State Export Promotion and Small Business

FINAL REPORT

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Principal Investigator:
Charles Cadwell

The points of view stated in this report are those of the author and do not necessarily represent positions and policies of the U.S. Small Business Administration.
Acknowledgments

The author wishes to thank the National Association of State Development Agencies for access to early drafts of its 1990 State Export Program Directory. This access allowed us to begin our discussions with state officials with a high level of knowledge of the particulars of state programs. It is important to remind readers however, that any errors in describing state programs are not NASDA’s.

I also wish to thank the many state export officials who willingly spoke with us at length about what works and what doesn’t, and about why this is so. Their willingness to go beyond "success stories" was essential to our understanding of what goes into state export promotion and what emerges. The conclusions are nonetheless my own, as are the recommendations.

Marcia Bradford and Todd McCracken, of NSBU provided invaluable assistance in talking with state officials and small business owners, as did Christopher Brescia, President of Brescia & Associates and former director of the Maryland World Trade Center Institute. Finally the outline of appropriate themes, focus and special areas to consider were important contributions by John Galles, Executive Vice President of NSBU. Informal advice in the same vein came from Frank Swain of the law firm of Baker & Daniels.

The participants and panelists in the Export Promotion workshop at the Office of Advocacy’s November 1990 State and Local conference in Atlanta, Georgia also provided important examples and focus for the investigation early in the effort.

Notwithstanding these important contributions, any errors are the responsibility of the author.

Charles Cadwell
College Park, Md.
February 1992
State Export Promotion and Small Business

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State Export Promotion and Small Business

Executive Summary

Every state government has an export promotion program. These programs may be a resource for small firms looking to export more. This study examined whether such programs can be effective for small business. To achieve this, the programs of nine states were examined. The states were selected in consultation with the SBA and reflect a mix of programs, state size and export activity. The study did not attempt to rank the export promotion success of the nine states.

The nine states were California, Colorado, Illinois, Maryland, Michigan, Nebraska, New York, Rhode Island and Texas. In each state program officials and a small group of small business owners were interviewed about three topics:

1. What goals do states have for small business export programs, and how are these articulated?

2. What are the most effective ways of achieving these goals?

3. How do state assess whether they are succeeding?

A. Findings and Conclusions

1. State Goals:

States have very ambitious and broad goals for export promotion. Those goals set by legislatures tend to have multiple objectives which leave decisions on how to allocate scarce resources to program managers. The legislative directions are more in the nature of licenses than mandates or limitations. At the same time, those goals which are set by program managers tend to target levels of trade promotion activity more than export sales results.

Only a small number of firms (about 3600) export more than 250 shipments a year. Fully 78 percent of the 104,000 US exporters export less than $250,000 per year, averaging only six shipments/year with an average value of $43,000. These "infrequent" exporters are also the smaller firms. This stratification of export capability and activity suggests dramatically different assistance needs among exporters and potential exporters. State programs goals tend not to take explicit
account of this. Designing, marketing and measuring assistance to the smallest exporter is a different task from developing assistance for firms who have never exported at all or for the firm that exports, but only to a narrow market.

Most state program officials acknowledge that the ultimate measure of their success is export sales. Efforts to introduce new firms to exporting or to reach the very smallest exporters are not likely to be the shortest route to this goal. In Illinois, recent instructions to staff have acknowledged the trade-off between overall export volume and increasing the participation with the smallest firms.

Beyond the stated goals, there are a series of characteristics which suggest goals that are implicit in the way states run their programs. First among these is an emphasis on existing exporters. Most state programs are provided free of charge. States depend on a network of other governmental and private entities for cooperation in marketing and delivering export assistance, particularly as they attempt to serve locations away from capital cities. It is less common, however, for these relationships to extend to formal contracting out. Instead, the state offices and local organizations will share responsibilities for a broad package of services.

2. Successful programs

Taking into account the different levels of resources and goals among the states, there are some generalizations about what program managers believe works best.

One-on-one counselling is seen as most helpful, even though officials in several states acknowledge that it is beyond their resource capability. Admittedly expensive, both overall and per firm, this assistance is provided without clear standards for rationing this benefit.

Publicity and export exhortation were seen as an important state function and a cost effective way of exposing large numbers of people to the idea of exporting. Related conferences and seminars serve to promote the states' services, educate exporters and also to winnow individuals interested in more expensive, intensive counselling.

3. Measuring Results

As hardworking and professional as the staff of export promotion programs may be, there is a widespread absence of measurement of outcomes. While every state measures activity, systematic review of the impact of that activity does not occur. Not only is it impossible to relate state export promotion activity to overall state exports, it is not possible to relate state export promotion activity to exports by those very firms which have been helped. Where there have been attempts to
measure outcomes, they have been very loosely fashioned, aimed at producing politically useful indicators of satisfaction with the program, but not at focussing future efforts on particular types of assistance or determining relative outcomes per state dollar expended. One exception is an Urban Institute Report prepared for the State of Illinois. A 1990 publication, Monitoring Economic Development Performance, also by the Urban Institute, is an excellent starting point for states interested in improvement in this area.

B. Recommendations:

1. State legislatures should establish explicit goals for export promotion programs and they should distinguish between the goals of their export programs.

   - Goals for programs aimed at increasing the number of small business exporters should be stated in terms of the number of firms. This type of goal will focus on longer term export capability of a broader number of firms.

   - Goals for programs aimed at increasing the dollar value of exports ought to focus on existing but infrequent exporters. This goal will focus on shorter term results.

2. Program managers should be clear about the limitations of export assistance and avoid overambitious promises of dramatic economic impact from a state export assistance effort.

3. Once states distinguish their hortatory mission from the assistance mandate, they should allocate resources explicitly.

4. States should implement fees for services.

   - Intensive counselling programs, such as Maryland’s, should be provided on a commission basis.

   - Seminars and training should have modest participation fees.

5. States should articulate the comparative advantage of various state supported export assistance providers and increase coordination and joint publicity about resources.

6. The bi-annual National Association of State Development Agency (NASDA) survey of states should be modified to ask states to identify goals for which they actually measure progress, how they measure that progress and what use is made of the information.
7. States should identify specific feedback mechanisms for export promotion activity that would evaluate the effectiveness of specific programs. These mechanisms could include: user surveys, frequent review of budgets and targets for specific activities and staff against results.

8. States should survey users both at the time of assistance and after some time period, perhaps a year.

- User surveys should ask users to identify not only whether a service was useful, but how it was useful or why it was not.

- User surveys should ask specific facts such as the number of leads, number and value of sales, rather than projections about future sales or jobs, judgements which the individual respondent may be quite unqualified to make on behalf of the firm.
State Export Promotion and Small Business

INTRODUCTION

Small firms have provided significant contributions to the strength of the U.S. economy. The research program of the Small Business Administration has documented the domestic contribution of small firms in the areas of employment growth, innovation, efficient use of "slack" resources and others.¹ This contribution is widely recognized. The contribution of small firms to exports is less well documented.² As markets become increasingly international³, small firms will need to increase their participation in international transactions in order to maintain their share of gross national product.


The Federal government and many states have concluded that one important way for small firms to participate in international markets is for firms to directly export their goods and services.\textsuperscript{4} To promote direct participation in export markets every state and several Federal agencies have programs targeted to small firms.\textsuperscript{5}

The question this study examines is, "Do state export promotion programs work effectively for small business?" That question sums up a host of assumptions and poses many more questions, but is a good starting point for that very reason.

Deciding whether state export promotion works for small business assumes that states have thought clearly about what it is they want to promote. It assumes that states know what they hope to achieve with that promotion. It assumes that states can tell if they have accomplished their goals.

Why are these questions important? First, legislators, program managers, small business advocates and taxpayers ought to be able to make informed decisions about whether the particular program is worthwhile given its costs and results. A related question is whether the program can be run better, more effectively or whether a different mix of programs would be better. Finally, we should be able make informed judgements about whether export promotion is worthwhile relative to other state priorities.

\textsuperscript{4} As much as 50\% of small business exports are probably made indirectly, that is through sales to larger manufacturers or wholesalers. Jack Faucett Associates, "Small Business Exports of Manufactured Products, 1985," prepared for the U.S. Small Business Administration, Contract No. SBA-2066-AER-87, 1988.

\textsuperscript{5} For a summary of these programs see the Exporters Guide to Federal Resources published in 1988 and 1990 by the Small Business Administration and the State Export Program Directory published in 1990 by the National Association of State Development Agencies, hereinafter "1990 SEPD." For details of government and private sources of practical assistance see Exportise, published by the Small Business Foundation of America, Washington, D.C. 1990.
Whether state export promotion works depends on what states think they are buying. Are they seeking to increase the number of exporters? Is the target simply to increase the volume of exports? Are exports from a particular industry, region or size of firm the target?

What does export promotion cost? Budget expenditures are certainly one measure, but a measure that ignores opportunity costs for scarce state economic development dollars or alternative uses of taxpayer funds. Other costs incurred by other export promotion entities which cooperate with the state and costs incurred by the assisted firms themselves would be relevant to an answer as well.

To approach this issue, this study asks three questions:

What goals do states have for small business export programs and how are these articulated?

What are the most effective ways of achieving these goals?

How do states assess whether they are succeeding?

The purpose of this study was not to catalogue state programs or to determine which state programs should be a model for the other states. Instead, the three questions stemmed from an observation that while states have a wide variety of programs, the emphasis in program focus varies from state to state. At the same time that state government attention paid to export promotion has increased, no clear consensus has developed among the states as to which programs work best. Individual managers of state programs are very proud of their effort and achievement, yet no "model" program emerges from the crowd. The activities of states cover a wide range — from exhorting

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6 Legislators certainly balance export and other programs against each other, but this is done without detailed information on program impact — about export promotion or many other programs.
or encouraging export activity to very direct involvement in assisting individual firms with specific transactions.

Similarly, the review at the Federal level as to the appropriate role for Federal agencies reflects a desire to reexamine the purpose of export promotion activity. While this study has not examined the rationale for Federal efforts or their performance, the recommendations here may be of interest and relevance to Federal program managers as well.

It was further hypothesized that general economic development goals often fail to be translated into clearly focused goals for export promotion programs, leading to unfocussed marketing of the programs and a failure or inability to measure results. One outcome of this loose coordination would be that state expenditures for small business export promotion may produce relatively less economic development than alternative development activities. Another would be that export promotion "feels good" but exists primarily as a political expression of interest in trade or economic development.

This study looked at nine states to develop a more informed view of the key components of successful state export promotion for small firms.

Methodology

This report is based on in-depth interviews with officials and constituents of export programs in nine states. Given time and budget constraints we have not attempted to examine the programs of all 50 states, or indeed all of the programs of the

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7 A lengthy strategic review conducted by the U.S. Department of Commerce since 1989 has added considerably to the level of attention and thought given this topic in Washington. The implications of the review for conduct of the Federal export promotion effort are still being developed as various recommendations of the study are implemented.
nine states. Instead, in consultation with the SBA, states were selected to include a spread of sizes, geographic location and types of program.

The states selected and their export and export promotion activity and rank are below. Since the time when this information was collected by the National Association of State Development Agencies (NASDA), the trade promotion expenditure figures for 1991 have changed dramatically in several states, including Michigan, Maryland, Illinois and Rhode Island.

