (Government Institution) F	27	Tourism	Palestinian

Source: Original, 2019

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#### 5.6.1.2 Phase-2 Sampling Procedure and Selection Criteria

As explained there was an intention to investigate internationalisation from the key actors in the process. In order to do this it was decided to look at the bodies responsible for supporting businesses in their internationalisation efforts. This was phase one of the interview process. After interviewing the phase one respondents a group of businesses involved in internationalisation were identified for phase two interviews. As a result, the following criteria were established for the sample of phase two, be working in the light manufacturing sector; be a founder, CEO or senior manager of the business; to have been involved in international business for a minimum of two years.

Twelve SMEs were selected from the light manufacturing sector. One participant from each company was selected, which included the chief executive officer or founder of the company.

ID	Gender	Job position	Years of experience	Light Manufacturing Sector/Industry	International Exposure	Nationality
ID2-01	Female	Founder and CEO/ Self-financed	7	Handmade/ Handicrafts	Yes- 2years Retailer	Palestinian
ID2-02	Male	General Manager	12	Handmade	Yes- 8years Wholesaler and Retailer	Palestinian
ID2-03	Male	Founder and CEO/ Family Business	18	Handmade Ice cream	Yes- 15years Retailer	Palestinian
ID2-04	Female	Founder and CEO/ Family Business	14	Leather and Footwear	Yes- 5years Wholesaler	Palestinian
ID2-05	Female	Director of Hadeel- Fair Trade Palestinian Crafts	30+	Handmade/ Handicrafts	Yes- 18years Retailer	American
ID2-06	Male	Founder and CEO/ Family Business	33	Handmade/ Handicrafts	Yes- 25years Wholesaler and Retailer	Palestinian
ID2-07	Male	Manager of Palestine's Market/ Country Manager	25	Pharmaceuticals	Yes- Manufacturers and Distributors	Palestinian
ID2-08	Male	General Manager	22	Pharmaceuticals	Yes- Manufacturers and Distributors	Palestinian
ID2-09	Female	Founder and CEO/ Self-financed	8	Handmade/ Handicrafts	Yes- 5years Retailer	Palestinian
ID2-10	Female	Founder and CEO	6	Skincare Manufacturing Co/ Pharmaceuticals	Yes- 3years Wholesaler and Retailer	Palestinian
ID2-11	Female	Founder and CEO	18	Handmade Soap	Yes- 4years Wholesaler and Retailer	Palestinian
ID2-12	Male	Head of the Palestinian Leather Association/ Public Relations and Marketing Manager/ Self- financed	32	Leather and Footwear	Yes- Wholesaler	Palestinian

#### Table 5-3 Description of sample (Selected from the Light Manufacturing Sector)- Phase-2

\*ID2= Represents the second phase of this research, followed by the number of the interviewed company. (Number of companies has no significance, just the order the company was interviewed in)

#### 5.6.2 Interview Design

Semi-structured interviews were selected to collect data for this research. According to Carson et al. (2001) and Haydam and Steenkamp (2020), semi-structured interviews are the most appropriate method for obtaining a specific type of data, particularly those relating to perceptual behaviour. For the purpose of this research, to explore the different governmental, non-governmental and SMEs perspective on issues related to internationalisation, the most suitable interview method considered was the semi-structured interviews. Semi-structured interviews helped elicit positive and negative associations on the country-of-origin concept and explored the challenges that were felt to restrain the internationalisation process of SMEs.

Semi-structured interviews were chosen from the three main types: structured, semistructured and unstructured. Structured interviews essentially comprise verbally administered questionnaires, in which a list of predetermined questions is asked, with little or no variation and no scope for follow-up questions to responses that warrant further elaboration (Bryman, 2016, 2017; Gray, 2021). Unstructured interviews contain questions which can be changed or adapted to meet the respondent's intelligence, understanding or beliefs and attitudes. Semi-structured interviews use a list of predetermined questions but allow new questions to emerge during interviews (Myers, 2019). Using this method allowed the interview schedule of listed questions to merely act as a guide rather than a dictate.

The semi-structured interviews designed for this research are in-depth interviews. The indepth interview is both structured and flexible, as well as generative in that it generates new knowledge and ideas (Legard, Keegan and Ward, 2003). In-depth interviews are usually different from one to another interview, so it is better to create a list of topics to be discussed rather than presenting a formal questionnaire (Veal, 2006). This study used a combination of both: a topic checklist based on the conceptual framework and preformulated questions with some flexibility. The questions asked of participants varied significantly depending on the flow of the interview, but all major topics were addressed. This method enables the gathering of contradictory and complementary data on the same subject (Rapley, 2004).

#### 5.6.2.1 Interview Process

The intention of this exploratory research was to investigate internationalisation from the key actors in the process. In order to do this it was decided to look at the bodies responsible for supporting businesses in their internationalisation efforts. This was phase-1 of the interview process. After interviewing phase one respondents, a group of businesses involved in internationalisation were identified for phase two interviews.

Phase-1 interviews were conducted in person, 12 interviews, and lasted around an hour. Whilst 8 out of the 12 interviews from Phase-2 were conducted on skype due to the COVID-19 pandemic and lasted around an hour too. Representatives were interviewed individually to increase validity and reliability, which was advised by Smith (2020). Interviews were personally administered by the researcher using the laddering technique to probe questions, with responses noted down in each interview guide. All interviews were audio-recorded when the respondent agreed to this, saved in accordance with the university's ethical considerations, and transcribed once the interviewing process finished (see Appendix 1).

Interviews were conducted at business premises to maintain the formality and privacy of the interview. The researcher began by explaining the purpose of the research to each participant. The interview session was considered complete once the interviewer had completed asking the necessary probing questions and felt that all relevant information had been extracted. Despite the fact that some of the respondents could communicate in English, a dialogue in the local language was employed to establish rapport.

#### 5.6.2.2 Interview Guide

For this research, interviews were divided into two phases targeting different participants. Phase-1 interview questions were designed and adapted mostly from the literature review. They examined the country-of-origin importance and understanding by government and non-governmental representatives in relation to the internationalisation of Palestinian companies.

The design of Phase-2 interview questions was informed by phase-1 findings, as well as adapted literature. Phase-2 interviews explored the internationalisation challenges facing Palestinian SMEs, as well as investigated the support provided by the government to assist the internationalisation process of the light manufacturing sector.

#### 5.6.2.2.1 Phase-1 Interview Guide

Most questions for Phase-1 semi-structured interviews were guided and derived from the literature review of international theory (e.g. (Johanson and Wiedersheim-Paul, 1975; Williamson, 1975; Buckley and Casson, 1976a; Jan and Vahlne, 1977; Rugman, 1986; Contractor and Lorange, 1988; Dunning, 1988b; Johanson and Mattson, 1988; Kogut, 1988; Madhok, 1998; Jones and Rowley, 2011; Hollensen, 2014), country-of-origin (e.g. (Pecotich and Rosenthal, 2001; Insch and McBride, 2004; Yasin, Noor and Mohamad, 2007; Ha-Brookshire, 2012; Miranda and Parkvithee, 2013) branding (e.g. (Aaker, 1991; Keller, 2002; White, 2012), and emerging markets' studies (e.g. (Arnold and Quelch, 1998; Hoskisson et al., 2000; Amsden, 2001; Steenkamp and Burgess, 2002; Wright et al., 2005; N Alexander and Doherty, 2009); with a focus on the Palestinian market (e.g (MAS, 2001, 2005; Makhool et al., 2005; PalTrade "Palestine Trade Center", 2014; Ramallah Palestine Localities Bitunia, 2016; IMF International Monetary Fund, 2018, 2021; Country Reports - Palestinian Territory, Occupied., 2019).

Table 5-4 presents the topics that were covered to develop the questions for Phase-1 interviews.

Table 5-4 Interview schedule for Phase-1 participants

Concepts Covered	Topics Covered	Literature adapted
Participant's Background	Years of experience and position (General information sheet) Ministry/company profile (Q. 1, 2) Contribution of ministry/industry to Palestinian economy (Q. 3)	Innes, 2013; Conway, 2014.
Internationalisation Potential	Role of government in supporting SMEs expand internationally (Q. 5, 13, 14) International trade activity, country choice, mode of entry (Q. 4, 7, 8, 9, 10) Motives and challenges to internationalise (Q. 6, 8)	Johanson and Wiedersheim-Paul 1975; Williamson 1975; Buckley and Casson 1976; Johanson and Vahlne 1977; Rugman 1986; Contractor and Lorange 1988; Dunning 1988; Johanson and Mattson 1988.; Kogut 1988; Madhok 1998; Jones et al. 2011; Hollensen 2014.
Palestine's Sectors' Export Potential	Identifying the sector with the export potential (Q. 11, 12, 21)	Palestinian Central Bureau of Statistics; 2000, 2009, 2013, 2017; MAS: Financing Palestinian SMEs 2001, 2005; The State of Palestine National Export Strategy 2014; IMF Report, West Bank and Gaza 2018; Country Reports - Palestinian Territory, Occupied 2019.
Country-of-Origin	"Made in Palestine" impact (Q. 15, 16, 18) Local and international perception (Q. 16, 17) Palestine's brand identity (Q. 19, 20, 21, 22, 23) Palestine's image and its effect on trading relations (Q. 22) Legal requirement for labelling (Q. 24) Country-of-origin constructs including country of manufacturing, country of design, country of parts, country of brand origin, country of association and country of corporate ownership (Q. 25, 26, 27)	Insch and McBride, 1999, 2004; Pecotich and Rosenthal, 2001; Hamzaoui and Merunka 2006; Usunier 2006; Yasin et al., 2007; Josiassen 2009; Ha-brookshire and Yoon, 2012; Miranda and Parkvithee, 2013.
Perception of Palestinian Brands	Feedback on perception of Palestinian brands (Q.28, 30) How to improve Palestinian brands (Q. 29)	Leuthesser, 1988; Farquhar, 1989; Aaker, 1991; Srivastava and Shocker 1991; Lassaret al, 1995; Sharp, 1995; Berry, 2000; Keller, 2002; Vazquez et al, 2002; Burmann et al, 2009; White, 2012.

Source: Original, 2019

The interview process started with the participant's consent sheet, along with a general information sheet to be filled out by the participant about the participant's position, years of experience and the related ministries or trade experts' contribution to the Palestinian

economy (refer to Table 5-4 and questions 1-3 in Appendix 1). These questions provided an overview of the participant's role and allowed the researcher to gain insight into the Palestinian market. Consequently, creating rapport with participants throughout the interview.

The next step of the interview process explored the importance of the internationalisation process as perceived by governmental representatives, and the opportunities provided by government ministries and institutions to support the international expansion of Palestinian products and brands (see questions 5, 13 and 14 in Appendix 1). According to Heterstein, Sutherland and Anderson (2015), "networking" assets are considered part of a firm's specific advantages. Such social networks can be assisted by the government's relationships and support, which are considered important in the internationalisation process of multinational enterprises originating from emerging economies (Hertenstein, Sutherland and Anderson, 2015). Thus, a better understanding of social networks may explain how networks within a business can greatly impact a firm's internationalisation strategies and performance (Zaheer and Bell, 2005). The laddering technique was used to determine the government's role in supporting the internationalisation of companies in Palestine, and the coordination level between different governmental institutions (see chapter 1). Furthermore, questions in this section described the preferred mode of entry by Palestinian companies going international, and the reason for selecting specific countries for expansion (refer to questions 4-10 in Appendix 1).

However, where needed, participants were asked what motivates them to expand across borders and what challenges they face (see questions 6 and 8 in Appendix 1) to make them consider the country-of-origin factor before moving on to the next section. Research demonstrates that there are several factors influencing firms within developing countries expanding internationally, which include, the firms' experiential knowledge (de Góes and da Rocha, 2015), their ability to adapt their marketing mix (Aulakh, Kotabe and Teegen, 2000), financial flexibility (Haar and Ortiz-Buonafina, 1995), and country-of-origin effect (Fleury and Fleury, 2014). For the purpose of this research, country-of-origin impact was further investigated.

To accomplish objectives 1 and 2, the sector with the most export potential was identified. Eight key sectors comprise the Palestine economy, including tourism, light manufacturing, information and communication technology, agriculture, energy, construction, building materials and the water sector (Office of the Quartet Representative, 2014). Based on findings from phase-1 interviews, the acknowledged sector was further investigated in phase-2 interviews to get the managers' perspectives on the challenges to internationalisation (this is linked to questions 11, 12 and 21 see Appendix 1).

The next stage was to understand the impact of the country-of-origin effect on the perception of Palestinian products and brands when expanding internationally. This was investigated from the industrial perspective of governmental representatives. Questions were adapted from country-of-origin literature exploring consumer perspectives. For instance, a question was adapted from Chao (2001) and Pharr (2005) that questioned the participants 'perception of the Made in [..]' phrase (refer to questions 15-18 in Appendix 1), with reference to the participants' understanding of the country-of-origin impact. This question focused on the fact that country-of-origin is often communicated in the 'Made in [..]' phrase, which represents the place where the product is manufactured (Klein, Ettenson and Morris, 1998; Verlegh and Steenkamp, 1999; Balabanis and Diamantopoulos, 2004; Insch and McBride, 2004; Pharr, 2005).

Moreover, respondents were asked about the relationship between country-of-origin effects and a country's economic development by using the ladder technique (see questions 19, 22 in Appendix 1). This technique was used because Palestine's image and its impact on trading relationships were not clearly identified (Office of the Quartet Representative, 2011). However, it was suggested by Insch and McBride (1999; 2004)

that a relationship does exist between country-of-origin effects and a country's economic development level. Meaning, products from higher developed countries are perceived more positively than products from lesser developed countries (Schooler, 1971; Wang and Charles W. Lamb, 1983; Lumpkin, Crawford and Kim, 1985; Papadopoulos, Heslop and Beracs, 1990; Martin S. Roth and Romeo, 1992; Crawford and Lumpkin, 1993; Insch and McBride, 1999, 2004; Batra and Peng, 2015). Thus, the ladder technique helped to explain from the government and industrial perspective how Palestinian products are perceived due to being a lesser developed country, and how this perception impacted trading relationships. This perception was explored to see if there is a difference between the local and international perceptions. Participants were asked about the support and demand for Palestinian products by the domestic market as opposed to the international market (see questions 16 and 17 in Appendix 1).

According to Aichner (2014), besides the two legally regulated country-of-origin strategies that can be applied to communicate country-of-origin to customers, which include the use of the phrase 'Made in [..]' or the use of quality and origin labels, there are different country-of-origin strategies that can be practised by companies to leave customers in no doubt about their origin (e.g. COO embedded in the company name, typical COO words embedded in the company name, use of the COO language, use of famous or stereotypical people from the COO, use of COO flags and symbols, use of typical landscapes or famous buildings from the COO Implicit) (Aichner, 2014). Consequently, this was adapted, and informants were asked "What strategy would you suggest to enhance and create a positive image of Palestinian brands, would you consider a specific label, a symbol, a celebrity, a holy place, a touristic attraction, or something else?" The question was probed by pointing out the different strategies that are recommended to enhance a brand's image through the use of suitable country-of-origin strategies (refer to question 23 in Appendix 1). This question was asked in relation to understanding what country-of-origin strategies may have a positive impact on products and brands and as a result, improve the internationalisation process of Palestinian brands. The next question (question 24 in Appendix 1) investigated the labelling issue for products and brands, is it a legal requirement to protect the origin or more a tradition?

This provided a clearer understanding of the reason behind the applied country-of-origin strategies, is there specific legality that companies have to follow, or can they apply the strategy they feel enhances their image best? The question links to the previous question and has emerged from country-of-origin strategy and labelling literature (Verlegh and Steenkamp, 1999; Hobbs, 2004; Pharr, 2005; Resano, Sanjuán and Albisu, 2012)

Several authors (Insch and McBride, 1999, 2004; Hamzaoui and Merunka, 2006; Usunier, 2006; Josiassen, 2009) have investigated different country-of-origin constructs, including country of manufacturing, country of design, country of parts, country of brand origin, country of association and country of corporate ownership, effect on consumers' perception. This was adapted, and participants were then asked about the importance and their understanding of the different constructs. For instance, "Do you think 'country of manufacturing' is important when buying a product?" The questions were probed, and participants were asked further questions to point out the different components and their relative importance (refer to questions 25-27 and 29 in Appendix 1). The purpose of these questions was to see if the constructs undertaken by companies are associated with heritage, religion and/or history and whether these constructs can be used as a branding strategy to deliver a positive image of Palestine.

The interview process ended when respondents were asked about the relationship between country-of-origin constructs and branding. In developing countries, country-oforigin (COO) has proven to negatively influence the product's brand and consumer purchasing decision (Diamantopoulos, Schlegelmilch and Palihawadana, 2011; Koschate-Fischer, Diamantopoulos and Oldenkotte, 2012; Berry et al., 2015). Thus, questions were probed by asking participants why companies choose specific countries to enter in order to understand better the concept of the country-of-origin effect in a certain country (refer to question 10 in Appendix 1), and the relationship a country's image has on a brand's image (refer to questions 19, 28 in Appendix 1). Following this, participants were asked what country-of-origin constructs can be used by companies to improve the communication of the country's image and brands (see questions 28-32 in Appendix 1). This resulted in identifying several challenges to the internationalisation of Palestinian SMEs, as well as gaining an understanding of the country-of-origin effect.

#### 5.6.2.2.2 Phase-2 Interview Guide

Most questions for Phase-2 semi-structured interviews were guided and derived from the literature review, in conformity with Phase-1 guidance, to provide a clearer outlook as to what should be asked and what needs further analysis. Table 5-5 presents the topics covered to develop the questions for Phase-2 interviews.

	v schedule for phase2 participants	
Concepts	Topics Covered	Semi-
Covered		Structured
		Interview
		Questions
Participant's	Years of experience and position	General
Background	Sector	information
Dackground		
	General company information; location, entity type, entity	sheet, and Q.1-3
	establishment, international presence	
International	International trade activity	Q. 4-14
Trade	Motives to internationalise	
Relationships	Country choice	
	Challenges to internationalisation	
	Government support	
Customers'	Customers' origin, local and international potential buyers	Q. 15-16
Profile (Origin)		
Country-of-	Reaction to Palestinian products	Q. 17-27
Origin	Positive and negative perceptions	
	The "Made in Palestine" impact	
	Legal requirement	
	Political restrictions	
Branding and	Marketing and branding importance to Palestinian products	Q. 28-38
Marketing		Q. 20-30
warkeung	Palestine's country-of-origin impact on marketing and	
	branding Palestinian products.	
	Countries' reactions to Palestinian products and brands	

Table 5-5 Interview schedule for phase2 participants

Source: Original, 2019

The interview process started with an information sheet to be filled and signed by the participant, which consists of a few general questions about the participant's role, experience and the company's details including how the entity was established. The purpose of these initial questions is to put the participant at ease and understand better how the company works and what products it offers (refer to questions 1-3 in Appendix

1). Question 1 addressed the entity's establishment of how the business initially started, whether it was a family business, self-financing, loan or any other means of funding. It was mentioned in the literature review that the institutional context reflected in firm ownership plays an important role in internationalisation (Casanova, 2009; Fleury and Fleury, 2011). Significantly, family-owned businesses in emerging economies choose to grow either through domestic product diversification or through international expansion (Cuervo-Cazurra and Dau, 2009; Dau, 2013). Thus, this question explained better what route Palestinian SMEs are choosing for ownership to adapt within the institutional environment. The main underlying question is "Do light manufacturing companies start locally and then go international, or do they expand internationally just as their business is registered locally?" (Refer to questions 4-6 in Appendix 1). This question informed the researcher of the internationalisation approach that is used by companies.

This led to a connection in the interview process, which investigated the market's responsiveness to a company's brands and products. The following questions (refer to questions 15, 17-20, and 29 in Appendix 1) investigated the support provided by local consumers to a company. Basically, the questions revolved around whether a business gets acceptance and support from local consumers, if this support can be considered a motivator to go international, or if local support is not provided for local companies when going international. These questions are based on an issue that surfaced through phase-1 findings analysis, which is "foreign complex". Some participants from phase-1 interviews highlighted that Palestinian brands and products receive negative country-of-origin effects from their own local market. As explained by the participants, this is related to the poor performance and reliability of Palestinian products in the past that caused negative and pessimistic attitudes and associations towards Palestinian brands. This was referred to in the interviews as "Foreign complex", which is the perception by Palestinians that local products and brands are inferior to foreign brands. This "foreign complex" matter is important in order to gain deeper insight from companies on what strategic actions are needed domestically to enhance the brand's equity before going international.

To achieve research objective 2 (see section 1.2), the next section was developed to understand the concept of internationalisation in a developing country. Phase-1 data analysis indicates that the government has supported companies to expand internationally through organising and participating in international exhibitions, which is linked to the "network approach" theory for international expansion (Johanson and Mattson, 1988). This is because companies took advantage of the support and network of their domestic government to connect to other networks in other countries. Furthermore, phase-1 findings illustrate that the most used entry mode by small companies engaged or willing to exploit foreign market opportunities is exporting. The form of the export channel (indirect export, direct export and cooperative export) was not completely identified in phase-1 and was further explored in phase-2 interviews addressing the light manufacturing companies (refer to questions 4-14 in Appendix 1). The aim is to enquire more information as to how companies internationalise, what support is offered by the government, and what challenges companies might face when crossing borders and entering international markets.

Consequently, country-of-origin constructs (COB, COP, COD, COM) were further explored in accordance with the literature review and Phase-1 findings. Country-of-origin is recognised as an important concept that can affect the company's performance (Niss, 1996; Ozdemir and Upneja, 2016), yet as phase-1 findings revealed the governmental authorities (ministries) do not give the country-of-origin concept as much attention to ensure delivering a positive image and perception of the Palestinian products. There were contradicting views by different ministries to the importance of Palestine's image, and this demonstrated that there is no coordination in an attempt to reflect a unified positive image of Palestine or Palestinian products. Therefore, phase-2 demonstrated several questions to gain a better understanding of the companies' perception of these constructs, and how they can be used to apply better strategic actions that may eventually lead to an improved brand of Palestine and result in internationalisation. The following concerns were explored in questions 17-27 and question 37 (refer to Appendix 1.)

Accordingly, phase-2 interview questions explored which country-of-origin strategies are used by companies. As a result, phase-2 findings should suggest a set of strategic actions that it is hoped may provide guidance to government representatives and companies to improve the internationalisation process and branding of Palestine.

Moreover, it was realized from phase-1 data analysis that marketing and branding are essential tools for companies to go international. As a result, the respondents were then asked (refer to questions 28-39 in Appendix 1 ) about the importance and applicability of marketing and branding tools within selected companies, investigating if these companies possess marketing and branding skills to go international, and questioned what medium is used to deliver the branding message (social media, Facebook, Instagram, selling representatives etc.). Further, the relationship between successful branding and its impact on the company's internationalisation process was examined. Consequently, this research explores the impact of good branding practices on the company's image, product's image and/or brand's image.

After the interviews were designed, pilot testing was conducted with a small number of participants to test the effectiveness of the research approach. This will be discussed next.

#### 5.6.3 Pilot Testing

According to Blumberg, Cooper and Schindler (2014), the data collection phase of the research process typically begins with pilot testing so that the researcher can detect flaws in the questionnaire's design and instrumentation. The interviews were piloted among a subset of participants to aid in the qualitative data collection process. Following Bryman and Bell's (2007) advice to use a small set of respondents who are comparable to the sample that will be used for the full study, four respondents with different sociodemographic characteristics considered trade experts from the governmental and non-governmental sectors were chosen for the pilot study using non-probability convenience sampling.

All interviews were conducted in person. Respondents were asked to participate in the interview in advance to ensure that they can do this while being informed that the obtained information will be employed for research aims and will not be used for other purposes. The processing of these interviews and analysis of answers took two weeks using NVivo but a larger-scale survey is expected to take longer.

The pilot study showed that the interview design has not suffered the problem of too many questions. On the contrary, the size of the questionnaire can be increased by means of including additional questions that reflect other aspects of internationalisation issues. Furthermore, the pilot study revealed the need to modify some interview questions, which included a greater emphasis on internationalisation challenges and less emphasis on branding approaches and country of origin strategies, as well as a greater focus on the trade facilitating factors that can be considered to reduce the internationalisation process's challenges.

Once pilot testing took place and modifications were reflected in the structuring of the interview questions, actual interviews were conducted. The next step was transcribing and translating these interviews. Details on the data transcription and translation process will follow next.

#### 5.6.4 Data Transcription and Translation

After the completion of the interviews, data was transcribed in Arabic initially, which was conducted by the researcher to avoid missing out on these small nuances that took place between the researcher/interviewer and the participant. Afterwards, the translation was achieved of the transcribed interviews from Arabic to English, and this was considered a difficult and time-consuming process because some Arabic words have no clear translation to English. For example, there isn't a word in Arabic that clearly

describes some English marketing concepts, such as "branding", instead it might be a phrase or a full sentence in Arabic that translates into one word-concept in English. In that case, does the researcher translate the full sentence word by word or translate it into the meaning of what is being conveyed from that Arabic sentence? To avoid this issue, the back translation technique was applied, in which the interviews were translated and reviewed twice by two different people to maintain accuracy and consistency (Kirk, Miller and Miller, 1986; Maxwell, 1992).

Back translation is the most broadly applied approach in marketing to uncover difficulties and significant errors in translation (Douglas and Craig, 2018). Back translation is a technique often employed in multi-country research to test the accuracy of the translation (Brislin, 1970, 1980). A bilingual native of the target country (Palestine) translates a questionnaire into the target language (English) in this technique. The translation is then completed by a bilingual native speaker of the original language (Arabic). The discrepancies and comparability of the original and back-translated versions are then assessed. The correctness of the back-translated version is thought to be an indicator of the target translation's accuracy (Harkness et al., 2003; Douglas and Craig, 2018).

The next section will examine the data analysis process and procedure that took place to conceptualize the challenges to the internationalisation process of Palestinian SMEs.

# 5.7 Qualitative Data Analysis Method and Presentation

Thematic analysis has been applied for this research because the data collected is rich in its content and extensive. There are two common types of analytical approaches in qualitative research: content analysis (Easterby-Smith, Thorpe and Jackson, 2012) and thematic analysis (Braun and Clarke, 2006). These qualitative analysis approaches allow the researcher to derive meaning from the data in the form of patterns or themes, and they may be done manually or through NVivo. According to Bazeley (2013), data analysis depends on the nature and purpose for which the data have been collected.

The contrasts between these two methodologies will be described below, as well as the reason and procedure for applying thematic analysis using NVivo in this research.

#### 5.7.1 Content Analysis Process

Dwyer et al. (2012) define content analysis as an analytical technique that aids in the comprehension of theoretically relevant problems via the use of a systematic coding and categorising approach. This allows the researcher to examine a large amount of textual information in order to comprehend the meaning of the trend and pattern of words used, which is often accomplished by counting the number of times the frequency occurs, as well as their relationship in the structure and narratives of the dialogue. Content analysis can be done quantitatively and qualitatively (Dwyer, Gill and Seetaram, 2012) and is commonly used in research studies that are examining archival material (Dwyer, Gill and Seetaram, 2012).

In comparison to thematic analysis, content analysis can be seen as too rigid and not flexible enough (Neuendorf, 2016). It can also be hard to use content analysis on more complicated or subtle forms of communication (Braun and Clarke, 2006). To allow more flexibility and subjectivity in the analysis process, thematic analysis was used for this research, which will be explained further below.

#### 5.7.2 Thematic Analysis Process

Thematic analysis has been suggested to identify and analyse the different concepts and patterns originating from a set of data in a systematic way (Harper and Thompson, 2011; Braun and Clarke, 2013). When conducting a thematic analysis, researchers are better able to take into account the setting in which data was collected and to consider possible interpretations of that data (Neuendorf, 2016).

For this research, recorded data were transcribed and saved in MS Word documents. This was done using a function in NVivo that enabled the researcher to play content more slowly. NVivo is a software that supports and analyses qualitative data. This qualitative data analysis software was used in facilitating many of the key processes and characteristics associated with this approach to create a point of view that signals the interpretative framework (Hutchison, Johnston and Breckon, 2010; Madison, 2011; Creswell and Poth, 2018).

Although thematic analysis can be used to analyse data from a variety of qualitative research methodologies, it is particularly beneficial for the phenomenological approach used in this project (Harding and Whitehead, 2013).

This research focused on an inductive or ' bottom-up' approach to identify themes within data. This means that the identified themes are strongly related to the data (Braun and Clarke, 2006). The data collected for the research at hand and the presented themes may have little relationship to the interview questions asked of the participants (Braun and Clarke, 2006). As a result, inductive thematic analysis is the process of coding data that does not have to fit into pre-existing coding frames, or the researcher's theoretical interests or preconceptions (Braun and Clarke, 2006). This kind of thematic analysis is perceived as data-driven.

Braun and Clarke (2006) have established a simple six-phase guide to follow for implementing this sort of analysis (see Table 5-6), which guided the researcher to identify the themes considered relevant in the explanation of the research aim and objectives.

Table 5-6 Six-Phase Framework for Doing a Thematic Analysis				
Step #	Phase Name	Phase Description		
Step 1	Become familiar with the data	Be familiar with entire body of data (interview data) before going any further. At this stage, it is useful to make notes.		
Step 2	Generate initial codes	Organise data in a meaningful and systematic way. Coding reduces lots of data into small chunks of meaning. There are different ways to code and the method will be determined by your perspective and research question.		
Step 3	Search for themes	Examine codes, relevant ones will collate into an initial theme. Most codes are associated with one theme, although some are associated with more than one. At the end of this step the codes had been organised into broader themes that seemed to say something specific about the research question.		
Step 4	Review Themes	During this phase we review, modify and develop the preliminary themes that were identified in step 3. Themes should be coherent and distinct from each other. At this point it is helpful to gather all relevant data to each theme.		
Step 5	Define themes	The aim of this step is to "…identify the 'essence' of what each theme is about." (Braun and Clarke, 2006, p.92). What is the theme saying? (a thematic map can be used to show the relationships between themes).		
Step 6	Write-up	Presenting the thematic analysis in some kind of report.		

