

INSTITUTE FOR PUBLIC POLICY AND BUSINESS RESEARCH
THE UNIVERSITY OF KANSAS

**An Evaluation of the
Trade Development Division
of the
Kansas Department of Commerce**

prepared for

KANSAS INC.

by

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**TRADE DEVELOPMENT DIVISION
KANSAS DEPARTMENT OF COMMERCE**

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I. EXECUTIVE SUMMARY

Background

History

Trade activities by the State of Kansas began in the mid-1970s, with one of the earliest efforts being a trip to Japan by Governor Docking and the Kansas Cavalry. Some trade development was carried out under the Trade and Tourism Department during Governor Bennett's administration, and during Carlin's governorship organized trade efforts were established first in Tokyo and then in Europe, and relationships were developed with China. At that time, international trade activities were housed in the Kansas Department of Economic Development (KDED), Industrial Development Division.

The 1986 *Kansas Economic Development Study* (Redwood/Krider Report) addressed issues related to trade development in the state. The study recommended establishment of a new international trade division, stressing that:

Kansas is increasingly a part of the world economy. International trade is important for many Kansas industries and further efforts must be made to market our products internationally. Efforts at international marketing should all be concentrated in KDED. It is crucial that this area be made more visible by being in a separate division that is adequately funded. The staff should be led by experts in international marketing. Overseas offices in key markets should be established.

The international trade division would also provide assistance to Kansas firms desiring to initiate or expand exports. Small businesses in particular require assistance with export financing, licenses, import requirements, and cultural/language issues. The division would assist with putting a complete package together in order to facilitate increased exports by small businesses.

In April of 1986 the Legislature established the Division of Trade Development within the newly organized Kansas Department of Commerce. K.S.A. 74-5048 outlines the specific activities of the Division:

- a) promote the export of Kansas products outside the state and the United States;
- b) develop and conduct trade development and market research missions to foreign markets and host foreign buying teams visiting Kansas;
- c) prepare and distribute an export directory and other specialized product information to foreign buyers;
- d) identify and develop foreign trade leads;
- e) coordinate with and disseminate information regarding the international grains program and international trade institute conducted at Kansas state university; and
- f) coordinate with and disseminate information regarding any international trade activities of the division of markets of the state board of agriculture.

Activities

The Division's responsibilities include the oversight and administration of five programs:

- Trade Show Assistance Program;
- Export Finance;
- International Industrial and Investment Development;
- Trade Services, Marketing, and Promotions; and
- International Representation.

This evaluation focused on three of those five activities:

1. financial assistance to companies attending overseas trade shows under the **Trade Show Assistance Program (KTSAP)**;
2. trade representatives in ten countries and overseas trade offices in two others under **International Representation**; and
3. **Trade Services, Marketing, and Promotion**, covering such activities as information services, seminars, trade missions, publications, and consulting with individual firms.

The purpose of this study was to answer the following broad questions about the Division:

1. What are the goals and accomplishments of Trade Development programs?
2. How does the Division decide what services to offer?
3. How does the Division identify and communicate with potential exporters?
4. How does the Division measure the effectiveness of its programs?
5. Are potential exporters aware of Division services?
6. What impact do these services have on their users?
7. How might the Division's effectiveness be enhanced?

Budget

FY 1987-1992 budget data for the Division is presented in Table 1. The total budget for the Division has increased from \$106,148 in FY 1987 to \$1,400,554 in FY 1992, equivalent to an annualized percent increase of 67.5 percent. Although the budget has increased steadily over the FY 1987-FY 1991 period, it dropped in FY 1992.

The KTSAP budget increased from \$100,000 in FY 1990 to \$200,000 in FY 1992, which is equivalent to an annualized increase of 41.4 percent. However, the budget for International Representation has remained fairly constant—with the exception of a one-year increase in FY 1991—and has increased by only 2.1 percent over the FY 1988-1992 period.

Staffing

The Division has a total staff of thirteen people, including the Director and three clerical staff. Nine staff members are program officers, with one dedicated to export finance and two to industrial recruitment. The remaining six—plus the Director—work in the areas evaluated in this study.

This appears to be a small staff relative to the scope of operations. While some may consider it "streamlined," many firms that work with the Division believe that it is understaffed.

Comparison to Other States' Efforts

Table 2 presents the FY 1992 state budgets for overseas offices and trade show programs of Kansas and its neighbors (Arkansas, Colorado, Iowa, Missouri, Nebraska, and Oklahoma). Kansas' total trade development budget (\$1,400,554) was ranked fourth out of the seven states and was greater than the average of \$1,215,208. Additionally, Kansas' overseas office budget (\$478,500) ranked fifth out of six states and was less than the states' average (\$680,872). Of the five states with a trade show program, Kansas' financial commitment (\$200,000) ranked second and was slightly greater than the average (\$147,596).

Table 1
Kansas Department of Commerce:
Trade Development Division Budget
(FY 1987-1992)

	Total Budget	KTSAP Budget	Int'l Rep.
FY 1987	\$106,148		
FY 1988	586,119		441,000
FY 1989	610,207		440,000
FY 1990	1,325,804	100,000	467,000
FY 1991	1,533,106	150,000	589,500
FY 1992	1,400,554	200,000	478,500
<i>Annualized</i>			
<i>% change</i>	67.5%	41.4%	2.1%

Table 2
Comparison of Trade Development
Expenditures: Kansas and Surrounding States
(FY 1992)

State	Trade Development Budget	Int'l Rep.	Trade Show Assistance
KANSAS	\$1,400,554	\$478,500	\$200,000
Arkansas ¹	638,357	471,000	167,357
Colorado ²	995,000	385,000	12,000
Iowa	1,986,402	782,833	338,625
Missouri	1,724,642	1,291,400	20,000
Nebraska ³	130,000	0	0
Oklahoma ²	1,631,500	676,500	0
<i>Average⁴</i>	<i>\$1,215,208</i>	<i>\$680,872</i>	<i>\$147,596</i>

¹Trade show budget is the total budget for overseas marketing and promotion, excluding overseas offices.

²Organizes several of its own overseas trade shows each year.

³State constitution prohibits government agencies from transferring funds to the private sector.

⁴Of those states with a program.

Source: States' departments of commerce.

Methodology

In order to answer the broader research questions mentioned previously, as well as program-specific questions, the following approach was utilized:

1. *Interviews with KDOC Trade Development Personnel.* Background on the Division's philosophy and strategies was obtained through interviews with staff members, including the Director; heads of the Division's two regional operations; manager of the Trade Show Assistance Program; and the staff person who oversees the daily operations of the European office and handles much of the Division's statistical reporting.
2. *Trade Division Documents.* Division staff provided documentation on the various programs, including financial information, lists of clients, reports and brochures. In addition, materials gathered by Kansas Inc. in May, 1991, were used as references.
3. *Survey of Export Firms.* A telephone survey of 301 Kansas manufacturing firms was conducted to measure awareness and attitudes about the Trade Division's programs. Firms surveyed were selected at random from among firms identified as exporters in KDOC's *Directory of Kansas Manufacturers and Products* database.
4. *Case Studies.* To help develop the telephone survey and add a qualitative dimension, IPPBR researchers interviewed executives of eight Kansas firms. Firms interviewed were identified by the Division as having utilized its programs and represented various types of firms and geographic locations.
5. *Questionnaire Sent to Overseas Trade Representatives.* Because the state's trade representatives offer an overseas perspective on the Division's operations, trade representatives were asked to respond to a three-page, open-ended questionnaire designed to obtain information about their activities and the relative strengths and weaknesses of Kansas' overseas presence.
6. *Review of Economic Development Literature.* Literature was reviewed to provide a frame of reference from the perspective of the Kansas economic development strategy and with regard to national and international trends in trade development. Past studies related to KDOC were reviewed, as were articles from academic and business journals.
7. *Other Information.* Additional information sources included individuals in government and private agencies familiar with the Division's operations and representatives of other state governments.

Findings

Since its creation, the Division has not formally discontinued any programs, and export finance and trade show assistance have become added responsibilities. However, changes in emphasis include:

- less involvement in export seminars than in the past;
- shifts in geographic focus regarding overseas representation;
- a slowdown in the publication of catalogs and directories; and
- an increase in the relative importance of trade show assistance and overseas representation.

It is not certain how Kansas' current mix of trade programs was established, although there appears to be a bandwagon effect among states since most offer similar programs. Program decisions have largely been based on business intuition rather than on any formal assessment and are naturally influenced by the skills and geographic interests of program officers. This is not surprising, since needs assessment for trade development is difficult. One reason for this is that firms needing the most help often have the least knowledge of the existing options and their usefulness. Furthermore, the outcomes of export promotion cannot usually be easily quantified, so it is hard to know which activities do the most good.

Evaluation of trade programs is always difficult because of the complex and long-term nature of international business. Within the Division, there are essentially two levels of evaluation: 1) return-on-investment figures maintained for the KTSAP, and 2) information of the type provided in the Division's annual reports, including lists of activities and names of firms assisted. The latter information is essentially a "head count" which does not examine relative effectiveness programs or quality as perceived by the users. Obviously, staff members receive feedback from service users and incorporate this into future decisions, but there is not a systematic evaluation process. Staff time available for such a process is limited, and other resources such as computer software to facilitate statistical control are not available.

Survey Findings: International Representatives

Responses were received from only four of the eight overseas representatives: Japan, Belgium, Australia, and Korea. This was somewhat surprising since the questionnaire was faxed directly from the Division with a cover letter from the Director and raises questions about the responsiveness of some of the locations.

All four of the respondents said they were satisfied with the level of communication with the Division, although the frequency of reporting varies from quarterly (Belgium) and monthly (Japan) to continuously (Australia) and per Division instructions (Korea). The representatives indicated that Kansas' overseas presence in their respective countries is at least as good, or better, than that of other states, although they feel handicapped by inadequate funding.

All the overseas representatives would like to have more financial resources in order to provide more detailed market follow-up, publicize Kansas firms more widely, and have more face-to-face meetings with Kansas firms.

Individual concerns included:

- creating more catalogs and a new Trade Directory with fax numbers;
- encouraging Kansas business people to attend trade fairs in Japan, seeing the market first-hand;
- establishing an annual international trade fair in Kansas so that the trade representatives could meet with companies face to face; and
- educating Division staff about the technical specifications of Kansas products so that representatives could better understand the advantages of Kansas products.

Survey Findings: Kansas Firms

Key findings from the survey of Kansas businesses found that:

- Less than 22% of the surveyed firms stated that they were well informed about the Trade Division's services, while 43% said they were not aware of them at all.
- Of the firms that were either somewhat or well informed about Trade Development services, less than half (49%) indicated that they had had direct contact with the Division.
- Businesses overwhelmingly suggested that the Division attempt to improve awareness of its services and capabilities.
- For each of the eleven Division services examined, over 75% of the client firms rated them as being helpful. Those programs with especially high ratings included KTSAP (100% rated it helpful), information and technical assistance on the domestic market (100%), information and technical assistance on foreign markets (97%), sales leads (95%), and leads on potential distributors (92%).
- With respect to the KTSAP, 63% of the client firms indicated that participation in the program had caused their international marketing efforts to increase.
- Over 77% of client firms indicated that they would be likely to use a particular service again across each of the eleven services examined. Additionally, all (100%) of the client firms reported that they would be likely to use the Division to obtain sales leads, locate potential distributors overseas, and obtain information and technical assistance on the domestic market in the next few years.

- While firms that had used the Division's services had found them helpful in the majority of cases, equally positive perceptions as to the Division's contribution to various export-related activities were not as evident. For each of the eight export-related results examined in the survey, 79% or more of the respondents indicated that the Trade Development Division was not involved in achieving the particular result.
- In contrast, 48% of the firms either exporting or interested in exporting felt that the Division would be either very important or somewhat important to their international operations in the next two years.
- Firms most frequently mentioned that the Division would not be important to their international operations in the future due to insufficient knowledge about the Division's services (65%).
- Over 23% of the firms in the survey sample had never exported or were no longer exporting, yet according to the *Directory of Kansas Manufacturers and Products* database they export one or more of their products. Furthermore, considerable difficulties were encountered in contacting firms included in the database, due to incorrect information.
- With respect to size of firm, medium-sized firms (52%) and smaller firms (40%) were much more likely to have had contact with the Trade Development Division than larger firms (8%). For each of the eight export-related results examined, greater frequencies of occurrence were reported by larger firms than either smaller or medium-sized firms.

Case Study Findings

A synthesis of the eight case studies found that:

- With the exception of KTSAP, little performance monitoring exists within the Division. For KTSAP, the Division relies on projections of sales made immediately and six months after each show. As these figures are projections, they may not be accurate. In fact, several of the firms reported actual sales figures that were higher than Trade Development documents indicated, while others reported lower sales figures. Several firms indicated that there was too much pressure on the Division to justify its efforts by documenting specific sales-to-expense ratios.
- Limited information exists as to what assistance had been given to which firms and when, with the exception of firms participating in the KTSAP.
- All of the case study firms indicated that the Trade Development Division had been helpful with respect to their firm's international marketing efforts, especially the KTSAP. Consistent with the survey responses, the most frequent suggestion was to increase the promotion, hence awareness, of available Division services.

Findings of the Literature Search and Comparative Analysis

- Research literature on state trade development is scarce. Some positive relationships have been established between export promotion and job creation, but there is little statistical data to support broad trade development initiatives. Services offered by state trade development offices are often based on tradition (i.e. what has been traditionally offered) and perceptions of what has been successful, rather than actual outcomes-based analysis.
- Trade development programs and budgets have expanded dramatically during the 1980s, though the pace of expansion is leveling off and budgets might decline in the early 1990s (Table 3). The primary reason for this trend is the poor fiscal conditions of state governments.

Table 3
Aggregate State Budget Figures for Trade Development
and Biennial Percentage Changes (FY 1984-1990)

FY 1984	\$21,245,100		
FY 1986	\$39,211,000	% change over FY 1984:	84.6%
FY 1988	\$62,197,657	% change over FY 1986:	58.6%
FY 1990	\$91,941,703	% change over FY 1988:	47.8%

FY 1990 Median: \$1,152,541
FY 1990 Mean: \$1,725,663

Source: National Association of State Development Agencies, *State Export Program Database, 1990*.

- Despite the fact that the Kansas Trade Division spends less than the U.S. mean budget figure (FY90), its programs appears to be very active, given Kansas' industrial and economic position among the states.
- Among regional states, the Kansas Trade Development Division's budget is in the middle of the pack, while its programs seem very active by comparison. Kansas is especially active in providing trade show assistance and has more overseas office and representative locations than any of the other regional states.
- Trends in state trade development point to more cooperation among state agencies and other export promotion organizations. Tight fiscal resources will lead many states to target industries and markets to better utilize their resources.
- There are several innovative programs pioneered by other states and countries from which the Trade Development Division can learn. However, most states, including Kansas, prefer to use traditional services which help to remove the barriers to exporting that confront small and medium-sized firms.

- Marketing of services to firms in the state is critical to a program's success, and this fact is recognized by state governments.

Overall Findings

With respect to the research questions stated earlier, the following findings emerged.

Goals and Accomplishments of the Trade Development Division

The primary goal of the Trade Development Division is to assist Kansas companies in developing export markets, thus creating quality jobs and revenue for the state. To achieve this primary goal, the Division operates several programs charged with more specific, unique goals. These include the Export Finance Program (not addressed in this report); the Trade Show Assistance Program (KTSAP); International Representation; and Trade Services, Marketing, and Promotion.

The goal of KTSAP is to encourage Kansas firms to export by helping them attend trade shows. Of the Division's programs addressed in this study, the KTSAP is the only program evaluated in terms of a return on investment ratio. The return on investment ratio (total company sales/Trade Division reimbursement) for FY 1990 was estimated at 57:1.

The goal of the International Representation program is to generate and develop relationships between foreign and Kansas firms. The trade representatives provide Kansas companies with assistance in locating distributors overseas, assistance to firms visiting foreign countries, and assistance in preparing market overviews. While the trade representatives have performance measures included in their respective contracts, the responsiveness of the representatives to Division requests seems to be the primary measurement of performance. There is no documentation on the financial or economic impact of the services performed.

