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THE IMPLEMENTATION OF SOGO SHOSHA IN INTERNATIONAL CONTEXT WITH FOCUS ON FINANCING AND RISK MANAGEMENT STRATEGIES FOR EUROPEAN SMES

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Master's in management

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Iscte – Instituto Universitário de Lisbon

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BUSINESS
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Resumo

As PME industriais europeias enfrentam problemas persistentes de capital de exploração, risco de exportação e cadeias de abastecimento globais complexas. As *sogo shosha* japonesas, grupos comerciais diversificados que combinam comércio, finanças, logística e investimento, oferecem um modelo potencial para apoiar estas empresas. Esta tese investiga se determinados mecanismos das *sogo shosha* podem ser adaptados ao contexto europeu. O foco recai em três questões: que instrumentos de financiamento e de gestão de risco as *sogo shosha* utilizam para apoiar PME, de que modo estes instrumentos respondem às necessidades europeias e que instituições moldam a sua possível transferência.

O estudo utiliza um desenho comparativo qualitativo baseado em fontes secundárias. Examina as práticas organizacionais e financeiras das *sogo shosha* japonesas e compara-as com o Grupo Otto, na Alemanha, e com a Louis Dreyfus Company, em França. A comparação abrange modelos de financiamento, gestão de risco, coordenação da cadeia de abastecimento, serviços de informação e disposições de governação. Dá-se particular atenção ao fornecimento de capital de exploração, garantias e financiamento de contas a receber, avaliação de crédito baseada em dados, integração logística e financiamento estruturado do comércio no quadro regulatório europeu.

Ao mapear estas funções nos três casos, a tese clarifica como intermediários integrados combinam finanças, logística e informação para apoiar PME e identifica os traços institucionais relevantes para a adaptação no espaço europeu. O objetivo é fornecer uma base analítica para conceber mecanismos práticos que reforcem a participação das PME no comércio global.

Palavras-chave: Sogo Shosha, PME europeias, gestão de risco, integração da cadeia de abastecimento, intermediação empresarial, keiretsu, transferibilidade institucional

Abstract

European manufacturing SMEs (Small and Medium-sized Enterprises) face persistent problems with working capital, export risk, and complex global supply chains. Japanese sogo shosha, diversified trading groups that combine trade, finance, logistics, and investment, offer a potential model for supporting these firms. This thesis investigates whether selected mechanisms from the sogo shosha can be adapted to the European context. It focuses on three questions: which financing and risk tools sogo shosha use for SMEs, how these tools relate to European needs, and which institutions shape their possible transfer.

The study uses a qualitative comparative case study based on secondary sources. It examines the organizational and financial practices of Japanese sogo shosha and compares them with Germany's Otto Group and France's Louis Dreyfus Company. The comparison covers financing models, risk management, supply chain coordination, information services, and governance arrangements. Particular attention is given to working capital provision, guarantees and receivables finance, data-based credit assessment, logistics integration, and structured trade finance under European regulation.

By mapping these functions across the three cases, the thesis clarifies how integrated intermediaries combine finance, logistics, and information to support SMEs and identifies the institutional features that matter for adaptation in Europe. The goal is to provide an analytical basis for designing practical mechanisms that can strengthen SME participation in global trade.

Keywords: Sogo Shosha, European SMEs, risk management, supply chain integration, business intermediation, keiretsu, institutional transferability

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Introduction

Small and medium-sized enterprises (SMEs), despite forming the backbone of Europe's industrial economy, continue to face persistent constraints regarding working capital, export risk, and access to global value chains. Traditional financial institutions often lack the flexibility to meet these firms' diverse needs, creating an institutional vacuum that hinders their competitiveness. In this context, Japanese sogo shosha, large and diversified trading conglomerates, offer a compelling model for comparison.

Owning much more than traditional trading firms, sogo shosha integrates trade, finance, logistics, and investment functions within vast global networks. Historically, they played a significant role in Japan's post-war recovery by providing capital intermediation, portfolio-based risk absorption, and supply chain coordination. Their embeddedness in keiretsu networks and ties to major banks allowed smaller firms to internationalize while stabilizing industrial production.

This thesis explores whether selected mechanisms from the sogo shosha model could be adapted to support European SMEs. By comparing the organizational and financial practices of Japanese trading companies with those of Germany's Otto Group and France's Louis Dreyfus Company, it aims to clarify both the limits of institutional transferability and the opportunities for functional adaptation. In doing so, it contributes to the broader discussion of how intermediary institutions can mobilize finance, manage risk, and coordinate supply chains in increasingly complex global markets.

CHAPTER 1

Understanding Sogo Shosha

1.1 What is Sogo Shosha

Sogo shosha are diversified Japanese general trading companies that combine large-scale trade with finance, information gathering, logistics, and project organization, acting as intermediaries across diverse sectors and functions (Yoshino and Lifson, 1986; Japan Foreign Trade Council, 2022). Classical analyses emphasize their unusually broad product scope and global office networks that coordinate entire value chains rather than single transactions (Dicken and Miyamachi, 1998; Young, 1979). In practice, they operate as full-service intermediaries, matching buyers and sellers, providing market intelligence, arranging logistics, and mobilizing credit for counterparties.

Institutionally, sogo shosha developed within postwar network capitalism, characterized by horizontal keiretsu groups, core bank financing, and councils of presidents that stabilized ownership and fostered long-term coordination (Todeva, 2005). Within these networks, trading companies acted as hubs, connecting banks, manufacturers, and foreign partners through controlled interdependence and mixed ownership ties (Young, 1979). These governance features reduced takeover pressure, pooled risk, and enabled roles beyond independent intermediary activities.

Today's syntheses present the model around two cornerstones: trading as a transactional and informational platform, and long-term business investment through equity stakes and affiliate management to secure supply, create new businesses, and diversify income beyond commissions (JFTC, 2022). This evolution from commission-driven trading to trade-plus-investment regulation reflects Japan's adaptation to global markets and its changing macroeconomic income composition.

Historically, domestic resource scarcity and the need for reliable external supplies led sōgō shōsha to establish extensive overseas office systems that later supported complex, multilateral projects and third-country trade (Dicken and Miyamachi, 1998). Their expansion into Europe since the 1950s demonstrates how city-based networks functioned as information windows and coordination platforms for Japan's integration into global markets.