Source: Adapted from Braun and Clarke, 2006

Based on the understanding of the aforementioned technique, the inductive, thematic analysis approach was used for the purposes of this research (Braun and Clarke, 2006). Braun and Clarke's (2006) thematic analyses technique was used for ease of managing and analysing codes as well as presenting the themes. This technique will be explained further in the following sections.

#### 5.7.2.1 Coding and Analysis for Qualitative Data

The most suitable approach that was deemed appropriate for analysing the data was the inductive, thematic analyses technique (Braun and Clarke, 2006), which was achieved by developing codes and linking them to themes to conceptualise the challenges to internationalisation.

A code in qualitative data analysis is generated by the researcher and is considered a construct that translates or reflects data (Frith and Gleeson, 2004; Vogt et al., 2014). According to Charmaz (2001), coding is the "critical link" between the collected data and the associated meaning.

For this research, the analysis process started by breaking down the interviews' content based on interview questions. This involved the generation of initial codes from the data transcripts. Once codes have been developed, the researcher searched for potential themes which includes collating codes and linking them under potential themes to better explain the research question(s) (Braun and Clarke, 2006). After the researcher coded raw data from data excerpts, emerging codes were grouped together to generate a thematic map of the analysis. Finally, the researcher tracked the connections between sub-themes and integrated these codes to determine the major theme(s). This stage included combining and expanding codes so that they formed more complex and sophisticated themes: as Rossman and Rallis (2003) say, "think of a category as a word or phrase describing some segment of your data that is explicit, whereas a theme is a phrase or sentence describing more subtle and tacit processes" (p.282).

Once the initial codes and developed themes of the analysis have been codeweaved into a few sentences, the researcher explored how the items might interrelate, present a process, or work holistically to identify a broader theme. This process was applied in phase-1 analysis and repeated in the second phase. This stage is about placing the data gathered from the interview transcripts under suitable themes.

Data were analysed using the software package NVivo. Regardless of the criticisms by Cassell and Symon (2004) that analysis software (NVivo) does not always permit the researcher to work efficiently with a lot of data transcripts affecting the complexity of the coding scheme and analysis depth. Yet, the use of NVivo allows the researcher to manage effectively the data messiness, deleting, renaming or reordering the codes when needed (Easterby-Smith, Thorpe and Jackson, 2012).

Snapshots of the NVivo analytical approach used for this research depicting how coding was performed and the process of developing initial codes from data excerpts are found in Appendix 2.

#### 5.7.2.2 Critiques Against Coding

Coding has been criticised philosophically and methodologically. According to Saldana (2016), "my colleagues' reservations originate from what used to be earlier, positivist approaches to coding- mechanical and technical paradigms" (p. 40). Some common criticisms against coding include, coding is reductionist (coding is what you perceive it to be), coding tries to be objective, coding is mechanistic, instrumentalist and distances you from your data, coding is nothing more than counting (counting the number of times a particular set of codes occurs), and coding is an outdated method for qualitative data analysis (Agar, 1996; Saldaña, 2011, 2013, 2015, 2016). Reflecting on these criticisms, coding is not perceived as a philosophy nor a way of viewing the world, it is simply an approach to deliver some clarity about the world from the data and your understanding of it (Braun and Clarke, 2006; Charmaz, 2014). As recommended by Corbin and Strauss (2015), "The best approach to coding is to relax and let your mind and intuition work for you" (p. 219).

#### 5.7.2.3 Qualitative Rigor

Thematic analysis is considered a method rather than a methodology (Braun and Clarke, 2006; Clarke and Braun, 2013). In other words, it is not necessarily linked to a specific theoretical or epistemological view but rather it is perceived as a flexible method focusing on the analysis process (Braun and Clarke, 2006). This evoked the recognition of clear guidance on the practical aspects to do qualitative analysis (Clarke and Braun, 2013). As explained by Nowell et al. (2017), qualitative research lacking scholarly rigor can have effects on the research's credibility.

As the research progressed, similarities and differences between themes became more apparent in order to achieve qualitative rigor for this study. This aided the researcher in narrowing down the relevant themes to more manageable labels. Following the generation of the initial codes, decisions were made about which emerging themes are relevant and can help explain the research question.

## 5.8 Reliability and Validity

Reliability and validity in qualitative research refer to the accuracy and the truthfulness of the findings (Kirk, Miller and Miller, 1986; Maxwell, 1992). In the qualitative paradigm, reliability and validity are conceptualized as dependability, rigor, and quality (Golafshani, 2003). This relationship seeks to reduce bias and increase the researcher's integrity in a claim about a certain social phenomenon (Denzin and Lincoln, 2017). To illustrate the quality of qualitative research, different concepts are used that include credibility, transferability, dependability, and conformability. To be more specific, in qualitative research, 'dependability' is utilised to closely equate to 'reliability' (Lincoln and Guba, 1985, p. 300). Table 5-7 describes these concepts in further detail.

Methods	Nature of Methods	
Credibility	Refers to a proper portrayal of the social reality constructions being researched. It is comparable to internal validity, which is concerned with the extent to which the results are realistic and credible from the participants' viewpoints.	
Transferability	Is related to the idea of external validity. This entails a detailed description and comprehensive data gathering, allowing the results to be transferred to another context or environment. It is not the researcher's responsibility to create an indicator of transferability; rather, he or she is responsible for supplying data sets and descriptions that are comprehensive enough for other researchers to make judgments about the results' transferability to new settings or contexts.	
Dependability	Is equivalent to reliability. This refers to the stability of obtaining the same findings if the observation is repeated. It is assessed by examining the consistency of the research procedure. In other words, it is the consistency of the internal process by which the researcher accounts for changing phenomenon circumstances.	
Conformability	This is similar to objectivity, which refers to the amount to which the internal coherence/characteristics of the data can be checked or confirmed by others who read or review it in connection to the results, interpretation, and suggestions.	

Sources: Adapted from Klenke (2008)

To enhance a qualitative research's quality; credibility and trustworthiness, several methods can be used including triangulation, member checking, saturation, and self-reflection (reflexivity) (Klenke, 2008). These methods have been defined in Table 5-8.

For the purpose of this research, the saturation point and data triangulation were applied to validate the research, and are explained next.

Table 5-8	Qualitative	validity	strategies
1 4010 5 0	Quantative	v undit y	bulaccies

Methods Strategies	Description
Triangulation	Refers to the employment of more than one technique to explore the research subject, such as various collections of data, different types of analysis, and/or different theoretical views.
Member Checking	Refers to quality control, which describes the process through which a researcher strives to enhance the correctness, credibility, and validity of what was recorded during the research interview.
Saturation	Describes a process in which data collection from informants/participants continues until the assembled data replicates the previous ones. When saturation and variations are both considered and understood, this offers sufficiency.
Reflexivity	Described as self-awareness and critical self-reflection of possible biases and predisposing factors that may subsequently impact the research process and the study's final result.

Sources: Adapted from authors (Lincoln and Guba, 1985; Goodwin and Goodwin, 1996; Klenke, 2008)

Saturation is important in any study, whether quantitative, qualitative, or mixed methods (Fusch and Ness, 2015). To validate this research using the saturation point, the sample size was not set in advance; rather, the approach of seeking for the point of data saturation (Glaser and Strauss, 1967) was used. The point of data saturation is reached when additional interviews do not lead to additional insights (Fusch and Ness, 2015).

For this study, data collection reached saturation point, validating the research and demonstrating that all data gathered was replicating information previously collected by key participants (Goodwin and Goodwin, 1996).

There is a direct link between data triangulation and data saturation. In other words, data triangulation is a method to get to data saturation. Denzin (2009) argued that no single method, theory, or observer can capture all that is relevant or important. Denzin (2006), however, did state that triangulation is the method in which the researcher "*must learn to employ multiple external methods in the analysis of the same empirical events*" (Denzin,

2006, p. 13). Moreover, triangulation is the way in which one explores different levels and perspectives of the same phenomenon (Denzin, 2009).

Triangulation, as suggested by Creswell and Miller (2000), is a validity technique where researchers look for agreement among several, different sources of information to create themes or categories in a study (Creswell and Miller, 2000, p.126). Data, investigator, theory, and methodological triangulation, as illustrated in Table 5-9 are the four categories of triangulation that Denzin (2017) identified. The data triangulation method was used in this research.

Types of Triangulation	Description	
Data triangulation	Includes information from different times, spaces and/or persons	
Investigator triangulation	Multiple vs single observers of the same object	
Theory triangulation	Multiple vs single perspectives in relation to the same set of objects	
Methodological	Within-method triangulation and between-method triangulation	

Table 5-9 Types of Triangulation

Source: Adapted from Denzin (2017).

Data triangulation was used in this research to collect data by including information from different persons and spaces. Collecting person/informant data triangulation involves considering a broad range of informants and comparing what they say (Decrop, 2004). In this research, the perspective of multiple points of view was collected and compared from governments, non-governments, and businesses. Moreover, space data triangulation covered different cities from the West Bank (Ramallah, Bethlehem, Jerusalem, and Hebron) that are involved in some form of international business activity.

# 5.9 Ethical Issues

The significance of ethical considerations is recognized in conducting this research, following established guidelines for dealing with ethical issues in social science research. Clearance for ethical review from the University of York St John was granted for the purpose of this research. Ethical considerations should address issues of privacy and confidentiality, informed consent, and harm to participants (Sikes and Piper, 2010). Participants have ensured their participation is voluntary after being informed of the procedures and possible risks involved (if any). This was done verbally before beginning the data collection phase. Participants are allowed to withdraw from the research at any time if they so wished (Gray, 2014). The confidentiality of participants is guaranteed and in no part of the report would names be mentioned (Gray, 2014). Respondents would not be put in harm's way, physically or psychologically. Finally, efforts were made to organize workshops at the end of the research to share findings with respondents verbally.

In accordance with the University Research Data Management Policy and regulatory regulations, data is stored for 10 years. After this period, research data is removed permanently and securely. In addition, an ID code was provided to each interviewee in order to protect their privacy over that of the participants, as outlined in the population criteria Table 5-2 and Table 5-3.

#### 5.9.1 Ethical Considerations for Interviews

The University of York St John's ethical guidelines are used for the semi-structured interviews; informed consent was obtained from the participants.

#### 5.9.2 Anonymity

For ethical reasons, participants' names or other information have not been revealed. Anonymize applies to participants as well as other individuals they mention in their quotes. For this research, findings demand reporting direct quotations, therefore, the ideal approach is to disguise the information using paraphrase that retains meaning; this prevents tracing the source of direct quotations (Hewson and Buchanan, 2013).

Everyone who participated in the interviews was given a unique code that can be referenced in any publication. This code was formed of an intuitive classification representing the group of participants in sequential numbering.

#### 5.9.3 Sensitive Topics

Participants mentioned some sensitive topics (e.g., corruption, restrictions, etc.) during the interviews; however, they were not deemed high risk because (a) this is academic research, (b) data is kept strictly confidential, and (c) the results were reported in such a way that no businesses or organisations are unfairly favoured or disadvantaged.

Furthermore, certain delicate themes came up throughout the interviews. These were examined as part of the business environment and not on a personal level, so that respondents' comments would not be stigmatised or implicated against the participant (Lee, 1993).

## 5.10 Reflection of the Researcher's Process

As described elsewhere within this document, the research process involved undertaking primary data collection through semi-structured interviews with senior representatives of businesses and key informants of trade support bodies. Interview questions discussed issues associated with this research aim of identifying the challenges to internationalisation and understanding the support needed by SMEs to expand internationally. The findings from this research were then analysed using NVivo, a

research software programme, which produced four main themes that revolved around providing an in-depth understanding of the kind of challenges to internationalisation that Palestinian SMEs encounter. These themes are presented and discussed in the findings' chapters next.

Reflecting on the interview process, I believe it went well and produced significant data. The theme development was also effective, as it provided a number of key issues that I believe were appropriately discussed in light of the literature.

Several challenges occurred during the interview process, which I believe contributed to the process's weakness. First, getting an appointment with this specific group of representatives was difficult, and in some cases, the appointment was rescheduled up to four times. Second, respondents were hesitant to share some international trade-related information or their personal judgement and opinion on some issues (particularly when the interviewees were governmental officials). The third challenge was that experts in the field preferred to share their experience rather than answer questions, and even when there was space for elaboration, they sometimes did not answer some questions because they were too focused on delivering a specific point of view.

Among the research's strengths, I would argue that focusing on business and the tradesupport network allowed for a reliable identification of key issues and demonstrated how these issues were perceived by the governmental, non-governmental, and business sectors.

In the future, I would recommend that anyone attempting to replicate this study do the following: 1) Send interview questions to interviewees ahead of time so they have enough time to understand the topic. 2) Rather than a purposive sample, use a snowball effect to select the sample so that the sample is chosen by the business' representatives rather than the government. 3) Conduct interviews from both phases in a shorter time frame because business trends change quickly, affecting the findings.

Overall, I felt that my ability to conduct interviews, analyse, research, and report findings improved throughout this research, which I am very pleased about.

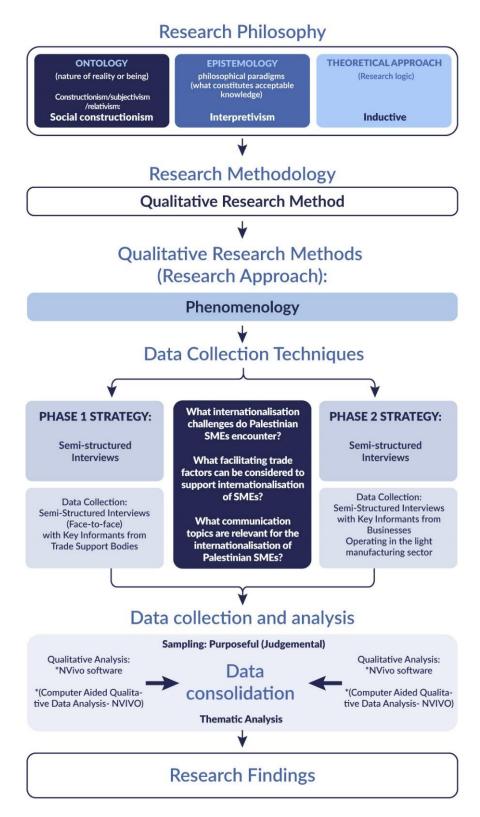
# 5.11 Chapter Summary

For this research, an inductive approach was deemed as most appropriate for the research aim and objectives. The inductive data analysis involved moving back and forth between the themes and the database until the researcher was able to determine a set of themes. Later, the researcher deductively looked at the data from the themes to decide if more evidence is needed to support each theme or if additional information should be collected (Creswell, 2014). Therefore, even though the research process began inductively, as the analysis moved forward deductive analysis came to play a significant role (Bryman, 2016).

This chapter discussed and justified the philosophical methodology underpinning this research, as well as the technique and procedure for doing the research to meet the goals and objectives outlined in Chapter 1.

A summary of the research paradigm applied to this research is presented in Figure 5.2.

Figure 5.2 Summary of the research paradigm applied to this research:



Source: Original, 2020

The research philosophy used in this study was subjective, exploratory research with a phenomenological approach. The purpose of using a phenomenological approach, which is defined as a philosophy of understanding phenomena through lived experience was to address the fact that exploring challenges to internationalisation from a developing economy, as well as the impact of country-of-origin on internationalisation, is complex, and no research has been conducted on this topic from the government, non-government, and business perspectives.

For the purpose of this research, the researcher personally administered the majority of the data gathering tools; semi-structured interviews, and although some of the respondents could communicate in English, an initial conversation in the local language is used to build rapport.

Consequently, the study took a holistic approach to internationalisation challenges, incorporating two phases of qualitative interviews: the first set of interviews were conducted with key informants from the government and non-government institutions, and the second phase was with owners/managers of SMEs in the light manufacturing industry.

In terms of data analysis, NVivo-Computer Aided Qualitative Data Analysis Software was used to apply an inductive, thematic analysis method. The findings will be presented in the next chapter, which will contribute to the literature on internationalisation and country-of-origin with a focus on Palestinian SMEs.

# 6 Findings from the First Research Phase Presenting the Trade Support Bodies' Perspective

## 6.1 Introduction

This research aims to explore the challenges that light manufacturing companies encounter when internationalising their activities. The work considers the perspectives of private businesses and trade support bodies. Furthermore, this research will examine the impact of the COO on the internationalisation process by identifying associations that can create positive and negative perceptions. Additional communication issues affecting internationalisation will be investigated. To achieve this, data collection is divided into two phases, phase-1 approaches trade support bodies, while phase-2 approaches businesspeople, including managers and owners, engaged in international activities to reflect the business perspective of challenges they face. The first phase used the views of the trade support bodies to guide the selection of the sector to investigate for the second phase.

In this chapter, the trade support bodies' interview findings will be presented using the thematic analysis in relation to interview questions that addressed several research enquiries, including what the trade support bodies think are important considerations when going international, what challenges they feel companies face, what communication issues do they face are related to the companies COO, and what associations do interviewees feel contribute to COO image. These lines of enquiry were developed in relation to the academic literature and to investigate issues related to the research objectives.

Analysis of this phase will develop a better understanding of the business environment, with emphasis on political, economic and social factors. This enables the identification of the perceived opportunities and threats for the country and exploring the perceived strengths and weaknesses of the Palestinian image, from the interviewees' perspective. This information gives the context means for further discussion regarding the impact of these environmental factors on businesses expanding internationally. As with the marketing and positioning of any organisation, it is felt to be important to establish an understanding of the environmental opportunities and challenges

### 6.2 Main Themes

Data sources for the trade supporting bodies' phase semi-structured interviews were collected and analysed, using NVivo qualitative software package. Semi-structured interviews from this phase led to the surfacing of 510 basic codes, which were organized into 18 sub-themes that were grouped into four major themes. Additional findings from this phase surfaced in regards to the recommended sector that will be examined in the second phase of this research. Each of the four major themes comprised a separate set of subthemes that will be explored in this chapter. Phase -1 interviews' analysis resulted in the creation of 4 major themes (see Table 6-1).

Selective Coding- Main Themes	Occurrences*
01 Challenges	154
02 Facilitating trade	119
03 Communication	112
04a Associations (Positive)	45
04b Associations (Negative)	80
Total first cycle codes	510

Table 6-1 List of themes identified from data analysis for interview transcripts

Source: Original, 2021

\* Occurrences = Total number of mentions by respondents in interview transcripts

The abovementioned themes in, Table 6-1, will be examined by supporting them with relevant open, in vivo and descriptive codes taken from the participants' responses (raw

data) to create first cycle coding. After that, these codes have been grouped to create second cycle coding that includes axial and selective codes. Connected second cycle codes have been grouped to create themes, which resulted in the development of four themes. The themes throughout this chapter, presented in Table 6-1, have been structured in a way that the analysis starts by giving a generic overview of Palestinian companies' internationalisation challenges according to the trade support bodies' perspective, moving to factors that were identified by the interviewees as facilitating factors for trade, then communication issues facing businesses have been explored, and moving to provide a narrower and more precise analysis of the associations that have been felt by the interviewees to trigger positive and negative COO.

In the first theme, challenges, the internationalisation challenges facing Palestinian companies have been explored to provide a better understanding of Palestine's trade environment. The second theme, facilitating trade, examines the factors that play a role in influencing international trade relations. While the third theme, communication, examines the factors to consider when communicating about Palestine and Palestinian products. The fourth theme, associations, identifies the positive and negative associations that can have an impact on the perceptions of Palestine's COO image. The final set of data, which is not considered a theme, has been developed to inform the second phase of this research, which is achieved by identifying the sector most likely to internationalise its activities and link with the development of Palestine's image.

Data analysis of the four themes has been presented in order of the most relevant to the research objectives. The tables have been formulated to reflect themes that will help explore the research question; moving from a broad analysis of the environmental challenges and opportunities to a narrower exploration of associations that can impact the perception of Palestine's image. The sub-themes within each theme have been presented and explained based on the number of mentions, starting with the highest number of occurrences first and moving in order, through the sub-themes with fewer occurrences.

## 6.2.1 Theme 1- Challenges

This first theme investigates the challenges that businesses face while expanding internationally. The 'Challenges' theme has been supported by 154 occurrences from data extracts that were coded using open, in vivo, and descriptive coding. These codes were then divided into six subthemes.

Limitations to the internationalisation of Palestinian companies according to the respondents' answers are influenced mostly by, lack of marketing skills and experience (mentioned 57 times; meaning 57 open codes support this sub-theme based on mentions by respondents), political restrictions (mentioned 27 times), Palestine's market structure (mentioned 27 times), customization of Palestinian products (mentioned 23 times), financial limitations (mentioned 11 times), and internal coordination issues (mentioned 9 times). This has been captured in the following table (Table 6-2).

Section	Code	Occurrences *	Interviewees*
	Selective Coding Theme 1: 'Challenges'	154	12
	Axial Coding		
6.2.1.A-	Marketing Skills	57	8
6.2.1.B-	Political Restrictions	27	7
6.2.1.C-	Market Structure	27	9
6.2.1.D-	Adaptation	23	4
6.2.1.E-	Financial Limitations	11	6
6.2.1.F-	Coordination	9	6

Table 6-2 List of codes- challenges to the internalisation of Palestinian companies

Source: Original, 2021

\* Occurrences = Total number of mentions by respondents in interview transcripts

\* Interviewees= Number of interview transcripts that supported each code

The 'challenges' theme serves as the foundation for the context analysis in which issues for further investigation will be recognised. It was interesting to examine the various views that participants had formed with respect to the challenges that companies encounter while expanding internationally. These challenges will be explored next.

#### 6.2.1.1 Marketing Skills

Different marketing aspects will be discussed throughout this sub-theme in terms of how Palestinian products are being promoted, which has been supported by 57 open codes. Interviewees suggest that marketing skills are limited in the Palestinian market. This is illustrated in the following passages:

"An important element that we lack in Palestine is the marketing skill and ability to promote our products, especially in international markets" (Government Institution, ID1-09).

"I worked with design companies and advertising agencies that were considered the best in Ramallah- West Bank. However, I can confirm from my experience they were all light years behind in terms of design, packaging, illustration, advertising, branding and their understanding of the market needs" (Non-Government Institution, ID1-01).

According to the respondents, even when the country has an excellent product to promote, the lack of marketing skills often leads to lost opportunities:

"I can confirm that 'xxx Palestine factory' is known for being the best exporter of 'dates', but it does not have an international commercial brand name that can be linked to Palestine because it has limited branding efforts" (Government Institution, ID1-02). Furthermore, respondents felt that Palestinian companies participating in international exhibitions do not know how to promote or brand their products in a consistent and positive image. Some companies were more concerned with making immediate profits than creating a brand name. This is demonstrated in the following passage:

"Palestinian companies used international exhibitions to promote their products, but the problem was that these companies did not know how to promote their products and communicate a consistent brand story in association with Palestine's culture and heritage" (Government Institution, ID1-09).

"Companies, participating in international exhibitions, not only did not have the skills to promote their products. But these Palestinian companies did not care about creating a brand name as much as they cared about making immediate profits and connecting with potential investors" (Government Institution, ID1-02).

#### 6.2.1.2 Political Restrictions

This sub-theme, political restrictions on exports and imports, has been referenced 27 times by respondents and coded using open and in vivo codes. The following quotes address this issue:

"There are many restrictions on Palestinian exports because of occupation, as well as on imports of products coming into the Palestinian territories. Restrictions are imposed partially by the Palestinian government trying to control the balance of trade, but mostly by the occupier of Palestine that controls its borders" (Government Institution, ID1-09). "Palestinian products have not been able to expand or get promoted globally due to the economic and political obstacles the country is facing. Occupation had a great impact on Palestinian exports" (Government Institution, ID1-08).

#### 6.2.1.3 Family Management

Family management is a subtheme that surfaced from data excerpts, which has been supported by 27 open and descriptive codes. Interviewees observed that most of the Palestinian SMEs are family businesses that have management and succession problems affecting the business's sustainability. Respondents noticed that most family businesses stop after the second or third generation. This has an impact on the companies' sustainability and their capability to grow internationally. This is illustrated in the following passages:

"You cannot operate the family business for more than two or three generations. If we review the current Palestinian successful organisations, we would notice that they are long-term organized companies, and not family-based" (Government Institution, ID1-02).

"Most of our companies, around 95% of them, are family-oriented; even the employees are family members. Unfortunately, the owner of the company works with his children and grandchildren, even though they cannot master the job. While if they had skilled employees, which they do not think they need, they can grow and compete internationally" (Non-Government Institution, ID1-03).

## 6.2.1.4 Adaptation

The question of whether to adapt products when going international or not is a topic that has been discussed by the respondents and mentioned 23 times. Interviewees felt that some sellers realised the need to adapt their products when expanding internationally to meet consumers' needs, while other sellers either did not want to or did not know how to adapt their products. Adaptation to different markets is examined in the following passages:

"Palestinians learned the hard way that they can fail if they did not adapt their products. This was when they exported olive wood and embroidery products. Some sellers responded by modifying and adapting their products. While other sellers, either did not know what to do to adapt and meet international needs or refused to alter their products because they did not realise the importance of adaptation" (Government Institution, ID1-09).

"Some Palestinian sellers felt that embroidery's original colours, the red and black, are the traditional colours that represent Palestine's identity and they should not be changed into more modern colours even if consumers requested this change. Sellers were worried their products will not be authentic or identified as Palestinian if colours were adapted according to international needs" (Non-Government Institution, ID1-04).

#### 6.2.1.5 Financial Limitations

According to the respondents, trading problems that face Palestinian companies when going international are a result of several problems that include limited financial resources, which will be illustrated in the following passages:

"The obstacles that companies face when going abroad are mostly to do with the company's limited financial resources and capacity" (Government Institution, ID1-11).

"We are a small market, and to build an economy we have to expand internationally through exports. To expand internationally the Palestinian government, donor countries, the World Bank, and the private sector have to provide financial assistance to businesses" (Non-Government Institution, ID1-05).

"We can promote our products through exhibitions, but we cannot constantly do this due to the lack of financial resources" (Non-Government Institution, ID1-04).

# 6.2.1.6 Coordination

The coordination issue has been mentioned nine times by the respondents and is illustrated in the following quotations:

"There is confusion in coordinating the trade support activities. The Ministry of National Economy believes that it's the Chambers of Commerce's job to conduct exhibitions and network internationally. Furthermore, the Ministry of Economy does not provide clear trade guidance that outlines what is expected of them and others in the international trade, which hinders coordinating trade activities with other institutions " (Non-Government Institution, ID1-05).

"The European Union (EU) spotted the weak coordination between the different governmental bodies in Palestine and agreed to provide funds to solve this problem" (Government Institution, ID1-11).

# 6.2.2 Theme 2- Facilitating Trade

This theme, suggested by the trade support bodies, states the factors they felt are required to facilitate international trade for Palestinian businesses. Most interviewees confirmed the importance of providing networking opportunities to facilitate international trade, as well as the need to maintain and create new trade agreements, and use the cluster approach to help businesses expand internationally. This theme grouped codes that have been mentioned 119 times by respondents, taken from data excerpts, and coded using open, in vivo, and descriptive coding. These codes (first cycle codes) were then grouped into 3 subthemes. Table 6-3 illustrates the subthemes that led to the formation of this theme.

Section	Code	Occurrences *	Interviewees*
	Selective Coding	119	11
	Theme 2: 'Facilitating international trade'		
	Axial Coding		
6.2.2.A-	Networking	70	11
6.2.2.B-	Roles of National Bodies	32	9
6.2.2.C-	Using the Cluster approach 17 6		6

Table 6-3 List of codes- Factors facilitating international trade

Source: Original, 2021

\* Occurrences = Total number of mentions by respondents in interview transcripts

\* Interviewees= Number of interview transcripts that supported each code

As we can see from the table above (Table 6-3), three subthemes within the data analysis were found to facilitate the international trade of Palestinian products expanding into new markets. Suggestions were based on trade agreements between countries and Palestine that improved international trade relations, offered networking opportunities for Palestinian businesses accessed by participating in international exhibitions and events, as well as potential cluster creation by SMEs as a tool for globalisation. This theme will

help businesses identify the markets that can be accessed easily to sell and/or promote Palestinian products based on networking opportunities and trade agreements.

#### 6.2.2.1 Networking

This sub-theme examines the respondents' opinions about networking opportunities offered to Palestinian businesses, which has been supported by 70 open codes taken from data excerpts. The 'networking' sub-theme allows for discussion of the development of trade relationships and the implications for Palestinian firms participating in exhibitions intended to increase brand awareness of Palestinian brands and establish relationships with other countries. Additionally, observe the involvement of non-governmental bodies in exhibitions, as well as the significant benefits of these exhibits, such as networking with Palestinians in the diaspora.

## 6.2.2.1.1 Developing trade relationships

Respondents felt that the participation of Palestinian businesses in international exhibitions was an opportunity for businesses to develop networking relations with other countries and create brand awareness of Palestinian brands, which mostly led to long-term trade relations. This has been illustrated in the following passages:

"Palestine increased its exports to Kuwait and Jordan through exhibitions. Palestinian businesses use exhibitions as a starting point to enter and expand into new markets" (Non-Government Institution, ID1-04).

"A Palestine stone and marble factory, has participated in exhibitions in America to promote Jerusalem stone. This helped them build relationships with America and started exporting their stone products to American banks, hotels, and airports" (Government Institution, ID1-02). According to the interviewees, participation in international exhibitions created networking relationships, which mostly led to the development of trade relationships.