State Exports and Trade Promotion Spending - 1990

<table>
<thead>
<tr>
<th>State</th>
<th>Export $$1990 ($000's)</th>
<th>Export Rank</th>
<th>State Trade Promotion Expenditures 1990</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>58,430,444</td>
<td>1</td>
<td>$8,195,490</td>
</tr>
<tr>
<td>Texas</td>
<td>41,354,665</td>
<td>2</td>
<td>$404,679</td>
</tr>
<tr>
<td>New York</td>
<td>31,376,190</td>
<td>3</td>
<td>$3,420,000</td>
</tr>
<tr>
<td>Michigan</td>
<td>20,919,427</td>
<td>5</td>
<td>$4,043,320</td>
</tr>
<tr>
<td>Illinois</td>
<td>15,696,729</td>
<td>9</td>
<td>$4,839,600</td>
</tr>
<tr>
<td>Maryland</td>
<td>3,215,876</td>
<td>28</td>
<td>$2,500,000</td>
</tr>
<tr>
<td>Colorado</td>
<td>2,674,405</td>
<td>30</td>
<td>$755,806</td>
</tr>
<tr>
<td>Nebraska</td>
<td>867,586</td>
<td>42</td>
<td>$60,000</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>756,213</td>
<td>43</td>
<td>$375,000</td>
</tr>
</tbody>
</table>

Within each state we focussed on programs that were either targeted to small firms or, if there were not any such programs, on those which were said to be of most

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8 Data on state export activity and rank provided by the Massachusetts Institute of Social and Economic Research (MISER), University of Massachusetts at Amherst, unpublished table, August 1991. Data on state trade development budgets is from the 1990 State Export Program Directory. Figures include finance programs where they are a part of the state export promotion effort but do not include state expenditures for inward investment promotion or tourism development. As is noted in the text, several states have cut budgets dramatically since the date of this table. In Maryland, for example, at the end of September 1991 Governor Schaefer announced 7.7% cuts in funds for the Maryland International Division. In Michigan cuts announced represent a 40% reduction.
benefit to small firms. In addition, information from meetings and interviews in many other states contributed to the formulation of questions and to the focus on the issues discussed. The states selected were not singled out because they are the "best" or the "worst." To the extent that this report is critical of the administration of state export promotion programs, these states do not stand apart from most of their neighbors. For that matter, as was commented by several state officials, these export programs probably are not that different in their strengths and weaknesses from many other non-export economic development programs. The export "success stories" one can gather about state export promotion efforts are as likely to come from these states as from any other.

Our task was not, however, to simply collect success stories. Each state has examples of success. In each of the nine states, we identified key program officials through the NASDA State Export Promotion Directory and from the personal contacts of the investigators. We focussed on those individuals responsible for programs serving small firms.

Another judgement made early on was not to attempt to evaluate state export finance programs. Only 15 states have operational programs. Further, the programs tend to be managed in different bureaucracies and in a different fashion than export promotion programs. For example, the California Export Finance Office has its own board of directors, it own offices and its own measurement system. The nature of its activity - lending to support exports -- carries a reporting and monitoring regime to which both exporters and lenders are accustomed from their non-export activity. The

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9 These can generally be found in newsletters, budget submissions, press releases or nominations for Department of Commerce "E" Awards.

10 We have not attempted to make any conclusions about the relative efficacy of export programs serving larger, established exporters compared to those serving smaller exporters. The lack of data on program effectiveness, as well as the high degree of cross over in those states where there are dual programs, would make this a difficult exercise.

difficulties in knowing whether the finance programs are working are different from those with the export promotion efforts. Managers of export finance programs have very direct measures of their success. Actual sales are financed at known costs to the state in cash outlays or guarantees. On the other hand, there are no widely accepted measures for evaluating non-financial assistance. Both types of assistance are alike in that it is difficult to know what level of activity would have occurred even without the state assistance.

Finally, firms actually receive the benefit of state export finance programs only if they actually have an export sale. Non-finance export assistance is provided in advance of a sale.

In-person or telephone interviews were conducted during the period of October 1990 to August 1991. Interviews focussed on three areas:

Program design and goals.
Marketing and Outreach.
Results.

A set of specific topics in these three areas served as the basis for interviews, but it soon became clear that the level of detail hoped for was not generally available to the program officials. This finding itself confirmed one of the premises of the study, namely that specific goals and program measures are not widely used.

In each state, if the program director was not available, other officials were interviewed. We requested copies of relevant documents in all cases. It should be noted that we did not attempt to audit the records of any export promotion office. Thus we

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12 Managers of export finance programs have very direct measures of their success. Actual sales are financed at known costs to the state in cash outlays or guarantees. On the other hand, there are no widely accepted measures for evaluating non-financial assistance. Both types of assistance are alike in that it is difficult to know what level of activity would have occurred even without the state assistance.

13 Elections in November 1990 resulted in changes in many state programs. We have attempted to re-interview officials where appropriate. Generally, decisions about any changes in programs have not yet been fully implemented by new Administrations. Anecdotal evidence from several states suggest that state export programs are taking their share of cuts as states face reduced resources.
have taken those facts which have been provided by export promotion officials as accurate with respect to what they represent.  

To obtain some outside view of the state programs, in each state we requested names of users of the state program and conducted interviews with them — or in states where no users names were provided we independently contacted a small sample of business owners identified with help from the membership of NSBU or the other extensive small business contacts of the investigators. These calls do not form any scientific poll of users and the results are consequently not tabulated. The primary purpose of these interviews was to verify impressions and check selected facts.  

The discussion of our conclusions is organized by topic, rather than by state. This organization flows from our focus, not on overall evaluation of individual states, but rather on those aspects of state programs which contribute or detract from service to small firms. Based on our observations in these nine states and interviews with selected

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14 A 1989 report by the Illinois Auditor General found that 31% of firms reported by the International Business Division as having received assistance, did not in fact recollect receiving any help. As the 1989 report noted, the persons qualified to respond to these followup questions may have been unavailable for a variety of reasons, making the impact of programs seem less appreciated than may in fact be the case. The Auditor General’s report acknowledges that overall client satisfaction is high and the clients feel that state services have contributed to export activity. As the state’s contractor noted, this is not the sole question. The issue is not simply whether, but also how much, of a difference the state program has made. Cronson, Robert C., Management and Program Audit of the Department of Commerce and Community Affairs Economic Development Programs, July 1989, based on a report by Blaine Liner, Thomas Singer and Harry Hatry of the Urban Institute, "International Business Development and Marketing In Illinois, A Report to the Illinois Office of the Auditor General," February 15, 1989. Steps taken since the 1989 report may have altered this situation in Illinois. The Illinois report is discussed in detail in Section C.3.c., below.

15 A recent report by the Urban Institute on Monitoring Economic Development Performance (1990) provides an excellent outline of ways to utilize user interviews for systematic measurement of results.
officials in other states, as well as private sector providers of export services, we present a series of recommendations in Section D.

During the period of the research two external developments have caused us to re-visit issues covered early on. One was the 1990 state elections, which brought in new cabinets in several states with accompanying re-emphasis on the nature and level of export promotion. This topic is covered in the discussion of program goals, below. The second development is the budget crisis facing many states in the summer of 1991 which has brought many export promotion efforts to a virtual halt. The implications of this are discussed in section C.

It is clear that there is much more that can be done to completely understand the development of export promotion policy in each of the states we examined. We have not examined in detail the impact of the appropriation process on the structure of state export promotion, nor the impact of state personnel systems, both for the hiring and promotion of staff involved in export promotion. Inquiry in both areas would add considerably to an explanation for state export promotion activity.

C. Findings and Discussion

The information gathered from states and from small business owners is summarized in state-by-state summaries at the end of this report. Information in this appendix will be referred to in the course of the discussion which follows, but no detailed repetition of this material is offered here.

Export promotion is, in every state, a part of a much wider set of economic development programs. The successes and difficulties which will be discussed in this report are not unique in nature to state export promotion programs. The processes and incentives which give rise to economic development programs contribute to their strengths and their weaknesses. We suspect that the recommendations contained in
section E would need only slight modification to be applied to a wide array of other economic development programs.

The most thorough work to date on measurement of impact of export promotion programs has been done by the Urban Institute as a part of a wider effort with three states - Illinois, Maryland and Minnesota - to examine economic development more generally. The report which resulted from this effort became available to the authors of this study as work was concluded. Its findings and conclusions are generally consistent.

1. Goals for State Assistance to Small Business Exporters

In looking at what goals states have for export promotion, we looked at goals set by legislatures, governors and others external to the export promotion office and at those that are set internally. An understanding of the size and shape of the target market of exporters will be a helpful preface to that discussion.

a. Frequent, Infrequent and New-to-export Exporters

There were about 104,000 firms engaged in direct exporting in 1987 according to calculations by the Exporter magazine using Census data. About 78% of those firms are small, with export sales of less than $250,000 per year. These small exporters average only $43,000 in export sales and average just six shipments per year. The total value of their exports combined amounts to 2% of U.S. exports. On the other hand,

16 ibid

17 Unpublished tables provided by The Exporter magazine, Leslie Stroh, publisher. The Exporter uses Census data and stratifies records by frequency of shipment and size of firm.

18 This data does not capture the "indirect" exports – those products provided by small or large firms to other firms who then export the finished products.
there are only about 3600 firms with more than two hundred and fifty shipments a year; they account for about 78% of export sales value.

There is apparently a fairly direct correlation between frequency of export and size of firm — meaning that the smallest firms export less frequently. The implications of this data are several.

State efforts that focus on the smallest firms will result in states working with firms for whom exporting is an exceptional activity. Given the much smaller proportion of overall export value represented by these firms, it would not be reasonable to expect this assistance to produce dramatic increases in the state's overall export volume, even if the exports of individual firms increase dramatically. On the other hand, increasing the export "awareness" of these smallest firms may have longer term impact. It may translate into greater capability to produce goods or services which are used and exported by other firms. In addition, as transactions costs of exporting fall with increased automation and greater use of international product and commercial standards, small firms for whom exporting is not currently cost effective will find new opportunities in overseas markets. Finally, the possibility that even the smallest firms can expand dramatically may warrant the state's effort to insure that a large number of small firms have considered exporting in a serious fashion.

States that choose an alternative target, such as increased overall exports, will likely focus on a smaller number of larger firms with greater existing export capability and greater capability to respond to opportunities. Given that there are only about 20,000 firms in the country that currently export more than $250,000 a year,\(^9\) the design and marketing of a program aimed at producing short term increases in export volume must target a different group of firms.

\(^9\) ibid.
Many state program officials refer to "new-to-export" companies as a target for a part of their activity. What the Exporter magazine analysis shows is that there is an existing market of some 70,000 firms that export only about six times a year and are in many respects "new-to-export" each time a transaction comes up. We found individuals in state export offices to be generally aware of the relationship of size and export frequency, but formal design of programs does not usually reflect clear action based on choices about the different markets.

These numbers highlight the different roles a state may play. To encourage non-exporters to consider exporting is indeed missionary work. Many speeches, seminars, workshops must be marketed to an audience, within which there are many who may attend once and decide that exporting is not for them. The level and content of that session is likely to be different than would be a program to help someone who exports once in a while. At the same time, someone exporting as infrequently as once a month will have staff capability that is different than the firm with more frequent export activity, say fifty shipments a year. In the case of firms that export sometimes, the firms' needs are less likely to call for an hortatory role for the state than they are for transaction assistance from some source, perhaps from the state.

b. Externally Generated Goals.

