

## A MANUAL FOR GOING GLOBAL

People across the country—regardless of party affiliation—are asking: “How can we keep good jobs at home if foreign competitors can take them away?” The question is apt but misleading. The better question is: “How do we enable our workers to move from one good job to another good job without them having to relocate?” The second version opens up a whole new set of strategies for economic advancement that can work in every part of the country. Competitive strength is actually best secured through pro-active, across-the-board participation in international markets and institutions.

Export development is one of the most important global strategies, especially for small- and medium-sized enterprises (SMEs) where the potential for export growth is largest. But SMEs (and their workers) need the knowledge and tools to go global.

This guidebook offers a template for local leaders who want to build an export development system that’s equal to the challenge. Your success will depend largely on the subjective qualities of the individuals who make things work: not just a core team but all those around them.

1. Education. Congress makes the final call on trade agreements, which usually means its Members are subject to intense lobbying as the measure comes up for a vote. In earlier times, trade advocates relied on a strategy of intensive, last-minute lobbying. They failed to anticipate the success of the opposition in organizing constituent protest. Constituent input often trumps even the most solid reasoning of lobbyists, and the constituent message was decidedly anti-trade. Congress heard little from the public—or even SME exporters—urging them to vote for free trade. Although NAFTA and other agreements have squeaked through Congress, it is clear that Senators and Representatives don’t know how many constituent jobs depended on trade or the “opportunity cost” of voting against trade. Exporters, business organizations and educators need to come together to create new exporters and give evidence to the benefits of free trade.
2. Facilitation. SME exporting has been growing for years but remains a fraction of the true potential, especially for firms in rural areas. FTAs are especially good because they bring transparency and greater predictability to business transactions. Still, too few SMEs are taking advantage of the agreements because technical information about the FTAs has been slow to get out, as have other changes in trade policies, programs and staffing. There needs to be a more efficient system for moving detailed information to programs in the field and, by extension, to those who operate SMEs.
3. Capacity. Virtually all trade programs have tight or declining budgets. The only answer is to generate local partners, educating staff on recent developments, and institutionalize a support network.

## WHY DO IT?

Everyone agrees that exporting creates jobs and wealth but not many see it happening in their own communities—it's practically invisible, even to the exporter's workforce. As a result, most people assume: (a) large companies account for most exports and they don't need any help; (b) services already exist to help smaller firms export; and (c) a few more small exporters won't have an impact on the area's economy. Many also conclude that if exporting is profitable there's no need to support its development.

These views are understandable but outdated. New technologies, rapid growth in the middle class overseas and free trade agreements (FTAs) have flung the doors wide open. Today, exporting is an excellent value proposition for many, many SMEs. In the not-so-distant future, global engagement may be a determining factor in business innovation and survival. We have little choice but to re-educate ourselves and our SMEs.

Of course many SMEs can get started exporting without outside help. Some just place an ad in a foreign journal and demand cash up front. Others get foreign orders via their websites, by attending a major trade fair in the U.S., go through a wholesaler follow their American clients overseas. Some may not even realize their products are components of someone else's export item. Others may export because the owner already knows how to do it—they may have family ties overseas or acquired export skills in another job.

SME exports will continue to grow through these passive methods, but it does little to build competitive capacity in the firm or community. The SME that slides into exporting can be like a rudderless ship at the mercy of the elements; they are less likely to maximize their profits or recognize opportunities and threats. Passive exporting also does nothing to encourage firms to explore new business opportunities overseas.<sup>1</sup>

That's where community colleges come in.

1. You are closer to the client. You already work with SMEs. You also have a better idea about their strengths, plans and needs.
2. It takes a network to raise an exporter. No single organization can deliver a complex array of quality services.
3. Trade is a long-term commitment. Like investment recruitment, export success can require years of relationship building. Business is face-to-face.

Your job is to get all the horses pulling in the same direction.<sup>2</sup>

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<sup>1</sup> Even experienced SME exporters know they need to research, visit and test new markets, and even they often need help at the exploratory phase—they can't risk investing tens of thousands of dollars in market development if the payback is questionable.

