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Leadership, Global Mindset and Internationalization of Sempertex: From One Country to Ninety-five Countries and Five Continents

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Abstract This chapter highlights the relevance of leaders' characteristics in the internationalization process of family firms. Specifically, it stresses the influence of the global mindset of a second-generation CEO who took Sempertex from a small local family firm in Colombia to a global competitor manufacturing high-quality latex balloons with a presence in almost ninety-five countries on five continents and an approximate 30 percent market share in the global market of high-quality latex balloons for professional use.

Introduction

Globalization and internationalization have been deeply researched and discussed in the business arena. Globalization is a phenomenon that has led to an increasingly integrated world economy through a constant flow of knowledge, people and technology across borders. Internationalization represents the response that people, firms and countries develop to face the challenges and advantages derived from globalization (Bradford et al. 2017). While some people see globalization as a scenario with plenty of opportunities for businesses, others consider it a huge threat and demand policies and programs to protect local enterprises and family businesses and shield them from global competitors. Hence, individual mindsets perceive globalization as either an

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opportunity or a problem, which should lead us to concentrate our efforts in understanding leaders' mindset, its determinants and the relationship between it and a firm's approach to internationalization.

The values, beliefs, goals, and expectations of owner/managers in small- and medium-sized family businesses should have a direct impact on firms' behavior. Miller and Toulouse (1986) find a strong relationship between CEOs' personalities and the organizational characteristics in small firms. Kotey and Meredith (1997) highlight a relationship between owner/manager personal values, business strategies and firm performance. According to these authors, strategies are different in above-average and below-average performing firms, and owners/managers of firms performing above average show different personal values from those of below-average performing firms. Kyvik et al. (2013) argue that CEOs' attitudes, international orientation and mindset should explain differences in firms' strategic behavior regarding internationalization.

A leader with a global mindset will foster the firm's internationalization. However, what explains the global mindset? Does effective global leadership require having lived in more than one country, having traveled to other countries or speaking more than one language fluently? According to Cohen (2010), most people would say yes to these questions, but are these global experiences necessary, desirable or perhaps insufficient? In this chapter I highlight the relevance of a leader's characteristics in the internationalization process of family firms. I first consider factors that the literature finds important in shaping a global mindset and then use the case of Sempertex, a Colombian manufacturer of high-quality latex balloons and one of the most relevant firms in its market segment in the global arena, to show the relevance of these factors for small family businesses' internationalization behavior.

Leaders, Global Mindset and Business Across Borders

Different contextual factors suggest the need for a global perspective in managing and leading firms. According to Cohen (2010), an aging population worldwide and low birth rates, particularly in developed economies, have resulted in changes in population distribution, with the most increases in emerging economies. The expansion of some organizations into these markets, free trade agreements, a global workforce and advances in technology and transportation are facts that organizations and their leaders have to deal with, and an important attribute for effective global leadership is a global mindset.

But what is and what determines a global mindset? For Cseh et al. (2013), a global mindset is a concept that encompasses all the competences needed for leadership and strategic business decisions in a global context. After an exhaustive literature review of cultural, strategic and multidimensional perspectives, Levy et al. define a global mindset as: “a highly complex cognitive structure characterized by an openness to and articulation of multiple cultural and strategic realities on both global and local levels, and the cognitive ability to mediate and integrate across this multiplicity” (2007, pg. 244). In Cohen’s words, it is the ability to “think and act both globally and locally at the same time” (2010, pg. 5). From their definition, Levy et al. (2007) highlight three complementary aspects of the global mindset: first, openness to and awareness of multiple spheres of meaning and action; second, complex representation and articulation of cultural and strategic dynamics; and third, mediation and integration of ideals and actions oriented both to the global and the local.

Hence, a CEO with a global mindset encompassing global leadership will influence the firm’s internationalization behavior. Kyvik et al. (2013) assert that internationalization was traditionally viewed as a gradual process, but that recently international markets have been explained in terms of innovation and as an outcome of the CEOs’ strategic search for opportunities (Liesch and Knight 1999; Knight 2000). Studies now recognize internationalization as an intersection of entrepreneurship and internationalization theory (McDougall and Oviatt 2000; Jones and Nummela 2008), and hence “the role of the entrepreneur as an innovator, broker, and facilitator remains crucial as the firm perceives and explores opportunities for driving further expansion overseas” (Kyvik et al. 2013, pg. 175). A global mindset allows CEOs to explore global business opportunities and can be the main driver of success in global markets (Gupta and Govindarajan 2002; Felício et al. 2012).