#### 6.2.2.1.2 Role of Non-Governmental Institutions

Non-governmental bodies (Chambers of Commerce and PalTrade Centre) organised and facilitated Palestinian businesses to participate in international exhibitions every year. This has been achieved by contacting the international Chambers of Commerce and providing financial support. Below are quotations that confirm the role of non-governmental bodies :

"Chamber of Commerce has facilitated companies participation in exhibitions abroad by sending out registered businesses at the Chamber to participate and connect with other international companies" (Non-Government Institution, ID1-03).

"The Chamber of Commerce arranged for Palestinian businesses to participate in the textile and leather exhibition that took place in Kuwait and provided financial support. This exposure had a long-term impact on the leather and footwear sector in Palestine" (Non-Government Institution, ID1-04).

As demonstrated, non-governmental bodies had a great role in assisting Palestinian businesses to participate in different international exhibitions, which offered Palestinian businesses several advantages that will be discussed next. Notably, this assistance was commented on despite the feelings highlighted above (6.2.1.6F) regarding the lack of coordination between the various non-government support bodies.

#### 6.2.2.1.3 Advantages of networking and participating in exhibitions

#### 6.2.2.1.3.1 Trade assistance and exemptions

Respondents stated that networking with other countries and participating in exhibitions can be considered a tool to initiate relationships with foreign markets and request trade assistance and exemptions, such as a customs exemption certificate. This is illustrated in the following quotation:

> "A 'government support body' organised for some businesses to participate in an exhibition in Indonesia to promote dates and olive oil. This assisted the supporting body to take advantage of this exhibition and build a relationship with the Indonesian Ministry of Economics, which resulted in a custom exemption for food exports from Palestine to Indonesia" (Government Institution, ID1-11).

#### 6.2.2.1.3.2 Understand foreign markets

Furthermore, respondents discussed how participating in exhibitions not only helps improve relationships between Palestine and other countries but also helps Palestinian businesses get a feel of the international market needs and adapt their products accordingly. This is examined in the following passage:

> "Palestinian companies took advantage of their participation in international exhibitions to develop a better understanding of the international market and adapt their products to better match international needs" (Non-Government Institution, ID1-04).

## 6.2.2.1.3.3 Networking with Palestinians from the diaspora

According to the interviewed government officials, networking opportunities can be planned by meeting and connecting with Palestinians from the diaspora through these exhibitions. Such connections can result in international trade relations and agreements that will assist in increasing Palestine's exports. This is illustrated in the following passages:

"PalTrade Centre had a mission to develop international trade relations as part of Palestine's economic plan. To do that, PalTrade Centre planned to meet with Palestinians from the Diaspora during their participation in exhibitions that took place in Kuwait, Germany, Sweden and Malaysia and accordingly developed a plan consisting of potential international partners and supporters" (Non-Government Institution, ID1-05).

"Palestinians in the diaspora were very sympathetic and supportive to Palestinian businesses, which led to developing trade agreements with different international investors" (Non-Government Institution, ID1-05).

"In the United Arab Emirates, there is the Palestinian business people's association that is a diaspora body and works to organise events to help local and international Palestinians network with each other and give assistance to businesses from Palestine" (Non-Government Institution, ID1-03).

According to the respondents, addressing Palestinians in the diaspora has facilitated the development of international economic relations with other markets due to the assistance they have provided.

## 6.2.2.2 Support of national bodies

This sub-theme explores the perspective of the respondents, government and governmentfunded bodies, regarding trade agreements and relations between Palestine and other countries. This code has been supported by 32 open codes from data excerpts. Data analysis examines the roles played by the different national bodies to establish and implement different trade agreements. Respondents suggest that the main supporters were the Chamber of Commerce and Ministry of National Economy to Palestinian businesses looking to engage in international activities. The role of the Ministry of Economics is illustrated in the following quotation:

> "The major task at the Ministry of National Economy is to support Palestinian businesses and institutions when they promote their products internationally by securing trade agreements and 'Memorandums of Understanding' that are signed with other countries, states, joint councils, business to business delegations, and through participating in different international exhibitions" (Government Institution, ID1-08).

Some respondents from the non-governmental bodies' felt that their role in trade assistance is more than organizing international exhibitions, they are felt to be responsible for facilitating the networking process between the producers and international buyers. They also provide appropriate training for Palestinian companies. The following quotes highlight the role of the Chambers of Commerce:

"The Chamber of Commerce helps in the networking process between Palestinian producers and international businesses and guides international producers looking for Palestinian importers" (Non-Government Institution, ID1-03).

"At the Chamber of commerce, there is a program called Business Development Services (BDS) that provides training for local businesses by international experts" (Non-Government Institution, ID1-03). As can be seen above, participants discussed the different roles played by national bodies to assist Palestinian businesses in entering international markets.

# 6.2.2.3 Cluster-Based Approach

An issue that was discussed by the respondents concerning facilitating international trade is the cluster-based approach.

## Cluster-based approach

This concept was mentioned by respondents, discussing that Palestine should consider using a cluster-based approach to promote Palestine, which will emphasize that Palestine is a country operating on a cluster basis approach with an industrial, touristic and agricultural focus. This will help in promoting Palestine by distinguishing what Palestine has to offer based on the clusters. This is illustrated in the following quotation:

> "As a governmental institution, we are currently working on developing clusters of cities specialized as touristic, industrial and agricultural. These clusters will help us improve our products in specific areas by encouraging cooperation within various sectors, which will also help in promoting these sectors" (Government Institution, ID1-08).

## 6.2.2.3.1 Benefits of clusters

#### 6.2.2.3.1.1 Develop a trademark

Respondents felt that clusters can aid the development of a trademark used to brand their products locally and globally. This has been the case of "Shoghl Al-Khalil" (Hebron cluster), as exemplified in the following passage:

"We developed a Cluster presenting businesses from Hebron city, and it was named 'Shoghl Al-Khalil'. We registered our name and trademark with the Chamber of Commerce. This means that when we participate in foreign exhibitions, we represent 'Shoghl Al-Khalil,' which consists of many companies that have the right to use this brand name and have to follow the cluster's quality specifications" (Government Institution, ID1-11).

#### 6.2.2.3.1.2 Quality assurance

Respondents felt that working as a cluster helped the companies establish quality assurance. This is demonstrated in the following quotation:

"The idea of 'Shoghl Al-Khalil' was to develop certain specifications, and ensure the quality of the product under this brand meets the standards" (Government Institution, ID1-11).

## 6.2.2.3.1.3 Trade support

Interviewees discussed how the industrial cluster manages trading issues for members that consider participating in international exhibitions and entering new markets. This is demonstrated in the following passage:

"The leather and shoe cluster, supported by the Ministry of National Economy, is organising to promote and help Palestinian businesses participate in Expo Dubai 2020. It is felt that working with different companies as a unit will help achieve more benefits than working with an individual company because it will promote a whole sector, which will later on make it easier for any business that belongs to a successful sector to enter the international markets due to a previous successful experience" (Government Institution, ID1-11).

As discussed, the cluster-based approach has several benefits, including creating a trademark and establishing quality specifications, which helps in branding products internationally. Additionally, this approach can facilitate trade support by external bodies.

# 6.2.3 Theme 3- Communication

This theme has been mentioned 112 times, taken from data excerpts, and coded using open, in vivo, and descriptive coding. These codes (first cycle coding) were then grouped into 6 subthemes. Table 6-4 shows the subthemes that led to the formation of this theme.

Section	Code	Occurrences *	Interviewees*
	Selective Coding	112	12
	Theme 3:		
	'Communication'		
	Axial Coding		
6.2.3.A-	Nation versus City Branding	37	10
6.2.3.B-	Labelling 26 5		5
6.2.3.C-	Presentation and Display 18 7		7
6.2.3.D-	Political Concerns 16 10		10
6.2.3.E-	Culture 15 10		10

Table 6-4 List of codes- Considerations when Communicating Palestine's COO

Source: Original, 2021

\* Occurrences = Total number of mentions by respondents in interview transcripts

\* Interviewees= Number of interview transcripts that supported each code

As we can see from the table above (Table 6-4), factors to consider when communicating about Palestine and Palestinian products according to the respondents' answers, are nation branding concept (mentioned 37 times; meaning 37 open codes support this sub-theme based on mentions by respondents), labelling considerations that include; the 'Made in'

concept (mentioned 5 times), and quality and origin label (mentioned 21 times). Other important factors to consider are the presentation and display of products (mentioned 18 times), political concerns (mentioned 16 times), and cultural considerations (mentioned 15 times).

This theme reveals what factors to consider when branding and communicating about Palestine and Palestinian brands. Respondents suggested that some communication factors can be used to contribute to a positive COO image, while others if taken into consideration will reduce the negative perceptions and associations of the company's and the product's image.

## 6.2.3.1 Nation Branding

Opinions related to this sub-theme have been supported by 37 open codes taken from data excerpts.

## 6.2.3.1.1 Lack of nation's brand identity

Respondents felt that Palestine lacks a brand identity that accurately reflects the country. This is illustrated in the following quotation:

"There is no brand for Palestine as a country. The Exports Council had an idea for a new project to promote Palestine as a whole through a logo for Palestinian industries in addition to the company's trademark" (Government Institution, ID1-11).

## 6.2.3.1.2 Religious and historic associations

Participants proposed linking Palestine's brands with the religious associations of three cities; Bethlehem, Jericho, and Jerusalem. They suggested promoting products

internationally by linking them to these cities. They mentioned that there is weak city branding that should be improved. This is illustrated in the following passages:

"Palestine is the cradle of the world's three monotheistic religions and we want to take advantage of that. The Church of Nativity is the birthplace of Jesus, which is a better branding tool than petrol. Millions of pilgrims come to Bethlehem and Jerusalem, and Jericho is the oldest city in history. So, we have many things to promote. The problem is that we are weak in linking to these cities. The idea is to improve these cities' branding, manufacture something and link it to one of these cities so it could be easily branded and exported to reach a wider international audience" (Non-Government Institution, ID1-03).

Not all respondents supported this approach. Some respondents felt that it is more important to link products to Palestine as a whole to remind the world of their existence. This can be seen below:

"If Palestinian SMEs produced a good brand and presented it to people without linking it to the name of Palestine, and instead we associated the brand to a Palestinian city such as Jerusalem or Bethlehem, it won't deliver a stronger brand. We have to remind people that we exist through our brands" (Government Institution, ID1-08).

During the topic of product branding, several viewpoints were expressed, including whether to link the brand to Palestine as a whole or Palestinian cities such as Bethlehem, Jerusalem, or Jericho. When accessing international markets, participants suggested associating produced items with religious and political associations of cities.

## 6.2.3.2 Labelling

Countries that Palestine exports to determine labelling requirements, which can include technical and legislative issues (EU/PALTRADE, 2019). Legally regulated labelling that will be discussed within the scope of the interviews includes the use of the 'Made in ...' phrase and quality labels.

# 6.2.3.2.1 "Made in ..." phrase

Respondents discussed different views as to whether products should be labelled as 'Made in Palestine' or associate with a popular Palestinian city. The 'Made in ...' subtheme discusses what label the interviewees thought would promote more positive connections with Palestinian products. This is illustrated in the following passages:

> "A Palestinian manufacturing company, invested in the name of the Palestinian market, not in its own brand name when going international. The company made sure everyone knew it was a Palestinian brand because of the positive feedback it received for being branded as 'Made in Palestine'. That is something we would like to see Palestinian companies implement more of when going international; focus on promoting Palestine'' (Non-Government Institution, ID1-05).

> "The Ministry of Tourism makes sure to highlight that anything sold in Bethlehem or any other Palestinian city is simply Palestinian and branded as 'Made in Palestine'" (Government Institution, ID1-06).

Other participants believed that the country and city could both be used together in the labelling. This is demonstrated in the following passage:

"The Pope was attending his annual youth meeting in 2018, where he met around half a million youth. Around one million rosaries from Bethlehem were ordered. The rosaries were labelled "Made in Palestine from Bethlehem". [...] When the Pope is using this kind of branding, it is seen as a valued product" (Government Institution, ID1-09).

Another argument presented by some government respondents is that the most appropriate label will depend on the market being entered:

"Companies will decide on the most appropriate 'Made in' label to use depending on the target audience. The 'Made in Jerusalem/ Bethlehem' appears to be the most appropriate for a religious audience" (Government Institution, ID1-11).

"If the market sector you are selling Palestinian products to is the Christian market and you said products are 'Made in Bethlehem', they will sell very well because these products are identified as coming from the birthplace of Christ. Christians identify Bethlehem positively, while they might not be able to identify products if they were marketed as 'Made in Palestine'" (Government Institution, ID1-09).

As explored above there are competing views on how to label Palestinian products.

#### 6.2.3.2.2 Quality Label

People have different associations and perceptions of the quality of handmade products. A number of participants discussed the appreciation of the international market for the quality of Palestinian handmade products, as illustrated in the quotation below:

"[...] These arts and crafts products represent our Palestinian culture and are considered very good quality, which is very well accepted internationally and qualifies them for the quality label by the Palestinian Standards Institution" (Government Institution, ID1-09).

It has been observed from data excerpts that the communication of the quality label is regulated. The interviewed trade support bodies discuss that Palestinian companies have a regulated quality label. A company has to get the approval of the Palestinian Standards Institution to qualify for a quality certificate that allows the use of the Ministry of National Economy's quality label. This is illustrated in the following passages:

"A Palestinian company registers its trademark and quality label with the Ministry of National Economy to protect its brand and prevent other companies from using its name locally" (Government Institution, ID1-11).

"There is a quality label, a quality charter, for dates, oil, and honey sectors, as well as a charter for handcrafts. Any item a seller wants to export should be passed to the Palestinian Standards Institution. If it fits into their standards, the product would gain a quality certificate and be permitted to use the Ministry of Economics' quality label. This would support and strengthen the role of the Palestinian products on aspects of meeting the international standards and quality checks" (Government Institution, ID1-01).

The aforementioned passages examine the registration process of the quality label. Palestinian companies need a quality certificate approved by the Palestinian Standards Institution when exporting products to ensure the delivery of the promised quality. This is done by certifying for the Ministry of Economics' quality label, which is an accepted label among countries that Palestine has agreements with.

# 6.2.3.3 Presentation and Display

This sub-theme examines the approach that is used to present the Palestinian product. According to Haynes, Lackman and Guskey (1999), it is important to present and display products attractively and appropriately to get people's attention and reinforce the brand image the company intends to achieve.

#### 6.2.3.3.1 Poor Presentation

Respondents discussed the presentation of Palestinian products, which is not perceived as good or consistent due to the limited branding skills. This is illustrated in the following passage:

> "The presentation and display of Palestinian products are weak and inconsistent. I think that comes from being fairly isolated in terms of branding and other marketing skills. I can see things slightly changing now because of people's easy access to the Internet, which will make it easier for companies to learn from other international companies" (Non-Government Institution, ID1-01).

#### 6.2.3.3.2 Authenticity

On the positive side, respondents further discussed that they try to demonstrate the products' authenticity when presenting their products in international markets. This will be examined in the following passage:

"The Ministry of Tourism always participates in conferences and exhibitions. When they attend such events and as part of promoting local crafts, they choose artisans to represent Palestine abroad and work in front of people who come to see them. This is an attempt so that people can see the effort and authenticity of each produced item (Government Institution, ID1-06). Interviewees consistently stressed the importance of good presentation of their products to get a wider acceptance. Presenting authenticity is something the interviewees tried to achieve in international markets. Additionally, this concept is discussed in theme four as an association that can contribute to positive COO perceptions.

## 6.2.3.4 Political Concerns

The political aspect of Palestine will be examined in the following subtheme. Some respondents felt the need to present the political image of Palestine while promoting its brands, while others thought it was important to deliver a non-political and a more peaceful image of Palestine.

#### 6.2.3.4.1 Minimizing the occupation

Respondents suggested that promoting a non-political image of Palestine will change people's perception of Palestine as a place of war. People get anxious and picture a war when they hear the word 'Palestine' or 'Made in Palestine', that is why respondents are hoping to change this image. This will be illustrated in the following passages:

> "There is a need for building Palestine's name and image internationally to take it out of this media image that is promoting Palestine as a place of war. We have to work hard for Palestine to be taken out of this political context and instead moved into a context that concentrates on the citizens and their skills and what Palestine has to offer" (Government Institution, ID1-09).

> "I think the political aspect should not be something that will represent Palestine anymore, we should move away from this image because it is a complex problem and will not help in improving the country's image. We

should promote the Palestinian human side, their abilities and skills" (Non-Government Institution, ID1-05).

As explained by the respondents in the above quotations, it is important to promote the Palestinian human side by demonstrating the skills and abilities Palestinians possess, instead of focusing on the political situation that affects Palestine. Respondents felt that even though Palestinians cannot control occupation and its impact, they can control the image that is being communicated to the world.

# 6.2.3.4.2 Emphasizing occupation

Some of the respondents had a different opinion and felt it is needed to present Palestine's political image so that the public is reminded of the struggle the Palestinians are living through due to occupation. They suggested this will evoke sympathy from the world towards Palestinians and their products. This is exemplified in the following quotation:

"Palestine is related to the national struggle and that attracts many people, along with having a link with Yasir Arafat's name. Palestinians are living a political struggle over their homeland. This is why it is important to transfer the right pictures about Palestine's political situation, occupation, and struggle to get the world's support and sympathy when entering new markets (Government Institution, ID1-12).

Interviewees disagreed on whether Palestine's image should be linked to political associations when expanding internationally. While some felt the political image had a negative impact on the country's image, others felt the political image created sympathy and support.

## 6.2.3.5 Cultural Considerations

Culture has been coded by respondents 15 times by applying open and in vivo coding. Respondents realise the importance of promoting Palestine's culture as part of the country's and brand's image to present the language, crafts, costumes, symbols, and abstract components that identify the Palestinian culture. This is exemplified in the following quotations:

"In every exhibition, we participated in, we made sure to reflect on our culture by showing hospitality and food from our land. We welcomed guests with Palestinian embroidered souvenirs and olive oil with thyme as part of promoting our culture through the products we are presenting at the exhibition" (Government Institution, ID1-02).

"Culture should be a part of Palestine's image, including women's embroidery, handicrafts, and antiques from Bethlehem" (Non-Government Institution, ID1-05).

The aforementioned quotations demonstrate how Palestine's culture can be described by presenting religious, historic and traditional aspects.

## 6.2.4 Theme 4- Associations

The associations that respondents felt can impact positive and negative COO perceptions have been identified in this theme. This theme is divided into two sections, one for positive associations and the other for negative.

# 6.2.4.1 Theme 4a- Positive associations

One of the themes that surfaced from the analysis was "positive associations" The following theme, identifying what associations trigger positive reactions, has been referenced 45 times. In other words, this theme has been mentioned 45 times, taken from data excerpts, and coded using open, in vivo, and descriptive coding. These codes (first cycle codes) were then grouped into two sub-themes. Table 6-5 shows the sub-themes that led to the formation of this theme about associations perceived by interviewees to contribute to a positive COO image.

#### Table 6-5 List of codes- sources for positive associations

Section	Code	Occurrences*	Interviewees*	
	Selective Coding Theme 4a: 'Positive associations'	45	12	
	Axial Coding			
6.2.4.1.A-	Authenticity (45)		12	
6.2.4.1.A-a-	Craftsmanship Heritage 21 8		8	
6.2.4.1.A-b-	Place- Holy land	13	9	
6.2.4.1.A-c-	Quality	11 9		

Source: Original, 2021

\* Occurrences = Total number of mentions by respondents in interview transcripts

\* Interviewees= Number of interview transcripts that supported each code

As we can see from the table above (Table 6-5), the associations that trigger positive perceptions the most, according to the respondents' answers, are the dimensions of authenticity and sympathy. Dimensions of authenticity include handmade/craftsmanship products (mentioned 21 times), the location that is the holy land place (mentioned 13 times), and product quality (mentioned 11 times).

# 6.2.4.1.1 Authenticity

An important sub-theme that surfaced from findings, perceived by interviewees to trigger positive associations and perceptions, is authenticity. Alexander (2009) describes the

attributes of authenticity that include "high quality, craftsmanship heritage, place,..." (p.558). Participants identified three of Alexander's attributes for authenticity that will be discussed next.

#### 6.2.4.1.1.1 Craftsmanship Heritage

According to participants, crafts made of olivewood and olive oil that reflected Palestine's culture are very well accepted internationally, as exemplified in these passages:

"Arts and crafts like olive wood products are very well accepted and distinguished internationally" (Government Institution, ID1-09).

"[...] international buyers perceive handmade crafts to represent superior quality, value, symbolism (Government Institution, ID1-06).

"During exhibitions, our handmade goods, especially olive wood products, were very well received internationally" (Government Institution, ID1-11).

"During our participation in international exhibitions, people were very impressed with our handmade products that involved no machine work because these products were perceived authentic" (Non-Government Institution, ID1-07).

Some participants believe that international tourists value Palestinian products because they showcase craftsmanship heritage through handcrafted items that are seen as distinctive and personalised. As a result, it was suggested within the sub-category of 'Craftsmanship' that because of the foreigners' interest in craftsmanship and handcrafted items, they should meet high production and packaging requirements. This is emphasized by the participants in the following passages:

"Handicrafts always have the advantage of being handmade and personalised, reflecting good skills and heritage, although it might want to consider improving its packaging" (Non-Government Institution, ID1-07).

"These crafts are exceptionally beautiful and foreigners appreciate them. I believe that these products should be manufactured and packaged upon high standard instructions to protect their value" (Government Institution, ID1-06).

#### 6.2.4.1.1.2 Place- Holy Land

Another attribute to Alexander's (2009) dimensions for authenticity is place. In this research 'Holy Land' was mentioned 13 times by respondents (refer to Table 6-2). Participants felt that people worldwide are familiar with Jerusalem and Bethlehem and have high acceptance of products made there. This sentiment is illustrated in the following passages:

"People in Panama loved the rosaries because they were from Bethlehem, the Holy Land. The holy side was something that identified Palestinians. The rosaries were made by Palestinian women" (Government Institution, ID1-09). "When you talk about touristic products such as olive wood and seashell products, they are considered authentic because the world associates them with the Holy Land" (Government Institution, ID1-08).

"[...] Palestine has always been perceived differently from other countries in the world. When we mention Palestine, people always refer to it as the holy land. Palestine is represented by Jerusalem and Bethlehem as the holy cities" (Government Institution, ID1-06).

## 6.2.4.1.1.3 Quality

The high quality of products is another dimension of authenticity (refer to Table 6-2). Participants referred to products as 'high quality and authentic'. They felt that good product quality triggers positive reactions, which is illustrated in the following quotation:

"International buyers perceive "hand-made" crafts to represent good quality, value and symbolism. We have distributed during international exhibitions some of our products and people have always waited in queues to get their handmade Palestinian souvenirs" (Government Institution, ID1-06).

Furthermore, participants indicated that even though they cannot produce in large quantities, the product's quality helped them overcome this inability and distinguish their products by offering high-quality products. For example:

"Large quantities are appreciated but we can't offer them because our products are all handmade. That is why we make sure we offer good quality and unique handmade products" (Non-Government Institution, ID1-07).

"What distinguishes us is that our products are not too many, quality is high, and prices are fair. We have established confidence in our products because of the high quality. People abroad have started looking specifically for our products and requesting them" (Government Institution, ID1-11).

Participants accepted the importance of the role that quality products have in changing perceptions of Palestinian produce. This is illustrated in the following quotation:

"We believe offering consistent good quality products and a good price will reflect positively on the Palestinian image and its products" (Government Institution, ID1-09).

As can be seen above, throughout the discussion of Theme 4a 'positive associations', some respondents believe the COO image can be built on positive aspects of Palestine, including an emphasis on the culture's authenticity, a presentation of quality handmade products, and stressing the holy land location.

#### 6.2.4.2 Theme 4b- Negative associations

The second important theme that surfaced from the analysis is "negative associations". This theme, identifying what associations the trade support bodies felt triggered negative reactions, has been referenced 80 times, supported from data excerpts, and coded using open, in vivo, and descriptive coding. These codes (first cycle codes) were then grouped into 2 sub-themes. Table 6-6 shows the sub-themes that led to the formation of this theme.

Section	Code	Occurrences *	Interviewees*	
	Selective Coding Theme 4b: 'Negative associations'	80	10	
	Axial Coding			
6.2.4.2.A-	Political Situation Impact 76		10	
6.2.4.2.B-	Inconsistent Quality 4 3			

Table 6-6 List of codes- drivers that trigger negative perceptions and associations

Source: Original, 2021

\* Occurrences = Total number of mentions by respondents in interview transcripts

\* Interviewees= Number of interview transcripts that supported each code

As we can see from the table above (Table 6-6), the association that contributes to negative perceptions the most, according to the respondents' answers, is the political situation. The political sub-theme is referenced 76 times; in other words, 76 open codes support this sub-theme based on participants' responses. Another association that was felt by the respondents is inconsistent product quality (reference 4 times).

#### 6.2.4.2.1 Political Situation Impact

An important sub-theme suggested by respondents is the 'Political situation impact'. Palestine is a country under occupation, and for that reason, it can be perceived negatively by international markets and consumers. Respondents discuss how they felt politics can contribute to negative COO image and perceptions.

Different points of view are discussed in the 'Political' sub-theme relating to the political situation's impact on Palestine and Palestinian companies. The following issues will be examined and supported by respondents' quotations.

# 6.2.4.2.1.1 Image of instability

First of all, respondents believe that political instability, due to the Israeli-Palestinian conflict, triggers negative associations and perceptions of Palestine. This political instability can trigger direct negative associations to Palestine's image and its products linked with Palestine being a country under occupation as illustrated in the following quotations:

"Palestine-Jerusalem is perceived more of a negative association due to the political situation" (Non-Government Institution, ID1-05).

"The political nature is what dominates the Palestinian image. Palestine's image externally is perceived negatively. Meaning, people outside the country's borders view us as a region that is unstable politically" (Non-Government Institution, ID1-05).

## 6.2.4.2.1.2 Borders and regulations

The political situation also affects practical matters in doing business such as difficulties of moving products and people across borders due to occupational constraints as exemplified by the quotes below:

> "The occupation and its practices are the main obstacles we face. We do not have control over ports, crossings and borders and this affects our economy" (Government Institution, ID1-06).

> "The occupation is a major problem for us. Occupation doesn't only affect how people perceive us, it causes a problem with port control" (Government Institution, ID1-08).

# 6.2.4.2.1.3 Israel benefits from the difficulties

It was pointed out that in some cases the restrictions imposed by Israel made it easier for Palestinian companies to trade with Israel, due to the ease of trade restrictions, rather than with other countries, as illustrated in the following quotation:

> "Previously, we had stone and marble that were exported to Korea and Japan, as well as California Airport. Most of this produce now goes, less profitably, to Israel due to the low number of constraints a producer faces when exporting to the Israeli market" (Non-Government Institution, ID1-03).

#### 6.2.4.2.1.4 Empathy

Some respondents believed that the political situation may elicit empathy and concern that can affect the world's perception of Palestine and their products. This is demonstrated in the following quotations:

> "Palestine is a third world country with a political problem that the world shows empathy for, which can sometimes impact negatively on how the world perceives Palestinians and their products value and quality" (Government Institution, ID1-08).

> "Some countries cooperate with us, but treat us with empathy and make us feel we are not capable of offering high-quality products. While other countries try to avoid working with us" (Non-Government Institution, ID1-03).

However, some of the respondents had a belief that the plight of the Palestinians led to certain groups of people being more empathetic, and consequently more supportive and likely to buy products that are made in Palestine. This is illustrated in the following quotations:

"[...] some people empathize with Palestinians, which would make them look at Palestinian products more positively than people who do not empathize with Palestine" (Government Institution, ID1-09).

"The association of Palestine is connected with the national struggle and Yasir Arafat's name, which attracts the support and sympathy of many people. Such empathy makes people appreciate the value and effort of producing Palestinian products " (Government Institution, ID1-12).

"Internationals perceive the Palestinian brand with huge global empathy and support" (Government Institution, ID1-08).

The 'political situation' sub-theme, as discussed by the respondents, is typically perceived to create more negative associations due to the unstable image it reflects and the imposed regulations. However, empathy towards Palestine's situation has been felt to create both positive and negative responses, depending on the audience's approach and their sense of solidarity and empathy to conduct business with Palestinian companies.

## 6.2.4.2.2 Inconsistent Quality

Another code that triggers mostly negative perceptions and associations is the inconsistent quality offered internationally. The challenge that businesses were perceived to be facing was if some businesses fail to deliver a consistent quality it would affect other businesses. This is illustrated in the following passage:

"PalTrade worked on participating in international exhibitions to build a Palestinian image and brand, the main problem was there was no consistency of the delivered image and quality. The implication was if one Palestinian did something wrong in these exhibitions that meant ruining the opportunity for someone else, and potentially for all Palestinians working hard to deliver a positive image" (Non-Government Institution, ID1-05).

There was a concern that Palestinian businesses are not always prepared to go international, the problem was if they didn't present themselves in a consistent manner, in terms of image and quality, this will reflect negatively on them and other Palestinian businesses.

# 6.3 Chapter Summary

The first phase of the work was to gather data from trade support bodies (government and non-government institutions), which led to the surfacing of 510 basic codes that were organized into 19 sub-themes and grouped into four major themes. Each theme comprised a separate set of subthemes that have been discussed in this chapter, the findings section. From this part of the fieldwork, four key themes were identified as being relevant to the development of a positive country-of-origin brand identity. The identified themes were: 'challenges'; 'facilitating trade'; 'communication'; and 'associations'. In the final area of findings analysis, respondents identified light manufacturing as the sector of Palestinian commerce which would be most suitable to concentrate on to assist with the understanding of internationalisation challenges and the development of positive COO. These themes are presented in Table 6-7, and summarized below.