The goals of the Trade Services, Marketing, and Promotion program are to assist Kansas companies in identifying the potential of export markets and to promote foreign and domestic sales of Kansas products. Trade missions, trade directories, counseling of individual firms, domestic marketing efforts, export seminars and workshops, and other miscellaneous services are provided to this end. Currently, no documentation exists on the economic impact of this program.

Selection of Programs/Services

The basis by which the Trade Development Division has decided on which services to offer is not clear. However, many states have modeled their programs after other successful state programs, and Kansas appears to have followed this pattern. Program decisions within the Trade Development Division have largely been based on business intuition rather than on any formal analysis, and have been influenced by the unique skills and geographic interests of division directors and program officers.

Identification and Communication with Potential Clients

The Trade Division does not have a clear strategy for identifying potential clients. It does not currently target firms by size in its promotion or assistance efforts, yet smaller exporters are more likely to contact the Trade Development Division than larger firms. While some efforts at targeting firms within particular industries are undertaken, this does not seem to be a major thrust.

The Division does not have a systematic process to market itself to new clients, so most of the communication is with existing clients. The fact that 43% of the surveyed firms were not aware of the Trade Development Division confirms that proactive marketing to potential clients is limited. The Division lacks a client information system or database to maintain records; therefore, Division staff heavily rely on other databases within the Department of Commerce. While the Trade Development Division is in the process of developing its own database, current resource constraints hinder full development.

Performance Monitoring

As stated previously, little documentation of the Division's accomplishments relative to specific goals exists. Aside from the return on investment ratio maintained for the KTSAP, the measurement of performance for the Division's programs is essentially descriptive in nature and does not examine relative effectiveness of the programs or the quality of those programs as perceived by the users. One obstacle to effective performance monitoring is the lack of systematically collected client records.

Awareness of Programs/Services

Less than 22% of the 301 manufacturing firms surveyed stated that they were well informed about Trade Development Division services while 43% indicated that they were not aware of them at all. Less than half (49%) of the informed firms said that they had had direct contact with the Division.

Impact of Services on Clients

Quantifying the actual *impact* of trade development programs is difficult, if not impossible. Therefore, questions asked in the firm survey and case study interviews did not seek to quantify the impact of Kansas Trade Development Division services/programs, but rather sought to determine firms' general perceptions of the quality of services used, and of the Division's contribution to the various export-related results examined.

Surveyed firms that had used the Division's services consistently rated them as being helpful. In fact, with respect to *each* of the 11 Trade Development Division services examined in the survey, 75% or more of the responding client firms indicated that the particular service was helpful. In addition, over 77% of the client firms indicated that they would be likely to use a particular service again across each of the 11 Trade Development Division services examined.

Suggestions for Improvement

The overwhelming response to questions about how the Trade Development Division could improve its usefulness was that it make the business community more aware of the Division's services. In addition, the most frequently mentioned reason from the responding firms as to why they felt that the Trade Development Division would not be important to their international operations in the future was insufficient knowledge about the Division's services (65%). Consistent with the survey responses, the most frequent suggestion for improvement offered by the case study firms was to increase the promotion, hence awareness, of Trade Development Division services available to Kansas firms.

Policy Implications

Based on the research findings, several options may be considered by the Trade Development Division to make its services more effective and to reach more firms that could benefit from its programs. Policy options suggested by this study are outlined below.

1. Create an Information System Within the Division.

Rationale: The Division has difficulty in documenting its goals and accomplishments. It lacks a systematic, substantiated procedure for follow-up and/or contact with potential exporters. At present, even descriptive information on which companies have used what services is not easily accessible. Such information is in itself of limited utility, although maintenance of statistics on number of firms contacted, number of companies requesting repeat assistance, industry groupings most likely to use KDOC services, etc., could provide valuable guidelines to the Division in planning and evaluating its services. Equally important would be a follow-up with clients to determine how Trade Division services have impacted firms' international endeavors. More results-oriented research is needed as well; for example, over time the Division should be able to document increases in Kansas exports to countries where the state has international representatives.

2. Create a Comprehensive Strategy to Target Division Efforts.

Rationale: There is little concrete evidence of how regions, firms, or industries have historically been targeted or selected by the Trade Division. The Division should focus on the needs of the market, by targeting clusters of Kansas businesses or industries for attention. Development of a network of business clusters with common interests would enable these firms to share their international experiences with others and, over time, become less dependent on the Division's assistance and attention.

3. Establish Standards for Selection, Location and Performance of Overseas Trade Representatives.

Rationale: The current location and relative investments in trade offices and representatives appear to be consonant with the state's major trading interests, although some past allocations do not seem wise in retrospect. Issues of control and accountability have been

problems in some countries, although at present most of these difficulties appear to have been resolved. Selection of representatives should be carefully researched, and performance should be reviewed frequently on the basis of clearly defined goals and expectations.

4. Increase Public Awareness of Division Services.

Rationale: Forty-three percent of exporters and potential exporters surveyed indicated they were not aware of the Division's services. The most frequent suggestion regarding improvement of the Division was that it publicize its activities more effectively. Direct personal contact appears to be important in attracting companies to trade development programs, and recent Division efforts are emphasizing this aspect. In offering its services—either through media or personal contact—the Division should rely on a targeting strategy based on research in addition to "business intuition."

5. Enhance International Trade through Domestic Market Development.

Rationale: The Division's involvement in domestic marketing—within the U.S. but outside of Kansas—seems to be underdeveloped. Since the Division does have domestic marketing as part of its mission, it may wish to consider a systematic program in which companies could be helped to prepare for U.S. markets outside Kansas, then guided to neighboring and English-speaking countries and finally to the world market. Such a comprehensive approach has not been tried in the U.S., but has worked successfully in other countries.

6. Create Partnerships With Other Organizations.

Rationale: Although the Division does have some cooperative programs with the U.S. Department of Commerce, it operates largely on its own. More joint activities with other state governments in the region, with government-sponsored organizations such as the Small Business Administration, state universities, and other entities could help leverage the Division's resources, increase its outreach, and improve access to specialized and technical information.

7. Maintain Appropriate Funding for Level of Activity

Rationale: The Trade Development Division undertakes a wide range of activities in spite of staffing and resource constraints. For example, in FY 1992 the Division experienced a budget cutback equivalent to 25 percent of its operating budget. The state needs to be aware that continuity in its international efforts is vital, since international relationships are developed on the basis of long-term commitment and trust. At current funding levels resources are inadequate and discontinuation of some programs or implementation of fee-based services may need to be contemplated if these levels are sustained. Funds for the Trade Development Division, at a minimum, should be returned to pre-FY 1992 levels to ensure threshold effectiveness, and an increase in funding should be considered because the net benefit to the state's economic development will be strong. A very good basis exists on which to expand these activities, particularly if improvements along the lines suggested above are implemented.

II. INTRODUCTION

This report was prepared on behalf of Kansas Inc. by the Institute for Public Policy and Business Research at the University of Kansas. Its purpose is to present information on activities of the Kansas Department of Commerce Trade Development Division, and it will be used as a basis for evaluation of the Trade Development Division by Kansas Inc.

This report focuses on three programs within KDOC's Trade Development Division: the Trade Show Assistance Program (KTSAP), International Representation, and Trade Services, Marketing and Promotion. The Trade Development Division also operates an Export Finance Program, which Kansas Inc. will evaluate separately. In addition, International Industrial and Investment Development activities were recently incorporated into the Trade Development Division; however, since this program operated within KDOC's Industrial Development Division until a few months ago, it will not be reviewed.

While many of the findings are broken down by Division program, most staff members function in several areas at once. Thus, it is important to maintain an overall perspective of the Division. This research has not focused on auditing or validating specific data provided by the Division, but rather on presenting a framework within which to look at the state's trade development strategies and how those strategies are perceived by user firms.

III. RESEARCH DESIGN

The study was designed to answer the following broad questions about the Trade Development Division:

- What are the goals and accomplishments of Trade Development programs?
- How does the Division decide what services to offer?
- How does the Division identify and communicate with potential exporters?
- How does the Trade Development Division measure the effectiveness of its programs?
- Are potential exporters aware of Trade Development Division services?
- What impact do these services have on their users?
- How might the Division's effectiveness be enhanced?

Implicit within each of these broad questions are many more specific questions relating to the individual programs, user groups, history, and other information. Given the time and resources available for this research, the following approach was implemented to provide answers to the above questions.

- A. *Interviews with KDOC Trade Development Personnel.* Background on the Division's philosophy and strategies was obtained through interviews with staff members. Staff interviewed included Jim Beckley, Director; Randall Tosh and Jim Kadel, who head the Division's two regional operations; Wesley Jaeger, manager of the Trade Show

Assistance Program; and David Gainer, who oversees the daily operations of the European office and handles much of the Division's statistical reporting.

- B. **Trade Division Documents.** Trade Development staff provided documentation on the various programs, including financial information, lists of clients, reports and brochures. In addition, materials gathered by Kansas Inc. in May 1991 were used as references.
- C. **Survey of Export Firms.** A telephone survey of 301 Kansas manufacturing firms was conducted to measure awareness and attitudes about the Trade Development Division's programs. Firms surveyed were selected at random from among firms identified as exporters in KDOC's database.
- D. **Case Studies.** To help develop the telephone survey and add a qualitative dimension, IPPBR researchers conducted personal interviews with executives of eight Kansas manufacturing firms. Firms interviewed were identified by the Trade Development Division as having utilized its programs and represented various types of firms and geographic locations. These interviews are presented as "mini-case studies" in this report.
- E. **Questionnaire Sent to Overseas Trade Representatives.** Because the state's trade representatives offer an overseas perspective on the Division's operations, it was considered important to include them in the study. The trade representatives were asked to respond to a three-page, open-ended questionnaire designed to obtain information about their activities and the relative strengths and weaknesses of Kansas' overseas presence.
- F. **Review of Economic Development Literature.** Literature was reviewed to provide a frame of reference from the perspective of the Kansas economic development strategy relative to national and international trends in trade development. Past studies related to KDOC were reviewed, as were articles from academic and business journals.
- G. **Other Information.** Additional information sources included individuals in government and private agencies familiar with the Trade Development Division's operations and representatives of other state governments.

Through this methodology, findings presented in this report have emerged. This report provides an overview of the Trade Development Division's operations as obtained from its employees and supporting documentation; a description of user perceptions as determined by a random sample survey and interviews with selected firms; and a discussion of related economic development literature and comparative efforts by other states. Finally, policy issues emerging from the study are discussed.

IV. OVERVIEW OF THE TRADE DEVELOPMENT DIVISION

History

In the last two decades, efforts by state governments to enhance international trade opportunities have become nearly universal: all 50 states offer some type of export assistance. In Kansas, trade activities by the state began in the mid-1970s, with one of the earliest efforts being a trip to Japan by Governor Docking and the Kansas Cavalry. Some trade development was carried out under Trade and Tourism during Governor Bennett's administration, and the recession of 1981-1983 led to increased support for such activities. During Carlin's governorship, organized trade efforts were established in Tokyo, then in Europe, and relationships were developed with China. At that time international trade activities were housed in the Kansas Department of Economic Development, Industrial Development Division, with only two full-time staff members. The bulk of trade development in Kansas thus has a very short history, with most of the progress taking place in the last five years.

The 1986 Kansas Economic Development Study (known as the Redwood-Krider Report) addressed issues related to trade development in the state. The study recommended establishment of a new international trade division, stressing that:

Kansas is increasingly a part of the world economy. International trade is important for many Kansas industries and further efforts must be made to market our products internationally. Efforts at international marketing should all be concentrated in KDED. It is crucial that this area be made more visible by being in a separate division that is adequately funded. The staff should be led by experts in international marketing. Overseas offices in key markets should be established.

The international trade division would also provide assistance to Kansas firms desiring to initiate or expand exports. Small businesses in particular require assistance with export financing, licenses, import requirements, and cultural/language issues. The division would assist with putting a complete package together in order to facilitate increased exports by small businesses.

In April of 1986 the Legislature passed House Bill 2951, which established the Division of Trade Development within the newly organized Kansas Department of Commerce. Among the specific activities which the Division was empowered to undertake were to:

- promote the export of Kansas products outside the state and the United States;
- develop and conduct trade development and market research missions to foreign markets and host foreign buying teams visiting Kansas;
- prepare and distribute an export directory and other specialized product information to foreign buyers;
- identify and develop foreign trade leads;

- coordinate with and disseminate information regarding the international grains program and international trade institute conducted at Kansas State University; and
- coordinate with and disseminate information regarding any international trade activities of the division of markets of the state board of agriculture.

Operations of the Trade Development Division within the Kansas Department of Commerce began in 1987, when a nine-member staff was formed. Its first director, Harry Salisbury, served from 1987 to 1991: he had export business experience with special expertise in China and the Far East. The Division has been influenced by the state's agricultural orientation, and several positions were transferred from the Board of Agriculture during its first years. Currently the Division cooperates with the Board of Agriculture on trade leads and trade missions involving agricultural products.

Current Organization and Staffing

James Beckley was appointed director of the Trade Development Division in January 1991. Beckley has 19 years of experience with international exporting in transportation-related business, and owned his own firm for 18 years. He has lived in the Middle East and Africa. Other staff members were with the Trade Development Division under the previous administration, and staff retention is considered important for continuity of the Division's programs and contacts overseas.

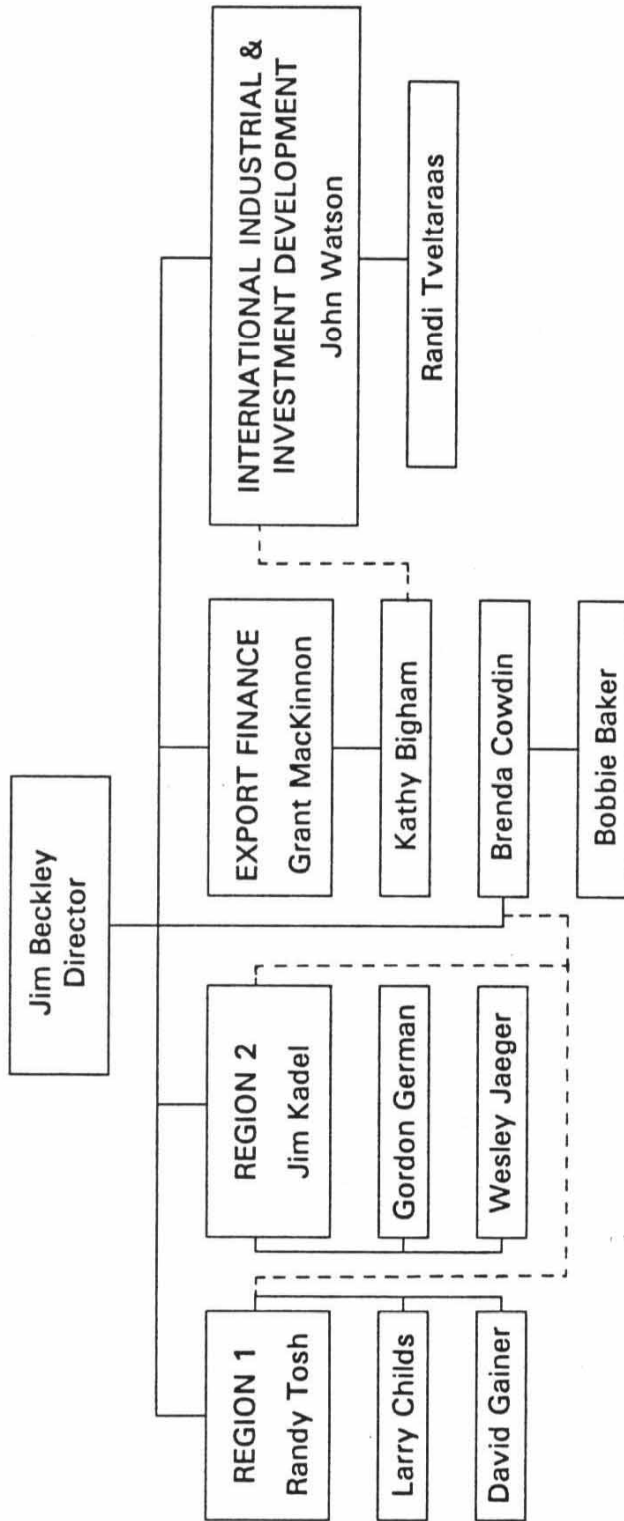
As shown by the organization chart on page 17, Trade Development has a staff of thirteen. Three of these are clerical staff. Of the nine program officers, one is dedicated to export finance and two to international industrial recruitment. Thus, the work described in this study is basically carried out by seven people, including the director, who at this time is also serving as acting director to KDOC's Division of Existing Industry. This appears to be a small staff relative to the scope of operations; one employee commented that it is "streamlined," but most employees and many firms that work with them believe the Division is understaffed. Total salary expenditures for the Topeka staff are \$534,378 for FY 1992, out of a total budget of \$1,400,554. The Division's funding levels for FY 1987-1992 are shown below.