<sup>2</sup> Don't overlook any dynamic, future-oriented organization, even if they don't have an explicit global agenda (e.g., science & technology councils, entrepreneurship networks, leadership development programs). They may have the will and the way to help.

## CHALLENGES YOU WILL FACE

There are reasons why we haven't reached our full export potential. In economic terms, it's a classic case of market dysfunction—firms do not have equal access to information and there are large spillover benefits for the public and wider business community.<sup>3</sup> More simply put, the nation doesn't know enough about the benefits of SME exporting to push it.<sup>4</sup> Below are barriers that every single state and region needs to overcome.

1. Low levels of trade awareness. Most SMEs that could export know little or nothing about the opportunities or the services that could help them. In many cases, SMEs have no discussions or even contact with peers who do export. Chambers and other local business organizations are often no better off. They may underestimate the export potential in their service area or assume there is little they can do as struggling nonprofits. State and local officials, too, tend to be overloaded with existing responsibilities.
2. Skepticism. Trade is widely perceived as more of a threat than an opportunity, especially in areas that have lost many manufacturing or IT jobs.<sup>5</sup> The public is still too new to the subject to appreciate its complexity.
3. Small program capacity. Federal trade offices (USEACs) play a key role in export development but they are very limited in resources and flexibility, as are virtually all other state and local programs, whether public or private. This is partly because export development does not have much of a voting constituency; firms that stand to gain the most from services are also the least able to recognize the need.
4. No standardization. The trade program landscape varies between and within states. Each evolves on an ad hoc basis, reflecting their unique institutional histories and continual shifts in funding, mission and staff personalities. As a result, trade programs are hard to categorize, compare or evaluate.
5. Low levels of collaboration. Contact between different trade programs is common, yet the staff often lacks detailed knowledge about each other's work. Collaboration is often limited to simple activities, such as co-marketing an event. There's no umbrella organization to help link missions and track outcomes. Cross-sector collaboration (e.g., universities and chambers) is even harder despite the potential synergies.

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<sup>3</sup> Research suggests that the move into exporting does not *cause* the firm to have higher profit margins, but it does cause public benefits—faster job growth and added longevity.

<sup>4</sup> Current SME policy discussions are largely focused on innovation and equity. The global aspect of SME competitiveness is usually addressed only in negative terms (e.g., fending off foreign firms).

<sup>5</sup> Although trade was certainly the leading cause in many cases, the majority of these job losses can be attributed to technological change (e.g., labor saving devices) or the dot-com bust. The value of output in these sectors has actually risen, not fallen, and many job openings go unfilled. Trade and technology increase the pressure on sectors to specialize, raising the skill requirements beyond those of job losers.

6. Low status in the bureaucracy. Just about wherever you look, trade is low on the organizational chart. Trade service programs in both the public and private sector often work behind the scenes like Cinderella—under-appreciated until there’s a photo-op event.
7. Complacency. For many, the prospect of change and collaboration—even if it means better outcomes for the community—is challenging to the status quo.
8. Cold shoulders. Trade newcomers and new ideas have often been greeted with indifference or outright hostility. This is not unique to the trade field, but it has been more obvious in trade since it has never been well funded; any change is as much a threat as it is an opportunity. Conditions have improved a bit, however, as more people have recognized the net gains of collaboration.

## **GETTING ORGANIZED: SOME CHECKLISTS**

Before setting out to build your world-class export training system, do a “360” scan of team attitudes, assets and expectations.

### Attitudes

- Export development is a bipartisan effort—in practice, it’s actually nonpartisan.
- The leadership must endorse the initiative—otherwise it will never be taken seriously.
- The goal is a trade *system*—collaboration to raise service quality and more customers.
- The trade system should be market-driven and based on regional realities—credible.
- Leverage all assets—bring everything relevant to the table.
- Partial public funding is essential—small firms cannot afford the high upfront costs.
- Small exporters matter—the act of trading increases firm survival and growth.
- Traditional evaluation methods are not enough—outcomes are lagged and subjective.
- Structure for sustainability—adaptability without loss of capacity or mission.