Together, these characteristics define sogo shosha as embedded coordinators who integrated trade, finance, investment, logistics, and information within a network governance environment,

which explains both their unique capabilities and the difficulty of replicating the model outside Japan (Todeva, 2005).

1.2 Financial and Risk Management Mechanisms

Sogo shosha embed finance directly into intermediation by extending supplier and buyer credit, arranging guarantees and letters of credit, and synchronizing payment cycles to relieve working-capital constraints for partners (Yoshino & Lifson, 1986; Young, 1979). Their capacity to mobilize external funds rests on close links to main banks and on a business model that combines trading with long-term business investment, which secures supply, stabilizes counterpart networks, and diversifies income beyond commissions (JFTC, 2022; Shao & Herbig, 1993). Equity participation and project finance complement trade finance by locking in upstream resources and downstream demand, particularly in energy, resources, and infrastructure where bilateral contracts require patient capital (Dicken & Miyamachi, 1998).

Risk management is portfolio based and information intensive. The literature shows that diversification across sectors and geographies buffers volatility, while global office systems supply continuous market intelligence that lowers uncertainty for smaller partners (Dicken & Miyamachi, 1998; JFTC, 2022). Trading companies also use financial hedging in currency and commodity markets and act as reputational conduits that improve the credit standing of counterparties in bank negotiations (Amine, Cavusgil, & Weinstein, 1986). Within keiretsu-style networks, these mechanisms are reinforced by relational governance that enables long-horizon coordination and the sharing of shocks across affiliated firms (Todeva, 2005).

The same sources caution that scale and breadth can amplify exposure if governance or project selection is weak, which the historical record of cyclical losses in some product lines illustrates (Tremblay, 2000). Recent syntheses emphasize that contemporary sogo shosha reframe risk management through the dual cornerstone model of trade and business investment and through sustainability-oriented supply security, integrating operational hedges in logistics with financial hedges and relationship-based guarantees (JFTC, 2022; Cinili, 2023).

1.3 Governance and Global Evolution

Sogo shosha is governed by network-based arrangements that combine corporate hierarchy with interfirm coordination within horizontal keiretsu. These keiretsu are typically supported by a

master bank and regular councils of presidents who facilitate information sharing, monitoring, and long-term planning (Todeva, 2005). Within these networks, trading companies act as hubs connecting finance, production, and distribution, allowing them to internalize coordination across value chains while maintaining relatively light and flexible ownership (Yoshino and Lifson, 1986). Contemporary summaries present this governance as a deliberate blend of trading and long-term business investment, whereby control rights extend beyond independent intermediary activities to investment selection, subsidiary oversight, and joint development (JFTC, 2022).

Global evolution has followed this governance logic. Early expansion created dense systems of overseas offices that served as information windows and coordination platforms and later scaled to project organization and resource development across multiple regions (Dicken and Miyamachi, 1998; Young, 1979). In Europe and elsewhere, organizational adaptation combined a stable core with local responsiveness, including staff decentralization and adjustments to business practices as regulatory and market conditions changed (Dicken and Miyamachi, 1998). Over time, as overseas subsidiaries and affiliates earned a larger share of the profits, the earnings base shifted from commission income to investment returns, reinforcing a trade-plus-investment model encompassing upstream, midstream, and downstream activities (JFTC, 2022).

Management choices also conditioned resilience and limitations. Portfolio breadth and multi-regional networks helped buffer cyclical shocks through diversification and information advantages; However, periods of overexpansion in volatile sectors have highlighted the need for disciplined project selection and tighter control systems (Dicken and Miyamachi, 1998). Recent syntheses highlight a continuing evolution toward sustainability goals and security of supply, with governance mechanisms that align strategic investments with long-term ownership and value chain regulation rather than short-term capital gains.

CHAPTER 2

Organizational Architecture and Sectoral Scope

2.1 Sogo Shosha Structure

The Japanese sogo shosha, often inadequately translated as "general trading companies," are better understood as diversified trading conglomerates. The term sogo in Japanese connotes “comprehensive” or “all encompassing,” and this more accurate designation captures the true essence of these institutions. Far from being merely generalists, sogo shosha derive their competitive strength from strategic diversification and functional integration across sectors, geographies, and financial instruments (An Insider Perspective, 2021).

Their institutional architecture is shaped by Japan’s historical corporate lineage and has evolved through adaptation to global trade dynamics. Although they share a foundational model, sogo shosha are far from homogenous; their governance structures, operational configurations, and sectoral priorities exhibit significant internal diversity. This section elaborates their organizational foundation by examining their governance mechanisms, employment practices, sectoral scope, and group level coordination.

2.2 Origins: From Zaibatsu to Keiretsu

The governance logic of sogo shosha cannot be fully understood without referencing their origins in the **zaibatsu** family controlled, vertically integrated business empires such as Mitsui, Mitsubishi, and Sumitomo. After World War II, the Allied Occupation forcibly dismantled the zaibatsu; however, their economic logic survived in modified form as keiretsu corporate groups characterized by cross shareholding, personnel interlocks, and main bank centered finance (Young, 1979).

The transformation was not seamless. For instance, the reconstitution of Mitsui & Co. was delayed until 1959 due to internal fragmentation and conflicting interests between former stakeholders. This demonstrates that keiretsu formation was not a linear or automatic transition, but rather a complex negotiation shaped by both historical legacies and institutional constraints.

2.3 Cross Shareholding and Interlocking Directorships

Keiretsu governance relies on a web of cross shareholding arrangements and interlocking directorships. These practices serve to stabilize corporate control, prevent hostile takeovers, and promote long term strategic alignment. Companies within the group often hold minor equity stakes in one another and assign senior executives to affiliate boards. This creates a "networked hierarchy" (Todeva, 2006) where formal autonomy coexists with informal but effective strategic coordination.

2.4 The President's Club (Shacho kai)

A distinctive feature of this model is the Shacho kai, or President's Club, a high-level council comprising the CEOs of core group companies, including the sogo shosha, keiretsu banks, insurers, and key manufacturers. The Shacho kai meets regularly to coordinate strategic investments, harmonize risk policies, and reaffirm inter-firm cooperation. It plays a central role in long-term planning and group cohesion and reflects the Japanese emphasis on consensus and hierarchical integration (Young, 1979).