# Table 6-7 Themes that surfaced from phase-1 responses

		Trade Sun	Summary Phase-1 port Bodies' Perspective (Governmental and Non-governmental Institutions)
Themes		Subthemes	Topics
	6.2.1.1	Marketing Skills	How Palestinian products are being promoted, Palestinian companies participating in international exhibitions
Theme 1	6.2.1.2	Political Restrictions	Political restrictions on exports and imports.
Challenges Internationalisation challenges facing Palestinian companies	6.2.1.3	Market Structure / Family Management*	Palestinian SMEs are family businesses that have management and succession problems affecting the business's sustainability
	6.2.1.4	Adaptation	Adaptation of products to expand internationally to meet consumers' needs.
	6.2.1.5	Financial Limitations	Trading problems facing Palestinian companies when going international due to limited financial resources.
	6.2.1.6	Coordination	Coordinating trade support activities
Theme 2 Facilitating trade	6.2.2.1	Networking	Developing trade relationships, Role of Non-Governmental Institutions, Advantages of networking and participating in exhibitions (Trade assistance and exemptions, Understanding foreign markets, Networking with Palestinians from the diaspora).
Factors required to facilitate international trade for	6.2.2.2	Roles of National Bodies	Perspective regarding trade agreements and relations between Palestine and other countries. (governmental bodies and non-governmental bodies)
Palestinian businesses.	6.2.2.3	Cluster approach	Benefits of clusters ( Develop a trademark, Quality assurance, Trade support)
Theme 3	6.2.3.1	Nation versus City Branding	Lack of nation's brand identity, Religious and historic associations
Communication	6.2.3.2	Labelling	"Made in" phrase, Quality Label,
Considerations when Communicating Palestine's COO	6.2.3.3	Presentation and Display	Poor Presentation, Authenticity
	6.2.3.4	Political Concerns	Minimizing the occupation, Emphasizing occupation
	6.2.3.5	Culture	Importance of promoting Palestine's culture as part of the country's and brand's image to present the language, crafts, costumes, symbols, and abstract components that identify the Palestinian culture.
Theme 4 Associations Associations for positive and negative Palestine's COO	6.2.4.1	Positive associations	Authenticity, Craftsmanship Heritage, Place- Holy Land, Quality,
	6.2.4.2	Negative associations	Image of instability, Borders and regulations, Israel benefit from the difficulties, Empathy, Inconsistent Quality,
Additional Findings: Recommended Sectors			by governmental bodies as being appropriate to represent Palestine's brand identity: ector, Handcraft/Handicraft Sector, Leather and Shoes Sector, Pharmaceutical Sector

Source: Original, 2021

## 6.3.1 Challenges

In examining theme 1, it can be argued that COO does not occur in a vacuum, and it is critical to understand the restrictions operating on a country as well as the environment in which it functions. The goal of theme 1 was to provide this basic foundation.

Respondents agreed that certain challenges made the internationalisation process more complex for businesses. This theme addressed important internal issues that impact growth and sustainability, such as family difficulties. In addition, the study looked into the external environment that interviewees perceived as a challenge for businesses engaging in international activities, such as political restrictions, a lack of marketing skills, financial constraints, and coordination issues between government and non-government institutions.

Six challenges were identified by respondents. Limited marketing skills in the Palestinian workforce, impacting the brand identity of internationalised products was the first challenge discussed. Respondents expressed worry that Palestinian firms are not always ready to expand internationally because they do not promote themselves consistently. The political restriction was a second key challenge, due to restrictions imposed by Israel. Respondents were concerned about the management of family businesses; the third challenge. They expressed their thoughts on an issue facing family businesses- the succession problem, which affected the business's sustainability and growth potential. Lack of adaptation provided was seen as a further challenge; the fourth challenge. This inability to adapt products caused some businesses to be seen as inflexible and was leading to failure internationally. The fifth challenge that the respondents shared their concern was the financial limitation and how it demonstrated a barrier to growth. The respondents who all worked for trade support bodies had a strong feeling that the lack of coordination between the various government bodies was also a challenge; the sixth challenge, to internationalisation impacting trade relations and COO effect.

# 6.3.2 Facilitating Trade

Moving forward theme two attempted to identify Factors required for facilitating International trade. Key points that were raised included available networking opportunities through events and exhibitions, which offered trade assistance, the ability to understand foreign markets, and provided them the opportunity to network with Palestinians from the diaspora. These opportunities were offered by non-government institutions (Chamber of Commerce and PalTrade Centre) in coordination with the government institutions- the Ministry of National Economy. However, as discussed above there was concern about the lack of coordination between various bodies.

Another factor raised was the roles played by the national institutions that helped overcome trade restrictions. Cluster creation was the final factor that was discussed, which was seen as a means to assist industries when going international.

# 6.3.3 Communication

Theme 3 focused on communication issues associated with an international audience. During the product branding discussion, opposing perspectives were presented, including whether the brand should be linked to Palestine as a whole or specific Palestinian cities such as Bethlehem, Jerusalem, or Jericho.

The role of labelling was investigated in relation to the 'Made in' concept and the quality of Palestinian products. Respondents explained how, when exporting, Palestinian products require a quality label recognised by the Palestinian Standards Institution to verify that the claimed quality is delivered. Interviewees also emphasised the need for strong product presentations to get wider acceptability.

One point of contention among interviewees was whether Palestine's image should be associated with political affiliations while expanding overseas. While some believed the political image harmed the country's reputation, others said it generated sympathy and support. Culture is the final factor to consider while discussing Palestine's COO. Respondents explored how to represent Palestine's culture by giving religious, historical, and traditional characteristics.

# 6.3.4 Associations

The discussion of theme 4 was separated into two sections that addressed the associations for positive and negative Palestine's COO. Theme 4a (see 6.2.4.1) examined how authentic aspects of Palestine might be used to aid the improvement of the COO. Theme 4b (see 6.2.4.2), on the other hand, investigated the associations that respondents thought prompted a negative COO image of Palestine, which included the political situation and its influence, as well as quality inconsistencies. While generally the political situation is seen as a negative, some buyers are felt to respond favourably and will do business from a sense of solidarity and/or empathy.

Interviewees have previously mentioned, in theme 1 of this first research stage, the 'political situation' as a challenge to internationalisation. They confirmed in this theme that 'political impact' can create negative associations with Palestine's COO. However, Palestine's political image was felt by the respondents to create empathy, which has been described as having both a positive and a negative outcome for trade potential depending on the audience it approaches and how supportive they are of the Palestinian cause.

# 6.3.5 Sector for further investigation

The light manufacturing sector has been chosen as the sector to explore and analyse for the second part of this research based on the opinions of the respondents. The second phase will focus on the light manufacturing subsectors that include handcrafted items, leather and shoes, and pharmaceuticals.

# 7 Findings and Analysis from the Second Research Phase Presenting the Business Perspective

# 7.1 Introduction

This chapter considers the perspective of businesses to examine the challenges that companies face when going international; investigate communication issues and explore the associations that can contribute to a positive country-of-origin of Palestine when going international.

The population investigated within this phase are businesses operating in the light manufacturing sector. This was decided upon as a result of findings from phase-1. A sample of 12 businesses was selected for semi-structured interviews that have some form of international trading. The second phase of this research approaches businesspeople, including founders and managers, to reflect on their experience when going international as a Palestinian company. Interview findings from the business perspective will be presented in this chapter.

Business phase (phase-2) interview questions addressed several research enquiries, including an understanding of the business environment and issues they face when going international, what challenges do these companies face when crossing the Palestinian borders and entering new markets? what marketing and branding aspects should be considered? And what sources do the interviewees feel can trigger COO brand identity associations? These questions are developed to investigate the challenges that Palestinian companies face when going international and to examine the impact of trade and environmental factors on the development of international trade. This study also explores the associations that businesses felt generate a positive COO image in international markets.

## 7.2 Main Themes

Business phase semi-structured interviews led to the surfacing of 325 basic codes, which were organized into 14 sub-themes that were grouped into 4 major themes. Each theme comprises a separate set of sub-themes (axial codes), which have been employed using selective coding to relate and integrate categories into themes to build a thematic framework (Strauss, 1987; Saldana, 2016; Wondirad, Tolkach and King, 2020). Main themes and sub-themes will be further explored and analysed next.

The business phase interviews' analysis resulted in the creation of four major themes (refer to Table 7-1).

Selective Coding- Main Themes	Occurrences*	Interviews*
01 Business Management	29	9
02 Challenges	122	12
03 Communication	123	11
04 Positive Associations	51	11
Total first cycle codes	325	12

Table 7-1 List of themes identified from data analysis for interview transcripts

Source: Original, 2021

\* Occurrences = Total number of mentions by respondents in interview transcripts

\* Interviews= Number of interview transcripts that supported each code

The following table presents information that can be divided into analytical, informative and suggestions. The abovementioned themes will be examined by supporting them with relevant open, in vivo and descriptive codes taken from the participants' responses (raw data) to create first cycle coding. Next, these codes will be grouped to create sub-themes (second cycle coding). Related sub-themes have been grouped to create themes, which resulted in the development of 4 themes. The themes throughout this chapter, presented in Table 7-1, have been structured in a way to present insights into the Palestinian

business market from the business people's perspective (Theme 1 see 7.2.1), followed by an analysis of the challenges to internationalisation (Theme 2 see 7.2.2). After that, marketing and branding issues impacting the communication of Palestine's COO will be analysed (Theme 3 see 7.2.3). The final theme will look at what associations can trigger a positive COO image based on businesses' suggestions (Theme 4 see 7.2.4).

Themes have been presented to reflect a general understanding of the external business environment, with emphasis on political, economic and social factors that impact the internationalisation of companies, There was also consideration of key internal factors, including identification of communication issues. After presenting an analysis of the environment, the final theme was introduced to explain what the businesses felt can create positive COO associations and perceptions.

Each theme is comprised of several sub-themes. The analysis of the subthemes has been presented in terms of the number of mentions of each one. In other words, tables have been formulated to reflect each sub-theme based on the number of mentions. Accordingly, the presentation and explanation of the sub-themes took place, starting with the highest number of occurrences first and moving to the code with the lower occurrences until the code with the lowest number of mentions is explained. This aims to reflect what interviewees thought of as important.

## 7.2.1 Theme 1- Business Management

The first set of analysed data has been grouped to form the first theme, which provides insights into the Palestinian business market from the business people's perspective. This theme has been supported by 29 occurrences taken from data excerpts, and coded using open, in vivo, and descriptive coding. These codes (first cycle codes) were then grouped into three sub-themes.

This theme is the first theme to get examined because of the valuable information and insights it provides about the Palestinian market. Table 7-2 shows the sub-themes that led to the formation of this theme.

Section	Code	Occurrences *	Interviews*
	Selective Coding Theme 1: 'Business Management'	29	9
	Axial Coding		
7.2.1.A-	Family Businesses	13	3
7.2.1.B-	Entrepreneurship	9	2
7.2.1.C-	Financial Limitations	7	5

Table 7-2 List of codes- Insights into the Palestinian Business Market

Source: Original, 2021

\* Occurrences = Total number of mentions by respondents in interview transcripts

\* Interviews= Number of interview transcripts that supported each code.

As we can see from the table above (Table 7-2), insights about the Palestinian business market based on the respondents' answers were dominated by the dominance of family businesses in Palestine (mentioned 13 times; meaning 13 open codes support this sub-theme based on mentions by 3 different respondents), as well as entrepreneurship (mentioned 9 times by 2 interviewees), and financial limitations are an issue that Palestinian businesses faced (mentioned 7 times by 5 interviewees).

This business management theme seeks to give a clearer insight into some internal aspects of Palestinian businesses, particularly family influences and the role of entrepreneurship. Financial pressures are also referred to.

## 7.2.1.1 Family Businesses

The family business has been mentioned 13 times by 3 interviewees, demonstrating both the challenges and advantages of growing and exporting products of a family business. The following passages illustrate open codes related to 'the difficulties of managing a family business across generations:

"My cousin and I are considered the third generation and are facing huge issues with the older generation. I understand it's always hard for them to let go" (Family Business 3, ID2-03).

"Most of the businesses and factories in Palestine are family businesses, and many of them do not have sufficient background on international trade because they resist change and learning new skills. This is why they prefer selling their products to merchants located in Palestine instead of exporting abroad" (Family Business 4, ID2-04).

The issue of succession in family businesses has presented challenges for the third generation in running Palestinian family businesses. This is exemplified in the following quotation:

"As a third-generation, I think we should focus on developing a family constitution. We still have not developed it, but if we don't then we are not going to go past the third generation" (Family Business 3, ID2-03).

Another issue mentioned by a respondent and coded is 'the challenge of bringing in a non-family expertise'. Family businesses in Palestine are recruiting and retaining mostly family employees. This is illustrated in the following passage:

"I work in a family business in Hebron and sometimes I need help in communicating and exporting products to new markets, but whenever I ask for help, my dad will tell me to refer to my brother or will bring in a family member for consultation. I can't get professional support from a non-family employee" (Family Business, ID2-04).

## 7.2.1.2 Entrepreneurship

Most of the open codes in this theme refer to the reasons that pushed the entrepreneurs to establish their businesses in the light manufacturing sector. Entrepreneurship is considered to be important by respondents due to the need for financial stability without requiring substantial investment to start the business, as indicated in the passages below:

"It was the beginning of the Intifada, some men were being detained and imprisoned. This is why a lot of projects started with women doing handcraft, which did not need a big infrastructure or financial investment" (Company Director, ID2-05).

"During the Second Intifada, I realized how quick a person can lose his/her job, as well as financial stability. Therefore, I decided to start my project to establish a profitable economic project that will help me survive and contribute to the economy" (Founder and CEO, ID2-11).

## 7.2.1.3 Financial Limitation

The financial limitation is an issue that was mentioned 7 times by 5 respondents. It was felt to be a challenge that many SMEs faced if they did not have their funding secured, which is illustrated next:

"Expansion to the external market is very important but I lack a few things at this point, starting with the capital. Capital is an essential requirement for growth that is very limited for entrepreneurs" (Founder and CEO, ID2-01).

"[...] I started building the company establishment and this drained me financially. I spent all my savings, gold, etc. Therefore, we looked for a partner/ investor because we needed to cover the high operation and labour costs" (Founder and CEO, ID2-11).

# 7.2.2 Theme 2- Challenges

The second set of analysed data has been grouped to form the second theme that surfaced from interviews and mentioned by all 12 respondents, which is the 'challenges to internationalisation' that businesses face when expanding their activities into new markets. The theme has been mentioned 122 times by respondents, taken from data excerpts, and coded using open, in vivo, and descriptive coding. The high number of mentions is explained by the difficult circumstances Palestinian businesses face when considering internationalising their activities. These codes (first cycle codes) were then grouped into five sub-themes as illustrated in Table 7-3, which led to the formation of this theme.

Section	Code	Occurrences *	Interviews*
	Selective Coding Theme 2: 'Challenges of Internationalisation'	122	12
	Axial Coding		

#### Table 7-3 List of codes- Challenges of Internationalisation

7.2.2.A-	Political Impact	(46)	11
7.2.2.A.a-	Effect on Exports	23	9
7.2.2.A.b-	Labelling	10	4
7.2.2.A.c-	Contrasting Views	7	5
7.2.2.A.d-	Recruitment	6	5
7.2.2.B-	Supporting Bodies' Coordination	30	11
7.2.2.C-	Limited Marketing Skills	19	6
7.2.2.D-	Adaptation	17	6
7.2.4.E-	Regional Acceptance	10	8

Source: Original, 2021

\* Occurrences = Total number of mentions by respondents in interview transcripts

\* Interviews= Number of interview transcripts that supported each code.

The following section will address the sub-themes that have been grouped to explain the challenges that Palestinian businesses encounter when trying to expand into international markets.

### 7.2.2.1 Political Impact

In this sub-theme, which was coded 46 times, the political situation and its impact on the internationalisation of Palestinian businesses will be examined. This sub-theme has been divided into 4 sub-headings that will help identify the kind of political impact and its effect on businesses.

#### 7.2.2.1.1 Exports

Political effects on Palestinian exports is a subcode that has been mentioned 23 times by 9 respondents indicating the significance of this issue. The political situation in Palestine had a major impact on exports due to three challenges the Palestinian companies that were interviewed faced when going international. First, Israel controls the borders, which means Palestinian exports and imports are dependent on the political situation at the time and whether there will be restrictions or closures to export products across the borders. Second, some countries do not want to deal with Palestinian businesses due to the negative news they receive through media channels. Third, the insistence on exporting through Israeli borders has increased shipping costs substantially and increased the burden of customs. These challenges will be examined in more detail below.

The first challenge due to political restrictions mentions the lack of control over borders and how it affects exports, which will be illustrated in the following quotations:

"One thing that is considered an obstructive factor to exports is the political situation because we cannot export our goods abroad easily due to the occupation restrictions" (Founder and CEO, ID2-01).

"An obstacle we are facing when exporting our products is the political situation because of the Israeli occupation. They don't allow us to export most of the time because of the regulations and restrictions they impose" (Country Manager, ID2-07)

The second challenge due to the political situation has to do with how some international businesses do not want to deal with Palestinian businesses due to the negative news they receive through media channels that affect the Palestinian companies' credibility. This is exemplified in the following passage:

"Many importers refrain from signing a deal with the Palestinian market due to news about the unstable situation in Palestine, which makes these importers unconfident that they would receive their goods on time" (Marketing Manager, ID2-12). The Third challenge to exports is the high shipping costs and regulations due to the political situation. This has been illustrated in the following quotations:

"Shipping rates are very high because of the occupation, which does not motivate us to export our goods. Furthermore, it takes almost 20-25 days for customers to receive their orders due to occupational restrictions. This causes increased tension and lack of credibility with customers because of the delayed delivery period" (Founder and CEO, ID2-09).

"The main obstacle is the cost of shipping, which is very high due to the Israeli occupation that controls the border and sets the price. The shipping cost added to the price of the products results in a very high final price" (Family Business, ID2-04).

#### 7.2.2.1.2 Labelling

Due to the political situation, Palestinian companies are aware that product's labelled as 'Made in Palestine' have more difficulty crossing the Israeli border. This subcode has been mentioned 10 times, and is illustrated in the following quotations:

"I do not label my products 'Made in Palestine' because it is a sensitive issue due to the political situation. I am always very careful with labelling. I found that the most suitable label to use is 'Holy Land', which avoids a lot of problems" (Family Business, ID2-06).

"I was very upset because I could not brand my products as 'designed in Palestine and made in Lebanon'. This is because of the political situation, so instead, I used the label 'Designed in Jerusalem and made in Beirut' so *that they can cross the borders without any difficulties*" (Founder and CEO, *ID2-09*).

#### 7.2.2.1.3 Contrasting Views

Business people in Palestine identified some countries/people as supporters of the Palestinian cause when promoting and selling their products in international markets. While other countries/people spread negative news. This subcode has been mentioned 7 times, and will be demonstrated in the following quotations:

"People abroad wanting to buy our products have more historical and social attachments to the Palestinian cause" (Founder and CEO, ID2-01).

"The problem is that there are always people against that Palestinian cause due to the conflict, so they spread inaccurate news about the Palestinian product saying it is bad quality products" (Family Business, ID2-04).

"Some people would buy the product because it is labelled 'Made in Palestine', while others would not buy it because of that same label" (Family Business, ID2-06).

#### 7.2.2.1.4 Recruitment

Occupation made it difficult to recruit and retain skilled workers by Palestinian companies because many of these workers are recruited by organizations with political affiliations such as the United Nations that can offer better incentives. This recruitment challenge is illustrated by the respondents in the next passages, which were mentioned six times:

"The Palestinian labour force costs high to retain and is not easy to find because they have an alternative recruiter that will pay them their high salaries, which is the Israeli employer" (General Manager, ID2-08).

"The other problem related to skilled workers specialized in finance, marketing, and international marketing is that these experts are taken by NGOs, the UN, USAID, and the EU, who pay high salaries that couldn't be offered by the Palestinian industries" (Founder and CEO, ID2-10).

#### 7.2.2.2 Supporting Bodies' Coordination

It has been suggested by the respondents that another challenge to internationalisation is the 'Supporting Bodies' Coordination Issue' between businesses and governmental institutions. This sub-theme demonstrates different views by the responding businesses on the support they received from trade support institutions and not knowing whom to approach for trade support. The issues have been supported by 30 open codes.

### 7.2.2.2.1 Inconsistent Trade Support

The following quotes demonstrate some of the concerns made about companies' internationalisation being mostly dependent on personal effort because trade assistance was not communicated effectively:

"We do not know whom to approach when we want to internationalise our products abroad and brand ourselves as Palestinians. Exporting and expanding abroad is still an unclear area for us in Palestine and it is based on individual effort of companies" (family Business, ID2-03). "I don't think when it comes to internationalising and communicating the country image there is much coordination happening between the ministries, PalTrade Centre and the Chamber of Commerce" (family Business, ID2-03).

"All exporting procedures were dependant on personal effort and networking relationships, without the help of any ministry or the Chamber of Commerce" (Family Business, ID2-04).

## 7.2.2.2.2 Trade Agreements

Trade agreements are very important for companies to expand internationally because these agreements would show a specific kind of arrangement to enter new markets. Often ministries and departments place their interpretations on these agreements and this can be compounded by a lack of coordination between departments. This is exemplified in the following passage:

> "Coordination within trade support bodies could be improved to get clarity about trade agreements. No one in these trade support institutions can give a clear answer about any trade query that businesses have because they do not have clear guidelines. As a result, each institution and the department will respond based on their own interpretation of the circumstance, which may differ from the initial trade agreement" (Founder and CEO, ID2-09).

## 7.2.2.2.3 Support from non-government institutions

Despite the weak support, business respondents felt there is evidence of support given to SMEs looking to internationalise their activities by non-government institutions; the Chamber of Commerce and PalTrade Centre, which is demonstrated in the following quotations:

"In 2012, I participated in an exhibition in Ramallah, where I met some PalTrade managers and they offered me support to grow and expand" (Founder and CEO, ID2-11).

"The Chamber of Commerce helps and supports businesses. They organise a lot of expos that they inform us about, as well as a lot of training courses" (Family Business, ID2-03).

"PalTrade offers support in coordination with the Chamber of Commerce to export products by helping out in the registration of the products" (Family Business, ID2-03).

"PalTrade helped us get information about shipping rules and regulations of the market we planned on entering" (Founder and CEO, ID2-11).

## 7.2.2.3 Limited Marketing Skills

This sub-theme talks about the limited marketing skills available in the Palestinian market and has been mentioned 19 times. Some examples follow:

"It is the fact that I can't find people that can help me in marketing or branding. That is an important skill that we lack in Palestine" (Family Business, ID2-03).

"I think I can confirm from my market experience that we don't have any branding and packaging expertise in Palestine" (Founder and CEO, ID2-10).

"If you ask me, what you do want from the institutions. I would say that I want marketing agencies that could create, promote and correctly work on branding to help connect me with the global market" (Founder and CEO, ID2-01).

"It is essential to create a positive image of Palestine in international markets [...], but this is not easy because of how the development and marketing of our products are constrained in Palestine" (Company Director, ID2-05).

## 7.2.2.4 Adaptation

This sub-theme, the ability †o adapt Palestinian products, has been mentioned 17 times by respondents. Palestinian companies are aware of the need to adapt and customise their products when expanding internationally, but they do not know how to do that. They emphasised the importance of the ability to modify and adapt products to match consumer needs. Some quotations related to this issue:

"We wanted to adapt to meet the needs of our local environment and international market. We knew we had to customize the flavours, colours, and packaging, and adapt the promotional strategy, but we didn't know how to do that" (Family Business, ID2-03). "The world views some Palestinian products as traditional and too basic, which creates negative perceptions attached to Palestinian products due to the company's inability to adapt" (Founder and CEO, ID2-09).

#### 7.2.2.5 Regional Acceptance

This sub-theme discusses the respondents' view on the importance of accepting Palestinian-origin products by local and regional consumers. This code has been mentioned 10 times. It discusses how some consumers might prefer foreign over local products, and is demonstrated in the following passages:

"Consumers in countries such as Lebanon and Jordan prefer multi-national products rather than their local products and our Palestinian products. This is because they think foreign Western international products will be better than local regional ones" (Country Manager, ID2-07).

"Normally when approaching our target market, such as Jordan. We have noticed that consumers hesitate to buy our Palestinian products because they don't trust our quality. The consumers would rather foreign Western products over our Palestinian products" (General Manager, ID2-08).

## 7.2.3 Theme 3- Communication

The third main theme that surfaced from the data analysis is related to communication considerations that companies experience. This theme has been mentioned 123 times (by 11 out of the 12 interviewees), taken from data excerpts, and coded using open and in vivo coding. Table 7-4 shows the sub-themes that led to the formation of this theme.

Tuble 7 T Elist of Codes Trantomy and Dranding Charlenges				
Section	Code	Occurrences *	Interviews*	
	Selective Coding Theme 3: 'Communication'	123	11	
	Axial Coding			
7.2.3.A-	Brand Story	58	11	
7.2.2.B-	'Made in Palestine' Label	34	9	
7.2.4.C-	Social Media	25	5	
7.2.3.D-	Nation Branding	б	3	

Table 7-4 List of codes- Marketing and Branding Challenges

Source: Original, 2021

\* Occurrences = Total number of mentions by respondents in interview transcripts

\* Interviews= Number of interview transcripts that supported each code.

This theme indicates the communication issues Palestinian companies face when promoting their products internationally, which have been reflected through four subthemes that will be discussed next according to the number of open codes (mentions) supporting each sub-theme. Starting with the sub-theme that has the highest number of mentions to the least; to reflect the importance of the sub-themes from the respondents' perspective.

## 7.2.3.1 A- Brand Story

According to the interviewees, the first sub-theme that is considered a communication consideration is the need to create a brand story and brand voice. It has been mentioned 58 times by most of the respondents; 11 out of the 12 respondents. The following quotations reflect the respondents' views:

"As a Palestinian business owner, my vision is never to just sell a product, it is creating and maintaining our identity wherever we go. We need to show the Palestinians' pain, joy and pride; tell our story" (General Manager, ID2-02). "We need to work hard to create and communicate our brand story, and not just say our product is 'Made in Palestine'" (Founder and CEO, ID2-10).

"We aim to produce a product that shows the Palestinians' beauty, history, and culture so that a story is communicated" (Company Director, ID2-05).

Despite the companies' awareness of the need to create a brand story, respondents explained the problem Palestinian companies face is that there is no branding expertise in the market to offer guidance and support to communicate the right brand story. This is examined in the following quotation:

> "The whole thing about a brand being based on a story does not exist in Palestine. Simply we lack the skills to develop a real brand ready to expand into international markets and communicate the Palestinian identity" (Founder and CEO, ID2-10).

## 7.2.3.2 B- 'Made in Palestine' Label

This sub-theme will explore how the 'Made in Palestine' label is communicated and its effect on international perception according to the business people's perspective; it has been mentioned 34 times. Respondents felt that the 'made in Palestine' label is sometimes perceived as a disadvantage in international markets, which is demonstrated in the following quotations:

"The 'Made in Palestine' label has mixed opinions and associations. Unfortunately, many of these associations are negative because most of the Arab world, which is our target market, is unaware of the level of development in Palestine" (Country Manager, ID2-07).

"'Made in Palestine' label will affect my brand negatively and make it more difficult to sell because it will be perceived as a poor quality product and there won't be trust" (Founder and CEO, ID2-10).

"The main problem we faced when going international is that when we sell our product to a distribution company or agent, they do not like to keep our 'made in Palestine' trademark on the product because they are concerned it will affect the demand for a product" (Family Business, ID2-06).

On a positive note, some respondents felt the 'Made in Palestine' label has been perceived positively by consumers, which is exemplified in the following quotations:

"When the Italian and American consumers saw the 'Made in Palestine' label on our product, they were so pleased and wanted to contact us for trade relations" (Founder and CEO, ID2-11).

"'Made in Palestine' label has a significantly positive impact on my brand in specific countries. This label is one of the main reasons for my international sales increase" (Founder and CEO, ID2-09).

However, respondents sensed that there were no clear regulations to use a unified label when branding their products. This is illustrated in the following passage:

"Some companies have the 'Made in Palestine' label on some packages, but I know not every company is using it because it is not a compulsory trade requirement by the Palestinian governmental institutions" (Family Business, ID2-03).

## 7.2.3.3 C- Social Media

This sub-theme presents the potential importance of social media as a communication tool. It has been mentioned 25 times by respondents that are conscious of the power of social media and engaged in digital marketing activities. Some quotations related to this issue:

"Social media has helped our company leave a huge international impact. We focus on communicating the beautiful side of Palestine and our unique products. We are aware using social media poorly can make us fail and create negative product associations" (Founder and CEO, ID2-01).

"To promote my company's products, I depend on social media platforms. These platforms have a great impact on increasing the brand awareness and creating positive word of mouth about my products in Jordan, Dubai, Kuwait and the US" (Founder and CEO, ID2-01).

Respondents discuss the power that influencers can have in controlling social media platforms, which is considered in the following passages:

"The role social media influencers are playing in Palestine and the Arab World has become very strong. All you have to do as a manufacturer is find the most followed influencer and let them promote your product" (Family Business, ID2-03). "To promote our company's products on social media, we started by selecting a social media influencer with many followers to promote our products in Palestine and Jordan. This was very successful and helped us grow and have a large customer base quickly" (Founder and CEO, ID2-10).

As presented in the quotations within this sub-theme, marketing; in specific social media and influencers, can be a possible solution to elevate a business and create positive brand awareness. However, in a previous sub-theme (t7.2.2.3) respondents mentioned that most people lack the necessary marketing skills to help promote a business.