### Leadership Assets

- A state official to act on behalf of the state’s trade efforts.
- A point person in the leadership’s office to serve as the conduit.
- A short list of city and county leaders who would or could play a role.
- A core of experienced and impassioned trade advocates and facilitators.
- One or more SMEs that do international business.
- One or more corporate champions.
- An incentive to come together (funding, star power, or new hope).
- Time...and good timing.

Expectations

- An alliance of trade programs, with team pride and sense of a higher public purpose.<sup>1</sup>
- A regional strategic plan with goals, objectives, and identified stakeholder roles.
- A web site with a calendar for tracking, marketing and coordinating events.
- Multiple events and networks for SMEs to connect with business opportunities.
- Public or oversight board awareness of the strategic plan.
- An evaluation system that fosters continuity, market relevance and diversity of goals.
- More balanced media coverage.

This is easier said than done, but the business model may offer some clues to success. Table 1 compares the characteristics of a successful exporter with those of an effective state trade development system...you might come up with a parallel image for community colleges.

Table 1 ANATOMY OF A WORLD-CLASS WINNER	
World Class Exporter	Statewide System for Trade
Committed CEO	Committed Governor
Business plan	International strategic plan
A VP for global business	Full-time state policy official for all global issues
Partners that increase capacity	A system for connecting programs
Highly skilled staff	Continuing education for trade staff
Follows geopolitics, regulations	A state plan for K-16 international education
Adapts all departments for exporting	A governor’s international cabinet
An after-sales service component	Case management for new exporters
Invests in innovation	Grants for program collaboration
Cultivates clients	Supports strategic international contact
Manages company assets	Inventories and leverages all state assets
Tracks competitors	Benchmarks the state’s global performance
Follows protocols	Protocol training, delegation management
Internal dissemination of intelligence	Web portal, e-newsletter
Uses technologies more intensively	Trade enhancing infrastructure

The final checklist (Table 2) offers a framework for action in three goal areas. The “why” and “how” for the steps are described in detail in the next section of this guidebook, along with tips.

Table 2  
SUMMARY OF AN ACTION FRAMEWORK

**Trade Education**

1. Create a case statement.
2. Cultivate top officials.
3. Recruit allies.
4. Orchestrate a series of educational events.
5. Build a deep bench of speakers, referrals and educational materials.
6. Create a communications strategy.

**Trade Facilitation**

1. Create a shared client management system.
2. Pool overseas contacts and events.
3. Provide market research and qualified trade leads.
4. Use client case management.
5. Cultivate strategic relationships overseas.
6. Develop a web portal.

**Capacity Building**

1. Form a steering group.
2. Create a program alliance.
3. Inventory state assets.
4. Agree on basic metrics.
5. Use a business model to attract additional resources.
6. Get active with national programs.

## A FRAMEWORK FOR TRADE EDUCATION

In many places neither SMEs nor the elected leaders have given any thought to exports. They aren't aware of all the exporters in their communities or that export services are available.

Educating so many different groups may require a "war room" approach where you can view the larger landscape and capitalize on any natural vantage points, plan the outreach strategies and then track your results. There are six parts to the process. They are presented below as generalizations.