2.5 Lifetime Employment and Human Capital Management

Sogo shosha have historically embraced the norm of lifetime employment (shūshin koyō), with employees recruited from elite universities and rotated across departments, regions, and functional areas. This system fosters a cadre of generalist managers with firm specific knowledge, loyalty, and decision-making authority grounded in institutional memory (Shao & Herbig, 1993). While recent years have seen increased use of merit-based hiring and external experts, lifetime employment remains influential, and it raises overhead costs due to the retention of long-tenured functional specialists.

2.6 Internal Diversification and Sectoral Coordination

Internally, sogo shosha are organized into industry-specific divisions covering energy, metals, chemicals, food, infrastructure, and IT. However, this apparent autonomy coexists with tight central coordination, particularly from Tokyo headquarters, which maintains oversight of overseas operations through military style discipline and centralized reporting structures (Young, 1979).

Each firm operates an internal capital market to allocate financial and human resources based on long term objectives rather than short term profitability. These structures allow for cross subsidization among divisions, enabling risk smoothing and investment in strategic sectors.

2.7 High Level Vertical Integration

Describing sogo shosha as "moderately integrated" underrepresents their complexity. In reality, they demonstrate extensive vertical integration across the entire supply chain, from upstream resource development to downstream retail distribution (An Insider Perspective, 2021). For example, Marubeni integrates the metal mineral and motor vehicle value chains (from iron ore mining to automobile exports) and the food supply chain (from grain procurement to chicken retail sales). Similarly, Mitsui and Mitsubishi have a deep presence in energy infrastructure, controlling everything from oil field development to fuel distribution networks.

These activities reflect what scholars call a demand and supply creation strategy, one that coordinates project feasibility studies, investment planning, construction, and market access within a unified operational platform (Yoshino & Lifson, 1986; Shao & Herbig, 1993).

2.8 Variation and Dynamic Keiretsu Structures

While the sogo shosha share a common architecture, their intra group dynamics vary. Mitsubishi Corporation maintains close intra keiretsu ties, while Mitsui & Co. operates more loosely, especially in overseas markets (Dicken & Miyamachi, 1998). The intensity of intra keiretsu coordination declines abroad, where local regulatory frameworks and commercial autonomy reduce the effectiveness of traditional Japanese relational mechanisms (Dicken & Miyamachi, 1998).

These differences are critical for assessing institutional transferability. The sogo shosha model, while effective in Japan’s domestic context, may require adaptation to function under European conditions where keiretsu style relational governance is less feasible.

CHAPTER 3
Adoption of Sogo Shosha

3.1 Mechanism Transfer and Organizational Replication

The literature draws a clear distinction between the transfer of specific mechanisms from the sogo shosha model and the organizational replication of the trading conglomerate. Mechanism transfer refers to the adoption of distinct tools such as trade credit provision, guarantees and letters of credit, structured trade finance, information intermediation, and logistics coordination. Organizational replication requires the reconstitution of a multi-sector, bank-based trading group with the dense network governance, internal capital markets, and cross-shareholding typical of Japan's postwar institutional context (Todeva, 2005; Yoshino and Lifson, 1986).

Evidence from the United States Export Trading Corporation initiative illustrates why full replication is difficult. The ETC Act encouraged export consortia and relaxed some banking and antitrust restrictions, but the resulting organizations were functionally narrow and heterogeneous. They lack the keiretsu-style ties to major banks, diversified portfolios, and network governance that enable sogo shosha to integrate finance, information, and logistics in a scalable way (U.S. Department of Commerce, 1984). In short, policy instruments have enabled some parts of the toolkit but have not rebuilt the institutional structure underlying the Japanese model.

Comparative governance analyses illustrate this gap. In Japan's relational-insider system, patient capital, councils of presidents, and interfirm shareholding balance long-term coordination and risk sharing, while sogo shosha acts as a regulator within these networks. In Anglo-American and European environments, stock market governance, competition law, and prudential regulations constrain the formation of internal capital markets and hinder interfirm coordination, making it difficult to replicate a full-spectrum sogo shosha structurally (Todeva, 2005; Young, 1979). Consequently, the literature reaches a pragmatic conclusion: adoption outside Japan tends to be successful at the level of mechanism, not organizational form; firms and policy makers selectively borrow trade finance, hedging, and information functions without recreating the conglomerate architecture (Amine, 1986; Yoshino & Lifson, 1986).

3.2 Adopted Financial and Risk Management Tools

Outside Japan, adopters have tended to borrow the mechanisms of sogo shosha rather than copy its exact organizational structure. The most frequently cited tools include trade credit and payment guarantees, the intermediation of letters of credit and counter-contracts, structured trade finance that aligns financing with shipment and document flows, and the routine use of foreign exchange and commodity hedging to stabilize margins. These practices reflect shōsha's functional integration of trade, finance, information, and logistics, which reduces counterparty risk and alleviates working capital frictions for small firms facing collateral or information constraints (JFTC, 2022; Shao and Herbig, 1993; Yoshino and Lifson, 1986).

Policy attempts to emulate these tools illustrate the logic of mechanism transfer. For example, the United States Export Trading Corporation (USAC) framework aimed to enable export consortia to pool credit requests, operate within antitrust safe harbors, and work more closely with banks on letters of credit, export insurance, and syndications. While these organizations are functionally narrower than Japanese trading companies, they demonstrate how sogo shosha-type financial intermediation can be modularized under different legal and banking rules (Amine, Cavusgil, & Weinstein, 1986; US Department of Commerce, 1984). At the firm level, adoption clusters around three sets of tools. First, liquidity and credit support through confirmed letters of credit, trade credit, and guarantees that shift repayment risk from small producers to a capital-rich intermediary. Second, market risk management through forward contracts, currency matching and swaps, and matching purchase and sale commitments across portfolios. Third, project-linked structuring, which combines long-term financing with turnkey coordination of procurement, logistics, insurance, and compliance, particularly in the areas of resources and infrastructure, is a key component of the overall strategy. These packages operationalize what the literature calls economies of function, a structure in which financial, informational, and logistical capabilities are combined to mitigate transaction risk (Dicken and Miyamachi, 1998; JFTC, 2022; Marubeni Research Institute, 2021).

The effectiveness of these tools depends on the governance context. When adopters can approximately achieve network coordination among banks, suppliers, and buyers, information asymmetries and implementation frictions are lower, strengthening the effectiveness of financial and hedging tools. Comparative analyses of keiretsu-style coordination help explain why sogo shosha tools work better when integrated into relational finance and long-term contracts, and why

they appear as narrower, contract-based modules rather than a complete institutional suite in standalone systems (Todeva, 2005; Yoshino and Lifson, 1986). In sum, the proliferation of sogo shosha applications has been selective and contextual. The most enduring adoptions reproduce the integrative transaction logic of combining liquidity, hedging, guarantees, and coordination, but not the conglomerate architecture itself (Amine, 1986; JFTC, 2022).

