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Power Perception of Developing Countries in Their Sustainable Growth and Innovation Strategies

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Abstract

World is changing with an unprecedented acceleration. Some countries that were previously unable to make adequate production or made no production and had to bend the knee before Western world’s power of production and industry are changing dramatically at the present time and trying to develop. They are now capable of competing with the Western world. The most important reason of that is the change in “power perception” of those countries as well as their practice in business model innovation. Some of those countries are also aware that they have to deal with social improvement and environmental control concepts together and at long sight as well as economic development. In this way it may be possible to be confident about the future and to vindicate the rights of rising generation by securing continuity of economic growth and social improvement. The point we particularly lay stress on here is the research for how the upside trend of the countries, especially that of Turkey, that have gone over the certain limits with regards to development has been changed on the basis of “power perception” of their business model innovation strategies in terms of sustainable growth.

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1. Introduction

Momentum of the domestic and external dynamics of Turkey exhibited in recent years occurs over a wide area from economy to foreign policy, from science and technology to the arts, allowing the emergence of new areas of risk and opportunity. This new conception of space and time which has gained in depth of strong self-confidence enables Turkey to produce its own concepts and to build a new language universe. This new words and concepts in Turkish politics and foreign policy should be noted as remarkable indicators of deep mental transformation. (Kalın, 2011). 75 million (Tuik, 2013) a young population, dynamic and free economy, large domestic market, competitive industry and the education level, the rising labor force, Turkey offers significant advantages to investors. Increased the confidence in the economic policies pursued in recent years, Turkey and Turkey entering the market led to an increase of foreign direct investments. (Elbasan, 2011). Looking at data for 2010 economic growth rate of 8.2% in Turkey, 16 of the world with a GDP of 960.5 billion dollars has become the largest economy. (CIA World Factbook, 2011)

The perception of power states the belief that one can be in a better place and can do what is done by others. This belief constantly fosters the competition and vitality of a society and a country as well as the struggle for changes that might occur in the future. As the perception of power refers to ability to do what others do, it increases the strength of competition of a country and mobilizes dormant capabilities. The perception of power can be compared mostly with the concept of intellectual capital. Intellectual capital refers to intangible assets. It denotes methods of doing business, the license rights, methods to come together, work perception, attitude in direct contradiction with work, etc. Hiroyuki Itarni, a Japanese scientist who was one of the first reseacher pinpointing intellectual capitals, defined it as to mobilize Invisible Assets.

This study explains how developing countries achieved the success with upward trended rise in the last few years through power perception and business model innovation changes and sample countries and the changes are examined. In this regard, the study begins with a literature review revealing domestic and external changes in Turkey and concept definition of power perception. It will continue with "Sustainable development", "perception", "power management", "business model innovation", "soft power", "public diplomacy" and "how some of the developing countries caught the success " and ends with a conclusion section.

2. Sustainable Development

The concept of sustainable development has, until now, emerged as an expression of the balance desired to be established in the midst of economy, society and environment since 1970’s. Several authors defined these concepts in numerous ways: one definition is that sustainable development is a form of development in a way that all resources are used to meet the needs of future generations (Tietenberg, 2006). Another one is that sustainable development is a development strategy that manages natural resources, human resources, physical and financial wealth for long-term welfare of humanity (Repetto, 1992). Sustainable development is a set of political and ethical actions responding to right to live for institutions as well as those of future generations (O'Riordan, 1988). Though these various authors have expressed their approaches on sustainable development with different points of views the most widely known definition, today, is the one published in a report titled as "Our Common Future" in 1987 by the
Environment and Development Commission of the World (TCV, 1991). This report states the following definition: Sustainable development is a form of development that does not prevent to meet the needs of future generations while meeting the needs of today’s generation. Strategies essential to achieve sustainable development is designed with certain lines: increasing the amount of goods and services produced, making economic growth stable, implementing effective population policies, devising income distribution policies, ensuring social participation for policies in use. Not diminishing the quality of environmental goods and services and balancing the three dimensions of sustainable development with the efficient use of natural resources can be considered as the strategies to be followed for fulfilling all those mentioned above.