1. Create a case statement. Both leaders and SMEs will want hard information about the export potential in their area, what you expect them to do, and why it's being raised as a priority now. Prepare a page of bullet points as a "take-away" handout they can look at later, but keep it very simple (use one-liners and visuals).
2. Cultivate top officials. You will have to educate them on their turf and their terms. The worst thing would be to approach them in a crisis mode. Instead, go visit them in lull periods. Build the relationship with them and/or their staff. Try to visit several times instead of explaining everything at once, and avoid taking up time with uninvited details. Either way, it's important to keep their staff in the loop.
3. Recruit allies. Who else wants to increase SME exports? Who else is in the business of training, such as leadership development programs? Have something of a case statement in mind before you contact them one-on-one. Try to bring as many of them as possible together as a group to talk strategy. Get their buy-in by asking them about their experiences, opinions and greatest needs. Aim for a win-win partnership.
4. Orchestrate a series of educational events. Trade education has to be tailored to the knowledge and interest of the audience as well as the time available. Figure out who you need to reach, what they need to learn, options for reaching them, which allies can help with the training, and who else could be called upon to help host and market the event. Plan for repeat sessions; raise the content level if it's the same audience. Develop a way to track outcomes.
5. Build a deep bench of speakers, referrals and educational materials. Assume trade education will be an ongoing activity. Some events can be planned well in advance, but other opportunities will arrive without much warning. Be ready with educational materials to match any situation and expert volunteers who are willing to fill in at the last minute. Make it as easy as possible for those in the audience to follow up on their own.
6. Create a communications strategy. You need a routine system to communicate with your allies, update information, push out news and track success stories. Email lists, websites, newsletters, teleconferences and the occasional gathering will all be helpful.

## **A FRAMEWORK FOR TRADE FACILITATION**

The line between trade education and trade facilitation isn't clear-cut, but generally speaking the "education" activities raise awareness about export opportunities, teach SMEs how to export, and weed out those that are disinterested or unlikely to succeed. "Facilitation" takes the remaining export candidates into the global marketplace.

Any enthusiasm generated during an educational event probably won't translate into action without follow up. People naturally fall back to business as usual, where there's no time set aside to think about exporting. The first objective, then, is to keep the momentum going

Financial incentives can make a big difference to SME participation. Trade exports have long noticed that things as small as a booth discount (or booth sharing) can win over the SME who has never done anything like it before. In-kind assistance, such as free translator services, is attractive but not always as powerful an incentive. Even an offer of free technical assistance won't impress SMEs that don't understand the value of the offer, or trust the source.

The second objective, then, is to win the trust of SMEs and deliver leads and contacts they can use or at least respect. There are five parts to the process.

1. Create a shared client management system.
2. Pool overseas contacts and events.
3. Provide market research and "qualified" trade leads.
4. Cultivate strategic relationships overseas.
5. Develop a web site.

## **A FRAMEWORK FOR TRADE CAPACITY BUILDING**

The latent demand for export services is not only within potential exporters but also existing exporters that could export far more than they do.<sup>6</sup> Just as states are organizing teams and initiatives to attack other modern-day problems, such as workforce shortages, leaders need to take a comprehensive approach to export development.

There are six steps to consider in building trade capacity.

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<sup>6</sup> Roughly two-thirds of SME exporters ship to just one country. Their overwhelming choice has been Canada and Mexico, suggesting they've only put a toe into the water. Even very active SME exporters may need help breaking into a difficult new market, such as India or China.

1. Form a steering group. This small group hammers out the initial framework for a strategic plan and oversees its implementation. It also identifies key stakeholders, potential barriers and windows of opportunity. Its other duties might include taking the first cut at listing the state's international "assets" and defining *system* accountability (e.g., export benchmarks for a particular industry cluster).

The steering group should be bipartisan and institutionally diverse to avoid falling victim to ideological attack or turf wars. Of course each member should be a proponent of free and fair trade, but try to include at least one person who is in the field of workforce or community development—institutions that deal with trade losers. A core steering group might consist of representatives of:

- a. The college president
- b. A local state legislator
- c. The major trade programs
- d. State and local business organizations and individual businesses
- e. International advocates from higher education
- f. A workforce development representative

The steering group might also set up subcommittees to take on specific tasks and secure buy-in from those whose cooperation will be needed to make things work.

2. Create a program alliance. The alliance expands the task force to include all other interested stakeholders. If it is the state officials who convene and staff the alliance, "ownership" should rest elsewhere to ensure continuity through the political seasons. Diverse ownership can also help keep the initiative in the limelight and perhaps bring in more funding (e.g., from foundations, corporations and state entities focused on competitiveness, such as land grant institutions or manufacturing extension programs).