Both legislatures and governors have an interest in export promotion. Seven of the nine state export programs we examined had a legislative basis. In addition, in nearly every state the governor or lieutenant governor has taken a personal role in establishing the export promotion function and/or in carrying out a part of its mission. Export promotion is popular with leaders of both leading political parties.

There is a conviction that runs throughout legislative preambles and reports to legislatures that the incremental impact of state export promotion efforts is worth the effort. This conviction has been summarized in the introduction to NASDA's 1990 State
Export Promotion Directory which asserts that, [N]o one doubts the value of trade development anymore..."20

In the belief that something is worth doing, every state and the District of Columbia has some level of export promotion activity. Translating this general urge into specific steps requires direction and resources. To discover the nature of this direction we looked at the authorizing legislation for the state programs examined here.21

Although the statutes generally refer to activities in which the offices "shall" engage, the reality is that the mandates are so broad as to force program managers to make choices; all do. In other words, the statutes operate as licenses rather than as limitations or mandates. In Texas the statute directs eighteen different activities, the Maryland statute fifteen. These mandated activities include conducting research on various topics, providing counselling, cooperating with other governmental providers of export assistance, participating in trade shows and missions and encouraging activity by private sector groups.

At the same time, the level of resources devoted to these efforts is relatively modest. In Texas, the state with the second highest level of export activity in the nation, six professionals handle the domestic aspects of export promotion and 7 professionals in overseas offices devote 1/3 of their time to trade development.22 Maryland, a state

20 1990 SEPD, p.5. It is rare for states to acknowledge, in establishing export promotion programs, that the total impact of the program is likely to be dwarfed by impacts on trade caused by changes in the value of the dollar, tariffs, quotas and non-tariff barriers. One exception is found in the charter for the California World Trade Commission (WTC); it recognizes that there are other influences on the ability of firms to export, factors additional to their access to trade promotion services. Consequently the charter directs the WTC to participate in trade policy debates.

21 No state program manager referred to the state statute or the legislature as the source of actual program focus or priority setting.

22 1990 SEPD.
with one-tenth the level of export activity, has the same number of professionals
assigned to the task.\textsuperscript{23}

Differences such as these reflect widely varying functions for the offices. The
difference in resources does not necessarily indicate that members of the Texas staff, to
continue the example, are working more diligently than their Maryland colleagues;
rather that they are doing very different things.\textsuperscript{24}

The result of legislative provision of very wide mandates and narrow resources
is that responsibility for deciding on the content of the state's export promotion falls on
program managers. To put it more accurately, many program managers are left to decide
what type of programs the state can afford. In Colorado, for example, the location of the
program within the Governor's executive office may result in a program more insulated
from legislative interference and priority setting. In California and Maryland an outside
advisory board was created to make recommendations on program direction and focus.
The California World Trade Commission (WTC) has fifteen eminent members drawn
from industry, academia and the financial services sector. The Council apparently serves
mainly as an advisory panel, reacting to presentation by staff. Once a year calendars for
the marketing staff are approved. The WTC meets 3-4 times a year. The Maryland
advisory panel is similarly consulted only in an informal fashion. The annual goals for
the program and the staff are set internally.

\textsuperscript{23} ibid.

\textsuperscript{24} Texas staff lightly oversees the Export Assistance Center Program and refers callers
to other sources of assistance, including both Federal and local providers. Maryland
staff, on the other hand, provides, \textit{inter alia}, intensive one-one-one counselling with
clients over an extended period.
c. Internally Generated Goals

When there is little effective guidance from outside, program managers themselves provide the guidance which exists. In many of the states, the staff takes its lead from the individuals in charge of the program or the cabinet member with oversight. When these individuals leave or are replaced, the focus of the office's activities may drift. When a new manager arrives the priorities change. Personnel changes in Rhode Island and Michigan, along with budget changes, are examples where state programs have been interrupted or dramatically modified due, in part, to this dependence on internally generated goals.

In Maryland, an annual Office of International Trade "Marketing Plan" spells out context, goals, strategies and measurement. Putting aside the issue of measurement, the Maryland statement makes it very clear what choices have been made from among the list of fifteen statutorily-authorized activities. In Maryland in 1991, according to the nine page plan, each marketing trade specialist will be on the road at least two days a week, the office will have helped 150 firms launch major export initiatives, the office will work with 75 firms at trade shows and 300 in catalogue events. The plan goes on to specify other levels of activity as well. This Marketing Plan is the most specific we identified and leaves little question for staff members as to how their efforts should be directed.  

Interestingly, the annual goals in Maryland are not stated in terms of export sales dollars, although the five year plan for the office is to increase state exports by 10% more

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25 As this report was being completed there was significant staff turnover at the top of the Maryland International Division. Whether the annual marketing plan serves the suggested steadying purpose will be seen in the next months. At the same time, press reports preview a legislative audit of the Maryland International Division (MID) finding that the trade office failed to keep track of its accomplishments, exaggerated jobs and investment flowing from trade missions and failed to control expenses of staff. The MID has not yet responded to the audit. "Audit Criticizes State's Foreign Trade Agency," Baltimore Sun, October 4, 1991, p.B1.
than the national average. Instead of sales, officials in the Maryland International Division refer to successes as "breakthroughs." These are any success that represents a significant step in opening a market - a joint venture agreement, signing an agent, or an outright sale.

In Texas, where the bulk of the actual assistance is provided through State Export Assistance Centers (EAC's), the nature of the relationship is such that individual EAC's necessarily set their own goals. Individual EAC's receive no funding from the Office of International Trade and are designated EAC's after simply procuring a straightforward export library, agreeing to utilize the state's on-line database and devoting a staff member to the program. The direction for individual centers derives from their sponsoring organizations - in San Antonio the Chamber of Commerce and the Small Business Development Center (SBDC) in partnership, elsewhere from an SBDC.

The Port Authority of New York and New Jersey operates a different sort of program. Its trade assistance arm, XPORT, is a trading company representing area firms on a commercial basis. Unlike general state programs, XPORT is a part of a public corporation designed to be self-sustaining. Its legislation is very general, but its annual plan is very specific. One third of XPORT's operating expenses come from commissions charged to clients. The other two-thirds come from port user fees. A general expectation that the proportion of expenses covered by fees not decline serves to clarify the goals of the organization.

In its annual update of a five-year business plan, XPORT sets both export sales goals and outreach goals. Monthly reports to the Port Authority Director in charge of this area include sales figures for client firms.
d. The directions that have been taken - implicit goals,

The mixture of very broad goals, broad discretion and little formal target-setting does not mean that state export promotion managers have failed to make choices about how to proceed. In most cases, program managers have made rational decisions in the face of their individual situations. The specific choices will be discussed in the discussion of "what works," in section C.2. and are described in the Appendix. However, there are several points worth noting which suggest that states have goals which are not set formally, but are implicit in their actions.

i. Emphasis on existing exporters

Every state provides services to new exporters or non-exporters. Seminars, conferences, "how-to" publications all provide introduction for firms not experienced in exporting. However, the emphasis of program managers and the focus of staff effort, is on helping firms that export infrequently to export more. In Illinois, there is an explicit division of responsibility between the state International Business Division (IBD) of the Department of Commerce and Community Affairs (DCCA) and the DCCA-hosted SBDC international trade office. Clients are handed between these offices and the functions of the two offices differ given their different clientele. The SBDC spends more time on basic training, identifying market opportunities and evaluating export capability. The IBD focusses on trade shows and missions for firms with an established commitment to exporting. At the same time, the majority of the IBD's clients are small businesses. In late 1991, steps to further integrate the operations of the office are apparently underway. As in other states, both offices have extensive interaction with other state, Federal and private trade organizations.

A less open attitude toward new-to-export firms was found in Michigan, where some staff displayed an attitude that new-to-export firms were not worth the time of
state trade officials, that these could be left to SBDC's and the now-defunct Community Export Alliance centers, which are and were, respectively, funded in part by the state.

The emphasis on increasing the export activity of infrequent exporters reflects a desire for documented successes, at the same time that the measurement of that success is not systematic. Program managers, reflecting their experience counselling both new-to-export firms and more experienced exporters, generally chose to work with firms which are more likely to act on their advice, more likely to act successfully and more likely to develop into frequent exporters. The counselling time needed to explain the entire export process to a firm is considerably greater than that needed to help a firm get prepared for a tradeshow. The time from idea to export sale is likely to be considerably shorter for the existing, but infrequent exporter.

At the same time, this focus on infrequent exporters should have significant implications for the marketing of state programs. As was noted earlier, the number of firms that export, albeit infrequently, is about 104,000 nationwide. Identifying those firms and assisting them is a different task than searching out the large number of non-exporters who might nonetheless be willing to consider exporting.

Reaching those who have had some level of export activity will involve different mailing lists, a different mix of services, and should involve a different approach to fees. At the same time, the provision of services to new-to-export firms is certainly a goal that states can legitimately set for themselves. Most states have included new-to-export firms within their constituency and treat the services provided for them (conferences, seminars, publications, hot lines) as both a general training effort and as screening mechanism for more intensive or advanced services. In Maryland, the Annual Marketing Plan provides specific targets for "export awareness" activities.

In Illinois, new targets being established for the fiscal year beginning in June 1992 will acknowledge the trade off between new exporters and export volume. The
International Business Division will have targets in both dollar terms and in the proportion of new firms that are in the client base. The dollar number is being consciously adjusted downward to reflect the value attached to increasing the number of exporters.

The XPORT activity of the Port Authority of New York and New Jersey similarly contains explicit sales goals, but in recognition of the quasi-public status of the agency, officials expect each staff member to spend a portion of their effort working with other trade assistance groups and with counselling of firms who are not yet ready to become full-fledged clients of XPORT. Program officials were quite clear about the dual role inherent in their public status -- as "missionaries" for exporting and as very practical, bottom-line, providers of commercially valuable assistance.

ii. Free rather than fee services

Most state export assistance is free. That is, there is no charge by the state to the exporter. While some of the most general assistance such as seminars will often have a small fee, the most focussed individual assistance is most often free. Using any state program obviously requires an investment of time by the firms being assisted, and in the case of trade shows and missions, require expenditure of travel and other funds by the firms. Nonetheless, the services of the state, in nearly every instance, are free.

Counselling in Maryland is extensive. Relationships may last as long as 18 months. The staff of eight works with as few as 300 firms per year. The services of experienced trade counselors are provided without charge. In Illinois, exporters must pay for booths at trade shows and their own travel (until late 1991 the state would subsidize booth fees up to $2000) but the services of the counsellor who will help arrange the entire trip and related meetings, translations, etc. are free.
It is a rare program that carries any charge. In New York, the Export Marketing Assistance Service is one exception. Under this program, firms receive access to a wide range of state services, but must demonstrate a commitment to exporting. One measure of this commitment is the payment of $100 fee. In 1989, ninety-nine firms participated in this program.

The XPORT program of the Port Authority of New York and New Jersey charges a commission on invoiced sales. The level of this commission is negotiated and made a part of the representation contract. In addition, as in most states, clients bear their own costs for trade shows, sending product samples and the like.