CHAPTER 4

Methodology

4.1 Purpose of the Study

This study examines whether the core mechanisms associated with Japan's sogo shosha, with a focus on risk management and financial intermediation, can be adapted to support European manufacturing SMEs. The aim is to identify which functions operate as mechanisms and which depend on Japan's institutional context, and then, in the following sections, to assess their applicability through a structured comparison of two European conglomerates as empirical lenses. The study draws inspiration from previous findings that sogo shosha integrates trade, finance, information, logistics, and long-term business investment into a coordinated model; however, ventures outside Japan tend to adopt only parts of sogo shosha.

4.2 Research Questions

The research is guided by the following core questions:

1. What financing and risk management mechanisms do sogo shosha deploy to support SMEs?
2. To what extent can these mechanisms be adapted to the needs of European manufacturing SMEs?
3. What structural and institutional barriers may limit the applicability of the sogo shosha model in the European context?

4.3 Research Design

This study adopts a qualitative comparative case study design, which is appropriate for exploring how institutional mechanisms function across different contexts. The aim is not to provide statistical generalizations but to generate analytical insights into how the financing, risk management, and supply chain integration mechanisms of Japanese sogo shosha compare with European firms. By focusing on how these mechanisms operate in practice, the research design allows for the identification of institutional enablers, constraints, and potential transferability.

4.4 Case Selection Criteria and Data Sources

The two organizations selected for this comparative case study Louis Dreyfus Company and Otto Group are purposefully chosen based on their relevance to the research questions and their structural diversity.

Louis Dreyfus Company (LDC), a French headquartered multinational, is among the world's major agribusiness traders. While it does not replicate the sogo shosha model in its entirety, it exhibits several functional parallels: complex global trade coordination, portfolio diversification, commodity expertise, and financial intermediation mechanisms. Its case allows for the exploration of whether high volume commodity trading firms can serve as partial institutional equivalents to Japanese sogo shosha, particularly in the domain of capital and logistics.

Otto Group, based in Germany, represents a very different type of conglomerate an ecommerce and logistics platform deeply integrated into the European SME ecosystem. While it is not a trading company in the classical sense, Otto Group embodies multi sector coordination, deep digital integration, and supply chain management, particularly through its SME partnerships and logistics infrastructure. It is thus suited to analyzing adaptation potential of sogo shosha functionalities (such as SME aggregation, trade support, or market entry coordination) within a digital and European framework.

Both firms represent large European intermediaries whose organizational models, while not identical to sogo shosha, offer relevant grounds for comparison. They illustrate how European corporations approach financing, risk absorption, and supply chain integration under different institutional conditions.

The study relies primarily on secondary data sources, including annual reports, financial statements, corporate sustainability reports, and scholarly literature. Academic sources provide the theoretical and historical foundation for analyzing the sogo shosha, while company documents offer empirical evidence of current practices. Using secondary data allows for a comprehensive analysis of institutional mechanisms while ensuring comparability across Japanese and European contexts.

CHAPTER 5
Case Study

This chapter presents the institutional architecture and sectoral focus of the German Otto Group and the French Louis Dreyfus Company (LDC). While the sogo shosha represent an integrated keiretsu-based conglomerate model, Otto and LDC follow distinct Western institutional paths that reflect their historical evolution, ownership structures, and governance logics. These differences manifest in their core operational domains, internal resource allocation practices, and value chain integration approaches.

5.1 Otto Group and Louis Dreyfus Company Structures

Louis Dreyfus Company: Commodity Focused Vertical Integrator

The Louis Dreyfus Company (LDC) exemplifies a commodity driven, vertically integrated enterprise with global reach in agricultural trading and processing. Unlike the sectoral breadth of the sogo shosha, LDC is strategically concentrated in the agri food sector. Founded in 1851, LDC has evolved into one of the world's largest agribusiness firms, operating in over 100 countries across all major agricultural commodities including soy, corn, wheat, cotton, sugar, coffee, and rice (Bpifrance, 2021).

LDC’s structure is tightly aligned with its role as a vertical integrator. The firm controls a significant portion of its value chain, spanning upstream origination, logistics, processing, storage, shipping, and downstream distribution. This structure reduces dependency on external service providers and allows for efficiency gains, cost control, and risk management throughout the supply chain (LDC Sustainability Report, 2022).

In recent years, LDC has placed emphasis on environmental, social, and governance (ESG) standards, particularly in upstream production and transport. The company’s integrated model includes ownership of infrastructure such as silos, ports, and shipping fleets, reinforcing its control over quality assurance and traceability (LDC Finance Report, 2023).

Governance at LDC has evolved significantly. Historically a family-owned enterprise, LDC transitioned into a mixed ownership structure following equity investment by ADQ, an Abu Dhabi sovereign wealth fund, in 2020. This marked a significant shift from private, family-controlled

governance to a hybrid public private model, with increased emphasis on professionalized board oversight, transparency, and financial accountability (Bpifrance, 2021).

While LDC lacks the multi sectoral diversity of the sogo shosha, it mirrors some of their traits in its logistical sophistication, capital intensive operations, and global footprint. However, it operates more narrowly within the agricultural commodities space, positioning itself as a highly specialized rather than a generalized trading firm.

Otto Group: Digitally Driven Multichannel Conglomerate

The Otto Group represents a distinct case within the Western corporate landscape. Founded in post war Germany in 1949, Otto has grown from a mail order catalog business into one of Europe's largest e commerce and logistics groups. As of 2023, the Otto Group comprises more than 30 major subsidiaries active in online retail, supply chain logistics, fintech, and home furnishing services, primarily within Europe (Otto Group Annual Report, 2024).

Unlike LDC and the sogo shosha, Otto Group is privately held and family owned, controlled by the Otto family through a holding structure. This governance model fosters long term strategic orientation and insulates the firm from short term market pressures, enabling sustained investments in digital infrastructure and innovation (OECD, 2021).