Since sustainable development approach for the last 40 years has not sufficiently included in economic policies prosperity level desired in global level has not attained yet. While income gap between rich and poor in the world is widening an important part of the world population lives in absolute poverty. As Countries develops their economy and injustice in the income gap has not been resolved the environment has been greatly damaged by the unconscious consumption of natural resources. However, the demand for a higher level of welfare and sustainable world increases every day. Estimations on which at least 50% more food, 45% more energy and 30% more water will be needed in 2030 necessitates adoption of more sustainable approaches with the awareness of the world’s available resources as limited (Turkey Sustainable Development Report, 2012). Developing countries have an advantage at this point. While determining the strategies to be followed in achieving sustainable development, developing countries have the opportunity not to perform follow-up processes of the developed economies that had not taken into account the environment during their development. (World Bank, 2003).

**Figure 1. Dimensions of Sustainable Development**

![Diagram of Sustainable Development Dimensions](image)

Source: Munasinghe, (2001)

Perception is defined as discernment, that is, consciousness of something by directing attention to that thing. In other words, the perception is a meaningful and immense systematic reaction of organism to objects and events. Perception can be defined as mental interpretation of physical sensations caused by stimuli from the outside world. Perception management is a little bit more extensive. It is development and control of the data flow from the outside world in order to obtain more useful and less ambiguous information. (Şenol.2013)

The studies made by Barnett and Duvall on conceptualizing power in the scope of paper titled by “Power in Global Governance” is a kind of exhaustive summary of power depictions that have previously been made by different theories (Barnett, Duvall, 2005). Barnett and Duvall conceptualise power in different four categories. This conceptualization study expresses itself in the following way: Compulsory Power, Structural Power, Institutional Power and Productive Power. In recent years power concept has been set forth not only as hard power or physical power but also as image context. Impressions made by countries in international arena and image they forge are not only a communication strategy but also entire messages to be meant to give to other countries. In fact, reflection of images forged by countries as an effect capacity after being reflected on world public opinion may be appeared as a production of communication strategy identified as “soft power”. Power, in which whatever category, is a substantial requirement regarding identity. Individuals would like always to see themselves as successful, positive, good and powerful. Adler refers this requirement for power to the weakness emotion sensed in childhood and to wish of tolerating this emotion psychologically by individual (Ansbacher L, Ansbacher R. 1964). The wish for being mighty and superior, which is giving form to man, results in experiencing an annoying inferiority complex in individuals by comparing themselves to others and ego tries to reflect this emotions outside to stop them (Adler, 2011). Perceptions occur together with a complicated series of psychological and social effects. Perception is a two-step process. The first one is selective attention depending on requirement and interest area of individual. The second one is organization step in which individuals ascribe certain meanings to the data they have acquired by their sense organs (Kaplan, Freedman, Sadock, 1980).

The power is the capacity of the business success and, in social context, the ability to influence others in order to achieve what you want. In power relationship, it should be pointed out that who’s (power scope) and what issues (power domain) are examined. In order to understand how the balance of power has shifted in the world, there is only one direction indicator in use: Gross Domestic Product. However, regarding the rate of GDP as only indicator of growth is to ignore the other dimensions of power. The same applies to challenges of transform these different dimensions into successful strategies. Intelligent power is an alloy of coercion, and pay oriented “hard power” and convince and attract-based "soft power". Intelligent power is not only soft power, but it predicts blending methods of hard power and soft power effectively based on different requirements. In this century, power shift happens in two different dimensions. The first one is a power shift among countries and other one is that power shift moves to a power of non-state actors (Nye, 2004). Large and successful economies ensure not only hard power possibilities, but provide soft power possibilities with attraction region it created. According to Joseph Nye'a, who formulated the concept of soft power, soft power is "the charm of a country's culture, political ideas and policies". Consideration of one country's policies as legitimate by other countries increases the capacity of that country's soft power (Nye, 2004), Nye shows Canada, the Netherlands and the
Scandinavian countries as examples of active soft power countries in spite of their limited economic and military power. These countries have an area of influence with their values produced, organizational capacity, education, innovation and job retention formats in international platforms, which is disproportionate with their military and economic forces.