Finally, although not examined in detail here, state export finance programs charge fees – interest -- although the implicit or explicit subsidy in the state finance programs might allow one to argue that this "fee" is one that has a net financial benefit to the exporter.

iii. Reliance on Other Organizations

Every state depends on other organizations for a significant part of its export promotion program. Legislators, recognizing that the programs they have established will not operate in a vacuum, have made explicit provision for cooperation with other groups. The Texas statute is an example. On the other hand, the lack of resources and overlapping mandates have been a more powerful incentive than the legislative direction for state offices to coordinate and cooperate with other organizations.

26 Unlike commercial export trading companies, XPORT does not take title to the goods it handles. In this respect, it resembles an export management company. The commission levels average 7.5%.
The U.S. Department of Commerce district offices, Small Business Development Centers, local trade associations and chambers of commerce, world trade centers and SBA offices were all mentioned frequently by both program officials and small business users of trade assistance. The extent of this dependence is not measured in precise terms, except perhaps in Illinois where the International Business Division reports that it has formal programmatic overview of trade activities of its sibling agency the SBDC.27

The cooperation between state export offices and non-state organizations is driven by budget considerations but also reflects conscious, if very general, decisions by both the states and the groups about relative capability. Groups with membership, local presence and their own agendas all can serve to enhance some aspect of the state's program. For example, promotion of trade events in association newsletters gives the states more exposure and gives the association an easy way to provide its members with information regarding trade. Providing speakers from the state for local chamber trade events provides exposure to a large number of local businesses without the state having to organize the event.

In states with small export budgets, this relationship is crucial. In Nebraska the sole export promotion professional has in fact focused her efforts beyond simply working with outside groups. Her new emphasis is on training local chambers and others to perform the functions that her office has traditionally carried on - acting as a clearinghouse and first source for a wide range of exporters, directing firms to the appropriate source for answers and/or assistance. In Rhode Island, as the state's only professional vacated the position, a hiatus of some months has been filled on an ad hoc basis by the local Department of Commerce office.

27 This relationship is new, no documents or reports describing the nature of the overview, or other aspects of the relationship are currently available.
While California emphasizes its relationship with more than 25 marketing partners, the greater relative capability of the marketing partners in that state means that the state’s role is less crucial to the export efforts of the local groups, the San Francisco World Trade Council for example. The local organizations each have their own programs and priorities and will help market state trade missions, but do not depend on the state for direction or resources.

In Texas, the seventeen Export Assistance Centers (EAC’s) look to the state for its trade lead database, but not much more. For trade expertise they turn more often to the U.S. Department of Commerce or other experts. Since the state does not provide funding for the EAC’s, their reliance on the state is less, at the same time that the state depends almost entirely on them for delivery of export assistance to small business.

Among the states we examined, Maryland seems to operate with the least dependence on other organizations. The SBDC, the SBA and the U.S. Department of Commerce all work with the Maryland International Division on occasion. Conferences and seminars end up being co-sponsored by several groups; yet the delivery of Maryland’s core assistance is self-contained.

While the level of cooperative activity may seem high (no conference seems to occur without sponsorship by at least three groups), it is not clear how much time is spent thinking about the actual benefits and expectations of these relationships.

iv. Distribution of assistance away from capital cities

The reliance on groups outside the state government is driven not only by an attempt to extend the reach of state resources programmatically, but also to extend it geographically. In Texas and Michigan, the community export alliance networks were explicit attempts to do this. In New York, the state trade capability in ten regional
economic development offices is not deep, but provides a mechanism for extending the capability of trade staffs in New York City (where the export promotion office is based).

The New York Network Grant Program does this in a more creative way. This relatively new program provides grants of up to $5000 to enable local chambers or other non-profits to team up with other similar organizations. The goal is for 5-6 groups to each apply and pool the resulting $30,000 to hire a trade expert who then serves all the region.

In smaller states, such as Rhode Island and Maryland, this geographic reach is arguably less important; although the exporter in Cumberland, Maryland may feel as removed from the state export assistance as one in west Texas.

v. Contract out

The final observation about implicit goals is that some states may seek to reduce the "overhead" and inflexibility of larger staffs by contracting out. This trend is most obvious in New York, where the Export Trade Development Projects, the Network Grants and the matching funds for Export Market Development Plans reflect a decision to reduce the number of state officials providing trade advice and instead license and fund local experts to deliver trade advice.

The terms of these programs are such that those organizations or individuals that receive such assistance cannot be assured that funding will go on indefinitely. The incidence of repeat funding and the ability of groups to develop alternatives is unknown at this time. This approach may also increase the caliber of assistance in that grants to local groups are made competitively. Additional incentives for quality service are provided in some programs where the exporter can select the local provider of services, thus directing the state subsidy in a competitive fashion.
The SBDC program, which plays a role in export promotion in many states, is not targeted exclusively at export promotion but is funded jointly by the Federal government through the SBA and by the state.\(^{28}\) Where SBDC's have chosen to emphasize export promotion, it could be said that states have contracted out trade assistance. However, the involvement of SBDC's in export promotion seems to result from SBDC initiative rather than state direction. The services vary from general introduction to exporting for new-to-export firms to intense counselling.

In Maryland, the state assisted in the creation of the Maryland World Trade Center Institute to provide much of the training or seminar type activity previously provided by the state. Where the state had paid local lawyers and accountants to teach at these sessions, the Institute was set up to obtain these services as contributions - the professional service providers getting a marketing opportunity and the exporter getting an introduction to an arcane subject.

e. The Political Economy of Export Promotion

The detailed legislative history that would permit analysis of motives of various political entities in establishing these offices does not exist. At the same time, the discussion of the substance and the process of goal setting raises several questions about how and why the programs are created and survive. The fiscal crises in many states

\(^{28}\) The 1988 Omnibus Trade Act authorized $5 million for a non-competitive SBDC trade center program. No monies were appropriated for this program. The Federal appropriation for SBDC's continues; at a level of $60.5 million in FY 1992, but it is not possible to ascertain the proportion spent on export promotion.

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make these questions more immediate than might have been the case in the past, even while the overall level of resources is modest. 29

There are good reasons to think that export promotion would be difficult to establish as a state program. The number of exporters in any state is relatively small; they tend to be less well organized than other business interests. Export and international trade is a low priority for most organized business groups.30 Larger firms do not feel that state assistance will be helpful to their own activity, small business organizations have a tiny proportion of members who do or would benefit from the programs. Polls of small business groups and lists of policy concerns rarely include trade in the top grouping. The number of firms who have actually benefitted from the state export programs is relatively small as well. In short, there is not a broad constituency for the programs and the narrow constituency does not appear to have received benefits so valuable as to induce them to organize intense lobbying on behalf of programs. Indeed the elusive nature of the benefits, even among those who have been served, is the issue discussed later in this report and of concern to legislators and executives in many states.

In times of state surplus then, the modest budgets of state export promotion offices have been funded to achieve a wide, unfocussed set of goals. In times of budget crisis, the lack of clear community of significant beneficiaries makes it much easier to question the public purpose being served. Given that the programs usually include highly publicized travel by a governor or lieutenant governor, the programs also can

29 For example, the 1990 Annual Report of the International Business Division of the Illinois Department of Commerce and Community Affairs notes on page two that the IBD's budget "represents less than .02 percent of the state's expenditures."

30 Only five percent of the NSBU members polled described their market as international. Only 14% have considered exporting. Ninety-six percent have never asked for export assistance or did not answer the question.
become political lightning rods, where the only lobby on behalf of the program is the governor and the officials employed by him or her to operate the program.

What conclusion about goals emerges then from the discussions with officials, users and overseers of state export programs? One is that there is not a clear enough understanding of the trade-offs between increasing the number of exporters, especially small exporters, and increasing export activity. A second is that the choice of methods to accomplish these goals is largely the domain of program administrators. Finally, despite many subsidiary targets and achievements, those who operate programs acknowledge that increased export sales are the bottom line. This suggests that non-exporters or new-to-export firms will not, absent special emphasis from outside, receive the level of attention paid to firms with greater existing or short term potential for exports.

2. Marketing and Outreach/Successful Programs

To the question "what works?" each state has a different answer. As we have seen, the definition of goals is different in each state, thus one would not expect a pattern of what is perceived to work. Furthermore, the resources available are very different, driving officials to different approaches, to different mixes of encouragement compared to assistance. An independent determination of what actually works best would depend on measurements which were not available and which will be discussed in the section following.

Nonetheless, in each case program officials with whom we talked felt that the approach they were taking was the best one given the resources available. This is more than a post hoc justification for their own programs. Their selection of the mix of activities reflects professional judgements about what exporters need and what states ought to provide. These judgements may not be made very systematically, but they are made by individuals who have experience working with exporters.
Unlike commercial service providers however, the judgements of these professionals are not directly informed by market forces. The commitments of staff and money to a particular set of activities is built around the experience and perceptions of providers of the service rather than the decisions of users or investors. There is an attitude that the market does not know what it needs since small firms are not yet exporters. This attitude exacerbates any misperceptions stemming from the lack of clear signals from "buyers" of the state services.

For example, if attendance at an export seminar or a trade show is below expectations, the pressure to eliminate the activity or do it differently is minimized by the lack of financial constraints or other specific targets. Success gets defined in an ad hoc fashion. "Seven hundred people attended our workshops," might be a proud statement of an export promotion manager. It does not answer the question of how many might have been expected given the effort made by the state and its marketing partners, nor does it indicate whether anyone benefitted.

At the same time, the state managers we talked with certainly respond to the comments and criticisms of their clients. If attendance drops at a type of seminar or if only a few firms take advantage of an expensive service, managers will eventually shift focus. This shift will be relatively slower due to the general lack of reliance on fees for services and lack of profit responsibility (different from budget responsibility).

With these caveats, there are some generalizations about the types of programs that state officials believe to be most effective.

* Individual attention is seen as the most helpful activity by every state. In Maryland that translates into extensive one-on-one counselling aimed at "breakthroughs" - the gaining of a sale, the signing of an agent or distributor or some other intermediate milestone. In Illinois, this individual attention is focussed on assistance related to overseas trade shows. In states such as Nebraska, where the state resources simply do
not permit the staff to provide much individual assistance, the director has turned her efforts to insuring that local chambers are able to get the exporter in touch with a Federal or private source of direct, individual assistance as efficiently as possible.  

This type of assistance is acknowledged to be the most expensive on a per firm basis. In all of the states which we reviewed, we found only very general, informal standards by which state officials rationed this valuable, scarce resource among exporters. Similarly there were not clear cut standards for deciding which firms could afford private sector assistance.

* No state boasted of its outright "cheerleading" although it was clear that much of publicity, award giving and broad promotion of specific events was designed to simply encourage people to consider exporting, to consider more seriously whether there were export opportunities. The periodic extensive mailings by the California World Trade Commission are as much a promotional device for exporting in general as they are for any specific event. The periodic publication of success stories is not necessarily just bureaucratic self-congratulation; it serves to expand the sense of opportunity among firms who may not have exported for some time, if at all.

* Conferences, seminars and workshops are viewed as important devices for promoting more intensive services at the same time that they can also be used to screen exporters who may not be ready for a particular level of service. They are not seen as the most direct way to increase actual exports. Direct contact with individual exporters was emphasized again and again by state program officials. General training and export "awareness" was not what these offices thought of as their highest calling. Leaving this function to SBDC's permits state export staff to engage their relative expertise in activities that are less like training and more like "doing deals."