## 7.2.3.4 D- Nation Branding

Respondents felt that the local public is not aware of the importance of their nation's branding, which is exemplified in the following quotations:

"Palestinians are not aware of the importance of stressing their brand identity, which is why it is considered weak" (Company Director, ID2-05).

"Palestinians are not aware that they are losing their identity by not promoting their products in connection with Palestine. This is why they have to make sure the nation's name and brand are visible to international markets" (Founder and CEO, ID2-09).

## 7.2.4 Theme 4- Positive Associations

The final theme that surfaced from the data analysis is "Suggested sources to trigger positive associations of Palestinian brands Internationally". It has been mentioned 51 times by almost all respondents; 11 out of the 12 participants. References were taken from data excerpts and coded using open, in vivo, and descriptive coding. These codes (first cycle codes) were then grouped into two sub-themes. Table 7-5 shows the sub-themes that led to the formation of this theme.

Section	Code	Occurrences*	Interviews*
	Selective Coding Theme 4: 'Positive Associations'	51	11
	Axial Coding		
7.2.4.A-	Authenticity	(35)	9
7.2.3.A-a-	Quality	20	7
7.2.3.А-ь-	Craftsmanship	15	5
7.2.4.B-	International Certification	9	5
7.2.4.C-	Customisation and Adaptation	7	5

Table 7-5 List of codes- Suggestions to Support Palestine's International Image

Source: Original, 2021

\* Occurrences = Total number of mentions by respondents in interview transcripts

\* Interviews= Number of interview transcripts that supported each code.

As we can see from the table above (Table 7-5), the sources (subthemes) suggested by the participants to trigger positive associations, include positioning Palestinian brands for authenticity (mentioned 35 times), receiving international certification (mentioned 9 times), and customisation and adaptation (mentioned 7 times). These sub-themes will be explored next.

## 7.2.4.1 A- Authenticity

An important sub-theme that surfaced from findings based on respondents' suggestions is positioning Palestinian brands for authenticity to trigger positive associations. The dimensions that are recommended by the respondents to trigger positive associations include product quality, handmade/craftsmanship, and customisation.

#### 7.2.4.1.1 a- Quality

Interviewees discussed the importance of producing good quality products to compete on an international level, which is demonstrated in the next passage:

> "People will not buy my brand only because it is made in Palestine. There are other important considerations that they look for, such as offering good consistent quality products to maintain consumers' satisfaction internationally" (Founder and CEO, ID2-10).

> "Our brand gives consumers confidence because the leather is natural and we provide excellent quality. Our excellent quality is what made us survive international competition" (Family Business, ID2-04).

Respondents highlighted the positive international feedback they received on the quality. This is demonstrated in the following passage:

> "Our product has found great admiration abroad because of the good quality we offer and simple designs. The first countries that reached out to

us and were very happy with our products were Italy, Czech Republic, Germany and Poland" (Family Business, ID2-04).

Respondents suggested that producing good quality products will help position Palestinian products as authentic. This is considered in the following quotations:

"[...] International consumers were surprised when they learned that the products we offered are manufactured in Palestine and perceived them as authentic" (Family Business, ID2-04).

"We found that a large number of international consumers are looking to buy our olive-wood handmade products because they perceived our products as high quality and unique" (Family Business, ID2-06).

## 7.2.4.1.2 b- Craftsmanship

Respondents discussed that Palestinian businesses are conscious of the craftsmanship they have inherited from their ancestors and see it as an advantage to create authentic products. This is illustrated in the following passages:

"We believe that offering handmade products and unique designs is what distinguishes our Palestinian brand" (Founder and CEO, ID2-01).

"The unique identity of my designs and handmade products is the secret to my success internationally. I work to combine the Palestinian heritage and our ancestor's story with modern designs by using exotic, contemporary, and traditional colours and designs" (Founder and CEO, ID2-09). "Handicraft is an expression of art that a lot of international consumers appreciate and connect with. I try to revive Palestine's story and heritage through the handmade products I offer, which has been receiving good reactions from international consumers and is changing the attitude towards the Palestinian produce" (Family Business, ID2-06).

## 7.2.4.1.3 B- International Certification

This sub-theme has been mentioned 9 times by respondents that are familiar with the value of international certification, accreditation, and awards on products expanding internationally. This is illustrated in the following passages:

"The 'xxx brand' has become internationally known for adopting international standards in quality. Our company acquired the ISO 9001 certificate in 2015, which increased the confidence in our products. Moreover, when customers know that our trademark is among the Madrid Protocol, it distinguishes our brand and gives it an added value" (Family Business, ID2-04).

"In the case of a developing country, whether you are in the pharmaceutical industry, skincare or food, you need more certification and global awards to certify your products and get people's trust. This was our case, we received the award and it helped our brand gain people's trust" (Founder and CEO, ID2-10).

## 7.2.4.1.4 C- Customisation and Adaptation

Respondents noticed that Palestinian companies are aiming to customize the experience they offer and adapt their services. Customisation is considered in the following quotations:

"Our handmade products have unique designs, which makes it difficult to produce large quantities to export. So what we offer is more a customised experience" (Founder and CEO, ID2-09).

"Our positive brand identity is linked with the great quality we offer, along with the customised experience we offer" (Founder and CEO, ID2-09).

Moreover, respondents discussed that adaptation is important to get positive responses. Respondents referred to the adaptation of their product's packaging as a business environmental approach. This is considered in the following passage:

> "We noticed that international consumers react very positively to environmentally friendly products, so we are trying to adapt our products and get engaged more in environmental activities" (Founder and CEO, ID2-10).

## 7.3 Chapter Summary

In the "Business" phase the semi-structured interviews presenting the businesses' perspectives led to the surfacing of 325 basic codes from raw data, which were organized into 14 sub-themes that were grouped based on the interviewees' responses (data excerpts) into 4 major themes. Each of these themes is comprised of a separate set of sub-

themes (axial codes) that have been examined and demonstrated throughout this 'findings' chapter.

In structuring this section the first theme, "Business Management" gave the broad context of the business base within the Palestinian light manufacturing industry. The second theme "challenges" examined some key challenges of entering the international market in a broad context. The focus was then narrowed to the third theme "communication" to consider the marketing and branding issues. The final theme, "Positive Associations" highlighted some associations the respondents felt triggered positive perceptions of Palestinian brands in international markets. These themes are presented in Table 7-6, and summarized below.

## Table 7-6 Themes that surfaced from the phase-2 responses

			Summary Phase-2 Businesses' Perspective
Themes		Subthemes	Topics
Theme 1 Business Management	7.2.1.1	Managing family businesses	Difficulties of managing a family business across generations, and issues of succession in family businesses, the challenge of bringing in non-family expertise.
Insights about the	7.2.1.2	Entrepreneurship	Reasons that pushed the entrepreneurs to establish their businesses in the light manufacturing sector (need for financial stability, market needs that were not satisfied by local suppliers)
Palestinian business market from the business people's perspective	7.2.1.3	Financial limitations	Not enough funding is secured.
Theme 2 Challenges	7.2.2.1	Political Impact	Exports, Labelling, Contrasting Views, Recruitment
Internationalisation challenges facing Palestinian	7.2.2.2	Supporting Bodies' Coordination	Inconsistent Trade Support, Trade Agreements, Support from non-government institutions,
companies	7.2.2.3	Limited Marketing Skills	Limited marketing skills available in the Palestinian market.
	7.2.2.4	Adaptation	Ability †o adapt Palestinian products.
	7.2.2.5	Regional Acceptance	Importance of accepting Palestinian origin products by local and regional consumers.
Theme 3	7.2.3.1	Brand Story	Need to create a brand story and brand voice, branding expertise in the market.
Communication	7.2.3.2	Made in Palestine' Label	Effect on international perception, unified regulations for label usage.
Communication issues	7.2.3.3	Social Media	Importance of social media as a communication tool, influencers" power,
Palestinian companies face when promoting their products internationally	7.2.3.4	Nation Branding	Local public awareness.
	7.2.4.1	Authenticity	Quality, Craftsmanship
Theme 4 <b>Positive Association</b> <i>Sources to trigger positive</i>	7.2.4.2	International Certification,	Value of international certification, accreditation, and awards on products expanding internationally
associations of Palestinian brands Internationally	7.2.4.3	Customisation and Adaptation.	Aim to customize the experience they offer and adapt their services.

Source: Original, 2022

## 7.3.1 Business Management

The first set of data analysis, theme one from this phase, revolved around providing an understanding of the business management in Palestine, which identified three subthemes that are considered relevant to the management of the light manufacturing industry when engaging in international activities. These included managing family businesses, the entrepreneurial vision, and the impact of the financial limitations on businesses' vision to expand internationally.

Issues raised by the respondents related to family businesses included the need for succession planning to provide competent leadership through all generations to expand abroad. Other issues included the older generation not accepting innovative ideas, and convincing owners of the need to recruit non-family members to bring in expertise and skills to assist the family business in development.

The second area relevant to business management is supported by the respondents who felt that entrepreneurship played a role in developing companies' vision that included expansion and internationalisation plans. Most of these entrepreneurs considered expanding into international markets either because of the financial instability they faced in Palestine and they wanted to explore new markets, or because they felt their product can satisfy an international need.

The third area facing business management in Palestine's developing economy is the financial limitation. This limitation was felt to be a direct influence on the company's ability to expand internationally due to limited financial resources.

## 7.3.2 Challenges

The second set of sub-themes was grouped under the heading of "Challenges". They were grouped into five sub-themes: political impact on Palestinian companies; lack of coordination between businesses and the supporting trade bodies; limited marketing skills; customizing products; and establishing regional acceptance.

Business interviewees suggested that Palestinian companies are affected by the political situation when trying to expand internationally. A lack of control over borders resulted in delayed shipping and high shipping costs leading to immediate practical effects such as higher prices and perceptions of unreliability. This was felt to have an impact on the COO's image. Due to the political situation, some international businesses refrained from dealing with Palestinian businesses due to negative associations and perceptions, while others that were considered sympathisers of the Palestinian situation were looking to buy Palestinian products. Furthermore, Palestinian talents and skills were not easy to find because they are being recruited by NGOs and Israeli companies that offer higher salaries.

Another sub-theme that has been presented by the interviewees is the weak coordination between businesses and the trade support bodies, including government institutions, that resulted mostly in creating negative COO associations of Palestine. Respondents generally felt that the trade bodies were uncoordinated and were often difficult to get support from. Respondents also felt that limited marketing skills were a key issue. Furthermore, interviewees explored the importance of adapting Palestinian products but felt unsupported in developing the skills for adaptation. The final challenge explored is the importance of gaining regional and local support for Palestinian products before going to a wider international market.

This "challenges" theme highlights several issues that were considered to be important. The political situation had an impact on the 'Made in' label. While labelling Palestinian items is vital for increasing worldwide recognition, companies preferred to identify their products in connection to Palestinian cities rather than using the word "Palestine" on the label. Furthermore, the recruitment issue of losing skilled workers due to better salary incentives by NGOs and Israeli companies is a factor that Palestinian businesses felt like a challenge impacting the development of the company. Supporting bodies' coordination issues is another challenge that businesses experienced and had a different view on. Businesses felt it was difficult to know who to approach for trade support assistance and are dependent more on individual effort and networking relationships for trade advice.

#### 7.3.3 Communication

The third theme explores communication considerations and issues that face companies related to Palestine's COO. This theme involved the creation of four sub-themes: creating a brand story for Palestinian companies; the 'Made in Palestine' label effect on perceptions; social media as a communication tool; and the need for nation branding.

The need to create a brand story for Palestinian companies/brands in international markets is the first sub-theme that was developed. Respondents were aware of and understood the brand story's significance in Palestine's COO image. In discussing the 'Made in Palestine' label there was a feeling that it can create negative associations in some cases. In this sub-theme, the 'Made in Palestine' label is perceived to create both negative and positive COO associations. Furthermore, interviewees explained how the use of social media mediums can have a positive impact on their brands. The difficulties of developing an effective social media presence were felt to be that, the marketing expertise in the Palestinian market is limited, making it difficult to find skilled social media practitioners.

The final communication issue for businesses was the importance of nation branding for Palestinians. Even though Palestinian businesspeople felt hesitant to project a Palestinian

brand identity, as discussed earlier in this theme in the labelling sub-theme, they do discuss the importance of emphasizing the nation's brand.

## 7.3.4 Positive Associations

The final theme of this study highlighted the factors that respondents felt can trigger positive COO associations of Palestinian brands in international markets. This theme and sub-themes (axial codes) focused on the issues of authenticity, customisation and adaptation, and the need to have respected international certification. Feedback from consumers revealed the importance of producing products that are high quality and maintain the craftsmanship heritage. These dimensions will help position Palestinian brands as authentic and create more positive COO associations. Respondents also discussed that receiving international certification and awards helps to develop international consumers' trust. Customisation and adaptation were considered to contribute to positive COO. The small scale of some enterprises provided them with the advantage of delivering customised offerings. Adaptation was felt to provoke positive responses concerning adapting packaging as a business environmental approach.

# 8 Discussion and Analysis of the Findings: Trade Support Bodies' Perspective (Phase-1 Findings) and Businesses' Perspective (Phase-2)

# 8.1 Introduction

This chapter presents the discussion and analysis from interviews with representatives of trade support bodies and Palestinian businesses. The thematic approach that was utilised to analyse the findings will be used to guide this discussion. The chapter revolves around four main themes that were felt to present the issues the interviewees considered central to internationalisation. The themes are challenges to internationalisation, facilitating trade factors, communication issues, and associations (see Table 8-1 below).

Themes that	Phase-1 interviews with the trade	Phase-2 interviews with businesses
emerged from the	support bodies	operating in the light manufacturing
study		sector
Theme 1	Challenges (includes business	Business management
	management issues)	
Theme 2	Facilitating trade	Challenges
Theme 3	Communication	Communication
Theme 4	Associations (positive)	Associations
	Associations (negative)	(positive)

Table 8-1 Themes that surfaced from the findings of phase-1 and phase-2 interviews.

Source: Original, 2022

The research was divided into two phases to identify the gap between the trade support bodies and SMEs' perspectives. Phase-1 resulted in the development of four themes, as seen in Table 8-1 above, that overlapped in most areas with the themes that surfaced from the second phase of this study (refer to Table 8-1, the same colour highlights present the themes that overlapped).

The first phase interviewed trade support bodies to reflect the government and nongovernment institutions' perspectives of challenges to internationalisation and their role in assisting businesses and developing the COO image. The themes that surfaced from the trade bodies' representatives included looking at Palestinian companies' challenges when going international and examining the factors that facilitate international trade. They also considered the essential elements when communicating about Palestine and Palestinian products internationally and addressed the drivers that were felt to trigger positive and negative associations. These themes provided insights into the business environment, emphasising the different political, economic, and social factors that created a challenge for companies expanding internationally from the interviewee's perspective. This first phase informed the selection of the subsequent sample for the second phase of interviews with appropriate SMEs operating in the light manufacturing sector.

According to the trade support bodies' recommendations, the second phase of interviews was conducted with businesses operating in the light manufacturing sector. Trade support bodies felt that companies from the light manufacturing sector could assist in creating a positive COO image internationally, which will impact the country's economy.

This research is conducted within the Palestinian context, a developing market characterised by a politicised situation. The phrase "developing markets" refers to fast-growing economies in the transitional stage of economic growth that provides tempting international commercial opportunities (Knight, 2015). The Palestinian economy is fuelled by micro, small, and medium-sized firms (MSMEs) and entrepreneurs that experience more significant obstacles than their global counterparts (OECD, 2019) due to continuous instability, fragmented marketplaces, and a heavy reliance on foreign financing (OECD/European Union/ETF, 2018). Despite the fact that the Palestinian economy operates in a context that presents various internal and external challenges (World Bank, 2016; Country Reports - Palestinian Territory, Occupied 2019,) it has been

recognised that access to international markets through trade is critical for private sector growth (The World Bank, 2021, 2019; World Bank- HKTDC Research, 2021). This is why it is vital to develop a better understanding of the internationalisation of Palestinian SMEs and the challenges they face to propose recommendations on how these challenges can be reduced.

The findings from both phases provided the context for further discussion regarding the trade representatives' role, the importance of marketing and positioning for an organisation in international markets, and the relation between the home country affects; known as the country-of-origin and the sale of products abroad. The country-of-origin literature has a long history in international marketing literature, examining how the home country impacts the perception and selling of products overseas (Peterson and Jolibert, 1995; Verlegh and Steenkamp, 1999). The country-of-origin effect has been examined due to its importance in internationalisation.

The principal themes of the trade support bodies' and businesses' findings are discussed and analysed below.

# 8.2 Challenges

Studies by The Portland Trust (2013, 2022) have identified some challenges that restrict the Palestinian economic growth, which include the political situation, uncertainty and lack of hope in progress, and internal constraints that have contributed to economic stagnation and constrained potential growth opportunities (The Portland Trust, 2013, 2022). These challenges had an impact on Palestine's economic growth and development. According to the Portland Trust (2013, 2022), the Palestinian economy has been growing but is significantly driven by inflows of aid from different international donors, affecting the economy's long-term sustainability. According to the World Bank (2016), the Palestinian economy is not developing rapidly enough to increase living standards and lessen the country's high unemployment rate.

There was a difference between the Portland Trust Report and the opinions of the interviewed trade support bodies and business officials on the internationalisation challenges. The interviewees discussed different internationalisation issues. These challenges have been classified as political restrictions, financial limitations, poor marketing skills, adaptation issues, weak coordination and networking, and family issues. These challenges will be discussed next.

## 8.2.1 The political restriction

Academic research has found that when expanding globally, businesses in developing nations frequently confront unique challenges, such as political restrictions, that impact their expansion process (Ciravegna, Lopez and Kundu, 2016; Batsakis and Mohr, 2017). Related research illustrates how extreme political uncertainty, violence, high levels of bureaucracy, and economic policy shifts hindered the internationalisation of many Latin American companies (Dominguez and Brenes, 1997; Carneiro and Brenes, 2014; Ciravegna, Lopez and Kundu, 2014; Cuervo-Cazurra, 2016; Batsakis and Mohr, 2017). According to Del Sol and Kogan (2007), enterprises headquartered in countries with strict and complicated regulations are less likely to internationalise. In the case of Palestine, the political situation remains the most fundamental impediment to economic progress (The Portland Trust, 2013; Technical Progress Report, 2020). Since Israel's occupation of the West Bank and Gaza Strip in 1967, the Palestinian economy has increasingly depended on the Israeli economy (Elagraa, Jamal and Elkhafif, 2014). These previous research outcomes are partially consistent with the findings of this study.

For this research, evidence from both research phases confirms the negative impact of the political situation on Palestinian companies and trade relations. However, different perspectives were gathered on this issue. While the trade support bodies felt that occupation imposed political export and import restrictions (section 6.2.1.2). The business managers stated that the political trade restrictions were due to factors other than

political occupation. These factors included the manager's relationship with Israelis, the negative news foreign countries received about Palestine through social media, and the increased export and import costs due to the border with Israel, which affected the businesses' willingness to cross borders and instead chose to export to Israel (refer to section 7.2.2.1.1).

This difference in point of view suggests that besides treating occupation as the main reason affecting the businesses' trade relations, other factors should be recognised by the governmental and non-governmental institutions to help support businesses and reduce these challenges. These factors include building relationships with the Israelis to improve trade activities and reduce costs, as well as creating positive media messages about Palestine and disseminating them internationally.

Previous research stated that regardless of Palestinian businesses' political situation, international trade is essential in achieving economic growth (The World Bank, 2021, 2019; World Bank- HKTDC Research, 2021). This suggests the importance of engaging in international expansion for Palestinian businesses to succeed. Evidence suggests that the relaxation of Israel's restrictions on Palestinian economic and trade activity plays a critical role in Palestine's development agenda (Khalidi and And Taghdisi-Rad, 2009; UNCTAD 2016, 2017). The political restriction has been proven to challenge the international trade of Palestinian businesses and the country's economic growth, however, the originality of this research is that the political constraint could be reduced by managing better trade relationships and controlling the spread of positive media. This contribution was driven by the business perspective that has not been considered in previous research. The interviewed business managers provided an understanding of how Palestinian businesses dealt with international trade restrictions and succeeded internationally leading to the originality of this finding.

## 8.2.2 The limited marketing skills and experience

Previous literature implies that effective marketing is advantageous for SMEs (Couto and Ferreira, 2017). Literature supports the importance of marketing and brand management in helping organisations survive and maintain sustainability to enable international expansion (Sheth, 2011). Kumar and Christodoulopoulou (2014) assert that branding is a crucial aspect of an organisation's structure for influencing consumer consumption and promoting value and sustainability.

According to a study by Ramadan and Bin Ahmad (2017), the issues affecting Palestinian SMEs include internal problems that businesses face, such as a lack of focus on marketing (Sheth, 2011; Ramadan and Bin Ahmad, 2017). Furthermore, in Palestine, most business owners do not use marketing tools or comprehend the importance of marketing (Ramadan and Bin Ahmad, 2017).

The limited availability of marketing skills in the Palestinian market and its impact is an issue that has been discussed by both the trade support bodies and the business representatives in Palestine. As previously discussed by the participants in sections 7.2.2.3, 7.2.1.1 and 6.2.1.1, the limited marketing skills and weak branding strategies available in Palestine had a significant impact on the internationalisation success of SMEs. This claim by the respondents was supported by literature that states weaknesses in the skills associated with marketing and branding are considered factors preventing SMEs from reaching their full potential (Chowdhury, Alam and Arif, 2013).

Participants from the trade support institutions and business executives implied their awareness of the lack of marketing expertise and discussed that marketing skills are needed to expand worldwide. This finding contradicts what has been discussed in previous literature. Scholarly evidence suggests that enterprises functioning in a developing economy do not recognise the significance of marketing (Magnusson, Haas and Zhao, 2008; Office of the Quartet Representative, 2011; Sheth, 2011; Paltrade, 2014; Spear, 2018).

This misconception between the literature and the respondents' perception of the importance of marketing skills is an original finding. The challenge Palestinian SMEs encountered was that they lacked the skills for good marketing or brand management, which left them vulnerable to foreign competition. This realisation by the respondents of the need for marketing skills resulted in a dependence on social networks to offer the necessary marketing-related resources and assistance. This awareness of social networks has been asserted by literature that claims social networking is a characteristic prevalent in developing markets (Moran, Abramson, Moran 2014). Furthermore, Ghauri (2003) suggests relying on networks to tackle export-marketing issues and recommends social networks as a strategy to face export-marketing challenges. This demonstrates the significance of business networks for developing economies due to their crucial role in connecting enterprises with inadequate institutional frameworks (Delios and Beamish, 1999; Horan, O'Dwyer, and Tiernan, 2011).

### 8.2.3 Managing Family Businesses

The Palestinian economy is considered small and immature (The World Bank, 2021) and is dominated by small and medium family-owned businesses (The Portland Trust, 2013; Samir and Abuznaid, 2014). Due to the small size of the domestic market, trade access to overseas markets is critical for private sector growth (World Bank- HKTDC Research, 2021). However, it is assumed that family businesses are more hesitant to internationalise than non-family businesses (Fernández and Nieto, 2006; Claver, Rienda and Quer, 2009; Gomez-Mejia, Makri and Kintana, 2010); even though this strategy is an opportunity for these businesses (Zahra, 2003), and an increasing number of family businesses are looking for growth opportunities in international markets (Alkaabi and Dixon, 2014).

Due to the importance of family businesses in the Palestinian market and their potential growth opportunities, it received considerable attention from trade support institutions and business interviewees.

According to the business representatives interviewed (section 7.2.1.1), the management style of family businesses posed a challenge to any opportunity for expansion. They believed the older generation found it difficult to pass the company on to the younger generation and resisted change. They also acknowledged the difficulty of acquiring expertise from outside the family. According to Singla et al. (2014) and Thomas and Graves (2005), a weakness in managerial skills and/or dominant family control may hinder international success.

The perspectives of the interviewed government and non-government officials on the management challenges facing Palestinian family companies were comparable to those of the businesses (section 6.2.1.3). Respondents from trade organisations believed that family business management also faced succession issues, which impacted the enterprises' sustainability and worldwide growth potential.

In line with earlier research, findings from both phases confirmed the managerial challenges that family firms confront while expanding internationally. Strong home market ties (Arregle et al., 2017; Gallo and Pont, 1996), risk aversion (Casillas and Acedo, 2005), a lack of foreign market knowledge (Graves and Thomas, 2008), a slow and incremental establishment of new network relationships (Claver et al., 2007), and a reluctance to employ external expertise and capital (Hennart et al., 2017) have been identified as causes for managerial challenges. All of the above were evident, to a greater or lesser extent, from the interviews with representatives of family businesses.

Furthermore, Samir and Abuznaid (2014) noted that succession is one of the most crucial difficulties facing family businesses in the West Bank of Palestine and argued that failure to plan, choose, and train successors are the primary cause of the discontinuation of the family firm. This was confirmed by the respondents from both phases that were aware of

the need for succession planning to guarantee the sustainability of family businesses (section 7.2.1.1 and 6.2.1.3).

Respondents from the business sector believed that many Palestinian enterprises adopted an entrepreneurial mindset because they sought financial security without needing major investment (refer to section 7.2.1.2). According to the business respondents, the need for financial security prompted the formation of entrepreneurial enterprises and SMEs. The literature has supported this need to secure financial support. Scholars have proposed that limited access to finance has led family businesses to choose to export as the primary path for international expansion (Kuo et al., 2012) because the family businesses' limited financial resources and reluctance to use external capital restrict their equity entry mode options (Thomas and Graves, 2005). However, the literature did not consider the unique situation of Palestine and that export might be hindered due to political reasons that will limit the expansion of entrepreneurs.

The empirical findings regarding family businesses highlight the significance of succession planning for the sustainability and international success of businesses. Even though previous research and this research's respondents were aware of the various managerial and succession planning issues these businesses face, no plan was proposed to manage succession planning and managerial issues while taking into account the unique political situation of Palestine, which can pose additional challenges for family businesses and entrepreneurs in addition to financial constraints. Better management of family business issues will allow them to compete internationally and accept the introduction of new technologies and skills.

### 8.2.4 Adaptation

According to research, various variables influence developing-country companies' international expansion, including their ability to adapt their marketing mix (Aulakh, Kotabe and Teegen, 2000). It has been researched that the long-term success of brands is linked to actions by a company that responds to the changing needs of stakeholders, such

as customers (Keller, 1993, 1999). Calof and Beamish (1995, p. 116) defined internationalisation as "the process of adapting organisations' operations (strategy, structures, resources, etc.) to international contexts". This proposes the need to adapt products when entering new markets to satisfy consumers' needs, which conforms with what the interviewees suggested.

The issue of product adaptation elicited mixed reactions from the trade support organisations and company managers regarding whether or not adaptation should be applied to internationalise products successfully. Representatives of the trade support organisation shared their ideas on the need for Palestinian goods to be adapted as they enter international markets (section 6.2.1.4). They believed that some Palestinian sellers found it difficult to modify their items for international markets, either because they lacked the ability or willingness to do so or because they feared that doing so would compromise the authenticity of their products. This perspective was consistent with previous literature by Athwal and Harris (2018), who stated that maintaining a brand's authenticity while adapting and responding to consumers' requirements is made difficult by the emergence of new market trends, consumer demands, and brand names.

Palestinian managers offering brands with long-standing histories and cultural stories are challenged with deciding on the right approach to maintain their brand essence that will reflect the brand's enduring authenticity.

Authors recognise the importance of authenticity. According to Athwal and Harris (2018), heritage and legacy reflect a sense of brand authenticity and are used as key differentiators in advertising. However, literature states that repetitive use of authenticity claims can raise questions about sincerity and legitimacy (Beverland, 2006). There has been no examination of the continuity of authenticity to this date, which makes it unclear how a brand's heritage is kept alive and sustained (Beverland and Farrelly, 2010; Athwal and Harris, 2018).

The business respondents, however, had a different perspective on adaptation (see section 7.2.2.4). While representatives of trade organisations asserted that businesses resisted change to preserve their authenticity, this was not the case. The interviewed business managers emphasised the need for product adaptation to survive in the global market. This difference in opinions could be explained by the lack of communication between the two parties.

Most interviewees deemed adaptation necessary, yet, respondents from both phases were uncertain why some Palestinian managers did not implement adaptation. According to the provided responses, the inability, unwillingness, or fear of losing a brand's authentic features might be some of the reasons for resisting adaptation. It can be argued that the level of adaptation is a decision to be made by the founder/manager of a company based on environmental analysis and international needs.

# 8.2.5 Financial limitation

Research illustrates the importance of a company's financial flexibility for developing countries' companies expanding internationally (Haar and Ortiz-Buonafina, 1995). According to Westhead, Wright, and Ucbasaran (2002), internationalisation implies high risk. Smaller organisations are less qualified to handle uncertainty and risk than larger companies because they are not financially secure and lack financial security management expertise.

The future expansion of the Palestinian economy will be vitally dependent on several variables, including its capacity to mobilise financial resources better while simultaneously growing its exports of products and services (UNCTAD, 2012; OECD/European Union/ETF, 2018). In 2018, almost two-thirds of Palestinian SMEs

required foreign capital to operate and expand their operations (Palestine Economic Policy Research Institute (MAS), PCBS, and Palestinian Monetary Authority, 2017).

Respondents confirmed the importance of funds to expand internationally. The governmental and non-governmental institutions felt that the financial limitation due to the lack of financial resources affected the internationalisation process of local businesses (see section 6.2.1.5). Business managers shared the same opinion: no funding is available to push for growth and internationalisation (see section 7.2.1.3). This suggests the importance of securing funds as a governmental institution to help support businesses in their international expansion.