The Otto Group's governance emphasizes decentralized autonomy. Each subsidiary has operational independence while adhering to shared strategic priorities set at the group level. Decision making authority is distributed through internal boards and oversight councils, encouraging entrepreneurial flexibility and rapid innovation. The headquarters focuses primarily on capital allocation, strategic planning, and group level compliance and sustainability.

Sectorally, Otto is deeply embedded in the consumer and logistics economy. Major subsidiaries such as OTTO.de and Bonprix are leaders in digital fashion and lifestyle e commerce, while SupplyX Group provides international logistics, parcel delivery, and warehousing solutions. Otto also invests in fintech services (via EOS Group) and smart home ecosystems. This composition reflects a diversified but thematically aligned business model focused on end consumer services and infrastructure (EOS Group Report, 2023).

Otto's internal capital structure is shaped by central reinvestment of profits, group-level financial planning, and long-term capital budgeting. Unlike the sogo shosha's high leverage, bank-integrated model, Otto adopts a conservative, equity-driven financing strategy, consistent with

German family business norms. This enables resilience and autonomy but limits leverage-based expansion strategies typical of Japanese trading houses (OECD, 2021).

Attribute	Sogo Shosha	Louis Dreyfus Company (LDC)	Otto Group
Core Sectorel Focus	Multi sectorel (energy, metals, food, IT)	Agricultural commodities	E commerce, logistics, fintech
Ownership Model	Public firms within Keiretsu	Hybrid (Family and ADQ stake)	Family owned (private)
Governance System	Keiretsu; cross shareholding, Shacho kai	Board oversight, professionalized after 2020	Decentrralized with family control
Geographical Reach	Global (100+ countries)	Global (100+ countries)	Primarily Europe, selective global
Vertical Integration	Moderate (trade, finance, logistics)	High (end to end supply chain)	Medium (logistics, IT, infrastructure)
Financial Strategy	Highly, leveraged, bank reliant	Balanced (internal & external capital)	Equity financed, conservative
Human Capital Model	Lifetime employment, rotational training	Professionalized, sector specific	Project based, subsidiary autonomy
Strategic Orientation	Conglomerate coordination	Commodity specialization	Platform and consumer services

Table 1 - Structural Features of Sogo Shosha, Otto Group, and Louis Dreyfus Company

In conclusion, while Otto Group and LDC share with the sogo shosha certain operational traits such as global scope, logistical control, and multi-functionality, they diverge significantly in ownership, sectoral diversification, governance mechanisms, and financing logic. These

differences reflect broader institutional contexts and strategic imperatives unique to their national origins and industrial heritages.

5.2 SME Financing & Risk Management Intermediation

Sogo shosha function as diversified financial and logistical platforms embedded in Japan's coordinated market economy, combining trade credit, payment guarantees, long-term supplier promissory notes, deferred buyer terms, and letters of credit arrangements with reciprocal structures to bridge the liquidity gaps of SMEs in cross-border trade (Young, 1979; Yoshino and Lifson, 1986). They selectively finance capital-intensive, high-risk projects that traditional banks avoid, complementing rather than replacing bank intermediation. Their role as credit risk buffers relies on keiretsu ties and reputational capital, enabling SMEs to access mainstream bank financing while shosha maintain highly leveraged, conduit-like balance sheets (Todeva, 2005). The second pillar is information intermediation: dense global office networks collect proprietary market intelligence that informs pricing, hedging, and timing decisions that smaller firms cannot efficiently replicate. Relationships with SMEs are typically long-term and non-capital; Beyond trade, shosha supports marketing, product development, and quality improvement, including phased market entry approaches that shift partners from imports to domestic production once demand is confirmed (Yoshihara, 1982). Internally, they multiply financing by coordinating working capital, foreign exchange hedging, insurance, and project organization across divisions, stabilizing cash flows through portfolio diversification, and enabling cross-subsidization when sectors undergo cycles (Shao and Herbig, 1993). Their effectiveness is strengthened by institutional embeddedness and public-private alignment with industrial policy and parent banks, which has historically reduced coordination and financing costs while enabling risk sharing among group firms (Marubeni Research Institute, 2021).

5.3 Otto + LDC Mechanisms in SME Finance and Risk Absorption

In contrast to the relational, bank-integrated structures of Japanese sogo shosha, both the German Otto Group and the French Louis Dreyfus Company (LDC) deploy market-based instruments for SME finance and risk management. These instruments rely not on keiretsu-style guarantees but on technological, logistical, and financial tools structured for scalable and sector-specific application. This section details how each company has institutionalized mechanisms to support SME liquidity,

mitigate transactional risk, and promote supply chain resilience across distinct industries e e-commerce and logistics for Otto, and agricultural commodities for LDC.

Otto Group: EOS Factoring & SupplyX Risk Mitigation

The Otto Group's SME finance mechanisms are primarily driven by its subsidiaries EOS Group and SupplyX, both of which represent technologically advanced, specialized arms of the group's support ecosystem. These units reflect Otto's decentralized, modular approach to operational finance and risk coordination.

EOS Group: Factoring and Credit Scoring

EOS Group, a financial services subsidiary of Otto, specializes in factoring, receivables management, and credit scoring solutions tailored for SME clients across Europe. Through EOS, Otto provides SMEs with liquidity by purchasing their outstanding invoices at a discount, enabling them to avoid delays in working capital cycles and freeing up funds for reinvestment (EOS Annual Report, 2022). Notably, EOS offers advanced rates of up to 90–95% on receivables at interest rates 200–300 basis points lower than those charged by traditional banks. This cost and speed advantage enables SMEs to improve liquidity without relying on conventional credit lines.

EOS also integrates algorithmic credit scoring models, which assess the creditworthiness of SME clients and their buyers in real time. These models utilize payment history, sectoral benchmarks, and behavioral analytics to assign risk scores, facilitating more accurate lending decisions. By offering SMEs pre-evaluated receivables portfolios, EOS allows sellers to optimize the timing of their cash flow while reducing the probability of payment default (EOS Group, 2023).

EOS's services are deployed across 25 countries and tailored to comply with varied regulatory and accounting frameworks. Its operational flexibility is supported by Otto's investment in cloud-based platforms and secure digital channels that streamline document submission, credit evaluation, and fund disbursement.