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31 The Director of the Nebraska office nonetheless is credited by Nebraska exporters with significant, successful personal effort on behalf of individual exporters.
At the center however, the focus on individual assistance reflects the reality that export sales are viewed as the most credible measure of success. The most reliable way of assuring this type of result is perceived to be the devotion of focused effort with a smaller number of firms.\textsuperscript{32}

* Overseas offices play a big role in the budgets of many state trade offices. As the states readily admit, much if not most of the activity of these offices is aimed at promotion of investment in the state, not on assisting exporters. The contact of state program officials with these offices seems to be sporadic, the assistance which is provided by the overseas offices is not carefully coordinated with the home office. We did not investigate any of the overseas offices of the states, and found a minority of (the admittedly unscientific sample of) exporters had used them. However, of those who had used the overseas offices, comments were generally favorable.

3. Measuring Results

Information about the output of state export promotion would be useful to several interests:

Legislatures might wish to know:

What level of export activity results from a given expenditure.

What type of assistance is most used.

What industries or regions used the service most.

\textsuperscript{32} The most hands-on provider of assistance, the XPORT program of the Port Authority of New York and New Jersey, handles 70 companies at any one time. In Maryland, another state with extensive counselling as its hallmark, 350 one-on-one counselling sessions are the annual target for the eight professionals (0.84 sessions per week per professional on average).
In addition, program managers might wish to know:

Which activities are perceived as most useful.
Ways to improve or modify programs.
Which clients ought to graduate...or give up.
How to allocate staff and other resources.
Which activities to stop altogether.

Finally, exporters might wish to know:

Which programs have proved most useful to other firms in their situations.
Which types of assistance the state is best able to provide relative to commercial providers.

Very little of what the states know about program performance can be used in answering these questions. As hardworking and as professional as the staff of export promotion programs may be, the failure to measure performance in relevant areas denies legislators, program managers and exporters information which is essential to justify continued commitment of public, and private, resources. It will be clear that information which would allow these questions to be answered is not currently available. It is likely that the lack of answers is one reason that several state programs have been vulnerable to significant reduction in resources in the course of the last year.

a. What is measured

All states are able to measure the level of effort expended on export promotion. The NASDA State Export Promotion Directory is a compilation of state reports on the levels of expenditure, staffing and activity. The current SEPD and past editions document a dramatic increase in the level and scope of this effort. State spending in 1990
was 46% higher than it was in 1988, 134% higher than in 1986 and 333% higher than in 1984. \(^{33}\) Staff can similarly be counted.

It is also relatively common for states to measure the level of activity — the number of seminars, trade missions and trade shows and the number of participants.

It is much less common for states to accurately measure the exports attributable to their programs. This outcome is the one most desired, both explicitly and implicitly, in the program choices made by managers, but is paradoxically the least well documented. This section describes what is done...and what is not done and suggests why this most important measurement is difficult but necessary.

In Colorado, the legislation which first established the State's office of international trade was explicit:

It is the intent of this section that the cost-effective assistance given by the Colorado international trade office result in a broadened state economy with a quantifiable increase in Colorado commodities which are exported, a quantifiable increase in Colorado firms entering the international export market, a quantifiable increase in export-related jobs in Colorado and other such measurable increases related to international trade as are the result of the efforts of said office. \(^{34}\) (emphasis added).

To date, the Colorado office does not conduct any formal or routine evaluation of its program. Trade show participants are asked to report back in a year, but no followup is conducted by staff to retrieve this information. The feedback received so far is unsolicited and consists of letters from Colorado businesses. A survey of one program -

\(^{33}\) 1990 SEPD, page 18.

\(^{34}\) Colorado Code Annotated, 24-47-101 (4).
the Trade Show Assistance Program -- is apparently underway, but not available for our study.

In Colorado, Illinois and California, for example, the state's export promotion program handouts prominently display dramatic increases in state export activity. However, the materials are careful to stop short of linking overall state export growth explicitly to the state's export assistance effort.

Texas documents the number of firms who have exported for the first time by asking whether the firm began exporting after receiving assistance. This reflects an implicit choice of goals -- to increase the number of exporters.

Some states have attempted to find out how users like the service. In Nebraska, the one-person office periodically surveys participants in a specific event, but does not regularly survey participants in all state supported export programs.

b. The California study

Other states have attempted to be more scientific. In California, for example, surveys were conducted in 1989 and 1990 by researchers at California State University at Chico to assess program quality and impact. The surveys asked questions which produced data showing that a majority of those who had received assistance from the World Trade Commission trade show program found it to be of positive benefit.

There are several flaws in these surveys which resulted in their not providing enough information to be useful as program feedback. The limitations caused by the survey design limit its utility -- permitting only overly broad conclusions of program benefits. While the surveys were conducted by researchers not directly employed by the
WTC, the researchers were careful to note that the questionnaire was written by staff of
the WTC, that their task was simply to conduct the survey and tabulate the data.35

In the 1990 survey of 168 firms who had participated in state sponsored trade
shows, the researchers found that 57% of those who responded found positive benefit
to some aspect of assistance from the state, without specifying which assistance was
found useful. While there was a 86% response rate to the mailed survey, the
researchers assert that there is unlikely to be any non-response bias in the results. It is
not clear how this was established. This question is important since one would expec
t firms who had received assistance and who were willing to participate in a survey to be
more satisfied than those who did not respond. The text of the report suggests the
opposite.

The study's conclusion that the WTC trade show assistance generates $42.8 million
in exports seems to be extrapolated from data supplied by 87 of the 186 respondents.
In the report and the accompanying press release there is often a blurring of which
programs produced the sales or satisfaction. The questionnaire asked about sales
attributable to trade show participation; at the same time the question regarding
program satisfaction followed a question about whether the firm had used other WTC
programs. Thus it is difficult to disaggregate satisfaction with WTC programs generally
from satisfaction with trade shows. It is impossible to tell whether any of the other WTC
programs beyond trade shows generated any export sales. 36

35 The WTC press release accompanying the survey describes the research firm as an
"independent opinion research firm" without noting that the survey was designed by the
WTC.

36 Eighty-one firms had no sales attributable to trade show assistance. The specific
data on sales was in response to a question looking for information in a broad range of
dollar values. Our re-calculation of the data which is provided with the report shows
that it could support an assertion that these respondents report approximately between
$15.5 million and $34 million in export sales. How this figure was extrapolated to non-
respondents and the higher $42 million figure is not clear and is not explained in the
The questionnaire seeks no data on the needs of exporters, does not differentiate between the value of various types of state services and does not seek out non-users of the services. Instead, it took the shortest route to creating two numbers: an amount of sales attributed to the program and a number of jobs. The sample selection, the design of the questionnaire and thus the analysis shed little light on the actual effectiveness of the program or its components. The results provide little help to a manager or policymaker seeking to determine whether to refocus scarce tax dollars or how to be more responsive to the client group.

c. The Illinois Auditor General

It is much rarer that states seek to collect information which permits policymakers and budget officials to determine which programs deliver more or a particular output per tax dollar spent. In 1987, the Illinois Legislative Audit Committee directed the state's auditor general to conduct an audit of the entire Department of Commerce and Community Affairs (DCCA). Both the International Business Division and the small business trade assistance effort are housed within the sprawling DCCA organization. The Auditor General contracted with the Urban Institute in Washington, D.C. to evaluate the state's international programs, including export promotion. Relevant parts of the charge to the Urban Institute were:

1) to design an appropriate methodology to assess the program as a whole and in its individual parts, using surveys of clients...

4) to review and evaluate the claims of program achievements...

We re-calculated the data by multiplying the number of respondents times the high and low amount in each sales range indicated in the report, data element number 10. The report indicates that $42 million was calculated using the mid-point of export sales ranges and multiplying by the number of respondents, then summing the results. Our duplication of that exercise with the data supplied in the report produces export sales of $24.8 million. The source of the additional $17 million is not apparent.
5) to formulate specific recommendations that would improve the design or functioning of the program.\textsuperscript{37}

There are several findings and recommendations contained in this study which are useful here. The Urban Institute researchers found, among other conclusions, that with respect to the 1987 export program:

Decisions about which trade shows to participate in were based on the experience of program managers, not any systematic analysis of past experience or exporter preference. Turnover in staff made this dependence more harmful to program success.

Goals for this program were unconnected to broader state economic development goals; claims of jobs, sales etc were unconnected to explicit missions.

No organized system of client records existed.

Like most, "if not all," other state trade programs, DCCA did not have a system of monitoring performance.

Thirty-one percent of firms surveyed by the Urban Institute reported not having received the service that state records indicated had been provided.

For most services, those who actually received than rated them highly...76% reported excellent or good overall helpfulness.

While 50% of firms not using IBD cited lack of awareness of the program, 12% of non-users listed "poor service."

Half of the respondents reported that trade shows and missions were essential or contributed a lot to increases in export activity and jobs. On the other hand, half of the users of seminars and introductions to foreign buyers reported little or no contribution to success by the activity.

Small firms (fewer than nine employees) reported greater contribution to increases in sales and jobs than did larger firms.

Straightforward recommendations flowed from these findings. Better recordkeeping, systematic surveys, comparative analyses of trade assistance methods, measurement not only of results but of client perceptions.

Since the Auditor General’s Report in July 1989, the IBD and the small business trade office have taken several steps to systemize the measurement of program impact. Where they had previously only asked for end-of-tradeshow estimates of sales, staff report that they now follow up at three, six, and twelve month intervals to assess results and to see what other assistance is needed. Data are collected show-by-show and for each staff person. The result of the exercise has been the preparation of a trade show manual and the capability to set and measure sales and attendance targets for participation in individual trade shows. This information, in turn, contributes to judgements about selection of future trade shows for state participation.

The implementation of the Auditor General report has been overtaken by a change in the Governorship and leadership at DCCA that is further focussing the state activity. The new Governor has indicated that the IBD will be measured on results, not activity, and that those results will be measured in both sales and in the proportion of small firms assisted. As steps are taken to increase small firm participation, staff has acknowledged the negative impact on the level of reasonable sales targets. This balancing is based in part on explicit acknowledgement of the Urban Institute’s findings that the state’s help makes a larger relative impact on smaller exporters. While it is not clear whether this improved measurement will ultimately result in the Illinois program

38 In one case the after-show estimates of participants were $1.7 million in anticipated sales; the actual sales proved to be $6-7 million.

39 Apparently no precise proportion of small firms has been established as a formal target. We understand it may be in the range of 60%.
being more effective in giving the state its money's worth, it was clear during our interviews that staff have much clearer and ready sense of goals and accomplishments.

Beyond the measurement of the impact on those firms who actually received assistance, none of the data collection or research that we have seen attempts to answer the ultimate question: What level of export activity would have occurred anyway? The answer to this question is needed in order to decide if the level of export activity achieved is good return for the state's dollar.

E. Recommendations

At the outset of the study we had hoped to be able to suggest which types of assistance were most effective, providing some generalized information for the benefit of all states. These recommendations might have, for example, suggested that the priority of programs, in cases of limited resources, should be: specific commercial information, trade missions, training, and then finance. However, the shocking lack of specific information about program impact does not permit such recommendations to be made. Instead, the investigation we have made leads to the following recommendations.

1. State Program Goals

   a. **State legislatures should establish explicit goals for export promotion programs and they should distinguish between the goals of their export programs.**

   Not all activities further all goals. If states have not considered their particular focus in the course of authorizing a program, it should be a part of the annual appropriation process. States can legitimately decide that "cheerleading" or export encouragement alone is appropriate, leaving provision of services to the private sector. There will be some firms who do not overcome the threshold of
willingness to pay commercial rates for professional services. If states choose to perform commercial services for this segment of the market, that choice ought to be a conscious one since it involves the state in working with a subset of the business community and a narrower set of services.