Trade Development Division: Budget Totals FY 1987-1992

FY 1987	\$ 106,148
FY 1988	\$ 586,119
FY 1989	\$ 610,207
FY 1990	\$1,325,804
FY 1991	\$1,533,106
FY 1992	\$1,400,554

While the Trade Show Assistance Program budget was increased from \$150,000 to \$200,000 for FY 1992, the operating budget for remaining programs was in essence cut by 25%. Funding for the European office was reduced by \$100,000 and the budget reduction also affected travel, communications, printing and salaries.

TRADE DEVELOPMENT DIVISION



- REGION 1
- United States
 - Canada
 - Europe
 - USSR
 - Middle East
 - Spain
- REGION 2
- Mexico
 - Central & Latin America
 - Australia
 - Asia
 - Southeast Asia
 - Africa

Trade Development activities, apart from the export finance and international investment development programs, are divided between two Regions indicated on the organizational chart. Region I, managed by Randall Tosh, covers activities in Europe, Canada, the domestic (U.S.) market, as well as new areas in the Mid-East and Soviet Union. Tosh, who has a background in agricultural economics, was the first person hired under the new KDOC organization in 1987. David Gainer who supervises the European office and does much of the Division's data analysis, has a master's degree in international management.

Region II, managed by James Kadel, covers activities in the Far East (Korea, Japan, Taiwan, China, Hong Kong, Singapore), as well as Australia, the Philippines, Central and South America. This region also includes Africa, although there is currently no activity there. Kadel, who has been with the Division for four years, is a former (retired) president of Marley International. Gordon German grew up in Spain and works closely with Central and South American programs, while Wesley Jaeger speaks Japanese and contributes a knowledge of Asia and the Far East. Jaeger also manages the Trade Show Assistance Program.

Philosophy and Operating Strategies

The Trade Development Division's objective, as stated by its Director, is to assist Kansas companies in developing export markets, and to create quality jobs and revenue. The statutes governing the Division allow it to work with any firm, no matter how big or small, and the Division does not discriminate or target firms by size in its promotion or assistance efforts. However, the Division is aware that large firms are less likely to use its services than smaller companies: as Beckley stated, "The big companies don't need us." The services offered therefore are primarily of interest to smaller exporters and potential exporters and include help with promoting products and understanding the terms for international business.

Since its establishment, the Trade Development Division has not formally discontinued any programs and has added export finance and trade show assistance. However, changes in emphasis include less involvement in export seminars than in the past, shifts in geographic focus, and a slowdown in the publication of catalogs and directories. At the same time, the relative importance of trade show assistance and overseas representation has increased. There is concern that resources may be stretched too thin to be effective in all areas and the Division is attempting to target industries and focus its export efforts where there is the most potential.

It is not certain how Kansas' current mix of trade programs was established, although there appears to be a bandwagon effect among states since most offer similar programs. Program decisions have largely been based on business intuition rather than on any formal assessment, and are naturally influenced by the skills and geographic interests of program officers. This is not surprising, since needs assessment for trade development is difficult. One reason for this is that firms which need help the most have the least knowledge of what options exist and how they might be useful. Furthermore, export promotion effects cannot usually be quantified, so it is hard to know which activities are the most effective.

Targeting Trade Promotion Efforts—Relevant Studies

The Trade Development Division recognizes the need to target its development activities. For example, in KDOC's 1987 annual report, the Division stated that:

Highest priority has been given to developing programs and services that meet the specific needs of Kansas companies. Therefore, a special effort has been made to identify the immediate and long-term needs of both current and potential exporters.

The "special effort" mentioned included a study commissioned by KDOC and Kansas Inc., and carried out in 1988 by the Institute for Public Policy and Business Research at the University of Kansas. This study explored the difference between exporting and non-exporting firms in Kansas, and was based on telephone interviews with 424 randomly selected firms; a summary of findings is included in Appendix A. Most relevant to the current study were questions about why companies did not export and what assistance exporters or would-be exporters felt the state could provide.

The majority of non-exporters in the 1988 study (58%) indicated they had no desire to export or that exporting was inappropriate for their products. However, the figures suggested some untapped potential: a number of the non-exporters said they did not market overseas due to lack of specific know-how (9%), lack of government assistance (8%), lack of financing (14%) or because they had never considered exporting (10%). Thus it would appear that appropriate assistance might encourage some of these firms to export.

A problem emphasized by this study was the need for export financing: it was found that 91% of exporters had lost contracts due to lack of financing and that most financed their export sales internally. An implication was that many firms may avoid or reduce exports because of a lack of available funding, especially for small firms that lack the resources for internal funding. This problem has since been addressed by the Export Finance Act and will not be discussed here. However, there may be other areas that need attention, as the 1988 study indicated:

For those Kansas businesses already exporting, financing remains a problem, but their most significant need is for information on foreign markets. Next in significance is the need for government assistance to individual firms with export development. Other areas of need are: information on foreign governments and assistance in getting and coordinating financing.

Trade Development staff interviewed were unfamiliar with this report.

Trade Development staff indicated that many studies on Kansas trade are erroneous: for example, a 1990 report prepared by The Urban Institute and titled "Targeting Export Assistance Programs in the Southwest . . . Kansas . . ." was based on incorrect reporting of agricultural data and was not considered helpful.

Recently the Trade Development Division has undertaken its own efforts to target service needs: a report by David Gainer in March, 1991, looked at types, volume, and direction of Kansas/European trade to help define the state's future role in European trade development. The study's key findings were that:

- Kansas/European trade has increased 68.6% from 1987 to 1990.
- Europe represents approximately 25% of Kansas' worldwide merchandise exports.
- Of the 28 individual SICs representing Kansas exports, 10 classifications account for 98% of 1990 Kansas/European trade. The top 5 classifications account for 85% of 1990 Kansas/European trade.

Information of this type should be very useful in increasing the Division's effectiveness.

As mentioned above, the Trade Development Division has five program areas, of which three are focused upon in this report. Descriptions of 1) the Trade Show Assistance Program, 2) the Overseas Trade Representatives, and 3) Trade Services, Marketing and Promotion, are presented below. This information will provide a frame of reference for subsequent sections which discuss the firm survey, case studies, and what other states are doing.

V. TRADE SHOW ASSISTANCE PROGRAM

The Kansas Trade Show Assistance Program (KTSAP) was established in 1989 and is now in its third year. This program was designed to provide companies with financial assistance in attending trade shows overseas, and will reimburse "up to one-half of a company's eligible direct expenses not to exceed \$3,500 per show or \$7,000 in total financial assistance during a state fiscal year." These funds can be used only for shipping costs, booth rental, or other costs directly related to product exhibition; funds may not be used for travel expenses or employee compensation.

Applicants must be Kansas companies which are: 1) new to export; 2) entering a new market; or 3) introducing a new product. Applications are reviewed by a committee of four KDOC staff. Firms which have less than 85% Kansas component are denied assistance; otherwise, it appears relatively easy to meet the criteria for approval. Firms can even qualify for repeated assistance so long as they are either entering a new country or presenting a new or modified product. For example, a company could qualify for assistance to attend the Paris Air Show for successive years provided marketing efforts were directed towards potential buyers from different regions each time.

During the program's first year, assistance was given for participation in 36 trade shows. Demand was so great that the \$100,000 setaside was exhausted during the first six months. In the second year (FY 1991), \$150,000 was allocated to the program and visits to 48 shows were facilitated. A total of 64 companies participated during the two years, and 16 companies used the program more than once. A list of participating firms for FY 1990-FY 1991 is found in

Appendix B. Although the legislative provisions establishing the program expired on July 1, 1991, for FY 1992 the legislature has allocated \$250,000 to the program.

Companies applying to KTSAP have been receiving assistance largely on a first-come, first-served basis. In June, 1991, several companies were turned down because of lack of funding; however, staff do not feel that the program should be more restrictive. They indicated that the program has not been abused: while larger companies that may have less need for financial assistance do participate, Division staff feel that smaller companies benefit from attendance by larger, more sophisticated Kansas firms. The Division reports that around 70% of approved firms have fewer than 100 employees, and almost 80% of the companies assisted attribute less than 20% of their sales to export (KDOC Annual Reports, 1989, 1990)

To some degree, KTSAP helps support group trade visits organized by the Trade Development Division. For example, six companies attended the Paris Air Show and nine companies participated in a trade mission to Dubai in FY 1991. In such cases, Division officers contact the companies and encourage them to participate. Individual participants then apply for financial assistance to KTSAP. Group participation is very helpful to firms that have little international experience, and a group presence, aided by a Trade Development staff member, may well increase interest in Kansas products. However, if allocations for KTSAP are consumed by trade missions, other companies may have less access to program funding.

The Trade Show Assistance Program is the only program evaluated in terms of an investment/return ratio, which the Division estimates at 57:1. Participant firms are required to report their sales results just after the show and six months following the trade show. Trade Development officers indicated that many companies are reluctant to provide sales figures and that more accurate and perhaps more positive results would be obtained through anonymous reporting. For FY 1990, total sales of over \$5 MM were reported on a KDOC investment of \$100,000. For FY 1991, approximately \$4 MM in sales have been reported to date. While sales reported by KTSAP participants are not always verifiable, the companies themselves are investing considerably in the trade shows. For FY 1991, for example, firms indicated their actual expenditures were over \$400,000, and they were reimbursed for only \$150,000. In reality, company expenditures were probably far above \$400,000, since many firms reported only the minimum amount required for a match from KTSAP.

Sales information is the only feedback provided by participants in KTSAP. Although one of the main benefits of the Trade Show Assistance Program is the exposure and stimulation of interest in international markets, the Trade Development Division does not systematically track information about participants' subsequent international activities.

Division staff would like to raise the amount available for individual firms to \$4,500 per show, and to reimburse shipping expenses at 80% and all other expenses at 50%. This would encourage companies to ship samples of their actual products to trade shows, thus stimulating sales.

VI. INTERNATIONAL REPRESENTATION

Kansas currently has trade representatives in Canada, Japan, Belgium, Mexico, Australia, Taiwan, Paraguay, Korea, Canada and Thailand. Overseas trade offices are located in Japan and Belgium, while the other locations have single individuals acting on behalf of Kansas. The trade representatives have the following main functions in working with Kansas companies:

- A. *Assistance in locating distributors.* Upon request, a trade representative is required to locate 3-4 potential distributors for a Kansas firm wishing to operate in his/her country.
- B. *Visitor assistance.* When representatives of Kansas firms travel overseas, the local trade representatives may be asked to assist in setting up appointments, translating, or other related tasks. The Trade Development Division arranges these contacts and does not publicize the representatives' names and addresses directly. However, profiles on the overseas representatives are featured in the Division's newsletter so that people will be aware of these services.
- C. *Market overview.* Upon request, the overseas representatives will prepare market overviews to determine whether the local market offers products similar to those of a given Kansas firm. This is not a formal market study.

The overseas offices in Belgium and Tokyo have broader functions. The office in Belgium is responsible for activities in all the European countries including investment recruitment to Kansas; the Tokyo office focuses largely on investment recruitment but also undertakes the activities outlined above for Kansas firms interested in the Japanese market.

Locations and funding levels for the current trade representatives, FY 1988-FY 1992, are shown below. The costs include both professional fees and expenses.

	FY88	FY89	FY90	FY91	FY92
Australia	--	--	18,000	20,000	44,000
Europe	250,000	250,000	250,000	250,000	122,000
Japan	170,000	140,000	140,000	235,000	180,000
Korea	5,000	12,000	18,000	9,500	--
Mexico				8,000	85,000
Paraguay		8,000	8,000	8,000	5,000
Canada	--				37,500
Taiwan	6,000	20,000	22,000	23,000	5,000
Thailand	10,000	10,000	11,000	16,000	--
Totals:	\$441,000	\$440,000	\$467,000	\$589,500	\$478,500

Total expenditures FY 1988-1992: \$2,396,000 (does not include "dropped" representatives: Indonesia, Columbia, Venezuela, Peru, People's Republic of China).

A number of changes in location and funding have occurred. Representations in Venezuela, Peru, China, Colombia and Indonesia have been discontinued due to lack of performance, and the representative from Paraguay is on probation this year. The trade representatives in Thailand and Korea are currently not receiving an honorarium because little marketing potential has been exhibited in those countries. The remaining locations—Australia, Europe, Japan, Canada and Mexico—are important trading partners for Kansas firms. While funding for the European office was reduced for FY 1992 by 50%, Mexico has received a significant increase, from \$8,000 in FY 1991 to \$85,000, and a representative in Canada has just been appointed. These changes reflect a deliberate strategy of the Division to help companies enter international markets which are relatively close and easy to work with.

The current balance of trade representatives and offices corresponds, for the most part, with the state's major trading partners. For example, one-quarter of the state's exports are destined to Europe, and Kansas trade with Europe increased by 69% (over \$200 million) between 1987 and 1990. If even a small percentage of this increase could be attributed to the state's investment in Europe, it would appear to be a worthwhile effort.

Criteria for selection and evaluation of trade representatives are not always clear. The Director indicated that he does not know how trade representatives or locations were chosen in the past. Some of the representatives were selected because they had worked with Kansas manufacturers and were thus known to state officials. Changes in decision criteria are evident: for example, during the Division's early years, more emphasis was placed on South America. The 1988 Annual Report indicated that "Kansas is the most active of all states in developing trade relationships with . . . South American countries," and two trade missions were made to Latin America that year. Today, only Mexico is the focus of much trade development activity. Another significant change has been reassignment of the European office from Germany to Belgium, with new management. The German office was not sufficiently responsive to Kansas firms and did not coordinate its efforts adequately with KDOC, and thus was shut down in June of 1991.

Information on the activities of all the trade representatives is not readily accessible. The Division's information on trade representatives is kept in hand files and considerable effort is required to list the companies they have worked with: names were pulled at random for the Kansas Inc. report, *Department of Commerce: Program Abstracts and Performance Data*, May 1991.

Overall, the Trade Development Division staff feel that the value of the trade representatives is far greater than their cost: they believe that access to a local representative makes all the difference to companies wishing to enter a foreign market.

Questionnaire Sent to Overseas Trade Representatives

An overseas perspective on Kansas' programs was sought through a questionnaire faxed to eight current trade representatives (see Appendix C). This group did not include Canada because operations there have just begun. Questions were asked about the representatives'

qualifications, kinds of services provided to Kansas firms, communication with the Kansas Department of Commerce, and suggestions for improvement.

Responses were received from only four of the eight overseas representatives—Japan, Belgium, Australia, and Korea. This was somewhat surprising since the questionnaire was faxed directly from the Trade Development Division with a cover letter from the Director, and raises questions about the responsiveness of some of the representatives.

From the responses received, the representatives appear to be well qualified, with at least 10 years of experience in international business. On the average, they devote 30% of their work time to Kansas activities, while acting as consultants to other firms in their remaining time. They are not allowed, by contract, to work as representatives of other state governments.

All four of the respondents said they were satisfied with the level of communication with the Trade Development Division, although the frequency of reporting varies from quarterly (Belgium) and monthly (Japan) to continuously (Australia) and per KDOC requests (Korea). The representatives indicated that Kansas' overseas presence in their respective countries is at least as good, or better, than that of other states, although they feel handicapped by inadequate funding. Kansas appears to have a particular competitive advantage in Australia, where no other states have trade offices. In Europe, Japan, and Korea, other states spend more: for example, over 30 states have permanent offices in Europe, while the Kansas office is only part-time.