SupplyX: Logistics-Based Risk Management

Complementing EOS, SupplyX (Hermes group) Otto's logistics and parcel delivery subsidiary performs critical risk mitigation functions. Through advanced warehousing, tracking, and inventory management systems, SupplyX reduces operational and fulfillment risks for SMEs

operating in e-commerce. SupplyX supports SMEs in building resilient supply chains by offering risk management strategies, crisis-aversion planning, and digital tools for process optimization. These services reduce SMEs' exposure to last-mile disruptions, customs-related delays, and cross-border compliance risks. In addition, SupplyX emphasizes the use of data-driven solutions to monitor and improve supply chain performance, which enables firms to proactively address bottlenecks and seasonal fluctuations (SupplyX, 2022). Combined, EOS and SupplyX create a dual platform system that integrates financial liquidity and operational resilience for SMEs. This structure supports Otto's broader strategy of enabling small vendors particularly those involved in drop shipping or consignment models to scale without overextending their working capital or logistics capacity.

Louis Dreyfus Company (LDC): Structured Finance and Hedging Mechanisms

LDC offers a distinct suite of SME finance solutions rooted in structured commodity finance, reflecting its historical specialization in agricultural supply chains. These mechanisms include pre export finance, input financing, and a range of hedging instruments that protect against price, currency, and counterparty risk.

Structured Finance Instruments

LDC provides pre export financing to agricultural SMEs, particularly cooperatives and producer associations, enabling them to access working capital prior to shipment. These facilities are typically backed by confirmed purchase orders or future receivables, offering a bridge between harvest and revenue realization. The pre export facility often comes bundled with input financing loans or in kind support for seeds, fertilizers, and machinery under strict repayment schedules tied to delivery commitments (Bpifrance, 2021).

This approach is especially relevant in regions such as West Africa and Latin America, where SME producers face credit constraints and seasonal income cycles. By structuring finance around confirmed trade flows, LDC mitigates repayment risk while empowering SMEs to increase production volume and quality (OECD, 2021). In 2021, LDC disbursed over €45 million in SME targeted financing to more than 300 firms in sub Saharan Africa alone (Bpifrance, 2021).

Risk Management via Hedging Tools

To complement financing, LDC offers hedging solutions to protect SMEs from price and currency volatility. These tools include:

- Forward contracts to lock in sale prices;
- Currency swaps to offset foreign exchange exposure;
- Basis contracts for delayed pricing with fixed differentials.

LDC's Risk Management Framework 2023 highlights its deployment of derivative instruments and customized risk transfer mechanisms to stabilize SME income. These are offered through partnerships with global banks, commodity exchanges, and insurance underwriters (LDC, 2023). Over 80% of LDC's FX positions are either matched or hedged internally through its derivatives desk, showcasing its capacity to buffer macroeconomic volatility.

The ability to hedge exposures via structured contracts is crucial for SMEs that lack the internal capacity to model risk or access derivative markets directly. LDC functions as an aggregator and conduit, structuring contracts that meet both producer and market needs while ensuring alignment with international trade standards.

SME Support Ecosystem: Sectoral Coverage, Scope, and Limitations

Both Otto Group and LDC have institutionalized multi-dimensional ecosystems to support SMEs, albeit tailored to their respective sectors, consumer logistics and agriculture.

Otto's ecosystem focuses on enabling retail digitization and fulfillment scalability. EOS allows SMEs to externalize their receivables management while retaining autonomy over pricing and customer relations. SupplyX complements this by managing physical goods, thus creating a low barrier entry point for micro retailers and boutique sellers. However, the system remains regional in scope, largely confined to Europe and reliant on platform integration. It does not provide production financing or upstream supply guarantees, thus limiting its function to post-production logistics and finance (OECD, 2021).

By contrast, LDC's ecosystem spans from farm inputs to global distribution. Its model integrates procurement planning, trade finance, storage, processing, and marketing. This vertical integration facilitates value chain consolidation for fragmented agricultural producers. Nonetheless, its focus remains on commodity crops and export oriented agriculture, often excluding domestic market linkages, artisanal production, and services. Further, eligibility for

structured finance depends on scale, formalization, and traceability, limiting access for the most marginalized SMEs (Bpifrance, 2021).

In both cases, the support ecosystem operates on market based principles, with services priced according to risk, volume, and strategic alignment. Unlike sogo shosha, which absorb risk through relational norms and developmental mandates, Otto and LDC monetize intermediation functions through contractual instruments, technology platforms, and financial pricing mechanisms.

Otto and LDC present functionally robust but structurally distinct approaches to SME finance and risk absorption. Otto deploys digitally integrated, logistics finance hybrids suited to the European retail landscape, while LDC operates a commodity finance ecosystem rooted in global agriculture. Their tools factoring, structured finance, hedging instruments, logistics integration offer scalable, market compliant alternatives to the institutional model of sogo shosha. The comparative advantages of these models, and their relevance to European manufacturing SMEs, will be examined further in Chapter 6.

Dimension	Sogo Shosha	Louis Dreyfus Company (LDC)	Otto Group (via EOS/SupplyX)
Trade Finance Provisioning	Long term credit and advance payments; acts as a non bank financial intermediary for SMEs.	Supplies pre export loans and input finance backed by forward contracts. Over €45 million disbursed to 300+ SMEs in West Africa.	Provides factoring services (purchase of receivables) with high advance rates (90–95%) for instant liquidity.
Credit Guarantees	Implicit and explicit guarantees via keiretsu affiliated banks.	Not offered due to regulatory constraints	Not offered due to regulatory constraints.
Risk Monitoring / Assessment	Manages risk through relational monitoring and deep supply chain knowledge.	Secures loans with forward contract guarantees; risk	Uses EOS credit scoring based on SupplyX logistics data to reduce

		managed via internal derivatives desks.	information asymmetry.
Information Services	Offers global market intelligence for client inventory control, production planning, and capital investment.	Commodity market analytics and weather based forecasts; risk frameworks cite active use of derivatives.	Real time data from e commerce and logistics; cross border market intelligence.
SME Partnership Model	Long term, non equity alliances (e.g., “tsunagi yunyu” or tie over import system); acts as a credit enhancer and knowledge validator.	Engages in structured finance with ESG linked investment pools; collaborates with governments and multilateral institutions.	Provides early payment programs and integration through digital portals; connects SMEs via platform based infrastructure.
FX Volatility Mitigation	Uses internal keiretsu FX desks to balance foreign exchange gains and losses across divisions	Covers over 80% of positions through internal swaps.	Applies IFRS 9 compliant cash flow hedging through derivatives.
Commodity Price Risk	Manages risk through portfolio diversification and access to international commodity futures markets.	Uses futures and options for agricultural and energy commodities.	Not applicable (not a primary commodity trader).
Demand Uncertainty	Cross subsidization within keiretsu groups to stabilize demand volatility.	Uses forward sales and syndicated investment funds (e.g., EIF’s Cultivian Sandbox Fund).	Enables real time inventory financing using SupplyX analytics.