These findings are in line with previous research, which suggests that a significant challenge for SMEs in developing economies is social isolation, which affects not only the ability to enter new markets but also to acquire financial assistance (Swierczek and Ha 2003; Chowdhury, Alam and Arif, 2013)

Following the 1993 Oslo Agreement, Palestine has developed direct and exclusive competence in a wide range of areas related to the broader business environment and enterprise development agenda, including access to financing (OECD/European Union/ETF, 2018). Trade support respondents discussed that financial access could be achieved via aid and donation assistance or by bringing in a partner or an investor (refer to section 6.2.1.5). Business respondents also mentioned the issue of financial distress that causes them to look for a partner/ investor (section 7.2.1.3). Interview responses demonstrate that financial assistance is needed for companies to expand their international trade and manage financial distress. However, previous research discusses that the relationship between aid assistance and development is especially complicated in the Palestinian context (Wildeman and Tartir, 2014).

The influence of foreign aid on growth has sparked an ongoing discussion over the positive and negative relationships that exist (Levy 2007; Burnside and Dollar 2004; Rajan and Subramanian 2008, 2011). Shoukair (2013) acknowledged the positive and negative impact of the flow of currency from foreign aid abroad on the economic growth of the West Bank and Gaza. Palestine's economy is dependent on aid and donations from European countries to support Palestine, which tends to affect the economic stability and independence of Palestine as a developing country (Wildeman and Tartir, 2014). It has been evidenced that the massive flow of foreign currency into Palestine can lead to a regression of the tradable industrial sector compared to the non-tradable service sector (Drelichman 2003).

Academic evidence suggests that donation and aid support are essential factors for Palestine's development strategy (Khalidi and And Taghdisi-Rad, 2009; UNCTAD 2016, 2017). In contrast, claims that foreign funds have a negative impact on the West Bank and Gaza have found minimal support from rigorous academic research (Le More 2005; Lasensky and Grace 2006). Declining donor funding and government spending will negatively impact Palestine's economic growth. Consequently, slower growth and a flat GDP will worsen the debt burden and further decrease investment (UNCTAD, 2017).

Previous studies have had conflicting views on the impact of aid and donations on Palestine's economy, which is an important topic due to the importance of financial resources to improve the country's economy and support businesses. However, respondents from this research acknowledged only the positive impact donations on Palestine because there is no alternative to sustain and develop the country's economy. This empirical finding highlights the importance of considering the long-term impact of these donations on the Palestinian economy and the need to consider other sources for financial assistance.

### 8.2.6 Coordination issues

For many years, it has been recognised that coordination of approaches by public bodies is important. According to Elmusa and El-Jaafari (1995), the extent to which Palestinians can capitalise on opportunities and mitigate political constraints is dependent on the Palestinian government's ability to coordinate activities among national institutions and businesses, as well as their ability to formulate appropriate policies to support trade relations. The difficulties encountered by Palestinian SMEs highlighted the weak support provided by Palestinian government agencies to businesses (Ramadan and Bin Ahmad, 2017). The government's participation, in particular, may be seen as affecting the internationalisation process of emerging market enterprises (Child and Rodrigues, 2005; Buckley et al., 2007; Yiu et al., 2007; Dunning et al., 2008; Ramamurti, 2009).

All trade support bodies acknowledged their essential role in international trade. A government respondent confirmed that the role of the Ministry of Economics includes supporting Palestinian businesses in their international trade (refer to section 6.2.1.6). Non-government bodies felt that their role included providing training and facilitating networking (section 6.2.1.6). However, respondents from the trade support bodies, government and non-government institutions, felt an internal coordination issue. They claimed there is a lack of clarity in coordinating activities between government and non-government institutions.

Business representatives had a similar opinion on the coordination between trade support bodies and the impact it had on their businesses (refer to section 7.2.2.2.1 and 7.2.2.2.2). They felt a lack of guidance and coordination between the trade support bodies, which had a negative effect on the businesses' international engagement. This concern is because business respondents did not know whom to approach for trade assistance; they felt it depended on their effort. This poor coordination and unclear guidance have been reported previously by researchers. Palestinian businesses and sellers claimed a lack of an official organisation or agency to answer their concerns or complaints and a lack of direct face-to-face interaction with appropriate staff at West Bank commercial crossing points (Elagraa, Jamal and Elkhafif, 2014).

Due to the general poor coordination and ambiguous direction, several business respondents stated that networking contacts and personal effort might be leveraged to develop abroad (section 7.2.2.2.1).

This negative view about coordination was not held universally by the Palestinian businesses. Some business respondents acknowledged the support and felt it to be valuable, as confirmed in section 7.2.2.2.3.

Even though some business respondents appreciated the trade support available by the non-government representatives. Overall, there was a consensus by the interviewees about the limited role and support provided by the trade support bodies, as well as the evident lack of coordination between the government and non-government institutions. The lack of coordination was reflected in the inconsistency in the responses of the trade support institutions. Due to this limited coordination, some businesses used their personal networks to engage in international operations.

According to the Internationalisation Process Theory (Johanson and Vahlne, 1977, 1990), a firm's commitment to the international market grows gradually with the increased market knowledge and exporting experience, where government assistance as an external "change agent" stimulates awareness, interest, and trial in the early stages (Czinkota, Ronkainen and Zvobgo, 2011). This suggests the importance of the government's role in international trade.

Previous literature states that the problems encountered by Palestinian SMEs exemplified the insufficient business support offered by Palestinian government institutions (Ramadan and Bin Ahmad, 2017). Furthermore, Palestinian companies and vendors asserted the absence of an official organisation or agency to respond to their issues or complaints and a lack of direct face-to-face connection with the relevant personnel at West Bank commercial crossing points (Elagraa, Jamal and Elkhafif, 2014).

The empirical findings from this theme have been driven by the consistency of the results from the two phases of interviews, which indicate that a lack of coordination between the various trade institutions and businesses can restrict the internationalisation of companies. This issue with coordination affects the firms' access to information, assistance, and trade guidance. Moreover, findings from this research shed light not only on external networks, but internal as well within Palestine. It was evident from the findings that there was weak coordination between the government and non-government institutions. Due to the general lack of coordination and direction, many business respondents claimed that networking ties based on personal initiative might be utilised to develop their business abroad.

# 8.3 Facilitating Trade

The Palestinian Authority has several referential access agreements dating back to the 1994 'Paris Economic Protocol' (UNCTAD, 2021; Abdelnour, 2010), which assisted in facilitating trade relations. Despite the existing agreements, the Palestine Trade Centre (2010) stated that political uncertainty, as well as movement and access limitations, remain the biggest impediments to investors and direct foreign investment in Palestine.

According to Elagraa, Jamal, and Elkhafif (2014), long-standing Israeli limitations have worsened structural restraints on economic development. In 2017, the Palestinian

National Authority announced plans to lay the groundwork for an independent Palestinian state, and the Palestine National Policy Agenda for 2017–2022 was created for that purpose. This strategy centred on establishing key objectives in various areas, including agriculture and water resources, renewable energy, tourism, mining, trade facilitation, and public transportation (UNCTAD, 2017). In this regard, trade facilitation of international trade and transport operations through speedy, dependable, and effective transportation and logistical trade-related services is an essential goal for developing countries to pursue.

Interviewees felt networking opportunities with Palestinians from the Diaspora, and the cluster-based approach to promoting Palestinian industrial zones had demonstrated a significant role in facilitating international trade and overcoming some trade barriers.

## 8.3.1 Networking with the Diasporas

Business internationalisation is a logical progression from network interactions with overseas individuals and businesses (Johansson and Mattson, 1988). According to Johanson and Mattsson's (1988) network theory, businesses' networks allow for rapid internationalisation. Consequently, when there are no linkages with the host country, networking serves as a source of market information and experience accumulated through time (Paul, 2020).

According to Hertenstein, Sutherland, and Anderson (2015), "networking" assets are regarded as part of a firm's particular advantages and are significant in the internationalisation process of firms originating in developing economies. Such social networks can be aided by government contacts and backing, which are critical in internationalising multinational firms in emerging economies (Hertenstein, Sutherland and Anderson, 2015).

The findings confirm that the government and non-government institutions extensively developed networking relationships with other countries. The trade support body's respondents felt that networking with other countries and participating in exhibitions can help familiarise the world with Palestinian products, which will assist in initiating relationships with foreign markets and request trade assistance and exemptions (refer to sections 6.2.2.1.3.1 and 6.2.2.1.3.2). These findings are in line with previous research that discusses the importance of networking and participating in exhibitions. According to Kontinen and Ojala (2011), participation in exhibitions and conferences is a valuable networking opportunity. These networks result in the transmission of innovations, ideas, and information on new market and product trends, technological and production development, and insight into new international business prospects, as well as exposure to and direct engagement with prospective new foreign clients (Granovetter, 1983).

In addition, respondents from governmental and non-governmental entities believed that participation in conferences and exhibitions might enable business people to meet and interact with Palestinians from the diaspora, which could lead to international trade relations and agreements that aid in boosting Palestine's exports (see section 6.2.2.1.3.3). The respondents' quotes about the critical role of the diasporas for Palestinians has been supported by an OECD report (2019) that states: The Palestinian economy benefits from a promising diaspora eager to invest if conditions improve and emerging initiatives to improve the business climate (OECD, 2019).

Diasporas are seen as significant strategic partners because of their economic activities, such as commerce, business, and investment, which benefit both their country-of-origin and the country where they reside (Country of Residency) (Sirkeci and Zeren, 2018). Diasporas are also considered essential financial sources and a source of trade and foreign investment (Nijkamp et al., 2012). It has been suggested that diasporas bring benefits by simply bridging the psychological gap between the country of origin and the country of residence via forming and maintaining relationships (Sirkeci and Zeren, 2018).

Worldwide, Palestinians living under occupation and in the Diaspora strongly feel solidarity (Farah, 2009). New middle- and upper-class Palestinian communities have sprung up across the Gulf, most notably in Kuwait, Saudi Arabia, the United Arab Emirates, and Qatar (Labadi, 2018). In the case of Palestine, diasporas are considered very sympathetic to the Palestinian situation and eager to support Palestinian businesses.

The impact of Palestinians in the Diaspora is crucial for present and future Palestinian political organisations (Abdulhadi, 1998; Lamberti, 2020). Diasporas seek to promote the country-of-origin's culture, products, and services to the host nation, therefore strengthening the image of the country-of-origin for Palestine in the country of residence (Chand and Tung, 2011; Chand, 2010; Sirkeci and Zeren, 2018). Diasporas impact initiating a relationship, investment opportunities, and reflecting the country's image, which the respondents and several scholars have supported.

This empirical finding, networking with the diasporas, is important for Palestinian SMEs to develop international relations, which applies the 'networking theory' for internationalisation. This finding also relates to public diplomacy that aims to network with the diaspora who will work to enhance the Palestine's competitive identity. The originality of this finding is that SMEs working in collaboration is something common, however, SMEs reaching for the diaspora and other stakeholders to get their support is unique to the Palestinian context.

### 8.3.2 Creating clusters

A "cluster method" can be a valuable tool for improving SMEs' compliance and, as a result, their environmental performance (Daddi, Testa and Iraldo, 2010). A cluster-based strategy investigates a region's industries and assets to see how they might be enhanced (Desrochers and Sautet, 2004). This technique enables a product-improvement plan;

regional economic infrastructure that will be promoted to target industries; and the identification of which industries will support the country's existing economic base (Desrochers and Sautet, 2004; Bergman and Feser, 2020).

Respondents from trade support institutions acknowledged the significance of the clusterbased strategy in promoting global trade (refer to section 6.2.2.3). They claimed that a cluster-based approach would aid in stressing Palestine's industrial focus, thereby promoting and strengthening the production of Palestine's industries by fostering collaboration across the industrial, touristic, and agricultural sectors.

Furthermore, findings from the trade support respondents stated that the cluster-based approach aided in establishing quality assurance by matching the cluster's specific specifications and standards (see sections 6.2.2.3.1.1 and 6.2.2.3.1.2).

The Ministry of Economics has recognised and supported the establishment of three industrial clusters in Nablus, Hebron, and Jenin, which produce leather shoes, clothing, glass, and olive soap, among other things (Technical Progress Report, 2020). In September 2020, the Ministry of National Economy adopted a revised Strategy for National Economic Development 2021-2023. This plan stressed the development of the industrial zone cluster in Hebron and Nablus for 'leather and shoe', which will help lower the present trade imbalance (Technical Progress Report, 2020).

The government respondents were drawn to the 'leather and shoe' cluster in Hebron, a Palestinian city. They believed that concentrating efforts on promoting a cluster rather than a single company or product would help pave the way for future businesses and give evidence of quality assurance within this industry (section 6.2.2.3.1.3). Respondents believed that SMEs' clustering played a significant role in promoting companies

internationally, providing quality assurance, and aiding trade connections. The benefits of clustering have been highlighted in the literature on clusters in other developing economies. The growing consensus is that clustering may help organisations overcome expansion constraints and compete in emerging markets (Cavalheiro and Brandao, 2017). Many cluster studies have focused on the supportive role of government and public agencies in cluster performance (Richardson, 2013; Kamran et al., 2017), indicating that when social connectedness in a particular cluster is low, government interventions are more significant.

To preserve local craftsmen and minimise unemployment, the Palestinian Ministry of National Economy investigated protectionist measures before agreeing on a new solution in Palestine, the cluster approach (AFD, 2018). Due to the clustering of small firms, the leather and shoe companies in Palestine could achieve economies of scale (for example, cooperative buying of raw materials) and acquire access to markets they would not have been able to win on their own (AFD, 2018). Furthermore, the cluster-based strategy will aid in improving production and quality, and stimulate collaboration across diverse sectors, hence assisting in the differentiation of Palestinian industry (Technical Progress Report, 2020).

In the case of Palestinian SMEs, clustering appears to be a suitable approach to exploring new markets, which will help them attain economies of scale and boost competitiveness. This is reinforced by quotations from the trade support bodies' respondents and previous research that discusses the cluster-based approach as a strategy that supports firm linkages, resulting in collective efficiency and greater competitiveness (Porter, 1990; Department of Trade and Industry, 1997). Furthermore, many cluster studies have focused on the supportive role of government and public agencies in cluster performance (Richardson, 2013; Kamran et al., 2017), demonstrating that government interventions are more significant when social networking in a particular cluster is low, which is the case in Palestinian clusters. Clustering was not viewed as vital by the business

respondents, maybe because each company was focused on its profits rather than presenting a unified industrial image.

# 8.4 Communication

According to Cacciolatti and Fearne (2011), good use of structural marketing information, as well as good marketing tactics, increases the likelihood of development for these SMEs. A firm-specific advantage consists of a firm's marketing communication competence to turn a country's image into a resource, the firm's competitive advantage, which influences and reinforces the country-specific advantage (Buckley 2017).

According to Suter et al. (2018), a company may utilise its brand's national imagecountry-specific advantage by using its marketing communication power through its branding strategy. As a consequence, national image traits and qualities will be viewed as a country-specific advantage for a business through the execution of the brand strategy (Suter et al., 2017).

Governmental, non-governmental, and business interviewees suggested that when communicating about Palestinian businesses and brands, the nation's branding strategy, labelling concerns, and social media power are the most important factors to consider. In addition, respondents highlighted positive and negative associations that, in their opinion, can assist in improving Palestine's image and should be incorporated into the country's communication plan.

## 8.4.1 Nation branding

According to Kaneva (2011), the substantial literature on nation branding sees it as a strategic strategy for increasing a country's competitive advantage. Nation branding is involved with a country's image and reputation in international markets, which may be favourable or bad (Fan, 2008), and can have a direct influence on the country's desirability as a producer and/or destination (Anholt, 2003; Fan, 2006, 2008).

Hall et al. (2016) believe that branding the State of Palestine is no longer an option but a necessity and that the branding strategy should be founded on an integrated effort by all major stakeholder groups. Hankinson (2007) suggests that the government's vision should guide the nation's branding process. He also argues that the branding process must reflect the leadership's (government's) vision of the nation's brand and internal and external brand identity (Hankinson 2007).

A concept that is linked to nation/place branding is public diplomacy. Public diplomacy is defined as "a government's process of communicating with foreign publics in an attempt to bring about understanding for its nation's ideas and ideals, institutions and culture, as well as national goals and policies" (Tuch, 1990, p. 3). Using brand orientation in public diplomacy will boost the place's brand equity (Ham, 2002) and its "competitive identity" (Anholt, 2010, p.94). Increased brand equity will lead to increased foreign direct investment and exports (Cardinale, Nguyen and Melewar, 2016).

Interviews with governmental and non-governmental institutions suggested that there was no clear brand identity for Palestine (section 6.2.3.1.1). The literature confirms that due to Palestine's turbulent political and economic situation, creating the country's brand has been difficult (Dinnie, 2016; Abdalmajid and Papasolomou, 2018). This issue of "poor nation brand identity" has been felt by business respondents as well, suggesting that the citizens are unaware of the importance of their nation's brand (see section 7.2.3.4).

Regardless of Palestine's context, it is proposed by Imran (2017) that it is important to develop a positive brand image for all countries. Nation branding is no longer a practice employed just by the world's largest economies; instead, less economically developed countries are engaged in nation branding operations to improve their reputation (Imran, 2017).

Scholars and practitioners have emphasised the need to maintain a nation's image to avoid the potential of countries and regions drifting in undesired directions (Kotler and Gertner, 2002; Papadopoulos, 2004). Developing a powerful and positive nation brand can provide a crucial competitive advantage in today's globalised economy (Dinnie, 2016).

Respondents from trade support institutions suggested associating Palestine's brands with the religious connections of Bethlehem, Jericho, and Jerusalem (see section 6.2.3.1.2).

As Jerusalem and Bethlehem have significant religious associations, this link to these cities would seem to be supported by Thomas Aichner (2014), who stated that the use of regional or local geographical indicators appears to be suitable if a single region/province/city already has a very high reputation in a specific economic area (Aichner, 2014).

Many commentators have suggested there is an essential role for cities to be used in developing a positive image and increasing the nation's awareness. Hall et al. (2016) indicated that Bethlehem and Jerusalem had been essential pilgrimage destinations for long years, and Palestine has one of the world's oldest brands. Yet, it suffers from having a weak nation brand. Cakmak and Isaac (2012) summarise Palestine's uniqueness by stating that it is "the newest country perhaps with the oldest nation brand in the world" (Cakmak and Isaac 2012, p. 228).

As can be seen, previous literature suggests the importance of nation branding as a strategy to increase exports and the country's competitive advantage. Moreover, scholars emphasize the importance of public diplomacy for nation branding. According to Bose, Roy and Tiwari (2016), investments, exports, and tourism all benefit directly from public diplomacy, making it a crucial factor in place branding. Empirical findings from this

research confirm the need to develop Palestine's brand image and create a competitive identity for Palestine in the global economy, which can be assisted by the government's role in public diplomacy. However, the debate was that Palestine has one of the oldest nation brands and yet lacks a strong nation brand. Respondents suggested the need to link Palestine to historic and religious associations through the use of Bethlehem and Jerusalem city in an attempt to enhance the country's brand identity when going international.

## 8.4.2 Labelling

According to Aichner (2014), the 'Made in...' phrase and quality label, part of product labelling, are legally required and are considered to feed into country-of-origin (COO) strategies. He states that the COO element is compulsory for products in most countries around the world because legislators want to be able to identify products from specific countries (Aichner, 2014).

Countries that Palestinian companies export to determine labelling requirements, which can include traceability, use of a specific language for labelling purposes, product name and grade, batch code, name and address of exporter, a best-before date for food products, what category the product belongs to, net weight, and recommended storage conditions (EU/PALTRADE, 2019). These requirements can differ depending on the product and country the company will be exporting to (EU/PALTRADE, 2019).

Deciding on the appropriate 'Made in ...' concept is essential for a nation; this is because, as Dinnie (2016) suggested "Made in ...' concept can be used as a nation branding tool (Dinnie, 2016). Literature indicates that if the COO has a bad image in general or in a specific company field, the inclusion of regional or local geographical indicators is recommended (Aichner, 2014; Aichner et al., 2017). Furthermore, it is simpler to

establish a strong reputation for items originating in a specific region rather than a whole country (Aichner, 2014).

There were varying viewpoints on labelling Palestinian goods (Made in). Most trade support organisations said that 'Made in Palestine' can produce favourable attitudes and should be highlighted. At the same time, some believed that they should link the nation with a city, such as "Made in Palestine from Bethlehem." In contrast, business respondents were more cautious about whether or not to use the "Made in Palestine" label because of the negative associations linked with Palestine. Findings from the labelling have been discussed in more detail in the next section; the 'Made in ...' phrase.

There was no consensus over whether a nation or city label was advantageous. The trade support respondents' biggest argument appears to be that the choice of product labelling depends on the market being entered.

### 8.4.2.1 'Made in ...' phrase

The "Made in …" concept is the most often used and regulated technique for communicating the COO of a product (Bilkey and Nes, 1982; Aichner, 2014). The 'Made in …' phrase can be used as a nation branding tool and a COO strategy to assist export promotion (Dinnie, 2016). Customers do not need to identify signs, phrases, or slogans with a nation in this situation because the COO is explicitly indicated, as in 'Made in Palestine' or 'Made in Jerusalem.' Scholars suggest that the norm has been to use 'Made in…' labels linked to the nation (Aichner, 2014). However, some products and companies prefer regional or geographic indications instead of countries, such as 'Made in Bergano' or 'Made in Prato' (Guerini and Uslenghi, 2006).

There are mixed opinions about how to label Palestinian products. Trade support bodies felt that 'Made in Palestine' can create positive perceptions and should be emphasised, while others felt they should link the nation with a city, such as "Made in Palestine from

Bethlehem' (refer to section 6.2.3.2.1). In comparison, business respondents were more concerned about whether to use the 'Made in Palestine' label or not due to the negative associations linked with Palestine (see section 7.2.3.2 B). However, a strong argument was put forward by the respondents (see section 6.2.3.2.1) that the label association, whether it is 'Made in Palestine', 'Made in Jerusalem, 'Made in Palestine from Bethlehem', etc., is dependent on the market being entered (segmentation and targeting).

Deciding on the appropriate 'Made in ...' concept is important for a nation. This is because, as Dinnie (2016) suggested "Made in ...' concept can be used as a nation branding tool (Dinnie, 2016). Literature indicates that if the COO has a bad image in general or in a specific company field, then the inclusion of regional or local geographical indicators is recommended (Aichner, 2014; Aichner et al., 2017). Furthermore, it is simpler to establish a strong reputation for items originating in a specific region rather than an entire country (Aichner, 2014).

#### 8.4.2.2 Quality Label

The quality label is perceived as a marketing advantage (Walley et al., 1999), given its influence on the highly motivated quality-conscious consumer (Fotopoulos and Krystallis, 2008). In situations when buyers cannot quickly evaluate the quality of a product before purchasing it, quality labels reduce the perceived risk of buying an unsatisfactory product (Resano et al., 2012).

Labelling in Palestine is regulated and administered by different national authorities, including the 'Palestine Standards Institution' which coordinates its activities with the 'Ministry of National Economy' to ensure the health and safety of the products and to protect against cheating and deception of consumers (Palestine Standards Institution, 2021).

Respondents from the trade support bodies focused on the importance of a recognised quality label which has met the standards set by the Palestinian standards Institute to receive international acceptance (see section 6.2.3.2.2).

Both past literature and empirical findings highlight the importance of meeting the quality label to provide reassurance for international buyers.

### 8.4.3 Social Media

Since the arrival of the internet and social media, traditional marketing communication tactics and strategies have changed tremendously (Dev C, 2010). Social media has become a prominent "word of mouth" communication strategy (Trusov M, 2009).

In discussing communication, some business respondents commented on the function of social media in worldwide product promotion, given its current prominence (section 7.2.3.3 C). These findings confirm Mithas and Rust's (2016) and Alarcon-del-Amo et al. (2018) assertions that companies can communicate with their clients more effectively using social media to increase the speed and scope of internationalisation efforts.

The essential role influencers play in the Palestinian market is a topic that the business respondents have linked with social media. Business respondents felt that influencers played a vital role in the Palestinian market (refer to section 7.2.3.3 C). This relationship between influencers and social media has been recognised by Ahmadi et al. (2020), who believe that social media and influencers play a crucial part in the creation of viral marketing and word-of-mouth.

The power of influencers has been supported by Kozinets et al. (2010). They suggested that social media influencers now influence individuals worldwide, boosting the word-of-mouth marketing phenomenon to new heights (Kozinets et al. 2010). Because of the range of social communications and their effect on the audience, influencers may play an essential part in the many stages of presenting a product and fostering loyalty (Yousefi and Zadeh, 2021). This literature supports the business respondents' view on the importance of the social media influencers' role in promoting Palestinian products to the international audience. However, it has been argued earlier in the chapter that the Palestinian market struggles with a lack of marketing skills and expertise, raising the question: Can social media influencers replace the limited traditional marketing expertise

to reach a wider audience?

Recent studies suggest that the internet does not lead to a firm's internationalisation because the successful application of the internet in the internationalisation process still relies on other types of organisational capabilities (Chen et al., 2015; Mithas and Rust, 2016; Glavas et al., 2017). Furthermore, social media can result in a relationship that is impersonal and distant from the consumers (Durkin, Mcgowan, and Mckeown, 2013). However, the internet has made it possible for developing markets to leapfrog, thus increasing efficiency and saving time on what took developed markets time to invent (Arnold and Quelch, 1998). Thus, social media is an area that will need further investigation in Palestine to determine if it should be integrated with the company's traditional marketing efforts or even replace conventional paths due to its benefits.

# 8.5 Positive Associations

Consumers' minds form associations based on their country-of-origin assumptions (Aaker, 1991; Keller, 1993; Giraldi and Tornavoi, 2004, 2005). These associations influence the image of the country's brands (Pappu, Quester and Cooksey, 2006; Josiassen et at., 2013).

Kotler and Gertner (2002) claimed it might be easier to establish new positive associations to improve a country's image than to reject current negative associations. Thus, past associations linked to the country's culture and heritage can be used as a country's competitive advantage.

This theme presents the trade support bodies' and businesses' opinions regarding what associations can assist in creating an improved COO to influence international perceptions positively. The key areas identified were authenticity and international certification. Authenticity was felt by the respondents to be linked to a number of factors such as place, craftsmanship and heritage.

## 8.5.1 Authenticity

According to Holt (1995), authenticity is important in distinguishing brands. Some evidence suggests that consumers actively seek authentic businesses, brands, places, and people (Cohen, 1988; Holt, 2002; Alexander, 2009; Beverland, 2009).

Governmental, non-governmental, and business respondents of this research acknowledged the significance of authenticity as a component of their brand identity by adhering to some of Alexander's (2009), Beverland's (2006), and Moore et al. (2006) attributes, which included craftsmanship heritage and place (refer to sections 6.2.4.1.1.1 and 7.2.4.1.2 b). Respondents also recognised high quality as an essential feature associated with authenticity and evoking favourable associations (refer to sections 6.2.4.1.1.a).

Scholars tend to have similar views to the respondents regarding the opinions on the attributes of authenticity. Beverland (2006, p. 257) recognised six authenticity features: "heritage and pedigree, stylistic consistency, quality commitments, relationship to place, method of production, and downplaying commercial motives". Alexander (2009) agrees on most 'authenticity' dimensions, and he describes attributes of authenticity to present:

"high quality, craftsmanship heritage, place, downplaying commercial motives, stylistic consistency, and ethical behaviour and integrity" (p.558). Moore et al. (2006) use the concept of brand authenticity to cover different dimensions, including craftsmanship and country-of-origin.

Previous studies identified authenticity as a factor that can lead to positive country of origin associations. However, this research identified the factors that determine a brand's authenticity, which included place, craftsmanship and heritage. These factors should receive the business and government attention to create positive associations linked to Palestine.

### 8.5.1.1 Craftsmanship Heritage

The Palestinian oriental handcrafts sector provides a wide range of unique and authentic products (PalTrade: Priority Economic Sectors 2020).

Trade support bodies' respondents claimed that handmade products associated with Palestine's culture, such as olivewood and olive oil products, are highly valued in the international market (section 6.2.4.1.1.1). They felt these handmade products had been recognised as symbolic and authentic products representing the country's culture.

Findings from the business respondents were consistent with the trade support bodies' opinions on the authentic attribute of the Palestinian handmade products (section 7.2.4.1.2 b). Business interviewees felt that handmade production is what distinguishes the Palestinian brand, which influences the international acceptance of these products.

These empirical findings from the trade support organisations and businesses indicate a connection between handmade products, cultural values, authenticity, and favourable

associations. The respondents felt that because handmade products present cultural values, they are perceived as authentic and create positive associations valued by the international audience. These findings have been supported by literature suggesting an authentic brand must contain the numerous components and expressions of a country's culture to reflect the country (Dinnie, 2016). This suggests that brands are founded in the reality of the nation's culture, possibly the most accurate and authentic differentiator any brand could aspire to have (Dinnie, 2016). In this case, respondents confirmed that the handmade products offered by Palestinian businesses presented Palestine's culture.

#### 8.5.1.2 Place- Holy Land

Several studies have established the Holy Land as a world-class tourist brand (Gal and Rock, 2018). This implies the significance of the Holy Land as a touristic place and a well-known location, which the trade support bodies acknowledged.

Respondents from the trade support bodies stated that the international audience associated Palestine with the holy land/place. They felt that people worldwide are familiar with Jerusalem and Bethlehem due to their religious orientation and have high acceptance for products made there (section 6.2.4.1.1.2). The international audience was able to identify products and appreciate their authenticity due to their association with the Holy Land. This has been supported by literature that explains references to time and location (place) are used by brands to create an impression of uniqueness and heritage (Alexander, 2009). According to literature, the brand's link to the location and the downplaying of commercial motives are perceived as critical to the brand's message and the formation of the brand's aura (Alexander, 2009).