In an advertisement campaign of Turkcell, Turkey's leading mobile phone network, internet access rates of Emine who was in Harran University Campus, close to the border of southern part of Turkey and that of Emily who was in Harvard University Campus in the USA were compared while they both used their laptops in 2012. As a result of this comparison, it is emphasized that internet access rate of Turkey much faster than that of the USA.

Turks, the heir of the Ottoman Empire, who had not made Industrial revolution have made written and oral expressions on “being unable to produce even a pin”. As this example is a comparison of the various fields in recent years in Turkey, it is an open challenge to the industrialized world, and refers to ascendancy in service providing. Idea of ”Modernization while remaining Domestic” is high in power perception. Industrialized countries are imitated first, then confidence to local resources increases and idea of self sufficiency becomes dominated.

In international relations, political, military and economic power is undoubtedly the most important factor determining the position countries. However, image and perception of countries on public opinions of other countries undoubtedly can provide more advantages, in many areas, than political, military and economic power. As sympathy and positive judgments on countries can be more prominent than political factors in terms of competitiveness in international markets, negative judgments may lead to the exact opposite of this, creating barriers. (Akyürek 2012)

4. Business Model Innovation

In the history of countries and companies it is well seen that success is achieved by changing strategy after a crisis or by efforts of a manager who changed strategy or confronted competitors with a different business model. A lot identifications and/or metaphors such as “Blue Ocean Strategy” of W.Chan Kim and Renée Mauborgne (Kim, Mauborgne, 2005), “Weird Ideas that Work” of Robert J.Sutton (Sutton, 2006), “Creating Destruction” of Richard Foster (Foster, Kaplan, 2011), “Disruptive Technology/Innovation” of Clayton M. Christensen (Bower, Christensen, 1995) and “Power of Catalytic Mechanism” of Jim Collins (Collins, 1999), are nothing but terming this subject in another way. The common point of the thing that is identified and termed is the innovation of business model. Business model is a practice by which parts of a business are gathered accordantly. However, competition is not taken into consideration in this practice (Magretta, 2002). The act of coping with competitors is done by strategy. Accordingly, business model and strategy are two concepts that have to be taken into consideration together.

The new innovative business model has a particular importance under hard conditions for countries and managements (Chakravorty, 2010). A new model creates on its own a powerful competition advantage when it changes economy of a sector or when it is barely replicated (Magretta, 2002) and it gives shape to all sectors over again. On the other hand, an Economist Intelligence Unit research made in 2005 showed that more than 50% of managers believe that business model innovation is more important than even production or service innovations for success. However, it is barely seen that established or
great countries’ managements are successful in the works needed business model innovation (Bower and Christensen, 1995).

Eric Von Hippel, head of Innovation and Entrepreneurship Group in Massachusetts Institute of Technology remarks that small and local managements in the world are more innovative than global managements. In this scope there are some points that have to be learnt by the global companies from small managements. We can summarize these points as creation of particularised productions and services, developing business models in order to exceed critical obstacles, using the newest technologies, benefitting from the cost of cheap labour, investing in talent to keep growth (Michael, and Duvall, 2005). Slowing down of innovation and shortage of skilled labor will adversely affect the development of innovations. A country with a slowing rate of innovation will have a decline in its competitiveness and economic growth will be adversely affected. (bilgitoplumustratejisi, 2013).

5. BRICS, Turkey

The nascent power fields newly appeared in the world affect the whole system, especially real policy. It is possible to identify this change as “new world order”. The matrixes of this order are bringing about. The factors such as going bankrupt of numerous rooted organizations in the United States of America during crises in 2008, necessity for capitalism to renew itself and accordingly remaining incapable of G8 and establishment of G20 as well have been performed a duty as a catalyst for bringing about a new world order. In this process the new power fields slid towards Far East from the West. Single pole power perception gave way to multi polarity. This means that more actors and policy mechanism that has to be persuaded. In this process the United States of America has lost considerable power. Relations of countries to each other have gradually increased.