Absent focus, states will do a little bit of everything, with emphasis in areas which happen to be chosen by current officials, but which may not reflect a broader consensus about the proper role of the state in supporting exporting firms.

1. **Goals for programs aimed at increasing the number of small business exporters should be stated in terms of the number of firms.**

   Why: There is a direct correlation between size of firm and frequency/value of exports. Targeting small firms will mean that sales target will seem disappointing compared to what might be achieved by targeting larger, more frequent exporters. This does not mean this goal is less worthy, but its objective will withstand scrutiny if it is more precisely articulated. This type of goal will focus effort on the longer term export capability of a broader number of small firms.

2. **Goals for programs aimed at increasing the dollar value of exports ought to focus on existing, but infrequent, exporters.**

   b. **Program managers should be clear about the limitations of export assistance and avoid overambitious promises of dramatic economic impact from a state export assistance effort.**

   Why: Concrete, specific accomplishments will survive tight budgets better than highly visible, but over-promoted activities. There is no evidence of which we are aware relating state export promotion expenditure to aggregate increases in state
export activity. (There is ample evidence that some firms who receive assistance benefit from the assistance.)

2. Successful Programs

a. Once states distinguish their hortatory mission from the assistance mandate, they should allocate resources explicitly.
Why: Programs seen to be effective by their users, such as Nebraska’s small effort, the XPORT trading company in New York or the Illinois program tend to be clearer about mission and more specific in allocating staff and money to each goal. To the extent that the hortatory or training mission is more of a public good than is the provision of a specific commercial service to an individual firm, this distinction is helpful to establishing fees as recommended below.

b. States should implement fees for services.

Why: Firms who refuse to pay any fee at all are not serious about exporting. The imposition of a fee makes the user think more carefully about whether a particular service will be useful. The need to collect a fee makes program managers think more clearly about what firms will be willing to pay for.
Fees will also reduce the need for state appropriations by defraying costs, although they are unlikely to eliminate the need for subsidy of state-provided export assistance.

1. Intensive counselling programs, such as Maryland’s, should be provided on a commission basis.

Why: These programs use considerable state resources, and are perceived by the providers to be quite effective at producing results.
A commission contract, such as is used in the New York/New Jersey Port Authority XPORT program, will focus both the state and the user on what is expected; performance targets for staff which include commission goals will focus staff on completing transactions, increasing the graduation rate or throughput of the programs. It will also clarify the screening criteria for those who wish to receive the counselling. At the same time, firms will not owe a commission unless they complete a sale.

2. **Seminars and training should have modest participation fees.**

Why: Exporting requires, above all else, commitment. Firms or individuals not willing to contribute $25-$50 for a seminar are unlikely to have the seriousness needed to go any further. Seminars that do not have a reputation of providing at least nominal value are failing a very basic market test.

c. **States should articulate the comparative advantage of various state supported export assistance providers and increase coordination and joint publicity about resources.**

Why: While some competition among public and private providers is useful, the failure to distinguish the unique capabilities of various providers is confusing to potential clients, both in terms of who does what, but also in terms of who does what best. One recommendation of the 1986 White House Conference on Small Business was that there be better coordination among Federal providers of export assistance. The same can be said of more local providers.

This clarification will flow naturally from greater effort to establish clear program
APPENDIX ONE

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This Appendix summarizes information gathered from state program officials, secondary sources and small business owners in the various states and elsewhere. It is not intended as a complete description of the export program of the states listed. The NASDA State Export Program Directory is a much better source of program description. In addition, the fast pace of change in many states in late 1991 makes any directory or list of programs a quickly outdated effort.
1. California

1. California Program Goals

California has one of the largest state expenditures for international trade activity, which would be expected for a state with the largest share of the US GNP. According to state officials, California exports account for 12% of all U.S. exports. There are at least five different agencies charged with export promotion and more than 200 staff people engaged in this activity.

The California World Trade Commission (WTC), established in 1983, is the lead agency for export promotion. Operated as a non-profit corporation, in the Governor's office, it has a statutory board with 15 members drawn primarily from the private sector. Its mandate derives from 1986 legislation which re-constituted the board and revised the duties of the Commission. Separately legislated is the California Export Finance Office which has its own board of seven members, including at least two who are also members of the California World Trade Commission.

The WTC has set four goals for itself:

- create demand for California products
- facilitate transactions
- communicate benefits of trade
- influence trade-related policy

Specific activities related to these goals are proposed by WTC staff in annual presentations to the board of the WTC.

Most of its clients are small and medium sized exporters. Nearly 60% of these firms have revenues under $5 million.

2. California Marketing

California World Trade Commission asserts that it offers services in the area of marketing, finance, trade missions and trade shows and policy advocacy. The main activity is in the areas of trade shows and finance. While the administrative headquarters are in the state capital - Sacramento- the main office for both the marketing effort and the California Export Finance Authority are in Long Beach. With no field offices for the marketing effort (there are two branch offices for the California Export Finance Authority in San Francisco and in San Diego), the World Trade Commission indicates that their outreach depends heavily on twenty-five marketing partners - local chambers and other trade groups. These marketing partners include strictly local groups, such as the San Diego World Trade Association and the University Center.

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and staff goals. It will permit states to tighten and improve the marketing of various services as well.

3. Measuring Results

a. The bi-annual National Association of State Development Agency (NASDA) survey of states should be modified to ask states to identify goals for which they actually measure progress, how they measure that progress and what use is made of the information.

   Why: The NASDA survey and publication are widely read and influence program design by asking questions. For example, asking about overseas offices suggests that NASDA perceives some value in them. Similar questioning of program measurement would contribute to more serious effort across a larger number of states. States that are doing something will be able to "brag" in their submissions to NASDA. NASDA will be able to assert more confidently that "[n]o one doubts the value of trade development..." 40

b. States should identify specific feedback mechanisms for export promotion activity. These could include: user surveys, frequent review of budgets and targets for specific activities and staff against results.

c. States should survey users both at the time of assistance and after some time period, perhaps a year.

   Why: Projections of sales activity given at the first may be inflated by enthusiasm, many results will take time to occur. Followup permits states to provide actual, not just anticipated, results. It will also provide more reliable success stories (one issue raised by Maryland legislative audit staff was whether a particular firm eventually recognized claimed benefits).

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i. **User surveys should ask users to identify not only whether a service was useful, but how it was useful or why it was not.**

Why: This information will provide essential feedback to program managers for improving specific services. It will also permit states to be more specific in linking their efforts to the export or job activity of the clients. For example, beyond asking whether the firm benefitted from counselling, it will be important to find out if the most helpful aspect of the counselling was a particular type of information or the counsellor's experience in a particular area. Anything less does not provide direction useful to improve programs.

ii. **User surveys should ask specific facts such as the number of leads, number and value of sales, rather than projections about future sales or jobs, judgements which the respondent may be quite unqualified to make.**

Why: Individual assistance actions do not normally develop instantaneous jobs or sales. When they do, there may be significant problems attributing the sales or employment to the assistance. The Urban Institute report prepared for the Illinois Auditor General provides detailed examples of the value of more specific information. The questionnaire suggested by the later Urban Institute publication "Monitoring the Outcomes of Economic Development Programs" suggests questions which would permit managers to discriminate between programs in judging the contribution of assistance to export success.
Export Program at Fresno City College. Marketing partners also include groups with national scope - examples are the American Electronics Association and the U.S. Department of Commerce (the SBA is not listed in the state's materials as such a partner although there are clearly examples of joint effort).

In addition, WTC, working with marketing partners, conducts mailings to nearly half of the state's manufacturers each year. In 1990 they sent direct mail to 21,000 of the state's 48,000 manufacturers, targeting specific industries. An additional 5000 firms are identified by calls to the office or to marketing partners. From this effort, approximately 250 firms participate in trade shows and another 1500 are assisted with some combination of trade leads, assistance from the staff and/or visit from a foreign delegation. There is no indication of the size of firms receiving various kinds of assistance.

The California World Trade Center staff provided us copies of success story press releases which are available from the WTC. To reach beyond this list we contacted small exporters known to an NSBU board member. While none had ever utilized the state export programs, they had general favorable impressions of them. These exporters felt that the state does a better job promoting the state's products overseas than helping individual firms. On the occasions when these firms had tried to use the state (or the local chamber groups), they found that it took too much time to get answers or that they simply got onto mailing lists and were "inundated" with requests for samples and prices.

Against this picture of general marketing effort, there is some very focussed effort. For example, in promoting trade shows and trade missions the state sends staff from Long Beach to visit individual high tech firms in Silicon Valley to recruit participation.

The California Export Finance Office (CEFO) is a "unit" of the World Trade Commission and has its own statutorily-defined Board of Directors and executives. It is the only part of the state program to have marketing offices outside Long Beach in San Diego and San Francisco.

3. California Measurement

The California Export Finance Authority has detailed records of its transactions and thus has an ability to monitor its success in managing the $4 million Export Finance Fund. This program is viewed as innovative by nearly all who are familiar with it. CEFO's clients are small or medium sized businesses, as one would expect given its outreach, its focus and its $500,000 guarantee cap.

For the non-finance portion of the WTC effort, which is the focus of this study, data is much less available. The annual report of the WTC lists the number of exhibitors at California booths at major trade shows, but does not list the export sales made as a
result, or record the size of firms actually participating.

A 1989 and 1990 study by the California State University at Chico performed for the World Trade Commission is the primary assessment made to date of the effectiveness of the state's program. In two surveys of firms who had received assistance, the researchers found that a majority found positive benefit to the assistance. The results and methodology of this study are discussed in detail in the body of this report. Despite the flaws described in this report, the surveys are more than are done in many other states.
2. Colorado

1. Colorado State Program Goals

The Colorado Office of International Trade is a division of the Governor's Office of Economic Development. The director of the office reports to the Governor's Chief of Staff. Although it is a part of the Governor's office, it is not a cabinet agency. Apparently the Governor moved the office in 1988 in an effort to minimize legislative restrictions on priorities for this effort. Staff of the office were unable to locate a copy of the executive order which serves as their charter.

While the office will help any business, it has targeted four industries identified as having greatest export potential for Colorado: telecommunications; aerospace; computers and peripheral equipment; medical and biotechnology products. These goals have been set by the program manager, not the legislature or the office's charter. This focus takes form in two areas: publication of directories of Colorado companies in those industries and preference in selection of trade shows.

2. Colorado Marketing/ Successful Programs

Colorado has established counselling as their first priority and trade shows as their second. The very basic introduction to exporting for new small companies is left to the SBDC's in the state. These events are promoted through direct mailings and heavy reliance on trade associations and other intermediaries. A calendar and newsletter supplement this.

Colorado co-sponsors seminars with the World Trade Center, but does not emphasize this activity in allocating its own resources. The office shares office space with the World Trade Center and the U.S. Department of Commerce International Trade Administration (ITA).

With a small staff of 5-7 people, much counselling is referred to other sources, including the U.S. Department of Commerce, the Small Business Administration's Regional International Trade Officer and the SBDC's. A new SBDC initiative to establish one center with special expertise in trade was not well known to the state office staff. No data on levels of activity were available from the staff.