Business respondents did not have much to say about the Holy Land association because they were cautious about whether or not to link products to Palestinian religious locations due to the negative associations connected with Palestine. Earlier findings from the labelling section discussed how business respondents felt about linking Palestine to religious locations (section 8.4.2.1 and section 8.4.2.2).

The Holy Land is a well-known brand that links products manufactured there with authenticity. However, due to Palestine's political situation, the Holy Land can be associated with some negative associations. Empirical findings from this theme reveal that the choice of whether to associate brands with the 'Holy Land' or not is dependent on the market being entered.

## 8.5.2 International Certification

Palestine's quality infrastructure has a number of gaps that must be addressed for exporting companies to deliver quality products to foreign markets (PalTrade, 2014). International accreditation in Palestine must be consistent with key target markets such as GAFTA countries, the United States, and Europe (PalTrade "Palestine Trade Center", 2014).

Business respondents felt that international quality certification and accreditation have a great value for Palestinian products expanding internationally (refer to section 7.2.4.1.3 B). They explained that international certification and accreditation for Palestinian businesses significantly enable the company to build confidence and trust among international consumers. This finding did not receive much scholarly attention even though it is an important element for businesses originating from developing economies to consider building trust and confidence in their products.

A variety of deficiencies in Palestine's quality infrastructure must be addressed if exporting companies are to offer quality goods to international markets (PalTrade, 2014). Respondents from the business sector said that obtaining international certification and accreditation for Palestinian enterprises plays a vital role in enabling businesses to establish consumer confidence and trust abroad and thus solve some of the quality's weaknesses. This original finding did not receive much scholarly attention, even though it is a crucial factor for businesses from developing economies to consider building consumer confidence in their products.

In summary of the associations that were felt to create positive COO perceptions, it has been suggested by Ger (1999) and Ozsomer (2012) that building strong associations with the local culture, national identity, and heritage can help a local brand acquire a competitive advantage. Findings from this research confirm previous research, emphasising authenticity related to Palestine's culture and heritage will help create a competitive advantage and positive associations for local brands.

Furthermore, since Palestine is a developing market with a perception that it does not offer high-quality products as implied by scholars; developing countries are not as capable as developed countries of high-quality manufacturing products (Papadopoulos and Heslop, 1993; Verlegh and Steenkamp, 1999; Wang and Lamb, 1983; Suh, Hur and Davies 2016), therefore, gaining some form of international certification or accreditation will assist in building trust and confidence.

# 8.6 Negative Associations

Some international business studies indicate that the country-of-origin image might lead to negative perceptions owing to associations with a country-specific disadvantage (Cuervo-Cazurra and Genc 2008; Cuervo-Cazurra and Ramamurti 2017; Suter et al. 2018).

Understanding the associations that can trigger negative COO perceptions is important to avoid or reduce them. Respondents from the trade support bodies only and not the businesses discussed one primary negative association they felt had an impact on the COO. Trade support respondents believed that the political situation in Palestine is a significant trigger contributing to negative COO associations and perceptions.

The political situation has been discussed earlier, in section 8.2.1, as a challenge to internationalisation. This section tends to discuss the political situation's impact in relation to associations. The political situation in Palestine was identified as the most significant negative association impacting the COO by respondents from trade support institutions. However, the political impact did not receive much attention from the businesses interviewed.

## 8.6.1 Political situation

Consumer views of, and associations with, the country-of-origin are commonly influenced by aspects such as the nation's social, environmental, and political settings, according to researchers (Insch and McBride 2004; Sharma 2011; Jiménez and Martin 2012; Lee et al. 2013). The primary constraints restricting investors and direct foreign investment in Palestine, according to the Palestine Trade Centre (2010), are political insecurity and mobility, as well as access restrictions.

Palestine faced unpredictable political and economic conditions, making it challenging to develop the nation's brand (Dinnie, 2016; Abdalmajid and Papasolomou, 2018). Related research demonstrates how extreme political uncertainty, violence, high bureaucracy levels, and economic policy changes have affected business internationalisation (Batsakis and Mohr, 2017; Carneiro and Brenes, 2014; Ciravegna and Brenes, 2014; Cuervo-Cazurra, 2016; Dominguez and Brenes, 1997).

Trade support interviewees stated that political uncertainty resulting from the Israeli-Palestinian conflict prompted negative associations with Palestine's brand (section 6.2.4.2.1.1).

Prolonged war, conflict, and political turmoil in the Middle East have weakened all efforts at regional economic cooperation (UNCTAD, 2012). According to research, many regional integration plans among developing nations have had some economic success. Still, they have been undermined, if not destroyed, by political conflicts among their member governments and political uprisings in some member countries (UNCTAD, 2012). Due to the political instability, negative associations and perceptions were developed, impacting Palestine's image, which is not something that can be controlled.

Another important finding linked to the political situation is empathy. Trade support institutions feared the political situation would elicit sympathy and concern, thus altering the global perception of Palestine and its products (see section 6.2.4.2.1.4). In contrast, other governmental and non-governmental respondents stated that the struggle of the Palestinians prompted certain groups of individuals to be more empathetic and, as a result, more supportive and willing to purchase products made in Palestine (section 6.2.4.2.1.4). The literature supports these findings by addressing the perception of empathy as a cause for concern. In contrast, other governmental and non-governmental and non-governmental respondents stated that the struggle of the Palestinians prompted certain groups of individuals to be more empathetic and, as a result, stated that the struggle of the Palestinians prompted certain groups of individuals to be more empathetic and, as a result, more supportive and willing to purchase products made in Palestine (section 6.2.4.2.1.4).

Empathy allows people to understand the viewpoints, interests, and feelings of others, which can aid in the building of trust and, as a result, the possibility of collaboration (Bayram and Homes, 2020). Empathy is also required for the development of political techniques such as nonviolent resistance (Head, 2012), which has been implicitly linked

to democratic peace (e.g., Brock et al., 2006) and security communities (e.g. Koschut, 2014).

The long-running conflict between Israel and Palestine is one of the most challenging issues in international politics, but it is also an important place for the study of empathy (Head, 2015). This is primarily due to the substantial focus placed by local and international organisations following the Oslo Accords on people-to-people peacebuilding operations, of which empathy was a fundamental component (Head, 2015).

According to academics and researchers, empathy is not a solution to many global problems but rather a poor decision-making guide that may potentially create more harm than good (Bayram and Holmes, 2020).

Empirical findings of this research suggest that even though empathy can be viewed as something positive because it gets international supporters to accept and support Palestinian products, the impact of empathy can be contradictory when it comes to international trade. Generally, it is uncertain if and how empathy influences the formation of political preferences and decision-making (Bayram and Homes, 2020). According to Booth and Wheeler (2008), empathy is neither good nor bad since it may be used to understand the struggles of others in order to assist or control them. As a result, the benefit of empathy will be determined by whether it is used to help or dominate others.

# 8.7 Summary

This research stage used international marketing, country-of-origin, brand identity, and social media marketing literature to investigate Palestinian SMEs' internationalisation challenges and propose associations that can enhance Palestine's COO effect. The chapter's aim is to present an overview of the primary findings that respondents, including trade support institutions (governmental and non-governmental) and business managers and owners, believe are important to reduce Palestinian SMEs' obstacles to

internationalisation. In addition, a comparison of respondent perspectives was offered to demonstrate the disparity in the trade experts' views on managing challenges. A summary of the varying perspectives on the internationalisation challenge that Palestinian SMEs confront while going global is in Table 8-2 below.

Table 8-2 A comparison of the trade support bodies' and businesses' responses to surfaced themes.

Theme	Subthemes	Trade Support Bodies Perspective	Business Perspective
Challenges	Political restriction	Occupation inflicts political export and import restrictions.	Import and export depend on Israeli relationships; some countries refuse to work together (negative news); increased export and import costs due to border with Israel.
	Financial limitations	Lack of money to promote local business internationally	No funding available to push for growth/internationalisation
	Marketing Skills	Marketing agencies in Palestine are light years behind. No strategic brand vision.	No marketing experts/agencies are available.
	Adaptation	Lack of ability or willingness to adapt products for international needs	Lack of knowledge on how to adapt products and how to make them look modern.
	Coordination	No explicit communication between organisations nor clear trading guidance.	Businesses are not aware of the available support. Businesses lack communication about trade agreements.
	Family run business	Most family businesses only run for 2-3 generations, but only much longer established businesses have successfully internationalised.	Issues updating the businesses when a new generation comes in to take over. Resistant to change and learning new skills. Relucent to bring skilled outsiders.
			Attracting skilled labour who have not moved abroad is difficult due to the lack of incentives.
Facilitating Trade Factors	Networking with Palestinians from the diaspora	Stressed the need to establish networking relationships with foreign nations to establish relationships with foreign markets, request trade assistance and exemptions, and connect with Palestinians in the diaspora.	Not discussed by businesses

	Cluster Approach	Stressed the need for clustering to achieve an industrial focus for Palestine and to establish quality assurance.	Not discussed by businesses
Communication Issues	Nation versus city branding	Felt that Palestine lacked a clear brand identity. Suggested associating Palestine's brands with the religious connections of Bethlehem, Jericho, and Jerusalem.	Businesses felt weak nation brand identity of Palestine. It was suggested that the citizens are unaware of the importance of their nation's brand.
	Labelling	Contrasting views on whether to brand products using the "Made in Palestine" label or Link Palestine with a city, such as "Made in Palestine from Bethlehem".	Cautious about whether or not to use the "Made in Palestine" label because of the negative associations linked with Palestine.
		Trade bodies felt the choice of product labelling depends on the market being entered.	
	Social media	Not discussed by trade support bodies	It highlighted the significance of social media influencers in promoting Palestinian products to an international audience.
Positive Associations	Authenticity, Craftsmanship heritage, Place- Holy land.	Significance of authenticity as a component of Palestine's brand identity to evoke favourable associations. Authenticity included craftsmanship heritage and place (All respondents agreed on the importance of authenticity).	
	International certification.	Not discussed by trade support bodies	International certification and accreditation for Palestinian enterprises play a vital role in establishing consumer confidence and trust abroad.
Negative Associations	Political concerns	The Israeli-Palestinian conflict prompted negative associations with Palestine's brand.	Not discussed by businesses
		The political situation would elicit sympathy and concern, altering the global perception of Palestine and its products.	

Source: Original, 2022.

The discussion chapter provided an interpretation of the findings from the perspectives of trade support organisations and enterprises. The trade support organisations do not fully comprehend the internationalisation challenges faced by small and medium-sized firms; as a result, they might not always provide the appropriate assistance to reduce these challenges and enhance Palestine's COO effect.

Palestine's political and economic situation was among the findings discussed in this chapter, as well as other factors that the respondents felt could be addressed and partially controlled for the country to overcome its internationalisation obstacles. These factors included marketing, adaptation, coordination and networking, and recruitment issues. Another discovery that sheds light on the associations that might be communicated to improve the impression of Palestinian companies is the country-of-origin effect. Customers' negative associations with a product's country-of-origin are difficult to overcome. Therefore, focusing on positive associations is better than trying to change negative ones.

This chapter has resulted in a better understanding of the environmental, political, economic, production, and marketing aspects influencing SMEs' internationalisation. Identifying these characteristics will provide a clearer picture of the Palestinian trading environment, the challenges that companies should consider, and the role that governmental and non-governmental organisations should play in attempting to eliminate these challenges.

# 9 Conclusion Chapter

### 9.1 Introduction

This research is in the international marketing field and looks particularly at the challenges that small and medium-sized enterprises (SMEs) in developing countries face while expanding internationally. Challenges to internationalisation have been explored by considering the perspective of businesses and business support bodies (governmental and non-governmental) regarding key international expansion issues. The work focuses on how these groups see environmental and operational aspects of international trade. In addition, there is a consideration of their perspective on the role of country of origin (COO), with a particular focus on identifying associations that they feel may be used to assist in developing a positive COO effect.

The research aims to inform an understanding of the challenges that are felt to be faced by those involved in various aspects of the international trading process. To achieve this, there is an examination of the trade support bodies' role in assisting the internationalisation process and an investigation of the businesses' perception of the trade support services to identify strengths and weaknesses in the trade support system. Accordingly, a gap between the trade support bodies' support and the businesses' evaluation of the trade support is identified to suggest recommendations that may help improve the trade relationships and the internationalisation process.

This chapter will conclude this investigation into the challenges of internationalisation by summarising the key research findings, considering their links to the research aims and objectives, and discussing their value and contribution. There will be a review of the study's limitations, recommendations regarding internationalisation, and proposed opportunities for future research.

## 9.2 Aim and Objectives

### Aim:

The study aimed to explore and examine critical issues associated with the internationalisation of SMEs in the light manufacturing sector within Palestine, taking into account the perspectives of private businesses and governmental and non-governmental support bodies.

#### **Objectives:**

To achieve the research aim, the following objectives were identified:

- 1. Undertake a literature review into aspects associated with internationalisation theory, with particular emphasis on the challenges facing the developing economy of Palestine. The literature review shall also focus on the role of the Country of Origin and other communication issues associated with international trading.
- 2. Undertake Primary research in the form of semi-structured interviews with governmental and non-governmental trade support bodies regarding the challenges of internationalisation of Palestinian products and how these challenges can be mitigated (Phase 1 interviews).
- 3. Undertake Primary research in the form of semi-structured interviews with representatives of SMEs identified by the interviewed support bodies. The interviews will focus on the challenges of internationalisation, how they view the support they receive, and how they feel the difficulties of communication related to Palestinian country of origin issues can be mitigated (Phase-2 interviews).

- 4. Analyse the findings from both phases of the primary research in light of the literature and develop a thematic framework that will demonstrate the perspectives of each of the trade support bodies and SMEs on what they think are internationalisation challenges.
- 5. Evaluate critically the gap between the perceptions of trade support institutions and small and medium-sized enterprises (SMEs) regarding internationalisation challenges to gain a better understanding of these obstacles and to suggest ways to mitigate them. These recommendations will help SMEs in identifying and addressing obstacles to internationalisation. This research will also provide practical recommendations to trade support organizations on how to assist SMEs in overcoming certain internationalisation obstacles and enhancing Palestine's image.

## 9.3 Strategies for Contributions

Several viewpoints on what constitutes a theoretical contribution have been presented (Nicholson, LaPlaca, Al-Abdin et al., 2018). These include a determination of interest (Bartunek, Rynes, and Ireland, 2006), utility (Alvesson and Sandberg, 2011), originality and worth (Bergh, 2003), and being anything that "*adds, embellishes, or produces something beyond what is previously known*" (Ladik and Stewart, 2008, p.157). However, there is a risk that a measure of interestingness implies entertainment value. Corley and Gioia (2011, p.11) appear to be reacting to this worry by speaking of "*advancing knowledge in a way that is regarded to have utility or usefulness for some goal*". Hazen (2016) discusses explicitly developing or expanding theory. Accordingly, a contribution is perceived as interesting because it adds utility, usefulness, or value to at least a single audience whose understanding is advanced by examining the findings of a research. Another facet of the contribution topic is a magnitude, which recognises that not all contributions are equally beneficial, helpful, or valuable (Hazen, 2016). According

to Nicholson, LaPlaca, Al-Abdin et al. (2018), scientific usefulness, as opposed to practical value, should express how the suggested contribution is usefully contrasted to what is already theoretically understood. The figure below (Figure 9.1) shows the multiple strategies for describing contributions presented by Nicholson, LaPlaca, Al-Abdin et al. (2018).

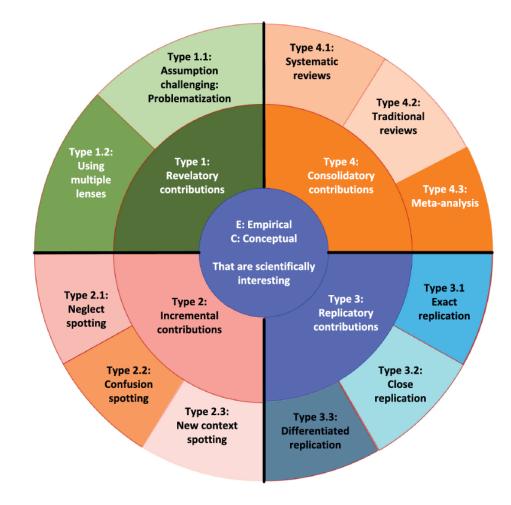


Figure 9.1 A figure demonstrating the different strategies for describing contributions

Source: Nicholson, LaPlaca, Al-Abdin et al. (2018)

The theoretical and practical implications of this research will be discussed in the following sections; 9.3.1 and 9.3.2. The theoretical contribution section is structured by highlighting the relevance of the study, and its key contribution, with regards to how the trade support bodies and businesses perceive challenges to internationalisation and

recognise communication issues in relation to the country of origin perception, followed by managerial implications, limitations, and avenues for further research.

### 9.3.1 Theoretical Contribution

To illustrate the contribution of this research, the introduction chapter acknowledges the theoretical significance of internationalisation for companies operating in a developing country. To address this significance, the internationalisation challenges that Palestinian small and medium-sized enterprises (SMEs) encounter in the current business environment have been investigated and identified. Consequently, the internationalisation difficulties experienced by these SMEs have been recognised, highlighting the practical contributions of policymakers and people influencing the internationalisation process.

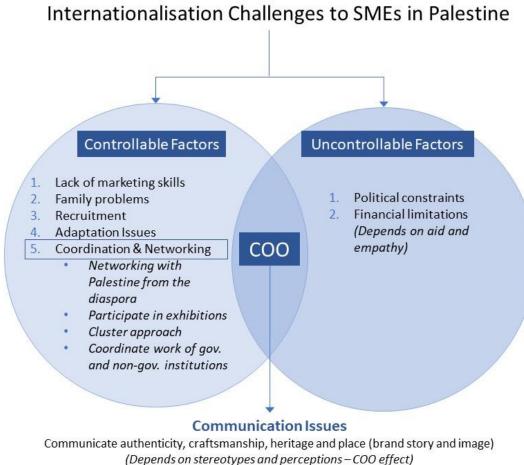
Findings in this research fall under the incremental contribution founded on a traditional neglect spotting method of examining literature (Alvesson and Sandberg, 2011; Hallgren, 2012; Sandberg and Alvesson, 2011). Alvesson and Gabriel (2013, p.248) describe this neglect spotting method as "a missing brick in a wall that the researcher carefully provides." However, a gap may exist even if there's no benefit to closing it (Tadajewski and Hewer, 2011). Therefore, an approach for identifying gaps must be linked with an evaluation of the benefit of addressing the detected gap. Sandberg and Alvesson (2011) examine various sub-strategies within the broader gap-spotting method; confusion spotting, neglect spotting, and new context spotting.

This study's contribution is in line with "neglect spotting", according to Hallgren (2012), which is an intention to focus on under-researched topics, where neglect could apply to theories, constructs, or procedures but could also refer to areas where publications are largely conceptual as opposed to empirical (Hallgren, 2012). An incremental contribution must therefore be positioned and evaluated in relation to current knowledge, and the contribution's worth and significance must be demonstrated as evidence of improvement beyond what was already recognised (Nicholson, LaPlaca, Al-Abdin et al., 2018). This "neglect spotting" incremental contribution is covered by my findings, which build upon

the existing conceptualisation of internationalisation theories and challenges, adding new knowledge from trade support institutions (government and non-government) and business perspectives with specific reference to the light manufacturing sector in Palestine. Whilst the study of the Palestinian market is limited to the existing knowledge of internationalisation challenges and country of origin effect, the qualitative approach of this study contributes to the current research literature by developing a deeper understanding of the Palestinian light manufacturing sector's perspectives on challenges to internationalisation and complements the country of origin literature based on predominantly quantitative consumer-oriented research (e.g. Insch and McBride, 1998, 2004; Chao, 1998; Pecotichand Rosenthal, 2001; Parkvithee and Miranda, 2012).

The key areas of contribution derived from the study have been presented in a model (refer to Figure 9.2 below). This model summarises the controllable and uncontrollable factors concerning challenges Palestinian SMEs encounter when expanding internationally.

Figure 9.2 Themes related to the challenges to the internationalisation of Palestinian SMEs



Use of social media and labelling strategies

Source: Original, 2022

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This study has contributed to emerging themes linked to trade facilitating factors and communication concerns about Palestine (refer to Figure 9.2 above). The facilitating trade factors suggested the importance of receiving the government's support, adopting the cluster approach, and networking with Palestinians in the diaspora. The networking theory of internationalisation has been discussed due to its relevance in the internationalisation of Palestinian SMEs and building relations with the international market. In addition, public diplomacy, which is the government's process of communicating with foreign publics to boost the competitive identity of Palestine, has also been addressed due to the importance of communicating Palestine's cultural brand story in an authentic manner to improve the country's country of origin effect and exports.

A significant part of the theoretical contribution presented the importance of communication, which emphasised the importance of connecting positive associations with Palestine's image. The associations suggested by the respondents included focusing on the authenticity of the promoted brands, craftsmanship heritage, and the "Holy Land" location advantage. These associations should be communicated to tell the nation's brand story and enhance Palestine's international image through 'cultural/heritage branding'.

The discussion of the nature of the contributions recognises that not all theoretical contributions are equally beneficial or valuable (Hazen, 2016), which was discussed in the previous section (section 9.3) and presented in Figure 9.1 showing the multiple strategies for describing contributions as suggested by Nicholson, LaPlaca, Al-Abdin et al. (2018).

The main "neglect spotting" incremental contribution of the thesis will clarify the environmental factors that influence Palestinian SMEs' internationalisation process. In the existing literature, themes around internationalisation challenges and trade facilitating factors vary across markets and economies and have received relatively limited attention

in developing markets. The emerging themes from the empirical findings will receive academic attention since they can be extended and recognised in other comparable developing markets. The country of origin theme is also considered a strategic business imperative but manifests itself in various ways, depending on the brand's authenticity, international certification, and adaptation of offerings to match different market needs, which has received relatively little attention. The environmental factors have been categorised into controllable and uncontrollable factors and their theoretical contribution is discussed next.

#### **Uncontrollable Factors:**

Evidence from both research phases confirms the negative impact of the political situation on Palestinian companies and trade relations. The trade support respondents discussed the effect of the political restrictions on the balance of trade, exports and imports. In comparison, the business representatives mentioned that some countries did not want to deal with Palestinian businesses due to the negative news they received through media channels. Previous research confirms that the political situation in Palestine remains the most fundamental impediment to economic progress (The Portland Trust, 2013; Technical Progress Report, 2020). However, regardless of the political situation that Palestinian businesses encounter, international trade is an essential consideration in achieving economic growth and cannot be ignored (The World Bank, 2021, 2019; World Bank- HKTDC Research, 2021).

Previous literature discussed the challenges to internationalisation that developing markets face. Nevertheless, not much attention has been given to considering the approaches and strategies that can help reduce the impact of these challenges, such as the impact of the political constraint. This is a key incremental contribution of this research to the literature on international marketing. Reducing internationalisation barriers is important for a country to help build international relationships and achieve economic growth. In the case of Palestine, the prevalent political conflict is considered an uncontrollable factor. Still, the approaches recommended to reduce its impact can move

this factor towards the controllable extreme on a spectrum. For example, the negative news on social media that affects international relationships can be partially controlled by creating positive media. The government can also improve international relations by supporting businesses and helping them connect with Palestinians in the diaspora. This can be done by integrating the international networking theory into the country's international strategic plan and focusing on national networks rather than depending on personal networks initiated by businesses. There should be a more collaborative approach to networking with other countries that include the government's network relations and trade agreements. These suggestions have been identified as controllable factors that can help reduce the impact of the uncontrollable factors.

A further incremental contribution derived from the two phases of the research relates to the limited funds' issue, the dependence on aid and donations, and the conflicting views on aid and its influence on growth. In 2018, almost two-thirds of Palestinian SMEs required foreign capital to operate and expand their operations (Palestine Economic Policy Research Institute (MAS), PCBs, and Palestinian Monetary Authority, 2017). Respondents felt that financial assistance is needed for companies to expand their international trade and manage financial distress. However, the relationship between aid assistance and development is incredibly complicated in the Palestinian context (Wildeman and Tartir, 2014).

The influence of financial assistance on economic growth has sparked an ongoing argument about whether it results in positive or negative relationships. Shoukair (2013) acknowledged the positive and negative impact of the flow of currency from foreign aid abroad on the economic growth of the West Bank and Gaza. The reason for the mixed opinions was that many trade experts and scholars felt that aid and donations would result in the country being dependent on external support to create businesses and boost the economy, which will undeniably result in economic growth. Nevertheless, it is perceived as a short-term solution and not a sustainable approach since it depends on other countries and the amount of support they would like to offer. This proposes the need for the

Palestinian government to build a strategy to improve the country and the sectors instead of using aid for specific companies or products. Furthermore, donated funds to Palestine could be invested in building the brand's story that will be communicated internationally and used in developing the basic infrastructure that will lead to economic growth. This way, the funds will create a long-term effect and a more independent economy.

The incremental contribution of this research has been identifying the political constraint and financial limitations as 'uncontrollable factors' due to the limited amount of control the government and non-government institutions have on these factors. This contribution to international marketing is seen as a "neglect spotting" incremental contribution because uncontrollable factors that affect internationalisation challenges in a developing economy have not received much attention. It is worth mentioning that the controllable and uncontrollable factors lie on a continuum. This suggests that although the political challenge is considered uncontrollable, its impact can be reduced by some external and internal government intervention.

#### **Controllable Factors**

This research identified five main controllable factors confirmed in both phases of this study as a further incremental contribution. They included marketing skills, adaptation issues, family management problems, recruitment, coordination and networking. These factors can be seen in Figure 9.2.

Marketing skills are essential to managing international communication and building international relationships. As discussed by previous scholars and presented in the findings section, the absence of marketing skills and strategies emphasises the relevance of marketing abilities for businesses to develop and expand internationally. While marketing skills are essential for the growth, communication, and success of small and medium-sized enterprises (SMEs), networking is necessary for initiating and maintaining connections with other nations to recruit the needed skills. Therefore, the Palestinian

government should try to consider ways to develop its marketing and branding skills. The government should also enhance the social business network that is needed to recruit the required marketing skills, which as a result will facilitate the international expansion of local enterprises. This contributes to the importance of marketing skills in a developing market by highlighting the significance of such a skill not only to market and brand a product but also to connect with other countries and build on the networking theory.

Another important issue deemed necessary by respondents from both phases is the adaptation issue. Government and non-government respondents were uncertain why some Palestinian managers did not implement adaptation. According to the provided responses, the inability, unwillingness, or fear of losing a brand's authentic features may be some of the reasons for resisting adaptation. This could be justified by the lack of coordination between the governmental, non-governmental, and business, which caused all parties to avoid adaptation since there are no clear guidelines on how to apply adaptation and what effect will it have on the brand's authenticity. Thus, it might be suggested that the level of adaptation while maintaining authenticity should be determined by the founder/manager of a company in regard to environmental analysis and international consumer needs. This analysis could be supported by the government and non-governmental institutions to support the SMEs' internationalisation relationships. According to Elmusa and El-Jaafari (1995), the capacity of the Palestinian government to coordinate activities among national institutions and businesses and formulate appropriate trade policies determines the extent to which Palestinians can capitalise on opportunities and mitigate political constraints. It is therefore advocated to promote cooperation and coordination between government, non-government, and commercial groups to improve assistance and guidance for businesses' global expansion.

Family problems are another management issue within the Palestinian market that created a barrier to internationalisation. Since the Palestinian economy is driven by micro, small, and medium-sized enterprises (MSMEs), family businesses, and entrepreneurs, nevertheless (OECD, 2019), it is important to address such concerns to overcome some controllable trade restrictions. According to several published reports, Palestinian entrepreneurs and business managers can maintain and expand their firms on a worldwide scale if they manage family management issues by using their strong social and economic networks within and beyond Palestine (United Nations Conference on Trade and Development, 2012; Paltrade, 2014). This contributes incrementally to the literature on family businesses and international marketing by suggesting that developing markets have a unique market structure focused on smaller-sized firms, mostly family-managed companies that resist change and do not have succession plans.

Therefore, family businesses should develop a succession plan to guarantee the sustainability of their companies and bring in new blood into their businesses. This will assist in building stronger social ties internally and externally. External relationships include connecting with Palestinians from the diaspora, who can significantly impact the country's economic development due to their support. In the case of Palestine, diasporas were highly sympathetic to the Palestinian plight and willing to promote Palestinian enterprises. There is a tremendous sense of solidarity among Palestinians living under occupation and in the diaspora worldwide (Farah, 2009). To achieve such network links, governmental and non-governmental entities should establish connections with Palestinians in the diaspora; the networking theory. Even though trade assistance organisations have emphasised the relevance of networking with Palestinians in the diaspora and the significance of participation in trade shows, it does not appear that this has been included in the country's trade relations strategy. According to Heterstein, Sutherland, and Anderson (2015), such social networks can be supported by government contacts and resources, which are crucial for internationalising multinational corporations in emerging nations. This offers an incremental contribution to the literature on social networking theory by highlighting the importance of improving communication and marketing skills that will help businesses connect better with Palestinians in the diaspora, and get the government's support by including the networking strategy as part of the country's trade relations strategy. This strategy will positively impact family businesses in Palestine and, as a result, strengthen the country's economy.

Furthermore, Palestinian SMEs felt that clustering appears to be a suitable approach to exploring new markets, which will help them attain economies of scale and boost competitiveness. This is reinforced by quotations from respondents, as well as research that discusses the cluster-based approach as a strategy that supports firm linkages, resulting in collective efficiency and greater competitiveness (Porter, 1990; DTI, 1997). The cluster-based strategy will aid in improving production and quality and stimulate collaboration across diverse sectors, hence aiding in the differentiation of Palestinian industry (Technical Progress Report, 2020). Therefore, to ensure the communication of distinct Palestinian sectors, SMEs should adopt clustering due to the significant role in promoting companies internationally, providing quality assurance, and aiding in trade connections. This builds on the cluster-based approach by confirming the positive impact it has on the internationalisation communication of companies in developing markets.