Entrepreneurs’ characteristics are relevant and are linked to the global mindset they reflect. According to Felício et al., “global mindset is explained by decision style, childhood, valuation of international experience, international background, technical expertise, international experience, global orientation of the firm, global orientation of the entrepreneur, firm characteristics and firm activities in the global market” (2012, pg. 470). This definition comes after a literature review of different contributors. For example, Gupta and Govindarajan assert that “curiosity and openness about how the world works reflect an attitude, an element of the individual’s personality make-up. Like other elements of personality, it is shaped heavily by early childhood experiences and becomes more resistant to change with age” (2002, pg. 120). International experience (living and working abroad for a certain time) gives managers a broader perception and ability to adapt the competences of the

company to situations of global change (Osland and Osland 2005; Hotho and Champion 2011). Individuals' background, including nationality, formal education, language skills and international management training, among other elements, shape the global mindset (Gupta and Govindarajan 2002; Clapp-Smith and Hughes 2007). In addition, the level of education and being part of a family from a foreign country contribute to the development of a global mindset (Arora et al. 2004).

The relevance of owners/managers or CEOs for the internationalization of small family businesses leads some authors to talk about the global leadership mindset, a combination of global mindset and global leadership (Cohen 2010; Cseh et al. 2013). According to Cohen (2010), a global leadership mindset implies balancing three overall dichotomies: global formalization versus local flexibility, global standardization versus local customization and global dictate versus local delegation. Davis et al. (2008) present the global leadership mindset model with three dimensions integrated by the learning process: orientation (way of being, including openness, collaboration, awareness, flexibility and cosmopolitanism, among other characteristics), knowledge (cognitive structure consisting, among other elements, of thinking, selection, analysis, imagination, reasoning, intuition, perception and judgment), and behavior (enactment of orientation and knowledge, which includes propensity to engage, be curious, be able to build emotional connections and demonstrate global business savvy, among other traits).

In the following two sections I describe the case of Sempertex as an illustration of the theory reviewed here. This successful internationalized Colombian company has a second-generation family CEO, Oswald Loewy, with a global mindset linked to the internationalization behavior of Sempertex.

Sempertex: A Family Firm with Global Presence

Sempertex S.A. is a well-known example of Colombian family-owned companies that have entered, performed and remained on the highly competitive international market scene. Due to its high standards, Sempertex has become a world leader in latex balloons for decoration and entertainment. CEO Oswald Loewy describes the company's main product, balloons, as "visual delights"¹ and has focused the company's strategy on innovation in quality and color. The company has been devoted to manufacturing latex products since 1938; however, it has only operated under the name Sempertex since 1964. The name is a fusion of the Latin word *semper*, which means always, and *tex*, for latex.

About the Company

Sempertex is located in Barranquilla, a city known as the golden door of Colombia for its access to the Magdalena River and the Caribbean Sea. As mentioned on the Sempertex website, its privileged geographical position permits the firm to import the best materials available in the world market to produce the best latex balloons under a promise of quality, price and service.

This family-owned company has a daily production of four million balloons, employs almost 1200 workers, exports to 95 countries on five continents and has a turnover of US\$35 million annually. All of these features have established Sempertex as the second-ranked balloon company in terms of sales and as a worldwide leader in its sector in terms of high quality and high-performance balloons.

Sempertex is among the largest manufacturers of latex balloons in the world and its products have been featured in the events of several transnational brands (Victoria's Secret and Coca-Cola, among others). Currently, seven out of ten balloons that it manufactures are sold overseas, with Asia the most successful market, and where more than 30 percent of production is shipped. This area, with China in the lead, represents almost 20 percent of Sempertex's business.

In October 2015, Xavier Serbia from CNN interviewed CEO Oswald Loewy as representing one of the most successful family-owned companies in Colombia. Transparency and established rules are key factors in Sempertex's development. Other components are innovation, high-quality products, world class suppliers, human talent and 100 percent committed shareholders, as well as distributors who share and transmit the company's ideas and values.

Family, History and the Second Generation

At the beginning of World War II, many European families looked for a way to escape from the danger, persecutions and fear they were living in. The Loewy family, originally from Austria, was one of many Jewish families who fled their native land for South America. After a failed attempt in Argentina, engineer Emil Loewy, the patriarch of the family, decided to relocate to Barranquilla, Colombia. There, he founded a company dedicated to rubber manufacturing, taking advantage of his expertise, industry knowledge and experience with this raw material. Being a visionary, Mr. Loewy contributed

his knowledge to start rubber plantations in a specific region in Colombia and established his first latex processing company in 1938.²

Around 40 years after the founding of the company, the second generation started to actively participate in its management. In 1978, due to their father's health issues, Oswald, Amalia, Kenneth, Lawrence and their other three siblings³ became involved in the family business directly or indirectly. The eldest son, Oswald, interrupted his studies in chemical engineering to join the company at that time, taking evening classes in business administration at the Universidad Autonoma del Caribe. His studies were further complemented with top management programs inside and outside the country. In 1980 when his father passed away, Oswald Loewy took control of the top management job as CEO of Sempertex, pursuing the successful path his father had initiated.