All the overseas representatives would like to have more financial resources in order to provide more detailed market follow-up, publicize Kansas firms more widely, and have more face-to-face meetings with Kansas firms. One indicated it would be helpful to have more catalogs and a new Trade Directory with fax numbers included. Another mentioned that it is very important for Kansas business people to attend trade fairs in Japan and see that market first-hand: he would like to promote this and also suggested an international trade fair to be held each year in Kansas so that the trade representatives could meet with companies face to face. One representative said that KDOC staff versed in the technical specifications of Kansas products would help him understand the advantages of these products and thus do a better job representing them.

VII. TRADE SERVICES, MARKETING AND PROMOTION

Trade Services, Marketing and Promotion includes such activities as information services, seminars, trade missions, publications, and consulting with individual firms. These activities are documented in the Division's annual reports and were also summarized by Kansas Inc. in its report of May, 1991. The following description is not all-inclusive but represents the general thrust of these activities at present.

Trade Missions

Trade missions or delegations from Kansas are sometimes organized to promote a particular industry or foreign market. These groups are escorted by Trade Development staff and individual participants in these missions frequently apply for funding under the Trade Show Assistance Program. An example of a recent group promotion was one organized to the United Arab Emirates immediately following the Gulf War. Kansas acted quickly to organize a group of ten companies and had the second largest state showing. There has also been considerable activity in Australia: for 1991, Kansas will be guest exhibitor at the Australian national agriculture show (a spot normally given to a country), and fifteen Kansas companies will attend. The Division also organizes visits to Kansas by business and government representatives from other countries.

Trade Directories

The Trade Development Division has produced a variety of directories including *Kansas Manufacturing Firms in Export*, last published in 1988. Unfortunately, such a directory quickly becomes outdated, and Trade Development staff indicated they would prefer in its place to have a systematic database capability to print out targeted information on request. At present, the database is updated by staff as they learn about new companies, including the names of contacts in each company, which are of prime importance. However, the Division indicated it lacks computer resources to maintain and manipulate its database as it would like.

Domestic Marketing

Efforts to enhance the domestic market for Kansas products are also carried out under Trade Services, Marketing and Promotion, Region 1. These have included an exhibition at Bloomingdale's in New York in 1988, with reported sales of \$250,000. In addition, the Division has produced catalogs for Kansas arts and crafts, consumer goods (e.g., coolers, bicycles), light industry, agribusiness and aerospace. Domestic activities are currently minimal, but Trade Development staff would like to have a stronger program such as the one in Maine, which has a catalog, state trademark and an annual trade show of Maine products.

Counseling of Individual Firms

The Trade Development Division provides counseling for firms interested in selling their products overseas. One difficulty encountered is that firms may try to internationalize before

they are skilled in the domestic market, resulting in wasted efforts. Companies are advised to stay with English-speaking markets first, then extend to Europe where cultures and customs are relatively familiar. As shown by the survey data reported below, there is a strong trend for Kansas firms to follow this pattern.

When a company is ready to export, the Trade Development Division can help locate distributors through its overseas representatives and other vehicles, including the U.S. Department of Commerce's agent/distributor search, and refers companies to KDOC's export finance program. The Division's Trade Resources Directory provides information on services such as shipping, banking, and translation. In addition, companies wishing to feel out a market through advertising may do so through the U.S. Department of Commerce's *Commercial News U.S.A.* The cost per ad is \$250, and the Trade Development Division is currently paying half of this cost, although it contemplates dropping this service.

Individual counseling of firms appears to focus on a small number of firms at any given time, either because few companies seek it out or because there is a limited staff available to work closely with companies. New companies represent only about 10% of the "clients." The Division estimates it has been actively involved with 150-200 companies during this calendar year, including both individual counseling and all other efforts; however, an ongoing count is not maintained.

Public Relations

The issue of how to reach more firms, including newer firms which can be guided before they make costly mistakes, is of concern within the Division. Because of the lack of a centralized, up-to-date database on Kansas firms, the Division resorts to trade directories and even local telephone directories to identify potential clients. The Division circulates a quarterly newsletter to approximately 1400 firms, but reports that response is low. Efforts are currently underway to expand the newsletter mailing list, but surveys have not been utilized to determine how readership might be increased.

There is some evidence that initiation of personal contact by staff with potentially interested firms has declined. The importance of personal contact was stressed in the early years: for example, the 1987 Annual Report mentioned that 43 companies had been personally visited by Division staff, and the 1988 Annual Report placed this number at 100 companies. The 1990 report simply mentioned that staff "made company visits," without giving numbers.

To help increase contact with potential exporters, in June the Division began holding breakfast meetings in different areas of the state. Area businesses are invited to meet with KDOC staff at these meetings: for a recent breakfast meeting in Hutchinson, 115 invitations were sent and 32 people attended. In this effort, 15 new companies were identified that wanted and needed international trade services. Other breakfast meetings have been held in strategically located communities, including Fort Scott, Sedgwick County and Johnson County, where the Division has had little past involvement.

Program Changes

Program shifts are underway in Trade Services, Marketing and Promotion. Although the Division has not yet clearly defined what it wants to do, the Director sees the need for change. For example, the Division would like to offer more detailed programs such as a recent catalog show to Thailand which was leveraged on a trip being made to that country. Twenty-five Kansas companies were represented and fifteen solid potential sales were generated.

Trade seminars are another area of contemplated change. The Division has not been active in this area for over two years; however it is now working on a curriculum for a new program, planned to include six major areas: finance, business practice, shipping, marketing, culture, and development of relationships overseas. Because there is a relatively limited audience for these seminars, they will be general in focus, i.e., will not concentrate on a specific country or product market.

Ties with universities or other trade organizations might help the Division increase public awareness of its activities and gain access to specialized knowledge. The Division has limited contact with such organizations, largely because past experiences have not been rewarding. With a few exceptions, the Trade Development Division perceives that universities' idea of cooperation is "to obtain money from KDOC." The Division cooperates with the Wichita and Kansas City trade clubs, but realizes it is "not getting down to the grass roots" through these organizations, which are heavily populated by firms offering trade services. An interesting finding was that the World Trade Center in Wichita assists companies wishing to apply for KDOC's Trade Show Assistance Program—for a \$25 processing fee. World Trade Center officials said that this is a service for companies that need some "hand-holding" during the application process.

Trade Development staff do feel that it would be useful to expand their network of overseas contacts and country specialists to complement their own expertise. Cooperation with the universities to establish a database that could include foreign alumni of Kansas universities and faculty with expertise relevant to international business has been discussed but so far not been pursued.

A change in the Division's operating structure is worth noting. From 1987 to 1990 Trade Services was a separate operating component which maintained the Division's data base, telex and fax communications, and managed the publication of trade directories. Currently, Trade Services are grouped together with Marketing and Promotion. Since the need for information management and data resources to facilitate a strategic approach to trade development was a key theme emerging from this research, the submersion of these key services into the broad category of "services, marketing and promotion" may be problematic.

VIII. INTERNAL EVALUATION

Evaluation of trade programs is always difficult because of the complex and long-term nature of international business. Within the Trade Development Division, there are essentially two levels of evaluation: 1) return-on-investment figures maintained for the Trade Show Assistance Program and 2) information of the type provided in the Division's annual reports, including lists of activities and names of firms assisted. The latter information is essentially a "head count" which does not examine relative effectiveness programs or quality as perceived by the users. Obviously, staff members receive feedback from service users and incorporate this into future decisions, but there is not a systematic evaluation process. Staff time available for such a process is limited, and other resources such as computer software to facilitate statistical control are not available.

A major obstacle to program evaluation cited by Trade Development staff is reluctance of companies to provide sales information. KDOC can only require that companies report sales results in cases where cash is supplied, i.e., for the Trade Show Assistance Program. Nonetheless, it should be possible to obtain some perspective on international sales figures through periodic random sample surveys, where anonymity of the respondents is assured.

The Division's Director mentioned that he would like to run the Division more as a business than as a state agency. He believes that providing services on a fee basis would make companies more serious. This would be consistent with policies of the U.S. Department of Commerce, for example, which charges for its services. Obviously, a fee-based system would provide a good indicator of perceived value, but might be a barrier to many Kansas firms.

Other aspects pertaining to evaluation are discussed below in sections relating to user perspectives and insights from other trade development programs. From the perspective of the Division's Director, Kansas is doing more and with less funding than most other states, and is making a difference to participating firms.

IX. RESULTS OF THE INTERNATIONAL TRADE FIRM SURVEY

The preceding section was a discussion of the Trade Development Division's operations based primarily on the Division's own reports and self-description. This section discusses the results from the survey of 301 Kansas manufacturing firms (see Appendix D) and includes a discussion of the following:

- A. basic demographic data of the surveyed firms;
- B. findings on firms' awareness of the services provided by KDOC's Trade Development Division;
- C. findings on firms' use and ratings of these services (with particular emphasis on the Trade Show Assistance Program);
- D. findings on firms' use and perception of other international trade organizations;
- E. findings on firms' export-related results for the last three years and perceptions of the Division's contribution to these results; and
- F. findings on firms' overall perceptions of the services offered by the Trade Development Division including suggestions for improving these services.

The following 11 categories of services provided by KDOC's Trade Development Division (KDOC/TDD) were examined:

- Export-related seminars and workshops
- Information on foreign markets or other technical assistance
- Location of potential distributors overseas
- Location of foreign sales leads
- Newsletters
- Trade directories or other publications
- Trade missions to foreign countries
- Assistance with domestic markets
- Trade missions or visits of foreign buyers to Kansas
- Assistance from overseas offices or representatives
- Trade Show Assistance Program (KTSAP).

Research Methodology

The primary data collection procedure was to survey a random sample of firms included in the *Directory of Kansas Manufacturers and Products* database which were categorized as exporting one or more of their products. Given the Trade Development Division's emphasis on the Trade Show Assistance Program (KTSAP), the survey sample was manipulated somewhat to include an over-representation of firms (30 anticipated) which had participated in this program.

The survey first identified firms which currently export (defined as the export of products outside the United States) or those not exporting but interested in doing so, and subsequently identified firms which actually had direct contact with the Trade Development Division. Client firms (those that had used a particular Trade Development Division service) were then asked about each of the above services while non-client firms were asked why they were not using the Division's services. Specific export results were identified from exporting firms while non-exporting firms were asked to identify the reasons for not exporting. Finally, client firms were asked about their general perceptions of the services offered by the Trade Development Division and what, if any, suggestions they would offer for improvement.

DEMOGRAPHIC FINDINGS ON SURVEYED FIRMS

The size distribution of the responding firms, as measured by the number of employees and annual sales, was as follows:

Number of employees

Less than 50	= 168 (56%)
50-249	= 108 (36%)
Greater than 249	= <u>24 (8%)</u>
	300 (100%)

Annual sales

Less than \$500,000	= 37 (16%)
\$500,000-\$1,000,00	= 23 (10%)
\$1,000,000-\$2,500,	= 23 (14%)
\$2,500,000-\$5,000,000	= 43 (19%)
\$5,000,000-\$10,000,000	= 31 (14%)
\$10,000,000-\$20,000,000	= 25 (11%)
Over \$20,000,000	= <u>34 (15%)</u>
	225 (100%)

The average number of employees was approximately 114 while the average level of annual sales was \$21,582,825. The average length of time that firms had been in business was approximately 34 years (n*=296), while the average length of time between the date of firm founding and date of initial exporting was approximately 16 years (n=174).

When asked to describe the export status of their Kansas firm(s), respondents (n=301) answered as follows:

Export Status

Have never exported and not interested	= 49 (16%)
Have exported but no longer interested	= 22 (7%)
Not exporting but interested	= 34 (11%)
Exporting	= <u>196 (65%)</u>
	301 (100%)

Over 23% of the firms surveyed had never exported (n=49) or were no longer interested (n=22), yet according to the *Directory of Kansas Manufacturers and Products* database these firms indicated that they do export. To identify the export barriers faced by these firms, respondents were asked to indicate which, if any, of the following reasons applied:

<u>Reason for not exporting</u>	<u>Agree</u>	<u>Disagree</u>
No desire to export (n=69)	48%	52%
Lack of specific export knowledge (n=66)	35%	65%
Lack of government assistance (n=65)	20%	80%
Lack of financing (n=64)	16%	84%
Not appropriate for business/product (n=70)	63%	37%

The most frequently mentioned reason for not exporting was that international trade was not appropriate for the business or product (63%). Lack of desire to export (48%) and lack of specific export knowledge (35%) were also mentioned relatively frequently. Lack of financing and lack of government assistance were mentioned relatively infrequently, 20% and 16% respectively.

Of the 196 firms which currently export, the average percent of export sales to total sales was approximately 13%. The distribution of primary export destination(s) of products by the responding firms is shown below.

*n = number of respondents.

Country/Region*

Canada	= 90	Puerto Rico	= 13
Australia	= 42	South America	= 11
UK	= 42	Bahamas	= 10
Mexico	= 39	Singapore	= 10
Europe	= 37	Italy	= 9
Japan	= 35	New Zealand	= 9
Germany	= 19	Saudi Arabia	= 9
Korea	= 19	Sweden	= 9
Taiwan	= 19	Switzerland	= 9
France	= 17	All other	= <u>148</u>
		Total	= 596

*The results are somewhat distorted as some firms indicated a region (e.g. Europe) rather than specific countries within those regions. Firms were also allowed to offer up to five destination countries; therefore, the total number of responses is greater than the number of respondents.

The distribution of major industry group (categorized by the 2-digit SIC code level), according to the exporting firms (n=194) was:

Major Group (2-digit SIC)

Food and kindred products (20)	= 12 (6%)
Printing & publishing (27)	= 11 (6%)
Chemicals (28)	= 13 (7%)
Rubber & misc. plastic products (30)	= 11 (6%)
Fabricated metal products, except machinery & transportation (34)	= 19 (10%)
Industrial and commercial machinery and computer equipment (35)	= 65 (34%)
Electrical equipment and components except computer equipment (36)	= 11 (6%)
Transportation equipment (37)	= 14 (7%)
Measuring, analyzing, & controlling instruments (38)	= 12 (6%)
Other	= <u>26 (13%)</u>
	194 (100%)

Over a third of the responding firms exported a product(s) within the industrial and commercial machinery and computer equipment group. Fabricated metal products and transportation equipment were also mentioned relatively frequently, 10% and 7% respectively.

FINDINGS ON AWARENESS OF KDOC/TDD

Data from firms that either export or are interested in exporting

When asked to identify the extent to which they were aware of the services provided by the Trade Development Division, those firms either exporting or interested (n=227) responded as follows:

Extent of Awareness of KDOC/TDD

No, have not heard about them	= 97 (43%)
Yes, have some idea about them	= 81 (36%)
Yes, am well informed about them	= <u>49 (22%)</u>
	227 (100%)

Of the 227 responding firms, 22% stated that they were well informed about Trade Development Division services, while 43% said they were not aware of them at all. Of the responding firms that had either some idea or were well informed about the Division's services, the most frequent means of introduction was through KDOC publications. Less frequently mentioned were public media, KDOC employees, and other business people. Several other respondents became aware of the Trade Development Division through universities and international trade councils/centers.

Means of Initial Introduction

KDOC publication(s)	= 50 (40%)
Public media	= 23 (18%)
KDOC employee(s)	= 20 (16%)
Other business people	= 10 (8%)
Other	= <u>24 (19%)</u>
	127 (100%)

With respect to direct contact, less than half (49%) of the firms that had either some idea or were well informed regarding the Trade Development Division (n=129), indicated that direct contact had been made:

Direct contact with KDOC/TDD

Yes	= 63 (49%)
No	= <u>66 (51%)</u>
	129 (100%)

Of the 63 firms reporting that direct contact had been provided with the Division (n=58), respondents indicated the following as to the year of initial contact:

Year of direct contact

Prior to 1987	= 17 (29%)
1987	= 10 (17%)
1988	= 9 (16%)
1989	= 12 (21%)
1990	= 7 (12%)
1991	= <u>3</u> (<u>5%</u>)
	58 (100%)

The percent of respondents indicating that their firm initiated the contact was only slightly higher than those indicating that KDOC initiated the contact, 52% and 48% respectively. Of the firms that had direct contact with the Division, the two most frequent means were by phone and personal letter.