A new program established a year ago is the Trade Show Assistance Program (TSAP), which provides up to $2000 for companies which can match the grant. It is to be used, as the name suggests, for trade show expenses other than travel. An advisory panel selected eight companies last year from among 100 applications.

3. Colorado Measurement
Colorado has no formal evaluation of its programs. They ask trade show participants to report back in a year. The office has done no followup in this regard however. It is about to undertake a one year review of the TSAP program, which will not be completed for 2-3 months. The feedback they do receive consists of unsolicited letters from Colorado businesses.
3. Illinois

1. Illinois State Program Goals

A 1987 statute gives the Department of Commerce and Community Affairs nine duties in the international trade area. These include:

- establish a "mentoring" program with experienced exporters
- provide technical assistance to potential exporters
- coordinate with SBDC's
- promote Illinois products abroad
- develop an electronic database and connect it with domestic and international networks
- establish an export finance awareness program
- survey Illinois business to identify exportable products and interested firms.

Illinois has two programs aimed at smaller exporters - the International Business Division (IBD) of the Department of Commerce and Community Affairs (DCCA) and the Small Business Development Center program, also located within DCCA. Both have experienced some months of uncertainty and cutback as the state resolved a $1.8 billion dollar revenue shortfall. The resulting $1 billion cut in state expenditures had not yet had practical manifestation in specific cuts at IBD or the small business trade program - the limbo that staff have been in since the November 1990 election seems to continue.

The Small Business International Trade Assistance Program (ITAP) was established in 1987. It started by focusing on seminars and workshops across the state. In 1989 ITAP established three centers around the state, co-located with other state business assistance operations.

The ITAP tends to focus on smaller, newer export firms, while the International Business Division serves firms that are either larger or less new to exporting. The two agencies seem to work more cooperatively than similar units in some other states. This may stem from being a part of the same cabinet department - DCCA. Since political responsibility for both programs rests in one cabinet member, the incentives of staff to cooperate are greater.

Among the findings of a 1989 study by the Auditor General (with assistance of the Urban Institute in Washington, D.C.) were that the International Business Division of DCCA had no planning documents specifying its intended clientele. While many states target firms not currently exporting, 80% of firms receiving Illinois services are experienced exporters. It was not clear whether this focus was intended or not. Similarly, there was no clear indication at that time whether the program was to focus
on smaller firms or not even though most firms assisted were small.

The subsequent establishment of goals and clarification of responsibilities between the IBD and SBDC are one result of this critical evaluation. Other changes made as a result of this study are described in the text of this report.

2. Illinois Marketing/Successful Program

While it cosponsors up to 100 seminars and other conferences each year, the International Business Division emphasizes trade shows and missions. These produce the most payback according to staff of the Division. In 1990 the International Business Division helped 107 companies participate in 24 trade shows and missions. Companies are identified through direct mail with follow-up phone calls, by the extensive seminars which IBD co-sponsors and through the general DCCA newsletter. There are 29,000 manufacturing entities in Illinois and state officials believe that they have contacted all of them by letter or by phone at some point.

Until recently, once individual firms had been identified, Illinois would subsidize up to 40% of the cost of booth fees, work closely with clients on labelling, pre-show publicity and interpretation when needed. The maximum amount of subsidy was $2000, most were supported at a level of $1200 according to state officials. Given the state's current budget situation, these direct cash payments have been eliminated. Since no state-sponsored shows have been conducted since this change, it is not clear what impact the lack of subsidy has had on the level or composition of participation. Several small business owners cited the personal attendance of the Governor at the show as important in distinguishing the Illinois firms from the crowd of others.

While some firms find that they write enough orders at a trade show, others find the main benefit is introduction to distributors.

Follow-up activity with the state's 10 overseas offices is also viewed as important, particularly as additional distributors are sought. For smaller and new-to-export firms especially, the state presence at a trade show and in the overseas office was viewed as an important source of credibility with foreign customers, shortening the time needed to penetrate a particular market.

One reason for the focus on trade shows in Illinois seems to be the composition of the staff — all are former marketing representatives who have been in business previously. Their emphasis is on getting Illinois manufactures to meet customers, with a consequent de-emphasis on original market research or long term counselling. If there is U.S. Department of Commerce research which can be passed along to a client, it is provided. While firms will receive very focussed help related to a trade show (mailings, tips on how to present etc), firms do not receive a lot of guidance on whether they should export in the first place. Given the high number of experienced exporters in
Illinois' client base, this question may not be one that is often asked.

For firms under 500 employees who are not ready to export, the ITAP program of the SBDC provides assistance that is more front-end education. Market research, assessment of the firm's capability to export, identifying trade opportunities are among the services. The relationship with clients can extend from a phone call to several years. Once companies have the basics, the International Trade Division is brought in to handle more advanced trade assistance.

3. Illinois Measurement/Results

Both parts of the Illinois export program keep detailed records of trade show results, asking each participant what level of sales have been made and what level they expect as a result of the show. After a year they call the participant to verify longer term results. Thus, the 1990 figure for the International Trade Division of 107 companies participating in 24 trade shows with on-site sales of $4.8 million and projected sales of $50 million are "harder" numbers than for most other programs we investigated. For FY 1991, the ITAP program accounted in measurable exports of $5 million by 33 companies. The five professionals in the office operate with a budget that is supported in part by $50,000 from SBA and $25,000 from the institutions co-located with the centers.

The results of individual counselling are more difficult to attribute. While the state asks the same questions, the level of involvement of the state counsellor in the increased exports is not as clear. For example, the client may be one that the counsellor has spent considerable time with where the exports flow clearly from the state's assistance. On the other hand, a similar export can be derived from a one-time consultation. Both results are important to the state, what is difficult to measure is the extent to which the export would have occurred without the state's involvement.

The reason that the state keeps better track of the results of its efforts is a critical 1989 report by the state Auditor General. That report concluded that (among other findings):

* 31% of firms claimed by DCCA to have received services said they had not in fact received the service

* reporting of program results was made only at the time of the assistance, although staff did validate results by follow-up calls

* programs and offices did not have systematic goals or targets against which progress could be measured

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* firms that had not used DCCA services had not used the service because they were unaware of it

* catalogue shows were least effective (60% of respondents had no export sales)

This study is important for several reasons: 1) it was conducted by an entity independent from DCCA and 2) its questions and responses permit one to evaluate different programs in comparison to each other. While the report did not make an assessment of whether non-users of DCCA services had exported more or less than users, contact was made with firms who had not used the services of DCCA and the reasons for their non-use were established.

The result of this report was that record keeping and verification of program results have been initiated in Illinois, with results that permit more intelligent choices by program managers and/or legislators seeking to evaluate appropriation requests.
4. Maryland

1. Maryland Goals

The Office of International Trade was established by a 1985 statute with a broad mission to promote the development of international trade activities and opportunities for the state. A list of fifteen various activities describes most known mechanisms for export promotion. One of the fifteen duties is to:

"establish an outreach program to small and medium sized businesses with export potential that provides counselling and that utilizes experienced private sector exporters and other qualified individuals..." Annotated Code of Maryland, Art 83A, Section 2-107(b)(1)(v).

In 1988, the Governor administratively established the Maryland International Division (MID). This consolidated many international programs, including trade, into one entity which answers to an International Cabinet consisting of the Secretaries of Transportation, Agriculture and Economic and Employment Development.

The Office of International Trade develops an annual marketing plan. This nine-page document consists of a mixture of goals - some numerical ('each marketing specialist will be "on the road" no less than two days a week') and others more simply descriptive ('Overseas Offices ... will support the counselling activities ... by providing targeted research, fine tune marketing strategies, identify and qualify potential representatives for Maryland firms, etc.").

The marketing plan identifies short term targets in terms of activity ("provide 350 targeted one-on-one counselling sessions"). Longer term targets are more ambitious ("By 1995 increase the state's exports by 10% more than the national five-year average.").

One member of Maryland's Advisory Commission felt that problems with the program were significant and that the office tended to be consumed with day-to-day requests from the Governor. Given the Governor's close interest in trade, it is likely that there is considerable effort spent supporting that involvement. Whether the views of this one member are more widely held was not verified.

2. Maryland Marketing/Successful Program

The emphasis in Maryland's effort is on-on-one counselling. The promotional material for the office describes a broad range of activity in a "one-stop shop for all international activities in Maryland." Maryland officials and the main staff effort are devoted to one-on-one counselling, aimed at achieving the "breakthroughs" targeted.

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Maryland also participates in a Mid-Atlantic Regional Trade Council which is a new initiative of several mid-Atlantic states. To date it seems to consist of coordination with respect to a Hong Kong trade show featuring pollution control equipment and services.

3. Maryland Measurement/Results

The 1991 Report of the International Division asserts that "Governor Schaefer's trade missions have resulted in ...over $68 million in trade for Maryland firms." This achievement (it is unclear how it was measured or what time period is covered) is not one that is targeted in the annual plan or which reflects the emphasis of the staff of the MID.

Maryland export promotion officials describe their success in terms of the number of "breakthroughs" which are achieved. A breakthrough can be establishment of a new distributor, agreement on a joint venture or an actual export sale. The dollar value of breakthroughs is not captured. While staff used this description of goals frequently, the Annual Marketing Plan is silent in terms of breakthrough targets.

The annual marketing plan is very specific on levels of some types of activity ("30 firms to be supported" at trade fairs, conduct of 5 "trade days," "three export development seminars to be held six times," "increase to 21 the number of counties participating in the Export certification Program"). While progress on these efforts is apparently tracked weekly, there is only the impressionistic report of program managers to tie these efforts to "breakthroughs".

Nonetheless, there were 120 breakthroughs in the first two years and about 75 a year for the last four years. For FY 1991, the office established a target of 150 firms which would be assisted in launching major initiatives. Officials believe that it takes about 18 months to lead a firm to a "breakthrough." About 50% of breakthroughs are thought to come from individual counselling, the rest from participation in trade shows. Given the long term relationship developed with clients, Maryland officials have an additional goal (not contained in the marketing plan) of increasing the existing turnover rate in clients from 10% to 20%, graduating firms that do not seem to be advancing into independent export effort.
5. Michigan

1. Michigan Goals

Michigan export promotion is in disarray. Under the new Republican Governor, elected in 1990 after eight years of a Democratic administration, the state has undertaken significant budget cuts. These have had their effect on export promotion.

A 1990 pilot program, known as "Community Export Alliance" (CEA), has been terminated. This program established export capability in local offices of a broader state economic development program known as "Community Growth Alliance." The CEA’s were intended to serve as the delivery mechanism for most of the state’s export assistance, with the World Trade Services Division serving a more limited role. The local CEA offices were funded with $20,000 each, matched by local public or private funds. Twelve offices took advantage of the state funding in 1990, an additional 5 participated but paid their own way. These centers focussed on counselling - acting as a clearinghouse and guide for new to export firms. There was no charge for the center’s services.

The Michigan World Trade Services Office used to be based in the Department of Agriculture, but had responsibility for all areas of trade. When we interviewed the staff they were still waiting to hear from the new Administration as to levels and areas of activity. This program tended to focus on smaller and medium firms ("they are the ones that need the help") but has nothing specifically targeted at small firms. Staff comments reflected an attitude that helping small firms was not necessarily their role. In light of budget pressure, the office seems to be focussing on working with trade associations, helping them set up marketing plans. Industries will likely be machine tooling, biotechnology, plastics and molding.