Among the family members known to the public are Amalia, Kenneth and Lawrence Loewy. Amalia holds a bachelor's degree in Finance from Universidad del Norte, located in Barranquilla, and was the vice president of Sempertex. Kenneth holds a master's degree in economics from the University of Vienna, Austria; he was Project Manager from 1993 to 2006 and became operations vice president until 2006 when he left the firm. Lawrence was Utilities Manager of Sempertex from May 1993 to October 2006, then Manager of INDUCOL S.A. for five years. He is currently the CEO of Industrias de Refrigeración Hiver S.A.S., a different economic sector than that of his family's.

Current Sempertex CEO: Second Generation

Known for his strong leadership and personality, Oswald Loewy is a firm believer in the key role of integrity and is considered one of the best leaders among family-owned companies in Colombia. He is also known for leading Sempertex's technology development, which makes it unique in terms of production chain in the sector. A further innovation is extensive employment of women to guarantee careful attention to details. Since 1984, 80 percent of his workforce is composed of women.

Born in Barranquilla, Loewy began participating in company strategy at the age of 20. Achieving high levels of technological development, the company was able to acquire its own facilities and equipment. Fluent in Spanish, English and German, Loewy travels around the world seeking new markets and establishing important international connections. He claims it is easier to name countries where the company has no presence than to name those where it has. He is not afraid of regional integrations; rather, he is convinced other

markets are good opportunities to consolidate Sempertex. Oswald Loewy was chosen as Colombia's Entrepreneur of the Year by Ernst & Young in 2015 and represented the country in a world competition in Monaco in 2016.⁴

Internationalization

Early in the 1990s, Loewy considered expanding Sempertex overseas as part of a strategy of getting closer to international markets through taking part in the best international fairs. These provided opportunities to demonstrate Sempertex products around the world. After analyzing the global market and identifying advantages and disadvantages, Loewy first expanded Sempertex beyond Colombia to Peru and Ecuador. Later came Costa Rica.⁵

The first main decision following the new opening strategy was to reinvest 100 percent of the profits to improve Sempertex's technology and become competitive internationally. Loewy affirms that the economic opening in 1990 showed the company's potential to compete in this new scenario. The main toy fairs around the world, in cities like New York, Nürnberg, Shanghai, Guadalajara, Chicago and Milan, attracted Sempertex's participation and were the key channel for reaching new international clients in multiple countries. Not long after, in 1999, Sempertex's exports to Europe exceeded US\$1 million and in 2005 reached US\$4.4 million worldwide.

Initially, exports were directed to Europe, Asia and Austria, partly because of the alliances established with those parts of the world. Nevertheless, the North American market continued to figure in the line of expansion. By the end of the 1990s, the process of establishing ties with China began with impressive positive results. By 1999, Sempertex had arrived in Japan and continued expanding in Asia. Among the countries that are part of the European market for Sempertex are Spain, Portugal, Ireland, the UK, Germany, Belgium, France, Italy, Greece, Cyprus, Albania, Romania, Bulgaria, Sweden, Finland, Norway and Russia. On the African continent, the firm has operations in South Africa, Egypt and Nigeria.⁶

Despite its international success, with distributors in almost 95 countries, the company has lately put a hold on its geographical expansion. "Our strategy is to delve into the markets we are already in," explains Loewy.⁷ In 2014, the company was carrying out a new expansion with a bigger distribution center and an increase in its productive capacity to 5000 tons of latex per year.⁸ In 2016, Sempertex acquired Disney's exclusive license in party supplies for the wholesale channel, specialty stores and party decoration stores (piñaterías) in Colombia. With this agreement, Sempertex was expecting its licensed character segment to grow by 20 percent in sales.

Discussion: Global Mindset of the Leader and Internationalization of Sempertex

When I began work on this case I was certain that Emil Loewy, the patriarch of the family and a foreigner, was responsible for the success of Sempertex in the internationalization process.⁹ However, as I discuss in this section, Oswald Loewy, the eldest son, was actually the architect of this outcome. Only 20 when he started to work for Sempertex, he was the CEO six years later. At that time Sempertex was a small company with 65 employees and only seven administrative staff. His first challenge was to consolidate Sempertex in the local context. According to Loewy,¹⁰ his undergraduate studies in business administration were crucial for the national and international consolidation. This is in line with Kyvick et al. (2013) who state that formal education contributes positively to the forming of a global mindset. For these authors, higher education offers increased knowledge and competences and facilitates the understanding of foreign markets and cultures.