FINDINGS ON USE AND QUALITY OF SERVICES

Data from firms reporting that direct contact had been made with KDOC/TDD

The 63 firms reporting that direct contact had been made with the Trade Development Division were asked to identify whether or not they had used any of the following 11 categories of services. Those firms having used a specific service (client firms) were then asked to rate the service according to its helpfulness. Both client and non-client firms were asked to indicate whether or not they would be likely to use specific services in the next two years if offered. The results are shown below, ranked according to greatest usage:

<u>Service</u>	<u>Use</u>	<u>% of firms rating KDOC/TDD helpful</u>
Newsletters	41 (64%)	90%
Seminar/Workshop	30 (47%)	90%
Foreign Market TA	30 (47%)	97%
KTSAP	29 (45%)	100%
Sales Leads	21 (33%)	95%
Trade Directories	18 (28%)	83%
Overseas Offices/Reps	15 (23%)	87%
Trade Missions Overseas	15 (23%)	85%
Distributor Leads	13 (20%)	92%
Trade Missions to KS	12 (19%)	75%
Domestic Market TA	4 (6%)	100%

The most common service used by the respondents was the newsletter (64%). Attending an export-related seminar/workshop (47%), obtaining information/technical assistance on foreign markets (47%), and locating potential sales leads (33%) also occurred relatively frequently. While the number of firms reporting to have participated in the KTSAP also appears to have occurred relatively frequently (95%), this number is somewhat misleading as the survey sample was manipulated to include 30 firms that were already known to have used the program. Less frequently used services included receipt of trade directories and/or other publications (28%), assistance from overseas offices/representatives (23%), participation in trade missions overseas (23%), identification of potential distributors (20%), and participation in trade missions to Kansas (19%). Obtaining information/technical assistance on domestic markets occurred relatively infrequently (6%).

Firms using these Trade Development Division services consistently rated them as being helpful. In fact, with respect to each service, 83% or more of the responding client firms indicated that it was helpful, with the exception of trade missions/visits of foreign buyers to Kansas (75%). Two services, the KTSAP and information/technical assistance on domestic market(s) received 100% helpfulness ratings by the client firms. The finding may be somewhat misleading regarding the latter service as only four firms reported using the service. However, the fact that all 29 firms reporting to have used the KTSAP rated it as being helpful is significant. Other services receiving significantly high helpfulness ratings included information and technical assistance on foreign markets (97%), sales leads (95%), and leads on potential distributors (92%).

When asked whether or not they would be likely to use these services in the next two years if offered, firms responded as follows:

<u>Service</u>	<u>% of Firms Likely to Use</u>		
	All	Clients	Non-clients
Newsletters	73%	83%	57%
Seminar/Workshops	65%	90%	44%
Foreign Market TA	57%	93%	24%
KTSAP	61%	93%	34%
Sales Leads	61%	100%	42%
Trade Directories	56%	94%	43%
Overseas Offices/Reps	40%	93%	25%
Trade Missions Overseas	38%	77%	27%
Distributor Leads	41%	100%	26%
Trade Missions to KS	46%	83%	37%
Domestic Market TA	31%	100%	27%

With respect to all firms (client and non-client), the services with the greatest likelihood of future use included newsletters (73%), export-related seminar/workshops (65%), KTSAP (61%), and sales leads (61%). As expected, client firms indicated a greater likelihood of future use across all the Trade Development Division service categories than non-client firms. In fact, with respect to each service, 83% or more of the client firms indicated that they would be likely to use the particular services again, with the exception of trade missions overseas (77%). In contrast, 44% or fewer of the non-client firms indicated that they would be likely to use a particular service across all of the 11 categories, with the exception of the newsletter (57%).

SPECIFIC FINDINGS ON THE TRADE SHOW ASSISTANCE PROGRAM

Data from firms having used the KTSAP

Given the Trade Development Division's emphasis on the KTSAP, the survey included several additional questions specific to this program. Of the 29 firms reporting to have used the KTSAP, 64% indicated that they had participated in international trade shows prior to their experience with the Trade Development Division, and the same percentage indicated that they would have attended the KTSAP show(s) without the Division's assistance. Most of the participating firms learned about the trade show(s) from other business people (33%), with trade publications (26%) and Trade Development staff (22%) following close behind. When asked the extent to which the Division provided preparatory information and non-financial assistance, many of the firms indicated that they did not need such assistance (43%). When asked how active the Division had been in providing follow-up support since the trade show(s), 78% of the firms indicated that Trade Development staff had been very or somewhat active.

Preparatory Information/Non-financial Assistance

None, firm did not need	= 12 (43%)
None, but firm could have used	= 7 (25%)
KDOC assistance was provided	= <u>9</u> (<u>32%</u>)
	28 (100%)

Follow-up Support

Very active	= 11 (39%)
Somewhat active	= 11 (39%)
Not active	= <u>6</u> (<u>21%</u>)
	28 (100%)

To identify the impact on export sales resulting from the KTSAP, client firms were asked whether or not they obtained significant sales from their participation in the program. Of the responding firms, 58% indicated that they did not, while 42% reported that they did obtain significant sales. However, 63% of the firms indicated that their participation in the KTSAP has caused their international marketing efforts to increase:

Effect on international marketing efforts

Has not affected efforts	= 9 (33%)
Has caused interest to decrease	= 1 (4%)
Has caused interest to increase	= <u>17 (63%)</u>
	27 (100%)

These findings suggest that although significant sales have yet to be obtained, many firms recognize the long-term commitment necessary for international marketing efforts to translate into export sales. This is consistent with the finding that 100% of the responding firms that had participated in the KTSAP indicated that they would be likely to use the program in the future while only 42% indicated that they had obtained significant sales as a result.

FINDINGS ON USE OF OTHER INTERNATIONAL MARKETING ORGANIZATIONS

Data from firms either exporting or interested

To more thoroughly understand the competition facing the Trade Development Division in the international trade arena, the 230 firms indicating that they exported or were interested in exporting were asked to indicate which, if any, other organizations they had used for general assistance in exporting. The results are as follows:

<u>Organization</u>	<u>Number of firms having used organization</u>
Private commercial service i.e. bank, law firm, freight forwarder, consultant (n=224)	= 115 (51%)
U.S. Department of Commerce offices (n=221)	= 87 (39%)
International trade clubs (n=225)	= 36 (16%)
World Trade Centers (n=223)	= 32 (14%)
Small Business Administration (n=223)	= 29 (13%)
Universities (n=225)	= 27 (12%)
Small Business Development Centers (n=222)	= <u>12 (5%)</u>
	338*

*Firms were asked to indicate all of the organization which they had used, therefore the total number of responses is greater than the number of respondents.

The most frequently mentioned private commercial sources of exporting assistance were freight forwarders, banks, and brokers. Wichita and Kansas City were the most frequently mentioned locations for use of international trade clubs, world trade centers, and U.S. Department of Commerce local offices. Kansas State University and the University of Kansas were the two most frequently mentioned universities used by the respondents.

When asked which, if any, of the above organizations were the most useful, firms responded as follows:

Organization

Private commercial service i.e. bank, law firm, freight forwarder, consultant	=	77 (55%)
U.S. Department of Commerce offices	=	27 (19%)
International trade clubs	=	10 (7%)
World Trade Centers	=	6 (4%)
Small Business Administration	=	3 (2%)
Universities	=	8 (6%)
Small Business Development Centers	=	1 (1%)
None	=	<u>9 (6%)</u>
		141 (100%)

With respect to these other organizations, the one rated as being the most helpful was private commercial organizations (55%).

**FINDINGS ON EXPORT-RELATED RESULTS
AND CONTRIBUTION OF KDOC/TDD**

Data from firms that either export or are interested

To identify the economic development impacts of Trade Development Division services, the 230 firms indicating that they export or are interested in exporting were asked to report whether each of the following eight export-related results occurred at their Kansas firm(s) during the last three years. Respondents identified the following results as having occurred:

<u>Result</u>	<u>Occurred</u>
Pursued new sales lead(s) (n=223)	156 (70%)
Increased domestic sales (n=221)	152 (69%)
Increased export sales (n=222)	133 (60%)
Acquired new foreign distributor (n=223)	107 (48%)
Retained jobs that would have been lost without exports (n=216)	89 (41%)
Signed licensing agreement(s) (n=219)	40 (18%)
Added new export related jobs (n=221)	34 (15%)
Signed a joint venture agreement (n=219)	22 (10%)

The most common export-related result reported was the development of sales leads (70%), with increased domestic sales (69%) and increased export sales (60%) following close behind. The acquisition of new foreign distributors (48%) and retention of jobs due to exports (41%) also frequently occurred. Less frequent were firms which signed a licensing agreement (18%), added new export-related jobs (15%), and signed a joint venture agreement (10%).

To assess firms' perceptions regarding the contribution of Trade Development Division services to these results, respondents who indicated that a certain export-related result had occurred at their firm were subsequently asked whether the Division had been helpful in achieving the result. The findings are as follows:

<u>Result</u>	<u>KDOC/TDD Contribution</u>		
	helpful	not helpful	not involved
Pursued new sales lead(s) (n=155)	13%	2%	85%
Increased domestic sales (n=132)	4%	4%	92%
Increased export sales (n=131)	16%	5%	79%
Acquired new foreign distributor (n=107)	10%	6%	84%
Retained jobs that would have been lost without exports (n=88)	11%	3%	85%
Signed licensing agreement(s) (n=40)	10%	0%	90%
Added new export related jobs (n=34)	18%	3%	79%
Signed a joint venture agreement (n=23)	4%	4%	91%

For each of the above results, 79% or more of the respondents indicated that the Trade Development Division was not involved in achieving the particular result. This finding is consistent with previous findings indicating that only 22% of the respondents were well informed about the Division and less than half (49%) had ever had direct contact with Division staff. However, when the Trade Development Division was involved with respect to each of the above results, they were consistently rated as being helpful versus not helpful, with the exception of increasing domestic sales and signing a joint venture agreement. With respect to these two categories, the findings may be somewhat misleading in that the Trade Development Division focuses on assisting firms in exporting overseas rather than increasing domestic sales, while very few firms indicated that they had signed a joint venture agreement. The Division was perceived by the firms to be most helpful in adding new export-related jobs (18%), increasing export sales (16%), and pursuing new sales leads (13%).

FINDINGS ON FIRMS' OVERALL PERCEPTIONS OF KDOC/TDD

Data from firms either exporting or interested

Given that specific contributions are difficult to measure and quantify, particularly when addressing long-term economic development impacts resulting from government programs, the survey included several questions relating to firms' overall perceptions of the Trade Development Division services. The 230 firms, either exporting or interested, were asked to identify how important the Division's assistance will be to their international operations in the next two years. The findings are as follows:

Importance

Very important	= 21 (10%)
Somewhat important	= 82 (38%)
Not important	= <u>114 (52%)</u>
	217 (100%)

The number of these firms indicating that the Trade Development Division would not be important to their international operations over the next two years (52%) was slightly greater than the number of firms reporting that the Division would be either very or somewhat important (48%). To assess why firms felt that the Division's services would not be important, those respondents (n=114) were asked to identify which of the following reasons applied:

<u>Reason</u>	<u>Agree</u>	<u>Disagree</u>
Lack of sufficient knowledge of KDOC/TDD (n=107)	65%	35%
Don't need outside exporting assistance (n=106)	57%	43%
KDOC/TDD doesn't provide needed service (n=93)	32%	68%
Others dissatisfied with KDOC/TDD (n=104)	2%	98%
Prefer to use private sources for help (n=104)	54%	46%
Prefer to use other government sources (n=105)	18%	82%
Don't believe state government can provide good business services (n=93)	18%	82%
Have been dissatisfied with KDOC/TDD (n=103)	4%	96%

Consistent with previous findings, the most frequently mentioned reason why firms indicated that the Trade Development Division would not be important to their international operations in the near future was insufficient knowledge about the Division and the services that it offers (65%). Only a very small portion of firms gave as a reason that either their own firm or other firms were dissatisfied with the Division's services (4% and 2%, respectively).

Finally, exporting firms were asked what, if anything, the Trade Development Division might do to make its services more useful. Consistent with previous findings, the underlying theme of the responses was to make the business community more aware of KDOC/TDD services and their capabilities. Several respondents indicated that they would like to see more face-to-face contact and personal visits.

FINDINGS BY SIZE OF FIRM

Number of employees

One of the frequent questions that arises in evaluating economic development programs of states focuses on the size of firms needing and receiving assistance. While many of the state's programs are intended to benefit small to medium-sized firms (SMFs) in Kansas, no uniform definition is used by the state regarding small businesses. For comparative purposes, survey responses as to the number of employees were grouped into the following categories:

Smaller = less than 50 employees
 Medium sized = 50-249 employees
 Larger = 250 or more employees

Direct Contact by Size of Firm

When the size of firm was compared with the extent of direct contact with the Trade Development Division, several observations could be made. Medium-sized firms (52%) were more likely to have had direct contact than either smaller (40%) or larger (8%) firms.

<u>Direct contact</u>	<u>Size Categories</u>			
	0-49	50-249	250+	All firms
Yes	25 (40%)	33 (52%)	5 (8%)	63 (100%)
No	37 (56%)	21 (32%)	8 (12%)	66 (100%)

Export Related Results by Size of Firm

Export results were also analyzed by firm size. As Table 4 indicates, greater frequencies of occurrence were reported by larger firms than either smaller or medium-sized firms for each of the export-related results, with the exception of increased domestic sales. For this category, as well as the retention of jobs that would have been lost without exports, the findings were inconclusive: firms of all three size categories achieved results at similar levels. Of the eight categories of results, smaller firms were more likely to have pursued new sales leads (60%), increased both domestic (64%) and foreign (51%) export sales, and retained jobs that would have been lost without exports (38%). Firms within all three size categories were more likely to have retained jobs that would have been lost without exports than to have added new export-related jobs. Medium-sized firms reported significantly greater frequencies than smaller firms for most of the categories, with the findings being inconclusive for increased domestic sales and retention of jobs.

Table 4
Percent of Firms in Each Category Reporting that Result was Achieved

<u>Results</u>	<u>Size Categories</u>		
	0-49	50-249	250+
Pursued new sales lead(s)	60%	79%	86%
Increased domestic sales	64%	75%	67%
Increased export sales	51%	66%	81%
Acquired new distributor	34%	58%	76%
Retained jobs that would have been lost without exports	38%	41%	57%
Signed licensing agreement	9%	24%	43%
Added export related jobs	8%	19%	38%
Signed joint venture agreement	3%	16%	24%

The extent to which firms rated the Trade Development Division as being helpful in achieving these export-related results was also analyzed by size of firm. No statistically significant observations could be made: the size of a firm did not appear to have any correlation with the helpfulness rating (helpful/not helpful/not involved) of the Division in achieving specific export-related results.

FINDINGS BY SPECIFIC INDUSTRY 2-digit SIC code

Given limited resources, a growing number of states in the U.S. are targeting their resources towards certain industry clusters with exceptional growth potential (*Kansas Economic Development Strategy: Report of the Peer Review Committee*, IPPBR/Kansas Inc., 1/91). Within the framework of the overall state economic development strategy, state programs regarding international trade may benefit by adopting such an approach. To assess whether the Trade Development Division's efforts have been targeted towards certain industries with apparent export growth potential, a comparison of major industry group and extent of Trade Development Division contact was made. While the comparison may be somewhat vague due to using only 2-digit level SIC codes, some general observations of interest can be made. As Table 5 indicates, within the top four exporting industry groups, the extent to which firms had direct contact with the Division varied considerably. This variability may indicate that limited targeting has been done on the Division's part towards key industries with apparent export potential. It may also mean that firms within certain industries are the ones which seek Trade Development Division services most actively.

Table 5

<u>Major Group (2-digit SIC)</u>	<u>Direct Contact</u>		<u>Number of Responding Firms Within Major Group</u>
	Yes	No	
Food and kindred products (20)	38%	63%	8
Printing & publishing (27)	0%	100%	4
Chemicals (28)	20%	80%	5
Rubber & misc. plastic products (30)	50%	50%	4
Fabricated metal products, except machinery & transportation (34)	36%	64%	11
Industrial and commercial machinery and computer equipment (35)	60%	40%	40
Electrical equipment and components except computer equipment (36)	44%	56%	9
Transportation equipment (37)	71%	29%	7
Measuring, analyzing, & controlling instruments (38)	60%	40%	<u>10</u>
			98

X. INTERVIEWS WITH CASE STUDY FIRMS

In addition to the 301 firms which participated in the telephone survey, executives from eight Kansas companies were personally interviewed by project researchers to gain a more in-depth understanding of exporters and their relationships with the Trade Development Division. While the location and size of firms varied considerably, the common service used by seven of the eight case study firms was the Trade Show Assistance Program. Interview questions were similar to those asked in the larger survey; however, respondents were able to elaborate and offer additional information. Summaries of these interviews are presented below, in the form of brief case studies; the companies have been disguised to assure anonymity.