Table 2 - Comparative Financing and Risk Management Mechanisms

Sectoral Risk Mitigation Tools: Sogo Shosha vs. Otto Group vs. LDC

Sector	Sogo Shosha	Louis Dreyfus Company (LDC)	Otto Group (EOS/SupplyX)
Industrial Supply Chains	Cross divisional portfolio balancing, FX hedging through internal keiretsu desks, Risk transfer to keiretsu banks	Not applicable	Not applicable (not active in manufacturing or B2B industrial sectors)
Retail / E Commerce	Indirect involvement via consumer goods divisions Demand smoothing via keiretsu coordination	Not applicable	Real time credit scoring for SME retailers (EOS) Last mile risk insurance (SupplyX) Reverse logistics programs
Logistics / Fulfillment	Global freight contracting Multilateral trade agreements hedging geopolitical risks	Chartering and port logistics in house Storage based inventory hedging mechanisms	Dynamic routing and delay prediction (SupplyX) CO_2 optimized routing algorithms
Agriculture / Commodities	Commodity futures trading, Regional diversification, Countertrade to hedge sovereign risk	Forward contracts and basis pricing, Weather indexed insurance, FX hedging & swaps	Not applicable
Energy & Raw Materials	Long term energy contracts, Dual currency invoicing to hedge FX exposure	Commodity linked supply contracts, Strategic reserves & buffer stockpiling	Not applicable

Cross Border Transactions	In house legal and customs support, Barter & third country trade	Trade documentation automation,FX/countr y,risk grading frameworks	Compliance via SupplyX customs integration Risk scoring by buyer location

Table 3 - Sectoral Risk Mitigation Tools

CHAPTER 6
Discussion of Empirical Findings

This chapter serves as the analytical core of this thesis, moving beyond the descriptive presentation of comparative institutional mechanisms detailed in Chapter 5. Building upon the empirical data and functional mapping of Japanese sogo shosha, the German Otto Group, and the French Louis Dreyfus Company (LDC), this chapter summarizes the key findings and discusses their implications in relation to the research questions.

6.1 Financing Mechanisms

Japanese sogo shosha act as system-level financial intermediaries, mobilizing large volumes of loan capital through core bank relationships, channeling liquidity to manufacturers and SME networks while assuming and reallocating risk across diversified portfolios (Todeva, 2005). Their toolkit extends beyond transactional trade credit to include working capital support, payment guarantees, receivables carrying, and selective long-term, high-risk investments aligned with national industrial priorities, supported by scale and public-private integration (Marubeni Research Institute, 2017). In Europe, the Otto Group achieves functionally similar outcomes through market-based, technology-enabled mechanisms: EOS specializes in receivables financing and data-driven credit assessment, while logistics subsidiaries provide operational data that improves underwriting; risk is priced and syndicated within regulated and auditable structures rather than absorbed relationally (Otto Group, 2024). Louis Dreyfus Company offers similar liquidity to agricultural SMEs through structured trade finance and hedging against commodity risks with forward contracts, emphasizing risk mitigation and compliance over broad relationship financing. Generally, sogo shosha exemplifies relationship-based, highly leveraged liquidity intermediation, while Otto and LDC offer partial convergence through modular, platform-style financing integrated with logistics and risk controls compatible with European regulatory frameworks (Shao and Herbig, 1993).

6.2 Risk Management Strategies

Japanese sogo shosha manage risk through diversification, hedging, and embedded coordination within keiretsu networks. They act as buffers between SMEs and banks, consolidate credit risk

across sectors, and utilize tools such as forward contracts, forward contracts, currency offsets, countertrade, and government-backed export insurance (Young, 1979). Their distinctive power lies in cross-subsidization within keiretsu groups, which allows them to pursue high-risk, long-term ventures and stabilize performance across business cycles (Todeva, 2005). In contrast, Otto Group employs a platform-based strategy: EOS uses algorithmic credit scoring and fast receivables financing, while SupplyX manages logistics risks through integrated data feeds that feed into predictive analytics, delivery guarantees, and credit assessments (EOS Group, 2023; Otto Group, 2024). Louis Dreyfus Company (LDC) relies on hedging instruments, including structured trade finance, pre-export loans, and futures, options, and currency swaps, to protect agricultural SMEs from commodity and currency fluctuations, while adhering to stringent international regulations (Louis Dreyfus Company, 2024). Comparatively, while sogo shosha achieves systemic, multi-sectoral risk absorption through relational capitalism and broad diversification, Otto and LDC offer narrower, more modular risk management systems specific to their respective sectors. While European models lack the scope and established nature of sogo shosha, they demonstrate viable, digitally enabled, and regulatory-compliant approaches to similar stabilizing functions.

6.3 Adaptability Constraints

The applicability of the sogo shosha model to Western economies is limited by institutional, regulatory, and cultural barriers. Their effectiveness is inseparable from Japan's keiretsu system, where interlocking shareholdings, director rotation, and governance networks such as the Shachō kai ensure the systematic coordination of capital and risk (Todeva, 2005). Based on the legacy of the zaibatsu and reinforced by state support and major bank ties, sogo shosha thrives in conditions of high leverage and low equity that Western financial systems would view as problematic (Yoshino and Lifson, 1986). In contrast, Western attempts at replication, such as the U.S. Export Trading Corporation Act of 1982, have failed due to a lack of institutional integration, limited sectoral reach, and the incompatibility of relational governance with antitrust and competition law (Yoshino and Lifson, 1986). Financial regulations such as Basel III and EMIR further restrict non-financial firms from performing bank-like functions, closing down key mechanisms central to the sogo shosha model. Cultural and organizational factors create further challenges: sogo shosha embody ambiguity of objectives, encompassing roles such as trader, financier, and developer, and create identity crises in global markets that require specialization. Ethnocentric management

practices, including the tendency to reserve key decision-making roles for Japanese citizens, also limit local responsiveness and hinder effective global knowledge transfer. These institutional, legal, and and cultural constraints combine to explain why sogo shosha has been so difficult to reproduce structurally outside of Japan.