During the 1990s after achieving an impressive consolidation in the Colombian market, Loewy identified an opportunity in the G3 (a 1995 free trade agreement between Colombia, Mexico and Venezuela). Felício et al. (2012) posit that firms that choose to internationalize their activities generally have a significant level of experience in the domestic market. This is also in line with arguments that internationalization represents an intersection of entrepreneurship and internationalization theory. According to Casson (1982), entrepreneurs are always looking for and are able to identify the emergence of new opportunities. Some managers perceive free trade agreements as a threat, and this is more likely when firms have not started their internationalization processes. However, according to Kyvick et al. (2013), CEOs with a global orientation want to grow internationally and, like Loewy, see the world as one big marketplace.

When I asked Loewy about his international childhood experiences, he cited early trips to California, too short an exposure to be a major influence. However, he also asserts that “my biggest international personal experience was listening to stories of my father in Austria. The narrative in my house was quite international.”¹¹ According to Arora et al. (2004), being part of an international family helps to develop an international mindset, and that assertion finds support in this case. Felício et al. highlight as an important factor in the development of a global mindset “the fact that the entrepreneurs, while growing up, had contact with other cultures, due to their parents residing in or traveling to different countries, and appreciation of international experience” (2012, pg. 480).

Regarding language skills, when Loewy started the internationalization process at Sempertex he did not know English but was fluent in German and Spanish. Self-taught, he is now also fluent in English, which allows him to close important business deals for Sempertex abroad. According to Felício et al. (2012), speaking multiple languages accelerates perception capabilities and supports the building of a cosmopolitan mentality.

When talking about his personal experience, Loewy asserts that he started as a common latex balloons exporter and, little by little, learned about the international market, the different segments in it and the relevance of quality. Today Sempertex is number one in the Chinese market, second globally, has more than 1000 employees, has presence on five continents and half of its sales comes from exports. According to Kyvik et al. (2013), the experiences and learning gained from firms' engagement on the international markets lead to a positive strengthening of the CEOs' global mindset.

Conclusions

This case reinforces issues that the literature has highlighted before. First, and most important, is the fact that the CEOs' global mindset has a strong relationship with firms' internationalization behavior. The mind of the leader shapes firms' growth horizon. Arora et al. (2004) and Tseng et al. (2004) demonstrate the relationship between a global mindset and the successful internationalization of firms. Felício et al. (2012) find that a global mindset is a positive influence on firms' internationalization, their international know-how and international networking activities.

Second, a global mindset could be best fostered during childhood. Encouraging the learning of different languages, creating early international experiences and offering an environment with a holistic view are elements that help to build a more complete view of the world.

But what if a manager has grown up without these opportunities? Then, third, it is necessary to help future leaders develop an international perspective and the sooner the better. The most effective channel to achieve this is formal education. Felício et al. (2012) find that education compensates for the lack of early international experiences and mitigates the relevance of childhood influence on the global mindset. Hence, to have business leaders with a global mindset, business schools have to foster the students' participation in international activities and have to offer an international curriculum.

Finally, according to Cseh et al. (2013) global leaders are continuous learners. Exposures to international experiences and engagement in international

activities have their own knowledge spillovers. Hence, in regard to international experiences, the more the better. These conclusions are relevant for parents, formal education institutions and companies that understand the value of a global mindset to identify opportunities abroad, take advantage of them and succeed in this globalized world.

Notes

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4. See: <https://www.elheraldo.co/economia/el-barranquillero-oswald-loewy-elegido-emprededor-del-ano-ey-2015-226652> Accessed 24 April 2017.
5. See: http://economia.elpais.com/economia/2017/02/03/actualidad/1486119778_826587.html Accessed 25 April 2017.
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7. See: http://economia.elpais.com/economia/2017/02/03/actualidad/1486119778_826587.html Accessed 25 April 2017.
8. See: <http://www.dinero.com/edicion-impresa/informe-especial/articulo/plantas-industriales-alto-desempeno-colombia/198889> Accessed 25 April 2017.
9. The discussion on this section takes into account personal opinions of Oswald Loewy expressed during a personal interview that I carried out on April 20, 2017.
10. O. Loewy, personal interview, April 20, 2017.
11. O. Loewy, personal interview, April 20, 2017.

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