Case Study A

Company A manufactures telecommunications equipment. The company was founded in the mid-1980s and employs approximately 180 full-time staff. Annual revenues are approximately \$15 million.

The company began exporting in 1985 to England and now exports its products primarily to the UK (England and Northern Ireland), Sweden, Denmark, Canada, Australia, New Zealand, and Japan. Currently, the firm dominates the Europe market with one of its products, and due to a recent foreign company acquisition, should dominate the European market with another product. Currently, export sales account for 40% of the company's annual sales.

Experience with KDOC's Trade Development Division

Those staff members involved with international marketing for Company A consider themselves well informed about the services provided by the Trade Development Division of KDOC, initially learning of these services from an article in the local newspaper in 1989. The initial contact with the Division was initiated by the firm.

Company A has used several Trade Development Division services, rating the KTSAP and assistance from overseas representatives as excellent; the trade directory as good; and both assistance in seeking trade leads and the newsletter as poor. The firm had not used the Trade Development Division to obtain information on foreign or domestic markets, locate potential distributors overseas, participate in trade missions overseas or foreign missions to Kansas, or attend an export seminar/workshop. However, staff members indicated that they would be likely to use most of these services in the next two years if offered.

Specific Experience with the KTSAP

Company A has attended three trade shows through the KTSAP, initially learning about the shows from a trade publication. The firm had participated in several international trade shows prior to the KTSAP experience, and staff indicated that they might have attended the shows without the Division's assistance. In addition to providing assistance during the shows, the firm reported that Trade Development staff provided additional assistance prior to them, and

indicated that it plans to increase its international marketing efforts following participation in the KTSAP.

Data for the KTSAP reported by the Division could not be verified by the corresponding data reported by the firm. In most cases, the amount of expenses incurred by the company was underestimated in the Trade Development Division reports. Resulting sales figures were either overestimated and underestimated depending on the specific show. This indicates that while the Division may be reporting the information as it appears exactly on the appropriate forms, these figures may not be accurate for several reasons. With respect to expense figures, firms may only be reporting partial expenses; i.e. only those that are considered reimbursable. With respect to sales figures, the information provided by firms on the appropriate forms are largely based upon projections about the future; i.e. anticipated sales may not transpire due to a variety of factors, while unanticipated sales may occur after the report deadline.

Exporting Assistance from Other Sources

Company A has used several other organizations for general assistance in exporting, including the World Trade Council at Wichita State University, the World Trade Center in Wichita; U.S. Department of Commerce offices, law firms, and Kansas International, a self-supported networking organization based in Lawrence. The U.S. Department of Commerce offices, law firms and Kansas International were reported as being most useful.

Exporting Activities

The firm has experienced many export-related activities over the last three years. KDOC's Trade Development staff, particularly those in the overseas offices, have been helpful in realizing several of these activities, including pursuing new sales leads, increasing foreign exports and retaining jobs that would have been lost without exports. However, staff members indicated that due to the firm's recent acquisition of a firm in Europe, the need for future use of the Division's services may be reduced as much of the exporting activities for Europe may be handled by this subsidiary.

Suggestions for Improvement

Of the Trade Development Division services used, staff members rated the KTSAP and the overseas office in Stuttgart, as excellent. However, the firm was neither informed by the Division of the closing of the Stuttgart office nor the opening of the office in Brussels. Staff members also reported that they do not receive adequate information on available services. Suggestions for improvement included increasing the awareness of the services offered by the Division, increasing the dissemination of information regarding other export-related resources that are available, expanding the resources available to the Trade Development Division to improve the administrative/organizational functions, and expanding the current agriculture-related orientation to include more efforts in promoting Kansas high-tech products overseas.

Case Study B

Company B markets metal fabricating equipment. The company has been in business since the early 1970s, currently employing 75 full time employees and generating \$8-9 M in annual sales. The firm began exporting five years ago. Currently, export sales account for 10-20% of the company's annual sales. The primary destination countries are Canada, Mexico, and the UK. Currently, the company has 25-30% of the U.S. market and 60-70% of the Canadian market.

Experience with KDOC's Trade Development Division

Executives of Company B became aware of Trade Development Division services through conversations with other business people. Services that the firm found particularly positive were the export finance program and the KTSAP, particularly those shows organized by Trade Development staff. Executives also reported that Trade Development staff members had always been willing to help when contacted, particularly if the requested information was specific, and partially attributed the good relationship with the Trade Development Division to the Division's interest in understanding the firm's products. In fact, several members of the Trade Development staff toured the company's plant and witnessed a product demonstration.

Specific Experience with the KTSAP

According to company records, the company has attended three trade shows through the KTSAP. Of the shows attended through the KTSAP, Company B reported that those organized by Trade Development staff were the most beneficial.

Most of the company's financial records corresponded with Trade Development Division records, with the exception of the amounts of expenses incurred by the company to attend the shows: the firm reported significantly higher expenses due to the nature of the reimbursement policy and procedures. Indirect expenses (e.g. travel, lodging) are not requested in the KTSAP application form and the firm did not forward invoices for such expenses, or invoices for direct expenses over and above the maximum amount to be reimbursed. As a result, the firm indicated that the Trade Development Division does not have a true picture as to what it actually costs participating firms to attend trade shows overseas.

Company B has participated in international trade shows prior to its experience with the Trade Development Division, and executives reported that they would have attended two of the three KTSAP shows without the Division's assistance. However, they indicated that \$3,500 per show is insignificant relative to the actual expenses of attending a show, and while their firm was able to absorb such expenses, smaller firms who cannot subsidize the \$3,500 cannot afford to attend trade shows overseas.

Executives also indicated that there is too much pressure on Trade Development staff to justify their efforts through resulting sales figures and that the current evaluations stretch to report all sales possible: those that are likely and some that are remotely likely. In other words,

the immediate sales figures reported in the KDOC post show evaluation may not be accurate because many of the potential contracts may not transpire due to various factors e.g. negative credit checks. In addition, executives indicated that it typically takes five years to get into a new market and that 80% of an export market is a good personal relationship. To expect that such relationships can be established at one trade show is unreasonable. In other words, a longer term perspective is necessary when evaluating KDOC's efforts.

Exporting Assistance from Other Sources

Company B has used several other organizations for general assistance in exporting including the World Trade Center and the U.S. Department of Commerce. Of those, the U.S. Department of Commerce was most helpful, particularly if executives were precise about what they needed.

Suggestions for Improvement

As opposed to being all things to all people, executives suggested that the Trade Development Division could make a greater impact if it focused on fewer companies and markets that have significant capital availability and demand for Kansas products. By targeting fewer companies and countries, the Division could maximize its limited resources and could afford to adequately reimburse those companies that participate in the KTSAP. In other words, rather than reactively awarding 70 firms with the maximum \$3,500 reimbursement for an eclectic set of shows in 20 countries, the Division could make a greater impact by proactively targeting a few countries that have excellent potential in buying Kansas products within a certain industry and selectively choosing appropriate Kansas firms within that industry to take to the corresponding show; e.g., taking several equipment manufacturers to a show in the Eastern block-provided that market offers opportunity. Similarly, the Division could budget its resources according to country potential/market demand; e.g., substantial amount for agriculture-related firms to Australian trade shows. Lastly, executives suggested that the Division should develop a general resource directory incorporating trade publications and other available resources.

Case Study C

Company C manufacturers fabricated metal products. The company was originally founded sometime during the 1940s, but was purchased by its main competitor in the 1980s as the acquired firm had established international exporting experience which the acquiring firm lacked. The company currently employs 100 people at its Kansas facility plus approximately 25 people at a distributorship on the coast. Approximately 30-35% of the firm's annual sales are export sales, exported primarily to Asia, South America, and the Mid-East.

Experience with KDOC's Trade Development Division

Executives at Company C are somewhat aware of the services which Trade Development provides, having used the KTSAP which in turn generated potential distributors and sales leads overseas. Contact was initiated by Trade Development staff, who called to inform the company

of an upcoming trade show. Company C executives indicated that other services they would be most likely to use included export seminars, newsletters, the overseas representatives, and visits of foreign buyers/missions to Kansas.

Specific Experience with the KTSAP

Company C had attended one trade show at the time of this interview but anticipates attending another one through the KTSAP next year. The firm had regularly participated in international trade shows prior to its experience with the Trade Development Division, but executives indicated that they would not have attended the particular trade show without KTSAP assistance as they were recruited by Trade Development staff to attend. The firm received additional information and assistance prior to the trade show including information/assistance on shipping products overseas and translation, but little follow-up support since the show. Executives indicated that the show might have been more beneficial if it had included a more select and targeted set of participants. However, executives reported that their participation in the KTSAP has caused the company's international marketing efforts to increase. Company financial documents regarding the trade show attended partially verified Trade Development reports, but again the expense figure was somewhat deflated as was the sales figure. Apparently, some sales occurred after the filing of the post-show report.

Exporting Activities

The firm had experienced many export-related results over the last three years including acquiring new distributors and sales leads overseas, increasing export sales, retaining jobs that would have been lost without exports and signing agent agreements. Executives reported that participating in the KTSAP had been helpful in achieving all of these results.

Suggestions for Improvement

Overall, executives were positive towards the staff and services supported by the Trade Development Division, and indicated that the Division's assistance will be somewhat or very important to the firm's international operations over the next two years. Aspects which they found particularly positive were the attention and responsiveness they received when dealing with Trade Development staff. The one suggestion for improvement was to increase the promotion, hence awareness and use, of Trade Development services available to Kansas firms.

Case Study D

Company D, a producer of entertainment equipment, was established early in the 1900s and employs 50 people. Annual sales are reported at approximately \$3.5-\$4 million.

The company began exporting to Canada before World War I and then made no export efforts for the next forty years. A new export initiative began seriously in 1988, with Korea. Currently, the percentage of export sales is very small, i.e., less than 5% of total sales. The main markets of interest to this manufacturer are in the Far East.

Experience with KDOC's Trade Development Division

Company D's international marketing director is very familiar with KDOC's Trade Development programs. He himself initiated contact with the Trade Development Division after hearing about their programs from local businessmen and faculty at a state university.

Company D has utilized most of the Trade Development Division's services and considers them all to be excellent or very good. The executive interviewed did not believe that Company D would participate in trade missions or reciprocal visits from overseas, because of the specialized nature of its products.

This executive commented that he had found the overseas trade representative in the Far East very helpful; however, once while in Asia he was unable to locate him and, since no one else in the representative's office speaks English, had to contract a commercial service for assistance. The executive had also been told recently of an apparent breach of confidentiality by a Trade Development overseas representative, which had upset Company D's local distributor, and he indicated that his company would investigate this situation.

Specific Experience with the KTSAP

This company had never previously participated in trade shows, but had already decided to attend one in Asia when it learned about KTSAP. The executive interviewed stressed that the portion paid by the Trade Development Division is really only "pocket money": Company D spent around \$60,000 to participate in the show. However, the executive interviewed indicated it is very important psychologically to have support from the state government. As an example, Company D's main competitors are the Germans and Dutch, who can afford to do lots of international marketing since the government pays 80% of their expenses.

At the time of its participation in KTSAP, Company D thought that more international sales would materialize than actually did. The marketing executive said this was understandable, since it generally takes at least five years to get results. At this point, Company D has invested a significant amount in international ventures and is waiting to see what develops before investing more.

Following its participation in KTSAP, Company D has been receiving the Trade Development Division's quarterly newsletter and information on the export finance program, but has not received any individualized follow-up or contact from the Division. Company D's last communication from the Division (other than newsletters) was in February, 1990, according to its files. They believe there has been less communication from the Trade Development Division in the last year than in the previous year or two.

Exporting Assistance from Other Sources

The Company D executive interviewed is familiar with several other sources of assistance and mentioned the University of Kansas in particular as having provided "fabulous" help, as well as Kansas International, a Lawrence-based organization which he finds helpful as a sounding board. He is also a member of the World Trade Council and has used its facilities in Wichita and Korea. Membership in the World Trade Council costs \$500 per year and services are billed at approximately \$50-60 per hour.

Exporting Activities

While Company D is at the moment "laying low," and doesn't plan to do much active marketing in the immediate future, they feel that the Trade Development Division will be very important in the next two years and will use them constantly. They would like to stay in tune with export markets through seminars and other activities.

Suggestions for Improvement

Company D's executive feels that the *encouragement* (stresses it is encouragement, not support) offered by the Trade Development Division is a welcome change to business, which is used to getting "kicked in the teeth" by government. Kansas needs to continue this program and to be competitive with other states.

A useful improvement would be an ability to provide more specific information such as "hands on" technical advice. For example, Company D spent \$14,000 on international distributorship contracts drawn up by an attorney. The price seemed exorbitant and the contract was so complex that it kept the company from getting the distributor it wanted—the distributor didn't want to deal with it. Company D suggested that the state could share sample contracts or contract advice to help avoid this type of situation.

Case Study E

Company E is a producer of agricultural-related equipment which supplements the cyclical nature of its business by producing a non-agricultural product. It is able to use some of the same techniques and materials in the two product lines. This firm has been in business since 1969 and employs 40 people. Sales are currently around \$3.5 million—in the past, sales have averaged as much as \$4.5 million. Company E has been exporting its agricultural products to Canada for around 10 years and sent a small shipment of its other product to Japan in 1989. They are also producing some custom-made parts for a firm in Missouri that is exporting.

Experience with KDOC's Trade Development Division

Company E indicated it has some idea about Trade Development Division services. Its primary source of information has been personal contact, in particular, visits from Harland Priddle and John Carlin during the last gubernatorial race. The company was particularly impressed that a former governor would come to talk to them about exporting.

The executive interviewed indicated that the firm has never had direct contact with KDOC Trade Development Division staff, although he did call the Division last year to find out about the Trade Show Assistance Program. This executive was interested in finding out whether he could get part of his expenses paid to travel to Canada on business, but was told that the program only funds trips to trade fairs; furthermore, he was told that there was no more funding available for the year. He indicated that the only trade fair in Canada of interest to him is in November, when he is unable to go due to business obligations.

Company E receives newsletters from KDOC and believes it has also received telephone calls in the past, although they don't recall when. The executive interviewed admitted that he feels he is not very well informed and indicated that this may be partly his fault because he doesn't pay much attention to the mailings he receives. While Company E has not used Trade Development services, items that could be of interest in the future include information on foreign markets, sales leads, newsletters, trade directories, and the Trade Show Assistance Program.

Exporting Assistance with Other Sources

Company E has not used the services of universities or government agencies. When they did ship overseas, they relied on a commercial broker. The executive interviewed was satisfied to have the least possible involvement in the shipping and technical arrangements.

Exporting Activities

This company is having difficulty maintaining its domestic sales level and is pursuing sales leads overseas. Export sales have expanded in the last three years; while this has not led to new jobs, it has helped Company E retain jobs that otherwise would have been lost.

Company E presents a good example of a small, rurally located firm with little sophistication regarding the international market. It appears to be hard to reach them through mailings or newsletters: personal contact, i.e., the visit from Carlin, appears to have awakened their interest more than anything else. They would like to sell overseas but are bewildered about differences in markets and do not feel comfortable setting out an international strategy. They are an opportunistic exporter and have more or less gotten into it by chance rather than by design. Since the products are relatively bulky and do not appear to involve a high degree of technology, great effort towards exporting may not be justified.

Suggestions for Improvement

The Company E executive wasn't sure what the Trade Development Division might do to make its services more useful. He stated that he would like to know more about what the Division offers.

This case study is perhaps more interesting for what it doesn't reveal than for what it does. Company E was listed in Kansas Inc.'s May, 1991 report as one for which sales had resulted from substantial involvement by the Trade Development Division. It was reported that

a large domestic sale had been obtained for Company E through Trade Development Division involvement, but the executive interviewed did not recall such action. While there have been some changes of management within Company E since 1989 (the year of the reported sale), the executive indicated that he would have known of any substantial involvement by the Division in domestic or international sales. The research was thus unable to confirm the reported intervention by KDOC.