The expression of BRIC countries is an acronyms created by Goldman Sachs in 2001 for countries offering profitable investment opportunities in "emerging markets”. Proportion of BRIC countries on world industrial production had increased from 16% to 22% between 2000 and 2008. All BRIC countries constitute 42% of the world’s population. They provided 33% of world growth during the first decade of this century. After the crisis occurred in the recent years, Goldman Sachs estimated that collective GDP of BRIC will surpass that of G7 by the year 2027. The reason why role BRICS has been launched to be discussed is to help European Countries toward debt crises European Union has and in the mean time, to offer financial support to restore global economic stability (Cameron, 2011). Since the early 2000s, we have witnessed China, India and Brazil to have a rapid economical rise. In 2010, these three countries held 18% of the world’s wealth, 42% of the world’s population and 30% of the world area. According to research from the southern countries will have an annual growth rate of 4.7% between 2011 and 2025, while northern European countries will remain in 2.3% rate. When the financial crisis broke out, the emerging countries, cleared out the IMF debts, and even began negotiations to establish its own regional funds. In April 2011, BRICS signed an agreement on financial cooperation and instead of using dollar, they have made possible to get a loan using their own currency, so that the superiority of the dollar has opened to debate. (Turan, A.P. 2011)

It is one of the member countries of BRIC (Brazil, Russia, India and China) that was founded as an alternative to G8 (Canada, France, Germany, Italy, Japan, Russia, the United Kingdom and the United States) countries and organized its first meeting in June 2009. Four members of BRIC constitute 40% of the world’s population, representing 10 per cent of the global gross output. It is expected that global share of gross national product for BRIC will reach to 20% in 2025 and the contribution of world economic growth will rise to 40% and it will become a major force. Repetto, R. (1992).
Newly work areas are appearing in the markets while global economic system is changing. To the contrary of developed countries developing world has a lot advantages at least in terms of economic growth. Business possibilities have been enlarged by increasing of countries placed in the system who have ability to move fast more than that of traditional countries (Süngü, 2013). The change in the system is structural as unemployment is increased in one hand, newly business possibilities are brought about in the other hand. In the next years these countries can have possibilities to grow in order to reach the level of the developed countries. The upside trend in their growth is fairly strong. Even in 2008 global financial crisis BRIC countries grew in the rate of 4%-10%. In the same way, as it happened in Japan in last 20 years, these countries could provide capital flow and made interest rate reductions as well, as their own interest rate was relatively higher while interests in the United States of America and Europe was more or less zero.

Around 10 years ago, both Turkey and Brazil were among debtor countries to the International Monetary Fund, IMF. Today, Brazil is not a country that requests loans from the IMF, but is in the status of the creditor country. The Brazilian government recently announced that it would loan the IMF an additional $10 billion. (3) Turkey is a major player in the region with its due to be on important trade and transit routes of energy resources, which is vitally important in the Middle East, and its strong democracy and a growing economy. Close relations with the West and the liberal economy of the country augments its power notably. A single-pole power perception has abandoned itself to a multi-polarity power perception. This further means more actors and more policy mechanism required to be persuaded. In this process, the relationship between states improved with each other in a great deal.

Annual turnover of computer services industry in India has surpassed $40.000.000.000 in 2012. Foreign exchange reserves have increased two-fold and exceeded $ 140 billion in two years. The company profits have risen about %25 yearly. Economic growth tends to emerge to 10%. While the inflation rate fell below 4%, nominal interest rates reach to around 5%. The budget deficit fell below to 4% of national income. One of the countries which paved their way in economy through structural reforms is India. With the awakening of the Indian economy, Asian economies and threats caused on the economies of other countries by Asian economies in the coming period will be articulated immensely. (Ekonomisitim, 2012)

5.1 Turkey as an Example

The idea that there is no need for European Union has been spreading in Turkey. That is because the economy is growing at record levels, exports increase considerably and the current deficit account reduced significantly. As some of the largest economies in the EU country has been in a severe financial crisis, as of 2012, Turkey seems to overcome the crisis. This resulted in an increase of its self-confidence level. With movement the power perception, some of the major tackles in recent years, motivation are presented below.

a) Changes conducted in Education System

Turkey aimed to be in the frontiers of the global economy and extended education in all levels. The number of universities has reached from the number 19 in 1982 to 169 at the beginning of 2012. In this process, learning "science" that was coming from past cultures has been glorified. A proverb stating “if Science is developed even in China, go there to learn” was used as a motto.
b) Adoption to Globalization Process

Turkey, a country that used closed economy until 1980, has opened its economy and followed the liberal economic policies. The below is given the Globalization index reached at the end of this process and it shows the stages followed. Turkey has emerged from closed economy to the following sequences in a World Globalization rank prepared by Economic Research Institute, Switzerland.