6.4 Adaptability of the Sogo Shosha Model

The conclusion highlights the sogo shosha model's deep rootedness in Japan's unique postwar institutional framework, characterized by keiretsu coordination, relational governance, and tolerance for high leverage. These enabling conditions are absent in Europe, making structural replication virtually impossible. While firms such as the Otto Group and the Louis Dreyfus Company demonstrate functionally similar practices, their success is based on modular design and digital platforms rather than systemic integration. The ambiguity of sogo shosha's identity—whether as a trader, financier, or conglomerate coordinator—further complicates its use as a template in today's results-driven global economy.

Theoretical implications highlight the incompatibility between Japan's relational insider system and Europe's regulation-driven, shareholder-focused capitalism. Institutional gaps, particularly the lack of keiretsu-style structures, and legal obstacles such as competition law, constrain Europe's ability to replicate sogo shosha functions. Western initiatives, such as the US Export Trading Corporations Act of 1982, have failed due to weak institutional integration and limited scope. In contrast, Otto and LDC exemplify how European firms can achieve functional convergence without structural replication by employing finance-logistics integration and structured trade finance, respectively. However, their more narrowly focused approaches contradict the multi-sectoral orchestration of sogo shosha.

Practical implications suggest selective functional transfer rather than structural imitation. Policy recommendations include strengthening SME financing through hybrid intermediaries supported by EU institutions, promoting integrated cluster-level service platforms, redefining the role of EU development banks, and localizing human capital strategies to avoid ethnocentric constraints. Furthermore, a shift to a long-term investment logic and the use of digital infrastructure are identified as viable alternatives to relational embeddedness. Overall, while Europe cannot institutionally replicate sogo shosha, it can adapt its operational mechanisms to

strengthen SME support, risk management, and trade intermediation activities within its regulatory framework.

CHAPTER 7

Conclusion

Summary of Contributions

This study set out to investigate the selective adaptability of Japanese sogo shosha mechanisms to support European manufacturing SMEs. Through comparative institutional analysis, the thesis offered insights into how these complex, diversified trading conglomerates function as financial intermediaries, risk managers, and supply chain integrators within Japan's relational insider system. It systematically addressed three research questions, providing context specific findings and illuminating both the potentials and boundaries of functional transfer.

First, the research clarified the operational mechanisms through which sogo shosha support SMEs. These include capital intermediation via internal finance and guarantees, long term trade credit, information provision, and risk absorption through hedging, counterparty diversification, and FX management. Sogo shosha serve as non bank conduits for capital and coordination, especially effective in high volatility sectors or credit constrained environments. Their information intensity and ability to translate fragmented data into actionable intelligence provide SMEs with strategic foresight that traditional financial institutions often lack.

Second, in analyzing adaptability, the study identified that while full replication of sogo shosha is infeasible due to institutional divergence, functional equivalents may be developed. Otto Group's EOS and SupplyX subsidiaries, and Louis Dreyfus Company's finance and risk platforms, illustrate partial convergence. These firms leverage modular financial and logistical services, drawing on digitized processes, risk segmentation, and specialized capital structures to fulfill SME coordination roles. However, their reliance on regulatory conformity, modular service delivery, and contractual governance contrasts sharply with sogo shosha's embedded relationalism.

Third, the comparative analysis showed that institutional constraints particularly in governance, regulation, and human capital pose significant barriers to transplanting the sogo shosha model in Europe. The absence of keiretsu like relational ecosystems, EU competition law restrictions on cross shareholding, and rigid labor mobility structures limit the feasibility of adopting deeply integrated inter firm coordination. Nonetheless, specific mechanisms, particularly those enabling bundled service provision and risk intermediation, remain transferable through policy design and public private consortia.

Ultimately, this study contributes to understanding sogo shosha not merely as large trading houses but as a unique, information-intensive service industry embedded in Japan's socio-economic architecture. Their hybrid role, part market, part hierarchy, defies standard organizational classification and offers alternative visions for industrial coordination beyond shareholder-centric capitalism.

Limitations

While offering valuable findings, this study acknowledges several limitations. First, the research is based entirely on secondary sources, which constrains the empirical granularity of firm-level practices. Access to internal data or stakeholder interviews might have provided richer insights into implementation dynamics. Second, the institutional complexity of sogo shosha, especially their embeddedness within Japan's socio-political economy renders any functional analogies in Europe necessarily partial. Third, cultural constraints and governance rigidity inhibit localization. Sogo shosha remain heavily Japan-centric in their overseas management systems, with limited elevation of host country nationals to senior roles, undermining their integration and long-term sustainability in foreign contexts.

Suggestions for Future Research

Future research should deepen the comparative analysis of intermediary governance mechanisms across diverse contexts. Longitudinal studies could evaluate the evolving performance of European firms adopting hybrid financial logistical models, particularly under regulatory shifts such as Basel III and EMIR. A focused investigation into "fragmented service houses" entities offering modular SME support through specialized subsidiaries may offer a realistic path forward. Additionally, examining organizational identity shifts from "trader" to "conglomerate manager" could illuminate how strategy adapts as firms internalize risk, finance, and market coordination functions. Finally, exploring the socio-cultural dynamics of leadership localization in Japanese firms abroad may yield insights into achieving deeper global embeddedness.

Final Reflections on Sogo Shosha Adaptability in the EU

This study reaffirms that while sogo shosha evolved from intermediaries to diversified global enterprises, their successful functions are tightly bound to Japan's institutional ecology. Their

transformation into global conglomerates is marked by intent but constrained by their enduring Japan-centric ethos. By contrast, U.S. ETCs and European trading intermediaries, where they exist, exhibit a more fragmented, specialized, and capital-constrained model. Although ETCs may incrementally resemble diversified conglomerates over time, this trajectory remains fraught with coordination failures, scale limits, and governance mismatches.

Ultimately, the future success of Japanese trading firms abroad will hinge on their willingness to cede operational control to host country nationals. Such a shift would represent not merely a personnel adjustment but a deeper rethinking of organizational ethos. Without it, their global reach may remain institutionally thin, unable to match the embeddedness and agility demonstrated within Japan.

Timeline

Tasks / Months	2024	2025										
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep
Topic & Research problem Selection												
Literature Review												
Analysis & Strategic Development												
Company Analysis												
Conclusion												
Submit												

Table 4 – Timeline of the Thesis

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