Case Study F

Company F is a consumer products manufacturer in a very competitive global market with over 600 employees and sales in excess of \$50 million. Founded in 1969, this company began exporting in 1980, mostly to Canada, Mexico and Japan. Export sales now represent approximately 5% of total sales.

Experience with KDOC's Trade Development Division

The executives at Company F considered themselves only partially well informed of the operations of the Trade Development Division. In fact, staff first approached the company to persuade them to participate in a trade show, to which they agreed. For a few months after the show, the trade show remained the sole basis of their relationship with the Division, until the firm took the initiative to become better acquainted with the Trade Development Division's services.

Specific Experience with the KTSAP

Company F has participated in only one trade show for which it was reimbursed through the Kansas Trade Show Assistance Program. The firm was informed of the show by Trade Development, which urged them to attend. However, the company was given notice of the show very shortly before its beginning, so it only had about three weeks to prepare a booth and presentation. Yet the Trade Development Division was helpful in making sure the trade show experience went smoothly for Company F, from procurement of passports and visas to becoming familiar with local customs. Overall, the Division "represented Kansas well," in the words of a company executive. However, the experience was not entirely error-free. Company F's name was left out of the trade show directory and the sign for its booth was improperly translated. In addition, the Trade Development Division erred in reporting Company F's sales, publicizing sales far higher than were actually obtained.

Overall, the trade show could be considered a success from Company F's standpoint. They sold samples and obtained leads on 25 potentially large orders. In addition, there is a prospect for a joint venture with an area company. Executives remarked that though the cost reimbursement for trade show expenses is small, it has high symbolic value for the company. Simply put, Company F was very pleased with its trade show experience.

Suggestions for Improvement

Company F was quite satisfied with its trade show experience, but management was still ill-informed of the services after the show. They have corrected the situation, but suggest that they market their services fully to the companies with which they come into contact. Secondly, management suggested that they provide a timetable of necessary steps to take and deadline dates for companies participating in shows in which the Trade Development Division takes an active interest.

Case Study G

Located in eastern Kansas, Company G manufactures, markets and services industrial equipment used in a variety of activities. The company has been in business for 40 years and has recently improved sales to \$8 million. The firm employs about 60 people.

Company G began exporting in 1977, and foreign markets currently account for 10-15% of its annual sales. From year to year, sales figures and export percentages will fluctuate due to the nature of the business. Its products are big ticket items, and confirmed sales are measured in the hundreds of thousands of dollars. The company is well established in the Canadian market and is becoming more active in exporting to the Middle East and Latin America.

Experience with KDOC's Trade Development Division

The interviewed executive from company G has a good knowledge of KDOC's various programs. They have been working with the Trade Development Division for about 4 or 5 years, and are very positive about its international trade promotion efforts in general. A serious relationship began when a Trade Development staff member visited Company G a few years ago, and communication has been continuous and consistent since then.

Company G has had exposure to the Trade Development Division in the following areas: they have attended an export-related seminar, obtained information on foreign markets, received technical export assistance, sought trade leads and participated in the KTSAP. Management indicated that the quality of all services was excellent and that Company G is likely to use the Division to locate overseas distributors, take part in trade missions, use the overseas trade representatives, and use information provided by the Division's newsletters and trade directories.

Specific Experience with the KTSAP

Company G has attended one trade show for which it was eligible to participate in the KTSAP. Management indicated that the company invested \$7,300 and was reimbursed \$3,500. The firm learned about the show through a trade publication and contacted Trade Development approximately 4 months before the show. The company was apparently on a list of firms yet to be contacted.

Management mentioned that Company G probably would not have attended the trade show without the Division's assistance. A multitude of factors contributed to their decision to attend, including timing, the location of the show, the opportunity to be a part a larger group from Kansas and the financial assistance. In addition, the Division provided assistance concerning the technical processes involved in making the trip, and organized and scheduled numerous meetings between the firm and potential distributors.

Since the show, Company G has a confirmed \$100,000 order and has sent price quotes on several other potential orders, including one for \$200,000. Jim Beckley, Director of the Trade Development Division has made a follow-up trip to the region to explore trade opportunities there for Company G and other Kansas companies. Beckley also confirmed the credit worthiness of one of the company's overseas customers. Management reported that the company has enjoyed consistent communication with overseas customers in the region as a result of the trade show.

Exporting Assistance from Other Sources

Management reported that the firm has used the U.S. Department of Commerce (for market information and trade leads) and private commercial services to assist the firm's exporting operations. Both sources were helpful and management indicated that the firm would probably refer to them in the future. The executive interviewed has been involved in an international trade club, but nothing concrete has come out of it.

Future Exporting Activities

The Trade Development Division has played a major role in Company G's exporting operations. They assisted in these areas: acquiring distributors in new countries, pursuing new sales leads abroad, increasing export sales and adding and retaining jobs (to management's best estimation).

The firm is looking to dramatically increase its export activities, for exports offer the greatest returns for Company G. This has led the firm to target its export markets more aggressively, resulting in the expansion of export operations and the retention of jobs in FY 1991 (ending in July). FY 1990 was a growth year for the company, but in 1991 the domestic markets for its products seriously contracted. Without exports, FY 1991 would have been a disaster, according to management.

Company G believes that Jim Beckley is in the process of reorganizing the overseas trade offices and representatives, and is looking forward to using them in the future.

Suggestions for Improving KDOC

Management emphasized that the Division should be acutely aware of the needs of small businesses as well as their resource limitations. Small businesses will only be able to attend one or two shows a year, primarily due to finance and personnel constraints, and the Division should

concentrate on flexibility in responding to those firms, perhaps by awarding KTSAP reimbursements to some companies on a percentage of expenditure basis.

In addition, the Division should make sure that it does not continually market the KTSAP to the same companies. This could be accomplished through setting up limitations on the number of shows for which a company can be reimbursed, or a number of years a company can use the program.

According to management, the Trade Development Division should emphasize targeting their programs and services and matching companies with markets for the best results. For instance, though Company G attended a good show, a more beneficial show from its perspective would have been one featuring industrial equipment.

Case Study H

Company H has been in business since 1946, with current sales running about \$8 million and employees numbering 130. The firm enjoys a dominant market share for its industrial products in North America, manufacturing and selling products on a continuing basis and a custom order basis.

The company began exporting in 1960, and export sales account for about 5% of annual revenues. It used to export heavily to Australia, but its markets have shifted to include Latin America, France, UK, Germany, Canada, and Mexico.

Experience with KDOC's Trade Development Division

Company H is well-acquainted with the Trade Development Division, first making contact through a 1985 seminar. Company H has attended two trade shows with significant financial help from the KTSAP. The firm's precious "shotgun" approach to export marketing was not effective, and it has since begun to target markets, such as the Mexican market.

In general, the firm has been very pleased with the Trade Development Division's services. Since the shows, the Division has been very active in Company H's export operations, providing critiques and trade leads. Company management made good use of the European office, establishing trade leads and distributor contacts, but is dismayed that the German office closed before business had been concluded.

Specific Experience with the KTSAP

Company H had never attended a trade show before their exposure to the Trade Development Division, and that would probably still be the case had they not received financial assistance through the KTSAP. Company H expects up to \$1.5 million in sales from exports to one region, and perhaps \$500,000 from sales to the other region.

Exporting Assistance from Other Sources

Although Company H has attended meetings of an international trade club as well as meetings sponsored by the Wichita World Trade Center, management did not find them helpful. However, working with the U.S. Department of Commerce has been beneficial, as well as the use of private commercial services and the International Trade Council at K-State. Still, Company H believes the Trade Development Division will remain very important to its export operations in the future.

Suggestions for Improvement

Overall, the Trade Development Division has made an extremely good impression on Company H. Management hopes to use the services of the new Brussels office soon, as Europe looks to be a promising market. Also, management emphasizes that marketing of the Trade Development Division's services to Kansas companies must improve, because smaller exporters are often unaware of services available.

General findings from a synthesis of the eight case studies are as follows:

- A. With the exception of KTSAP, little performance monitoring exists within the Division. For KTSAP, the Division relies on projections of sales made immediately and six months after each show. As these figures are projections, they may not be accurate. In fact, several of the firms reported actual sales figures that were higher than Trade Development documents indicated, while others reported lower sales figures. Several firms indicated that there was too much pressure on the Division to justify its efforts by documenting specific sales to expense ratios.
- B. Limited information exists as to what assistance had been given to which firms and when, with the exception of firms participating in the KTSAP.
- C. All of the case study firms indicated that the Trade Development Division had been helpful with respect to their firm's international marketing efforts, especially the KTSAP. Consistent with the survey responses, the most frequent suggestion was to increase the promotion, hence awareness, of available Division services.

XI. LITERATURE SEARCH AND ANALYSIS

In order to gain perspective on the Trade Development Division's activities within the scope of trade programs offered elsewhere, a literature review was conducted. The information presented in this review of research literature is derived primarily from economic development and trade research articles, a survey of state activities by the National Association of State Development Agencies, and information requested from selected state departments of commerce.

Research Difficulties

Export promotion policy is a simple concept, but the dynamics of policy implementation and evaluation are complex. The rationale is clear: promotion of state products in overseas markets can bring revenues to small and medium-sized manufacturing firms (SMFs) in the state, which have the growth potential to add jobs and foster economic development. The idea has become universally accepted among state governments, who together in 1990, spent nearly \$100 million on trade development (NASDA *SEPD*, 1990). But despite the concept's popularity, the empirical effects of this economic development tool are not well known.

The general consensus among researchers, state officials and business people is that export promotion works, but it does so for different states in different ways. The export revenues brought into state industries cannot be held strictly accountable to state trade development services, nor can the creation of export-related jobs. There are simply too many forces at work to accurately gauge (with statistically significant results) the impact of a state trade development program on the state's industries.

Evaluating and comparing the impact of trade development programs for several states becomes even more difficult considering the different priorities that characterize a particular state's economic development agenda. Industry mix, fiscal constraints, shifting economic conditions, and revolving political agendas all affect the implementation of diverse programs and the respective resources devoted to each. In addition, personnel differences affect the quality of the services provided. Finally, the fact that a state directs resources towards a program does not mean it is an effective economic development tool.

In essence, there are a number of different variables that contribute to the success or failings of a trade development program. These variables require a subjective interpretation of a program's impact, for empirically supportive data is difficult to derive. Even time-series data tracking the impact of trade development programs is problematic due to the yearly change in expenditures and the addition of new, innovative techniques to promote exports.

Appraisal of Trade Development Efforts in General

One thing is clear: export promotion among states is an economic development endeavor that is here to stay. Many states are clearly satisfied with the results that they have witnessed through their own program evaluations. Though program impacts may not be quantifiable, they may still be tangible, and tangible evidence offers sufficient reason to continue or to expand offered services.

However, some empirical data supports the hypothesis that export promotion efforts may lead to increased exports. Cletus C. Coughlin, a senior economist with the Federal Reserve Bank of St. Louis has concluded that expenditure on state export promotion increases the state's industrial exports. Based on 1980 aggregate state data, a 1% increase in export promotion expenditures will lead to a 0.044% increase in exports. For Kansas, the result of a 1% increase in spending for export promotion should result in a 0.025% increase in state exports, according to this study (Coughlin and Cartwright, *Journal of Regional Science*, Vol. 27, No. 3, 1987).

Separate research also conducted by Coughlin finds a positive relationship between the volume of exports and the number of jobs in a state. More specifically, a 1% increase in Kansas industrial exports would lead to a 0.3% increase in nonagricultural employment, according to Coughlin's research. The relationships concluded from both studies are statistically significant (Coughlin and Cartwright, *Economic Development Quarterly*, August, 1987).

This research provides at least some indication that export promotion services lead to increased exports and more jobs. This validates trade development as an economic development tool to some extent, though it still does not suggest the amount of resources to be directed to export promotion, nor does it reveal the services that are most cost effective.

A common theme from the literature is the importance of targeting both domestic industries and overseas markets. Intelligent selection and matching of companies with markets will generally provide improved returns. Former Virginia Governor Gerald Baliles, an active promoter of export development, states, "The shotgun approach won't work. We must identify specific commodities and products that can be successfully marketed overseas" (Scouton, *Business America*, February 27, 1989).

Barriers to Exporting

Once resources are devoted to trade development programs and services, there is no guarantee that they will be utilized effectively. The responsibility for implementing and improving a company's export operations is primarily that of the company itself—state services can only be of limited assistance. Small and medium-sized firms face a number of real and perceived barriers when attempting to export a product for the first time. According to the research literature, these barriers can be categorized as: lack of exporting knowledge, lack of resources for exporting, procedural barriers to exporting and environmental barriers. The factors below outline the export barriers that small and medium firms confront.

These barriers probably exert a stronger influence on Kansas firms because the state is centrally located and thus its companies are not likely to have an international orientation. In addition, Kansas companies are characterized by a rural-oriented industrial mix, and it is perceived that there are few international markets for those products.

Table 6

Factor 1: Knowledge of Exporting

Lack awareness of potential value of exporting
Lack awareness of assistance available
General lack of how-to knowledge
Lack of staff for export planning
Poor knowledge of potential markets
Lack method to generate trade leads

Factor 2: Resource Constraints

Lack finances for market research
Lack ability to adequately follow up on trade leads
Lack capital or credit to finance export sales

Lack of local banks with adequate international expertise
Unwillingness of banks to serve SMFs

Factor 3: Procedural Barriers

Language and cultural barriers
Transportation costs
Documentation and red tape
Trade barriers to U.S. exports

Factor 4: Environmental Barriers

High value of U.S. dollar
Strong foreign competition

Source: Cavusgil & Czinkota, *International Perspectives on Trade Promotion and Assistance*, 1990.

Export promotion programs try to assist firms in overcoming some of these barriers by providing information and limited resources to potential exporters. The perception among economic developers is that there are markets overseas which can boost a firm's revenues at home. Exports from the United States have been increasing in the past decade, but it is estimated that 80% of total exports are accounted for by 250 firms ("Global New York' Proposal Plots a Comprehensive Export Strategy," *Business America*, February 26, 1990). It is believed that as many as 50,000 firms produce an exportable product but fail to follow through on the export opportunity ("Global New York," *Business America*, February 26, 1990).

Research suggests that firms lack awareness of exporting assistance available, which is a significant barrier to exporting and to the success of export promotion programs. Though the states have the mechanisms in place to promote trade, poor marketing seriously handicaps their effectiveness. Research by Ben Kedia and Jagdeep Chhokar revealed that less than 50% of 96 Louisiana firms surveyed were aware of a particular export promotion program for all of the 17 programs included. The selected firms were either food processors or machinery manufacturers: more than 50% were exporters (Kedia and Chhokar, *Columbia Journal of World Business*, Winter, 1986). Consequently, the need to market services in-state rivals the importance of marketing products overseas.

Profile of Services Provided by States

The profile of the problem analyzed above provides a context for examining states' response to the need for export development. The following table is an excerpt from the 1990 National Association of State Development Agencies' *State Export Program Database* (NASDA *SEPD*). The table indicates the percentage of states engaging in given export development activities.

Table 7

<u>Service or Attribute</u>	<u>Percentage of States</u>
Public/private partnerships	81%
Member of a multi-state trade group	85%
International newsletter	65%
How-to-export guidebook	40%*
In-house counseling	100%
Trade lead counseling	92%
State matchmaker program	62%
Seminars/conferences	100%
Trade development training	85%*
Governor's international advisory committee	60%
Export financing assistance	31%
Foreign sales corporation	19%*
Trade shows/missions	100%
Foreign offices (including reps)	85%

*KDOC's Trade Development Division has reported that they do not provide this service.
Source: NASDA *SEPD*, 1990.

The above information provides a general view of the pervasiveness of certain programs among the states. However, a comparison of Kansas with other states in the region provides better insight into the services used to represent industry in the midwest.

Kansas and the Midwest

Kansas' small and medium-sized industries are similar to those in surrounding states. For instance, it can be expected that many firms in Kansas, Missouri, Nebraska and Iowa manufacture machinery for agricultural uses. Beyond such similarities, industrial profiles vary; however, a comparison with other midwestern states can provide insight on what services may be advisable for Kansas. Table 8 shows which states provide the services listed in Table 7, with a profile of each state's program.