These controllable factors lie on a continuum in terms of the level of controlling the trade support bodies and businesses have on each of them to reduce their impact and assist internationalisation. Controllable factors such as improving marketing skills are not entirely controlled; for example, marketing improvement depends on the country's willingness to invest in marketing education and improving communication skills, which might include outsourcing marketing expertise. Another example is the family management issues; it depends on the founders' willingness to conduct succession planning to sustain their business and recruit new skills in specific areas that are weak in the company. Furthermore, most of the controlled barriers can be reduced if there is support from governmental and non-governmental institutions and better coordination efforts to ensure the same message is delivered to businesses.

There was an overlap between the controllable and uncontrollable factors, which recognised the country of origin issue. The country of origin effect is considered a factor that Palestine can attempt to influence by mitigating the recommended country of origin associations that the businesses and trade bodies felt are important to present Palestine in a positive manner internationally. However, Palestine can only affect these associations

to a certain limit because they are perceived and constructed in the minds of the consumers. Public diplomacy can be adopted in this case to improve Palestine's image

consumers. Public diplomacy can be adopted in this case to improve Palestine's image through the support of the government and its communication strategy with the foreign publics.

Findings recommended the importance of branding for Palestine by developing a brand story highlighting specific associations that can assist in improving Palestine's country of origin effect. Even though Bethlehem and Jerusalem have been identified as important pilgrimage destinations for long years and Palestine has one of the world's oldest brands, yet it suffers from having a weak nation's brand. According to Cacciolatti and Fearne (2011), good use of structural marketing information and good marketing tactics increases the likelihood of development for these SMEs. Furthermore, Suter et al. (2018) suggested that a company may utilise the national image-country specific advantage of its brand by using its marketing communication power through its branding strategy.

This area of investigation provides another 'neglect spotting' incremental contribution by recommending some associations that businesses can adopt and the governments should embed in the country's branding strategies to enhance Palestine's country of origin effect. The identified associations are based on communicating authentic features of a product in relation to culture and history, the craftsmanship heritage, and the Holy Land place advantage. However, this has been investigated from the trade support experts' perspective and not the consumers' opinions. So it is essential to conduct future studies to examine the impact of these associations when linked to Palestinian brands in international markets.

#### **Summary of Theoretical Contribution**

This research contributes a "neglect spotting" incremental contribution to the area of international marketing in developing economies. The challenges to the internationalisation of Palestinian companies have been categorised into controllable and

uncontrollable factors, as seen in Figure 9.2. The controllable factors are issues that can be partially managed to reduce the impact of internationalisation challenges, these include weak marketing skills, adapting products, sustaining family businesses and bringing in new expertise, recruiting talented and skilled human resources, coordinating between governmental and non-governmental institutions, and supporting an international network by helping businesses to connect with other Palestinians in the diaspora and using the cluster approach to promote their industries and products. Uncontrollable factors should be considered when planning trade activities, and they include political constraints due to Palestine being an occupied territory and the financial issue since Palestine is regarded as a country that is highly dependent on aid. Communication issues have also been identified as an incremental contribution to this research since an understanding of the country of origin effect and associations can enhance Palestine's image internationally.

In conclusion, the theoretical contribution of this study focuses on three areas that must be managed to mitigate the challenges of internationalisation. The controllable and uncontrollable factors that emerged from this research are intertwined with the networking theory to internationalisation, public diplomacy, and cultural/heritage branding. The international networking theory has been determined to be the most applicable internationalisation theory for Palestinian SMEs, requiring government support to establish national network relationships rather than relying on the SMEs' personal networks. The government's role extends beyond networking in order to communicate a positive image of Palestine through public diplomacy. The government's public diplomacy should be guided by the cultural brand of the nation, which will emphasize the promotion of Palestine's authentic heritage. The controllable factors can reduce internationalisation challenges by connecting these concepts to create a better brand image for Palestine.

### 9.3.2 Practical Implications

The scientific rigour gap in marketing has been explored as a critical tension between theoretical and practical contributions (Baraldi, La Rocca, and Perna, 2014; Brennan, Canning, and McDowell, 2014; Gummesson, 2014). Kieser and Leiner (2009) urge that academics base their contributions on practical concerns rather than previous research. This reasoning would seem to imply that an explicit statement of this purpose should appear in the research introduction (Nicholson, LaPlaca, Al-Abdin et al., 2018). However, Cuervo-Cazurra, Caligiuri, Andresson, and Brannen (2013) and Doh (2010) argue that practical consequences are usually integrated only as afterthoughts in research. For this research, practical contributions have been proposed as a consequence of theoretical contributions to reduce challenges to internationalisation.

This study provides practitioners with a clear perspective on future directions of SME internationalisation to overcome challenges and contributes to understanding the relevant research to date. The population from which the trade support institutions were selected significantly influenced managerial implications due to their power and role in supporting international trade relationships. While the business managers' sample that was derived had an impact on the outcomes of this study due to their practical knowledge of operational and communication issues encountered in international markets. This recognition of the challenges that Palestinian SMEs face will assist in identifying the gap between the different perspectives on internationalisation challenges, the SMEs and the trade support bodies' views. This critical evaluation will help governmental and non-governmental institutions (trade support bodies) better understand the challenges to internationalisation and what support SMEs need to reduce these challenges.

Experts in international trade that can influence the development of international trade relations and strategies; government and non-government institutions, as well as business managers, recognised internal and external issues in this study that had practical implications. The practical implications suggest that key informants from the government

and non-government institutions should provide SMEs with internationalisation support to help reduce internationalisation challenges. The practical contributions to addressing internationalisation difficulties are summarised in Table 9-1.

Table 9-1 Practical Contributions to controllable and uncontrollable factors to reduce internationalisation challenges

Themes	Practical contribution
Uncontrollable Factors	
Political restraints	Improve trade relationships with the Israeli to help Palestinian businesses reduce the cost of imports and delays in receiving their products.
Financial support	Provide financial support for businesses' sustainability and potential international expansion.
Controllable Factors	
Marketing skills	Bring in international marketing expertise to help improve marketing skills and activities. Invest in marketing education.
Adaptation	Support the adaptation process while maintaining the authenticity of the brand.
Coordination	Coordinate the governmental and non-governmental efforts to support the international trade activities of SMEs.
Family issues	Assist in developing succession planning for the family business to extend the business's lifespan and recruit new non-family members experts. This will help them consider international opportunities.
Recruitment	Offer incentives for employees and workers to serve the Palestinian market and not look for international opportunities.
Cluster-based approach	Integrate the cluster approach into the country's international strategic plan.
Connecting with Palestinians from the Diaspora	Apply the 'network theory' by looking into networking opportunities with Palestinians in the diaspora due to their empathy and willingness to support and improve the Palestinian economy.
A brand story that can assist in improving the COO effect	Guide businesses to focus on authenticity, craftsmanship heritage, and Holy Land place when communicating their brand story abroad, which will enhance the COO effect. Apply focused social media efforts. Avoid empathy that leads to negative perceptions. Focus on international certification and accreditation to build trust and confidence in Palestinian products.

Source: Original, 2022

Several issues have been discussed in the preceding table; as a result, different parties involved in the internationalisation process are responsible for mitigating these obstacles and enhancing international trade relations. This includes the role of government and non-government institutions in coordinating their activities to improve trade relations with Israel in order to help Palestinian SMEs reduce the cost of imports and delays in receiving their products, as well as provide financial support for businesses to maintain sustainability and explore opportunities for international expansion. The government

should also prioritize incorporating the cluster approach into the international strategic plan of the nation. Furthermore, the government should consider bringing in international marketing experts to assist in enhancing marketing skills and activities, and develop a plan to invest in marketing education in the future. They should also consider ways to incentivize employees and workers to serve the Palestinian market, rather than seeking opportunities abroad. During this process of recruiting the right skills for the open position and locating qualified marketers, the government will need to advise businesses to emphasize authenticity, craftsmanship heritage, and Holy Land location when communicating their brand story abroad, thereby enhancing the COO effect. Last but not least, the government institutions will need to apply "network theory" for international activities by exploring networking opportunities with Palestinians in the diaspora due to their empathy and willingness to support and enhance the Palestinian economy. In other words, the government will engage in public diplomacy to enhance the reputation of the place and the nation and build relationships with other countries.

Businesses, on the other hand, will be required to cooperate with the government and adhere to its directives; they will also be required to have an open communication channel rather than relying on personal networks to expand internationally. This will result in national connections as opposed to social and personal networks. In addition, businesses will need to overcome family management issues by implementing succession planning and will need to consider adapting their products to better meet international demands while maintaining the authenticity of their brands.

### 9.3.3 Dissemination of Research Outcomes

This research will benefit governmental, non-governmental, and business institutions. In addition to the political situation affecting international trade relations, this research will provide government institutions and businesses in Palestine with fresh perspectives on how to overcome internationalisation obstacles.

The researcher intends to conduct workshops to disseminate the research to the Ministry of Economy and the Chamber of Commerce because they can play a significant role in reducing internationalisation obstacles and assisting SMEs by coordinating their efforts to make it easier for businesses to obtain the necessary information. The dissemination of the research will also enable government institutions to incorporate some of the recommendations into Palestine's international strategic plans in an effort to improve the economy and international trade relations of the country.

The researcher also intends to publish the findings in peer-reviewed journals to inform other researchers about Palestine's unique situation and the difficulties a developing nation faces, such as a lack of marketing skills, family management issues and a weak brand image.

### 9.4 Limitations

This study has made several contributions regarding understanding challenges to internationalisation in a developing market from the perspectives of businesses and trade support bodies. The study has identified several difficulties and limitations in doing this research. The findings can only be generalised according to the size of the sample. For instance, identifying the trade support bodies was deemed difficult as governmental and non-governmental institutions provide a limited database on the internet detailing the experts and policymakers involved in international trade operations. Secondly, selecting business managers from the specified sector was also challenging since the available information was based on a restricted internet database.

There were also difficulties with transcribing and translation. Since specific Arabic terms have no obvious English equivalent, this was thought to be a difficult and time-consuming task. To prevent introducing the researcher's perspective, interviews were back-translated and checked twice by two separate people to ensure correctness and consistency. In addition, the researcher used the saturation point to check that the data was repeated and the primary internationalisation concerns were identified to validate the data acquired from both stages.

Peer-reviewed studies on internationalisation issues in Palestine have been challenged by a shortage of data and proof, leading the researcher to doubt the validity of what is reported. This could be owing to the fact that Palestine as a developing country is a relatively new research field. According to a study, new developing market multinational firms and the opportunities they seek in other developing markets are nearly unexplored (Yilmaz, Bengtson, and Hadjikhani, 2015). This disregards the fact that the home country's role in developing market multinationals is fundamentally different, resulting in distinct internationalisation patterns (Gammeltoft and Cuervo-Cazurra, 2021).

Furthermore, the data obtained for this study from SMEs' management occurred during the Covid 19 period, which had a significant influence on the SMEs' foreign activity. As a result, SMEs' managers' perspectives on internationalisation difficulties may be influenced by elements that would not have been examined if their companies were still involved in international operations rather than experiencing a pandemic that impacted the company's financial performance. Companies, for example, discussed customisation/adaptation concerns and how these affected foreign consumers' perspectives. However, they might not have recognised such a challenge if their enterprises were still selling overseas and profitably.

As a Palestinian researcher conducting this study, there was the risk of the researcher's bias toward Palestine and Palestinian products. However, being a Palestinian researcher may result in some biases and subjective perspectives the researcher is unaware of. To try and minimise this effect, the researcher attempted to find and isolate the self-reference criterion (SRC) by setting away from any past preconceptions or stereotypes.

## 9.5 Opportunities for Further Research

First of all, based on findings, it is confirmed that Palestine as a developing market encounters unique internationalisation challenges, mainly to do with Palestine's political situation as an occupied territory, among other factors that have not been identified clearly in previous literature. This study suggested that challenges to internationalisation can contain unique characteristics based on the country's political, social, and cultural variables. This opens the door to future research within this area.

Furthermore, this research demonstrates important insights into associations and their potential impact on the country of origin of Palestinian SMEs. However, more research into the country of origin effect is required to identify which specific associations, if communicated internationally, can result in an enhanced country of origin image for SMEs. Detailed topics in this area can include:

- The influence of the COO on corporate heritage branding, focusing on history, culture, and authenticity.
- The impact of the COO on the light manufacturing industry, including both manufacturing and branding factors (from the consumer's standpoint).
- There is room for additional research on how SMEs apply COO in their advertising (heritage, culture, etc.), which can be investigated for other product categories.

In terms of investigating the differences between trade support bodies and business perspectives. This research provided a better understanding of the disparity between the differing viewpoints, which will provide the context for further research regarding:

- The role of trade representatives in the internationalisation process.
- The significance of marketing and positioning for a company in international markets.
- The relationship between the country of origin effect and the export of products.

According to business respondents, the demand for financial stability prompted the formation of entrepreneurial firms and small and medium-sized enterprises. Scholars have claimed that this limited access to finance has led to export being highlighted as the principal avenue of family enterprises' internationalisation (Kuo et al., 2012), as insufficient financial resources and an unwillingness to utilise external capital restrict their equity entry mode possibilities (Thomas and Graves, 2005). It would be relevant to explore the preferred entry mechanisms for Palestine's developing market, considering their internal and external environmental challenges.

Finally, the study of empathy in global politics, which was previously unexplored territory in International Relations (IR) theory, has gained attention in the recent decade (Bayram and Holmes, 2020). Much of this study has concentrated on the normatively desirable components of empathy in encouraging better understanding between competitors and allies. However, the influence of empathy on people's perceptions and associations has received very little scientific attention, leaving room for future investigations.

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# Appendices

### Appendix 1

## Interview questions for semi structured interviews; Phase-1 and Phase-2 Interviews.

Phase-1 Interview Questions

### <u>This information will be treated confidentially and will not be disclosed in conjunction</u> <u>with your name or your company name (Consent Form will be provided and signed by the</u> interviewee before the interview takes place).

Name of respondent: Coded- Initials of Participant

Years of Experience:

**Position in ministry/industry:** 

Ministry/company profile:

**Email (not required):** 

If you would like to get a copy of the research findings please indicate that by choosing one of the following options:

Yes

Ministry/Industry XX:

First three questions aim at placing the participant at ease and learn more about the company:

- 1- I would like to learn more about the ministry/ industry you are working at please.
- 2- Could you share with me, if possible, what current projects the government is focused on.
- 3- Could you tell me please, what this ministry/industry contributes to the Palestinian economy?

Internationalisation potential:

- 4- How would you describe Palestine's international activity? (Is it fast or slow? Is it focused on specific sectors or companies?)
- 5- Can you tell me please what role your ministry/industry plays in the international expansion of Palestinian products?
- 6- In your opinion, what challenges do Palestinian companies face when going international?
- 7- How do you as an institution/ministry help them overcome these challenges?
- 8- Who controls/triggers/initiates the international expansion decision, the government or companies? Can you give a bit more detail please.
- 9- In your opinion, what is the motive for companies to internationalise? Or would they rather stay local? Can you explain please.
- 10- From your experience, what is the mostly used mode of entry when expanding to other countries? Can you explain more why you think this mode of entry was chosen by companies? Can you give an example please.
- 11- Which countries do companies prefer to enter? What is the reason for selecting these countries? Can you explain more please.
- 12- In your opinion, which sector do you think has the most potential to expand internationally? Can you explain more why do you think that is?
- 13- Can you guide me towards some companies from this sector that succeeded internationally.
- 14- Do you feel the government is doing a good job supporting Palestine's exports? Can you explain more.
- 15- In relation to government's support, can you suggest specific areas that can be improved?

Country of origin related questions:

- 16- Moving to a related topic. Based on your experience, how do people react when they hear a product is "Made in Palestine"? (examples provided of perfume with France, coffee and drugs with Colombia, and good engines with Germany)
- 17- Can you tell me more about how "Made in Palestine" is perceived locally?
- 18- Is this perception the same or different when entering international markets?
- 19- Can you please name some countries that perceive "Made in Palestine" products positively.
- 20- Do you feel there is a relation between Palestine's image and the demand for its brands? Meaning, will a positive perception of Palestine increase demand for its products. Can you give more detail please.
- 21- Do you know of any companies that were able to deliver a positive image of Palestine?Can you give more detail please in terms of the strategies used to deliver a positive image.
- 22- Do you think there is a specific sector that is doing a good job at delivering a positive Palestinian image? Can you explain more why you think this sector succeeded?
- 23- Do you feel if Palestine's image is enhanced it will have a positive effect on its trading relationships? Can you explain more this aspect please.
- 24- What strategy would you suggest to enhance and create a positive image of Palestinian brands, would you consider a specific label, a symbol, a celebrity, a holy place, a touristic attraction, or something else? Explain please.
- 25- Is there a legal requirement to label products "Made in Palestine"? Can you tell me more about this issue please and how it is implemented.
- 26- Could you please tell me if you think 'country of manufacturing' is important or not? Can you explain your answer.
- 27- Which constructs do you think should get more attention when offering a product or brand: country of design, country of parts, country of brand origin, country of manufacture, country of association, or country of corporate ownership? Can you please explain in more detail in relation to Palestinian sectors.
- 28- Which constructs do you think companies should emphasize when offering products internationally? Can you explain why is that?

Branding importance to the Palestinian market and exports:

29- To conclude this interview, do you feel Palestinian companies have good brands to offer that present Palestine?If not, why do you think that is, do they lack any resources, skills,...?

If yes, how do you feel people perceive the Palestinian brand image?

- 30- how do you think Palestine's country image affects Palestinian brands? Can you explain please.
- 31- What do you think can improve the companies and Palestinian brand internationally?
- 32- What do you feel impact negatively on the Palestinian brand and how people perceive us?
- 33- Can you give me one word that describes the Palestinian brand.
- 34- Do you think the Palestinian brand can be improved through the use of country-oforigin constructs, which include country of design, country of parts, country of assembly, country of brand origin, country of manufacture, country of association, country of corporate ownership?
- 35- Do you think the following constructs can be used as part of the overall branding strategy to help in promoting a positive image of Palestinian brands?
- 36- Have any studies been conducted to understand the associations linked with Palestine? If yes, can you please tell me where and when where they conducted?

Thank you for your time. Enas Dahadha Phase-2 Interview Questions This information will be treated confidentially and will not be disclosed in conjunction with your name or your company name (Consent Form will be provided and signed by the interviewee before the interview takes place). Name of respondent: Coded- Initials of Participant Years of Experience: **Position in company: CEO** Marketing/ Branding Manager Other... **Company Location: Company Profile/ Sector: Entity Type:** Distributor Wholesaler Retailer Entrepreneur Producer Other, specify... **Entity Establishment:** Self-financed Other, specify... family business Funded Company **International Presence:** Yes No If yes, for how long and where? If no, are you considering expanding in the future (is it part of your strategic plan)? **Email (not required):** Workplace Name (not required): If you would like to get a copy of the research findings please indicate that by choosing one of the following options:

Yes

No

Company XX:

First three questions aim at placing the participant at ease and learn more about the company:

- 1- I would like to hear more about your company, and how it started? (family bus, entrepreneur, self-finance)
- 2- Could you tell me your role, and how long have you been in this role for?
- 3- Could you tell me more about the products you produce, design or distribute?

#### Internationalisation interest (potential):

- 4- Are you currently engaged in any international activity? (If your answer is no, go to question 5 and 13 in this section)
- 5- If not, is there a specific reason? Can you expand on this please (Are you not interested in expanding or did you face specific challenges when trying to go international?)
- 6- If yes, for how long?
- 7- What country/countries did you enter?
- 8- What motivated you to enter this or these countries? Please explain further whether these motives were personal or due to external support, what kind of support if so?
- 9- How do you enter international markets (direct export, indirect export, cooperative, licensing ...)?
- 10- Can you tell me more about the reason for choosing this form of entry?
- 11- Did you face challenges when going international?
- 12- If yes, can you tell me more about the kind of challenges you faced? (whether political when crossing borders, or even trying to satisfy consumers' tastes)
- 13- \*Can you tell me more about what kind of support you would like to get from the government to assist in the internationalisation of your company? (to check if the government is offering the right support according to their understanding)
- 14- Do you feel the government is providing the needed support to go international? Yes or No, and why is that?

#### Customers' profile (origin):

15- Can I ask you another topic, is the majority of your customers/potential buyers considered locals, from within Palestine, or internationals (can you provide a percentage)?

16- Can you give me an estimate of the percentage of your current international customers from the different countries? If not, can you name where the international business customers are mostly from?

#### Country-of-origin related questions:

- 17- Do you actively point out that your products are from Palestine to potential buyers?
- 18- If yes, can you tell more about the reaction you get?
- 19- If not, why do you think you try to not mention the Palestinian origin of the product?
- 20- Have you ever faced a positive or a negative reaction when mentioning the product is from Palestine?
- 21- Did you try to find out what those reactions are based on?
- 22- Do you feel products will be sold internationally easier if "Made in Palestine" is written on the label? Could you let me have a bit more detail? (Country of Manufacturing effect)
- 23- In your experience, do all countries, with potential buyers, react in a similar manner to Palestinian products? Do you feel that the international country's reaction can determine the choice of the country to enter? Can you give me an example please (COO impact on international trade relations)
- 24- Can you tell me more about how you select the countries to export to? (network approach)
- 25- Are there political restrictions that interfere with the products labelling when products are exported? Can you explain more this aspect. (beyond gov control)
- 26- Is there a legal requirement to label products with "Made in Palestine" or something else? Can you tell me more about your labelling procedure please.
- 27- In your personal opinion, is it better to just mention the product is from Palestine, or label it "Made in" Palestine, or maybe mention "Made in- a Palestinian city", or not to mention at all that the product is from Palestine? Can you elaborate please on your answer.

#### Branding and marketing importance to the Palestinian market and exports:

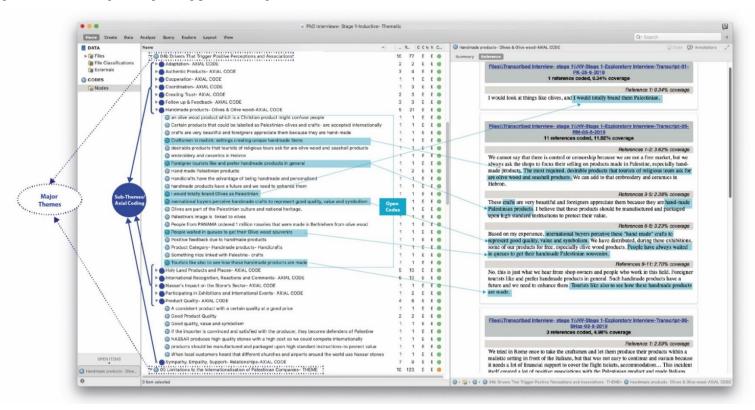
- 28- Can I move to another topic and ask you about the marketing and branding of your company please. I would like to learn about how you market your products (e.g. social media, exhibitions, personal selling etc.)?
- 29- Is the marketing strategy used by your company the same for local products as the one for products going international? Can you tell me more about your strategy.

- 30- How do you rate the branding of your product/ brand? Can you expand on this, maybe by providing an example.
- 31- How do you feel when promoting that your product is from Palestine? Do you feel it is an advantage or a disadvantage? (country image on brand image)
- 32- What do you think the general perception of international markets is of Palestinian products? Do you feel this perception applies to all sectors, only the light manufacturing sector's products, or a specific sector?
- 33- Can you share with me a positive or negative experience you faced in an international market when promoting your product? (If not engaged internationally, skip this question)
- 34- Is it correct that countries react differently to Palestinian brands? Please expand on this.
- 35- Is it correct if better marketing and branding tools are applied then your product might sell better? Do you think that is a commonly held opinion?
- 36- Can you tell me more about the current marketing team's skills in your company?
- 37- How are your relationships with local and international customers affected by the company's branding?
- 38- Do you feel your product is accepted locally? Or do local customers prefer international products over yours? If so, can you tell me more what you think the reason is? (Phase-1 findings: foreign complex)
- 39- Based on your experience, what recommendations can you give to improve the internationalisation process of your company?

#### Thank you for your time.

### Appendix 2

Figure 9.3 Data coding and organising process using NVivo



Source: Author's survey, 2021

Figure 9.4 The development of open codes from raw data using NVivo

•••	PhD Interviews- Stage 1-Inductive	- Thematic		
Home Create Data	Analyze Query Explore Layout View		Q-1	Search
DATA	Name	¬ R C C N N C	NV-Stage 1-Exploratory Interview-Transcript-05-RM-03-8-2019	O Code (C) Annotation
▶ 📷 Files	04b Drivers That Trigger Positive Perceptions and Associations:	10 77 E E 🌑	09.	Co
File Classifications	Adaptation - AXIAL CODE	22 E E 🔵		ing
🕼 Externals	Authentic Products- AXIAL CODE	34 E E 🌒	ED	Den
CODES	Cooperation- AXIAL CODE	1 1 E E 🔵	You have seen the crafts that were produced and sold in these exhibitions, do you think that the branding, or the packaging need to be improved?	sity
Nodes	Coordination - AXIAL CODE	13 E E 🍘		
	Creating Trust- AXIAL CODE	23EE	RM	
1	Follow up & Feedback- AXIAL CODE	3 3 E E 🌑	These crafts are very beautiful and foreigners appreciate them because they are hand-made Palestinian products. I believe that these products should be manufactured and packaged	HAS
1	Handmade products- Olives & Olive wood-AXIAL CODE	5 21 E E O	upon high standard instructions to protect their value.	2
and the second	an olive wood product which is a Christian product might confuse people	1 1 E E .		
1	Certain products that could be labelled as Palestinian-olives and crafts- are accepted international	y 1 1 E E 🔵		RVIE
	Crafts are very beautiful and foreigners appreciate them because they are hand-made	1 1 E E 🔵	010.	SWE
1	Craftsmen in realistc settings creating unique handmade items	1 1 E E 🌒	Q10.	
	desirable products that tourists of religious tours ask for are olive wood and seashell products	1 1 E E 🌑	ED	
	embroidery and ceramics in Hebron	1 1 E E 🔵	When you participated in such exhibitions, what was the general reaction of people	
	Foreigner tourists like and prefer handmade products in general	1 1 E E 🔵	when they heard of Palestinian products, did they show sympathy or were happy with the quality of the crafts?	
	Hand made Palestinian products	1 2 E E 🔵		
4	Handicrafts have the advantage of being handmade and personalised	1 1 E E 🔿	RM	
•••	andmade products have a future and we need to enhance them	1 1 E E 🗨	Based on my experience, international buyers perceive these "hand-made" crafts to represent good quality, value and symbolism. We have distributed, during these exhibitions, some of our during these exhibitions are specified as the second symbol second	
1994 A	I would totally brand Olives as Palestinian	1 1 E E O	products for free, especially olive wood products. People have always waited in queues to ge	
Sub-The Axial Co	mes/		their handmade Palestinian souvenirs.	
	Olives are part of the Palestinian culture and national heritage.	Open I E E .		
	Palestine's image is linked to olives	LIEEO		
A	People from PANAMA ordered 1 million rosaries that were made in Bethlehem from olive-wood	1 1 E E O	Q11.	17 R
	People waited in queues to get their Olive wood souvenirs	1 1 E E 🔿		Con
	Positive feedback due to handmade products	1 1 E E 🔵	ED	me
1	Product Category- Handmade products- Handicrafts	1 1 E E 🔵	You have previously mentioned that tourists from different backgrounds prefer different products, for example, Russians prefer seashell products, is there any specific reference	
· ·	Something nice linked with Palestine- crafts	1 1 E E 🔵	to products by other nationalities ?	1 Sec
	Tourists like also to see how these handmade products are made	1 1 E E O	RM	tors
N	Holy Land Products and Places- AXIAL CODE	5 10 E E 🔵	No, this is just what we hear from shop owners and people who work in this field. Foreigner	S 5
A	International Recognition, Reactions and Comments- AXIAL CODE	6 10 E E .	tourists like and prefer handmade products in general. Such handmade products have a future	re rod
	Nassar's Impact on the Stone's Sector- AXIAL CODE	1 1 E E .	and we need to enhance them. Tourists like also to see how these handmade products are	LCts
N N	Participating in Exhibitions and International Events- AXIAL CODE	1 2 6 6 9	made.	to E
N.	Product Quality- AXIAL CODE	4 8 E E O		Goy Expan
N	A consistent product with a certain quality at a good price	1 1 6 6 6		nd-
1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Good Product Quality	2 2 E E O	Q12.	o Pa Whice
	Good quality, value and symbolism	1 1 6 6 6	ED	lest.
N. 1	If the importer is convinced and satisfied with the producer, they become defenders of Palestine	1 1 6 6 6	Do you, the Tourism ministry, give feedback to these craftsmen on the process of	ount
N 1	NASSAR produces high quality stones with a high cost so we could compete internationally	1 1 6 6 6	manufacturing? Who does guide them?	Co S' R
OPEN ITEMS	O products should be manufactured and packaged upon high standard instructions-to protect value	1 1 E E .	RM	to E
T CHENT THE RES	When local customers heard that different churches and airports around the world use Nassar stor		The Ministry of Economy follows up on this, but we also look at it from a touristic view and	ole- AXIA mpanies- to Enter-
Handmade products- Olive		7 9 E E 📦	might help in guiding the packaging or arranging the display of goods, but the production	
Buun		10 123 E E 🔴	process and other related issues are the specialization of the Ministry of Economy.	THEME
NV-Stage 1-Exploratory Ini		10 120 L L U		
0	0 item selected		DATA > 📴 Files > 🧰 Transcribed Interview- stage 1 > 📑 NV-Stage 1-Exploratory Interview-Transcript-	05-RM-03-8-2019

Source: Author's survey, 2021