Since our interview, the office has been moved into the Department of Commerce into the "Michigan International Offices." The 1991-92 budget for export assistance is $1,780,400, approximately a 40% cut from the previous year. The office has about 40% fewer employees as well. The functions of various offices in the re-organized Department of Commerce are not yet settled.

Finally, the International Trade Center at Michigan State University is one of four specialty centers of the SBDC program aimed at exporting. Interviews with small business exporters revealed that the MSU Center was helpful in providing specific information and access to other services including the state’s overseas offices.

2. Michigan Marketing/Successful Program

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Given its demise, the CEA program has no most successful program any longer. Its success during the year of operation seem to have come from identifying a successful program in one part of the state (for example, a popular SCORE seminar on exporting) and providing for its replication around the state.

The World Trade Services office uses trade shows to help exporters establish contacts overseas. Basic information is available from many sources, but according to the staff, what people need is connections — with buyers, financing, insurance, transportation.

The Michigan State University SBDC has counselling as its main activity and handles about 25 cases a year. It also hosts issue specific workshops (scheduled for September 1991 - trading with the Soviet Union). The staff at this center was fairly new but did not seem aware of any interaction with the World Trade Services division of the Agriculture Department.

3. Michigan Results

The CEA program kept records of activity during its nine months. The CEA centers provided assistance of some sort to 1550 clients, 204 of whom received more in-depth counselling. Staff visited 400 companies and made presentations at 50 meetings. Over 30 seminars were sponsored or co-sponsored, U.S. DoC trade leads were provided to 1250 companies.

The World Trade Services division was unwilling to send any reports of its own activity.
6. Nebraska

1. Nebraska Goals

Nebraska's Office of International Trade is an administrative creation within the State Office of Economic Development. The office itself has no formal goals. The Director and sole staff person of the program establishes her personal goals in conjunction with her superior each year.

2. Nebraska Marketing/Successful Programs

Given the small size of the Nebraska office, under pressure to operate in a more cost-effective manner from a new Governor, the staff has made a conscious decision to provide general information, rather than focusing on transaction-specific assistance. In addition, the office has recently emphasized working to increase the level of export expertise among local chambers and other groups so that they can serve the clearinghouse function filled by the state office. Where in the past all calls came to the state office, which then acted as a clearinghouse, this same function can probably be handled by local groups as competently, with better reach to a larger number of firms. Thus, the state effort will shift to building the capability of those groups.

Nebraska also uses a computer software package called CORE (Company Readiness to Export). This program queries potential exporters about the company and its products and produces two ratings: one for company readiness and one for product readiness. Several other states use this program as a way of helping new to export firms think about exporting in an organized way. The software was developed by Professor Tamar Kavaskill at Michigan State University.

3. Nebraska Measurement

There is no formal survey of results. There have, however, been ad hoc surveys by mail and phone which have generated only the sense that the state programs have been "helpful."
7. New York

1. New York State Goals

The State of New York has an extensive trade promotion and finance bureaucracy. The Port Authority of New York and New Jersey is itself a major provider of information assistance and finance. In addition the state Department of Economic Development (DED) has a series of programs which have been re-focussed with a 1990 legislative passage of a gubernatorial initiative known as "Global New York."

The overall thrust of this initiative is to reduce the state's role as a retail provider of assistance and to emphasize grants and contracts with local organizations, both public and private. There has been a conscious effort to disperse the trade expertise out of the state government and out of the New York City area. There has also been an effort to concentrate state staff work with experienced exporters, not on basic "how-to" information.

When the program is fully implemented, one can envision the state relying on SBDC's for pre-business workshops (many people who call for export help are not even in business yet), on local chambers for basic export education, and on state-supported local offices for export market counselling.

2. New York Marketing/Successful Programs

The Global New York program has several elements of note:

a. The Export Trade Development Projects Program. This grant program funds local chambers, non-profit organizations, World Trade Centers or similar groups in amounts that average $40,000-50,000. About seven grants are awarded through a competitive process each year. The purpose of the grants is to establish export experts within the local organization. Although styled a grant, the program is run as a contract. The funds are not advanced; they cover all expenses but not overhead or travel.

b. Network Grant Program. Grants of up to $5000 to enable local chambers or other non-profits to team up with other business promotion groups to promote exports. The goal is to have 5 or 6 local groups each apply and use the $25,000 - $30,000 to hire a trade expert, who then serves all the region.

c. Global Export Marketing Assistance. This program makes grants directly to companies, up to $5000 for an "Export Diagnostic Assessment" and up to $25,000 for "Export Market Development Plans." The grants must be matched by the company. Funds are used to retain consultants who are licensed by the state to provide such

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services and selected by the exporter from among three of the state's list. Only two such grants have been made under this new program.

Pre-existing programs in the state include a wide variety of trade lead, seminar, counselling and other services. One in particular bears mention - the Export Marketing Assistance Service, which provides a full range of services to firms who have decided to make a determined effort to enter exporting or expand their exporting efforts. This commitment is measured by a $100 fee, unusual for any state program we have seen elsewhere. In 1989, 98 firms participated in the program.

3. New York Measurement/Results

The Global New York program was authorized by the legislature in 1990 and launched in 1991. No data on performance is available yet, and although we were not able to discover any activity to gather information on impact of these programs, beyond normal counts of dollars spent and clients served.
8. Rhode Island

1. Rhode Island Goals

The Rhode Island Department of Economic Development (RIDoED) administered export assistance through an International Trade Division (ITD) with a one-person staff. According to the director of the office, it was established by administrative decision rather than by statute. In the Spring of 1991, the office ceased operating when the position was vacated. It has not yet been filled or recruited for. Export promotion activity has thus fallen to the U.S. Department of Commerce and to the Bryant College SBDC. It is expected that after September 3, 1991 the Bryant College trade director will be named as the state trade director as well.

Along with naming the SBDC staff person as state director, the state apparently will increase its funding for the SBDC, in effect contracting out its export promotion at a time when it is either difficult to recruit into state government and/or too expensive to maintain a whole office for this function.

2. Rhode Island Marketing/Successful Programs

When it was active, the ITD operated primarily through conducting seminars on specific aspects of exporting (documentation, freight-forwarding, insurance, etc). Attendees usually were from very small firms with fewer than 20 employees, according to the former director. However, it was her experience that most firms had some prior export experience.

In addition to general educational efforts, the Rhode Island office had occasional involvement in trade shows overseas and coordinated participation in a small number of catalogue shows.

The ITD had a mailing list of 900 firms, which it derived from a broader state inquiry to 2400 Rhode Island businesses. Although the SBDC tends to handle more basic export education, the state office and the SBDC did not seem to work very closely together. In conversation, the state director never mentioned the SBDC; the SBDC staff have at various times spoken of the state office as a competitor for state funds and public attention.

3. Rhode Island Measurement

The Rhode Island office has gotten some very direct feedback from its Department budget... it has been eliminated. During its operation, the office did not keep any formal set of statistics or other performance measures.

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9. Texas

1. Texas State Goals

Texas has statutory goals for its Department of Commerce in the Trade promotion area. The statute specifies five general duties and authorizes nineteen types of activity. The duties are to:

"(1) assist, promote, encourage, develop and advance economic prosperity and employment...by fostering the expansion of exports...

(2) cooperate and act ... with other organizations, public and private...

(3) design and implement programs to provide financial assistance, particularly to small and medium sized business...

(4) ...develop programs to stimulate...trade along the entire border region; and

(5) provide financial counselling to potential and existing exporters."

The nineteen paragraphs of authorized activity are very broad, providing authority for virtually any type of activity the Department might envision. Among the activities in which the Department may engage are research, accept inquiries, represent state businesses through trade missions. The Department is given explicit authority to "seek funding of department programs and activities from federal, state, local and private sources and to impose fees for its services."

To implement this program, the Texas DoC has established 17 Export Assistance Centers. The 17 centers are housed and hosted by existing organizations (primarily SBDC's, some Chambers of Commerce). Becoming an EAC is fairly simple. The Center must have a full-time staff person who will be responsible for the program (though not necessarily spending full time on it). The EAC must have a computer and modem in order to receive on-line service from Austin; it must buy an $800 start-up library.

The Centers are independent, they receive no export specific funding from Texas DoC. Only four of the EAC's provide services beyond the library and access to the on-line database. (This database contains the U.S. Department of Commerce Trade leads, a calendar of events and a listing of consultants.) The four larger EAC's (Dallas, Houston, El Paso and San Antonio) provide services to firms from all over the state, but tend to focus within their regions. There is no formal demarcation of territory.

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Thus the EAC's receive their direction in greater measure from their founding organizations than from the TDoC. The four largest all have an affiliation with an SBDC, although the San Antonio EAC is operated by the San Antonio Chamber of Commerce. The reality seems to be that the priority and focus of export activity is set by the individuals in charge of the individual EAC's. For example, the San Antonio Chamber/SBDC EAC is engaged in a "peer tutoring" project which matches potential exporters with active exporters. (There is no data on the success of this program to date.) San Antonio is also the only Center which charges for an initial consultation.

On the other hand, the Odessa/Midland EAC organizes frequent trade missions to Mexico, specifically to sell oil and gas production equipment.

2. Texas State Marketing/ Successful Programs

The San Antonio EAC focuses on counselling, a mixture of seminars and one-on-one sessions. The focus of the seminars (which are free) is to help firms determine whether to export. About 150 businesses a month receive more in-depth counselling.

3. Texas Results

Texas does not produce an annual report of the export assistance activity of its Export Assistance Centers. The TDoC does collect monthly numbers on how many people have been served. Claiming a lack of adequate staff to follow up with clients, the TDoC last year implemented a random survey of all clients regardless of the level of assistance provided (a phone call or intensive counselling). The question posed was: "Did you begin exporting after assistance from the Texas Department of Commerce?"

In 1990 15% of the sample answered this question "Yes." From this the TDoC extrapolates that they assisted in establishing 2,207 exporters in 1990 (15% of 14,713 firms assisted).

Individual EAC's are aware of the need to measure actual exports created, exporters created etc., but do not generally have activity underway which will capture this data.

The San Antonio Chamber International Trade Center, one of the EAC's has plans to conduct a survey of users of the service. The draft survey calls for narrative information and will thus be difficult to compile. However it does seek information that will feed directly back into operation of the center. For example, the survey proposes to ask which seminars were attended and how they were helpful. It asks how the respondent's business has fared since working with the ITC and whether the firm has increased its exports.
APPENDIX TWO

Abbreviations Used in This Report

CEA  Community Export Alliance (Michigan)
CEFO  California Export Finance Office
DCCA  Department of Commerce and Community Affairs (Illinois)
DED  Department of Economic Development (New York)
EAC  Export Assistance Center (Texas)
IBD  International Business Division (Illinois)
ITA  International Trade Administration, US Department of Commerce
ITAP  International Trade Assistance Program (Illinois)
ITD  International Trade Division (Rhode Island)
MID  Maryland International Division
MISER  Massachusetts Institute of Social & Economic Research
NASDA  National Association of State Development Agencies
NSBU  National Small Business United
RIDoED  Rhode Island Department of Economic Development
SBA  U.S. Small Business Administration
SBDC  Small Business Development Center
SCORE  Service Corps of Retired Executives
SEPD  State Export Program Directory
TDoC  Texas Department of Commerce
TSAP  Trade Show Assistance Program (Colorado)
WTC  World Trade Commission (California)