<table>
<thead>
<tr>
<th>Country</th>
<th>Globalization</th>
<th>ranked 43rd out of 207 countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Index Country Economic</td>
<td>Globalization</td>
<td>ranked 96th out of 207 countries</td>
</tr>
<tr>
<td>Country Social</td>
<td>Globalization</td>
<td>ranked 57th out of 207 countries</td>
</tr>
<tr>
<td>Country Political</td>
<td>Globalization</td>
<td>ranked 16th out of 207 countries</td>
</tr>
</tbody>
</table>

Table 1. 2012 Index of Globalization of KOF

It has acquired an important place in the world by developing. In this foreign opening process, the desire to see itself in a more important place in the world and feeling of the power of this has played an important role and become eager to make transformations. (KOF, 2013)

c) Incentives for Investments and Investors

In order to catch the industrial revolution that was missed by, Turkey, historically, has offered incentives to both small and medium-sized industries, as well as increased funds allocated to research and development. In doing so, the country have expressed her sentiment regarding the historical times which was strongly when the country was strong by saying that the country have to take its deserved place among the industrialized countries. China, being the second country after Turkey in this matter, can be regarded a common direction as the imperial histories of both countries that should be taken into account the. (Peker, 2012)

d) Change in Foreign Trade Structure of Turkey

Turkey has traditionally traded mostly with Europe and America, but this has changed in recent years. A number of new civil organizations have been established in this regard. In accordance with this, the Ministry of Foreign Affairs has participated this change by increasing the number of Embassy / Consulates in Africa. Even Presidential level has contributed to these new relationships. The following article written in 2008 is a good example for this: "Turkish-style exporting has developed. Small and individual activities, rather than large institutions, started trading first with neighbors - like Azerbaijan, Syria, Russia, etc.- have converted their export experience into small businesses and resulted in becoming a small export companies built-in neighbors. This has instigated a great way for the experienced groups transformed into export companies."

The $ 22 billion total exports of Turkey in 1992 have increased to $ 240 billion. The annual export growth has progressed to approximately 50% in an average. The pre-2013 period, the 28 per cent of average annual export growth of Turkey was from Middle East and North Africa (ODKA) countries. This is an expression of the diversity in export. As Turkey extends her foreign trade expansion to Africa and the Middle East countries she has expressed her historical ties and worked by organizing the aid projects.
Middle Eastern sympathies with Turkey have increasingly gained a structural nature and Turkey has accepted to become a role model in the region despite of some hesitations. Turkey is perceived not only a political power, but an economic power as well. It is considered that Turkey is a successful combination of Islam and democracy (Akgün, Gündoğar, 2011). Turkey is perceived as politically the most powerful country in the region though Turkey is not recognized as the most powerful country in terms of military and economy. But, Turkey is considered as the strongest regional economy for the next 10 years. The first indication of those who considers Turkey as the model on why they respond this way is Turkey's economic success (31%). Turkey’s democratic and secular regime structure is rated in second place with 21%. Muslim identity is in third place with 18%. 11% of respondents express that Turkey is a model because of strategic importance. (Akgün, Gündoğar, 2012).

4. Conclusion

World is changing with an unprecedented acceleration. Some countries that were previously unable to make adequate production or had no prosperity compared to Western world’s power of production and industry have changed dramatically at the present time and tried to be developed countries. They are now capable of competing with the Western world. The most important reason for this is the change in “power perception” of those countries as well as their practice in business model innovation. Some of those countries are also aware that they have to deal with social improvement and environmental control concepts together and at long sight as well as economic development. In this way it may be possible to be confident about the future and to vindicate the rights of rising generation by securing continuity of economic growth and social improvement. The point this study particularly emphasizes is the research for how the upside trend of the countries, especially that of Turkey, that have gone over the certain limits with regards to development has been changed on the basis of “power perception” of their business model innovation strategies in terms of sustainable growth.

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