You might give the alliance an identity, a means for regular communication, and responsibility for fleshing out and vetting a strategic plan. It is probably expedient to start out with the assumption that alliance members will keep their own program identities—the alliance should be viewed as an "umbrella brand" for diverse trade programs.

3. Inventory regional assets. Each region has a wealth of international contacts and expertise, even in rural areas.<sup>7</sup> Strange as it may seem, people just don't know what's out there. Like ships passing in the night, a university may have several departments and centers with major initiatives in a particular country, each oblivious of the other. The task force or alliance should create a systematic basis for identifying assets, mapping the networks and updating the content. Even if the inventory is limited to just a few target countries, it will be useful in future program planning and in writing

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<sup>7</sup> In rural Northeast Arkansas, area business leaders named fewer than five firms that exported. They were surprised to learn later that their 10-county region had more than 80 exporters. Moreover, no more than a dozen were located in Jonesboro, the central city.

grant proposals. The inventory can also be an educational tool for raising public awareness and providing the media with contacts for stories.

Mapping should try to identify every single thing you can put in your arsenal, even those things that are tangential to trade development (see Table 3).

4. Agree on basic metrics. Most trade programs must document results but there aren't any good measures of interim progress...and it can be several years before a novice firm makes a significant export sale.<sup>8</sup> Moreover, a sales figure by itself tells you little about a new exporter's ability to sustain and grow exports. An export sale can even be a bad outcome.<sup>9</sup> There's a second problem in measuring program performance: uncontrollable factors can strongly affect the outcomes, such as a change in the exchange rate, shipping options, geopolitics, or company ownership.

Table 3  
EXAMPLES OF INTERNATIONAL ASSETS

Business Development Programs

- Trade and small business assistance
- International recruitment (for investment, tourism, skilled workers, students, etc.)
- Industrial and agricultural modernization (e.g., university extension services)
- Entities promoting technology, innovation, commercialization, entrepreneurship
- Community college initiatives
- Regulatory entities (e.g., Office of the Secretary of State, ISO certifiers)

Firms, Professional Associations and NGOs

- Existing exporters, foreign investors and international contract firms
- Intermediate exporters (manufacturing & service subcontractors, brokers)
- Emerging industries or clusters (including high-value services)
- Regional economic development organizations
- Groups advocating international education and exchange
- Foreign business associations (e.g., state-India Business Councils)

Infrastructure

- Transportation (e.g., shipping lines, cranes, non-stop international air service)
- Research universities
- Highly specialized business services (e.g., IP lawyers, supply chain managers)

People

- Former residents now in influential positions

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<sup>8</sup> New exporters often require up to three years' worth of constant cajoling, teaching, referring and hand-holding before they master the export process and make their first big export sale. Even then, businesses are loathe to report their sales.

<sup>9</sup> It's a common mistake for exporters to under-price their goods or lock themselves into unbreakable contracts with non-performing agents and distributors.

- Current residents with deep international expertise (e.g., business people, former Peace Corps members, retired Foreign Service Officers, etc.)
- Foreign alumni, consulates
- People-to-people programs (e.g., Sister Cities, International Visitor Councils)
- Media representatives with an interest in or experience with international topics
- Immigrant communities (location and level of home country connections)

#### Emerging Opportunities

- Shifts in state or local budgets & politics
- Foundations hospitable to export development or “trade & aid” projects
- Federal grant programs, especially new ones for international education and connections with politically sensitive regions of the world
- Universities pressured to support local economic development
- Growing interest in collaboration across political jurisdictions
- College students graduating with far more international experience than before

5. Use a business model to attract more resources. Try to get some “early stage capital” to attract partners, additional donors and leadership attention. Foundations, corporate donors and the North Carolina Rural Center are some examples.
  6. Get active with national programs. You are not the first (or last) to tackle this issue. There are many examples out there of community colleges going global. The NCCCS and World View will help, but also consider even national groups such as American Association of Community Colleges, NAFSA, and the U.S. Chamber of Commerce.
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