Table 8

<u>Service or Attribute</u>	<u>States Utilizing</u>						
Public/private partnerships	AR	CO	IA	KS	MO	NE	OK
Member of a multi-state trade group	AR	CO	IA	KS	MO	NE	
International newsletter	AR	CO	IA	KS	MO		OK
How-to-export guidebook	AR		IA			NE	OK
In-house counseling	AR	CO	IA	KS	MO	NE	OK
Trade lead counseling	AR	CO	IA	KS	MO	NE	OK
State matchmaker program	AR	CO		KS	MO		OK
Seminars/conferences	AR	CO	IA	KS	MO	NE	OK
Trade development training		CO	IA		MO		OK
Governor's international advisory committee		CO	IA	KS			OK
Export financing assistance	AR			KS			OK
Foreign sales corporation							
Trade shows/missions	AR	CO	IA	KS	MO	NE	OK
Foreign offices (including reps)	AR	CO	IA	KS	MO		OK

Source: NASDA *SEPD* 1990.

Table 9 displays total trade development budgets for Kansas and surrounding states, while Tables 10 and 11 display budgetary figures for the "big-ticket" programs to which substantial resources are devoted.

Table 9
Trade Development Budgets

<u>State</u>	<u>FY 1990</u>	<u>FY 1991</u>	<u>FY 1992</u>
Arkansas	\$497,841	\$532,762	\$638,357
Colorado	\$1,007,742	\$1,000,000	\$995,000
Iowa	\$1,900,000	\$1,734,282	\$1,986,402
Kansas	\$1,325,804	\$1,533,106	\$1,400,554
Missouri	\$1,800,000	\$1,710,175	\$1,724,642
Nebraska	\$130,000	\$130,000	\$130,000
Oklahoma	\$1,730,000	\$1,542,000	\$1,631,500

Source: States' departments of commerce.

Table 10
International Representation Budgets

<u>State</u>	<u>FY 1990</u>	<u>FY 1991</u>	<u>FY 1992</u>
Arkansas	\$369,008	\$379,203	\$471,000
Colorado	\$410,000	\$395,000	\$385,000
Iowa	\$733,735	\$783,927	\$782,833
Kansas	\$467,000	\$589,500	\$478,500
Missouri	\$1,040,217	\$1,291,400	\$1,291,400
Nebraska	\$0	\$0	\$0
Oklahoma	\$620,000	\$653,000	\$676,500

Source: States' departments of commerce.

Table 11
Trade Show Assistance Budgets

<u>State</u>	<u>FY 1990</u>	<u>FY 1991</u>	<u>FY 1992</u>
Arkansas	\$128,833	\$153,557	\$167,357
Colorado	\$12,000	\$14,000	\$12,000
Iowa	\$400,000	\$352,000	\$338,625
Kansas	\$100,000	\$150,000	\$200,000
Missouri	\$0	\$0	\$20,000
Nebraska	\$0	\$0	\$0
Oklahoma	\$0	\$0	\$0

NOTE: Figures reflect money paid directly to companies to help cover trade show expenses.

Source: States' departments of commerce.

The following should be noted:

1. The Arkansas trade show budget is the total budget for overseas marketing and promotion, excluding overseas offices.
2. Colorado and Oklahoma organize several of their own overseas trade shows each year, hence the small amount devoted to assisting companies who go to independent shows.
3. Nebraska's constitution prohibits government agencies from transferring funds to the private sector.

Overall, the Trade Development Division budget allocations are in the middle of the grouping, with slightly more emphasis given to trade show assistance and broad dispersion of trade representatives. In comparison to midwestern states, the Trade Development Division appears to maintain a very active export development program.

Trends in Trade Development by States

Although trade development efforts have grown dramatically in breadth and intensity in the 1980s, the rate of budget increases is declining. Aggregate state biennial trade development budget increases according to NASDA are as follows:

FY 1984:	\$21,245,100		
FY 1986:	\$39,211,000	% change over FY 1984:	84.6%
FY 1988:	\$62,197,657	% change over FY 1986:	58.6%
FY 1990:	\$91,941,703	% change over FY 1988:	47.8%

Source: NASDA (Note: Not all states provided budgetary information to NASDA. In 1990, Illinois, Kansas, Minnesota, North Carolina, and Rhode Island did not submit budget figures.)

Although the Trade Development Division's budget grew faster than the states' aggregate budget from FY 1988 to FY 1990 (126.2% vs. 47.8%), Kansas' FY 1990 budget figure of \$1,325,804 still lagged behind the FY 1990 states' aggregate average budget figure of \$1,725,663 (NASDA *SEPD*, 1990).

It is reasonable to expect this declining growth trend to continue, especially in light of the recent fiscal crises that confront many state governments. In fact, some programs might see budget cutbacks in the early 1990s. Case in point: The KDOC Trade Development Division is suffering an estimated 8.7% reduction in funding for FY 1992. Colorado's approved FY 1992 trade development budget reflected an 8% increase over FY 1991; however, that budget has subsequently been cut, resulting in a 0.5% reduction in funding (Colorado Department of Commerce and Development).

To counteract this trend, more states are turning to multi-state efforts and cooperation with other export development organizations, public or private. Through these cooperative relationships, states hope to share the burden of large expense operations, such as sponsorship of trade shows and missions, while offering potentially better service to SMFs. Additionally, states hope to share the information and contact resources enjoyed by other organizations. For example, the Western Governor's Association (of which Kansas is a member) hopes to organize trade shows and missions for its 17 member states (Levine, Western Governor's Association, *Going Global: A Strategy for Regional Cooperation*, 1989). In addition to spreading the expense burden, such shows could offer improved service through larger volume shows or smaller, industry-specific shows which require a critical mass of companies from a particular industry.

In essence, pooling of resources will allow contributing states to offer more options to their small and medium-sized firms. As long as budgets remain tight and potential returns from collaboration are high, sharing of expenses and resources will probably increase in the 1990s. Resource limitations will also force state development agencies to better target their resources. This includes identifying the industries in their state which are best suited for overseas markets, as well as identifying the areas where state products can best be marketed.

Innovative Approaches

As budgets for trade development expanded in the 1980s, so did the quest for a better way to promote exports. One innovation has been the shared foreign sales corporation (SFSC). A SFSC is a legal vehicle created by the 1984 Tax Act which permits companies to come together as partners and pool capital resources to create an off-shore exporting company. The partners channel their exports through their SFSC and pay reduced Federal taxes on the resultant income. Currently about ten states have chartered SFSC's and offer partnerships to state companies. Delaware's SFSC offers partnerships to any U.S. exporter, so high-volume Kansas exporters could benefit from this offer.

New York has taken a comprehensive approach to export development by creating an initiative entitled "Global New York," at an initial cost of \$2,340,000. Recognizing the need for marketing the services to firms in the state, the initiative first set out to reach 5,000 potential exporters in the state, as well as 5,000 underdeveloped exporters, in the first year of operation (FY 1991). In addition, the program offers extensive counseling, training and market research to New York SMFs. Finally, New York complements its local efforts with overseas offices and international partnerships and exchanges ("Global New York," *Business America*, February, 26, 1990).

The Oklahoma Department of Commerce has forged the nation's only partnership with the U.S. Department of Commerce. Together, they set up an independent entity, "Oklahoma International Export Services," in 1982 which is jointly managed and shares staff. Through this organization, Oklahoma companies can equally access USDOC and state DOC information and resources. Resources provided by the USDOC include: computerized trade data and investment opportunities abroad, identification of overseas buyers and representatives, overseas market research and information on U.S. export licensing and foreign nations' import requirements.

In Ireland, the economic development and industrial training authorities have taken a more proactive approach to fostering international trade amongst their companies. An international marketing program has been established which matches recent business graduates with "host" companies for 41 weeks. During that time, the graduates undergo extensive training in marketing products on the European Continent. They also train with the company and assist it with bringing one of its products to the mainland market. The goal of the program is to encourage the trainees to remain with the company when the program concludes, but either way, both the trainees and the companies involved go through the actual processes of exporting, opening the way for further trade development among those companies. This program is especially praised because it alerts the firms to export marketing and helps them overcome the

barriers involved (Rosson and Seringhaus, *Export Development and Promotion: The Role of Public Organizations*, 1990).

Although innovation is important to the overall goal of trade development, and well-conceived services have the potential to generate greater returns, some may only be expensive experiments. Most states have chosen to focus on assisting companies overcome export barriers with reliable methods: overseas market information and contacts, trade leads, trade shows and financial assistance.

As with "Global New York," new and renewed initiatives to promote trade will primarily offer mainstream services but with greater vigor. The variety of services offered will be broader, and the help given will be more in-depth and customized. Services will, however, be founded on basic information, advice, and overseas contacts.

General findings from the review of literature are as follows:

- A. Research on state trade development programs is generally scarce. Some positive relationships have been established between export promotion and job creation, but there is little statistical data to support broad trade development initiatives. Provision of basic services, as well as expected benefits for participating companies, are the real basis for retention and expansion of programs.
- B. Trade development programs and budgets have expanded dramatically during the 1980s, though the pace of expansion is leveling off and budgets might decline in the early 1990s. The primary reason for this trend is the poor fiscal condition of state governments.
- C. Though the Kansas Trade Development Division spends less than the U.S. median and mean budget figures on trade development, its program appears to be very active, given its industrial and economic position among the states.
- D. Among regional states, the Kansas Trade Development Division's budget is in the middle of the pack, while its programs seem very active by comparison. Kansas is especially active in providing trade show assistance and has more overseas office and representative locations than any of the other regional states.
- E. Trends in state trade development point to more cooperation among state agencies and other export promotion organizations. Tight fiscal resources will lead many states to target industries and markets to better utilize their resources.
- F. There are several innovative programs pioneered by other states and countries from which the Trade Development Division can learn. However, most states, including Kansas, prefer to use traditional services.
- G. Marketing of services to firms in the state is critical to a program's success, and this fact is recognized by state governments.

XII. OVERALL FINDINGS

This section incorporates the specific findings discussed in previous sections and relates them back to the broader questions about the Trade Development Division initially posed in the research design. They are:

- What are the goals and accomplishments of Trade Development programs?
- How does the Division decide what services to offer?
- How does the Division identify and communicate with potential exporters?
- How does Trade Development measure the effectiveness of its programs?
- Are potential exporters aware of Trade Development services?
- What impact do these services have on their users?
- How might the Division's effectiveness be enhanced?

Goals and Accomplishments of the Trade Development Division

The primary goal of the Trade Development Division, as stated by its Director, is to assist Kansas companies in developing export markets, thus creating quality jobs and revenue for the state. To achieve this primary goal, the Division operates several programs charged with more specific, unique goals. These include the Export Finance Program (not addressed in this report); the Trade Show Assistance Program (KTSAP); International Representation; and Trade Services, Marketing, and Promotion.

The goal of KTSAP is to encourage Kansas firms to export by helping them attend trade shows. According to the Kansas Inc. report, Department of Commerce: Program Abstracts and Performance Data, May 1991, the objective set by the Division for FY 1992 is to assist over 50 manufacturers, although there are no statutory objectives outlined. Of the Division's programs addressed in this study, the KTSAP is the only program evaluated in terms of a return on investment ratio. The return on investment ratio (total company sales/Trade Division reimbursement) for FY 1990 was estimated at 57:1. As with other Trade Development programs, descriptive information as to staff activities and firms assisted is also tracked. For instance, in FY 1990, the Trade Division reimbursed 30 companies through 36 grants to 12 countries. In FY 1991, the Division reimbursed 42 companies through 48 grants to 14 countries.

The goal of the International Representation program is to generate and develop relationships between foreign and Kansas firms. The trade representatives provide Kansas companies with assistance in locating distributors overseas, assistance to firms visiting foreign countries, and assistance in preparing market overviews. As an element of individual contracts, representatives are obligated to arrange at least three distributors, in their respective countries, for Kansas companies. While the trade representatives have performance measures included in their respective contracts, the responsiveness of the representatives to Division requests seems to be the primary measurement of performance. The only available information on the accomplishments of the International Representatives and Offices are lists of companies worked with; there is no documentation on the financial or economic impact of the services performed.

The goals of the Trade Services, Marketing, and Promotion program are to assist Kansas companies in identifying the potential of export markets and to promote foreign and domestic sales of Kansas products. Trade missions, trade directories, counseling of individual firms, domestic marketing efforts, export seminars and workshops, and other miscellaneous services are provided to this end. Specific program objectives for FY 1992 as well as an analysis of the program's activities and reported impact for FY 1988-90 are outlined in the Kansas Inc. report mentioned previously. This information was obtained from a previous Trade Development Division report dated May 1990; however, current Trade Division staff were unaware of the report and indicated that such documentation does not currently exist.

Compared to other Midwestern states, the Kansas Trade Development Division budget allocations are in the ballpark and the Division appears to maintain a very active export development program, with particular emphasis on trade show assistance and trade representatives.

Selection of Programs/Services

The basis by which the Trade Development Division has decided on which services to offer is not clear. However, many states have modeled their programs after successful programs implemented in other states, and Kansas appears to have followed this pattern. Program decisions within the Trade Development Division have largely been based on business intuition rather than on any formal analysis, and have been influenced by the unique skills and geographic interests of division directors and program officers. For instance, while the current location and relative investments in trade representatives and offices appear to be consistent with the state's major trading interests, several past allocations do not appear logical in retrospect.

Identification and Communication with Potential Clients

The Trade Division does not have a clear strategy for identifying potential clients. It does not currently target firms by size in its promotion or assistance efforts, yet smaller exporters are more likely to contact the Trade Development Division than larger firms. While some efforts at targeting firms within particular industries are undertaken, this does not seem to be a major thrust.

The Division does not have a systematic process to market itself to new clients, so most of the communication is with existing clients. The fact that 43% of the surveyed firms were not aware of the Trade Development Division confirms that proactive marketing to potential clients is limited.

As stated previously, the Division lacks a client information system or database to maintain records; therefore, Division staff heavily rely on other databases within the Department of Commerce. Among these is the Directory of Kansas Manufacturers and Products, which was used to obtain the survey sample and was found to be very out-dated. While the Trade Development Division is in the process of developing its own database, current resource constraints hinder full development.

According to the survey responses from client firms, the most frequent means of introduction to the Trade Development Division was through the Division's publications (40%). Less frequently mentioned were public media (18%), Division staff (16%), and other business people (8%). With respect to direct contact, the percent of respondents indicating that their firm initiated the contact was only slightly higher than those indicating that the Trade Division initiated contact, 52% and 48% respectively.

Performance Monitoring

As stated previously, little documentation of the Division's accomplishments relative to specific goals exists. Aside from the return on investment ratio maintained for the KTSAP, the measurement of performance for the Division's programs is essentially descriptive in nature and does not examine relative effectiveness of the programs or the quality of those programs as perceived by the users. A synthesis of the case studies indicates that, with the exception of the KTSAP, little performance monitoring exists.

One obstacle to effective performance monitoring is the lack of systematically collected client records. In fact, considerable difficulties occurred in identifying firms that had used various Trade Development Division services. Limited information exists as to what assistance had been given to which firms and when, with the exception of the KTSAP.

Awareness of Programs/Services

Less than 22% of the 301 manufacturing firms surveyed stated that they were well informed about Trade Development Division services while 43% indicated that they were not aware of them at all. Less than half (49%) of the informed firms said that they had had direct contact with the Division.

Impact of Services on Clients

Quantifying the actual *impact* of particular Trade Development programs is difficult, if not impossible, due to issues of attribution, cause and effect, and lost opportunities, among others. For example, a Trade Division claim that \$150,000 in sales resulted from one firm's attendance at a particular trade show in Mexico raises the question of attribution (how great a role did the Trade Development Division actually play in the firm's export sales verses market demand for the firm's product, product performance, etc.); cause and effect (was it actually the attendance at the show that resulted in the \$150,000 in sales or would they have occurred anyway?); and lost opportunities (would \$300,000 in sales resulted if the Trade Division had invested the same amount in another company or in some other export promotion program in general?).

Consequently, questions asked in the firm survey and case study interviews did not seek to quantify the impact of Trade Development Division services/programs, but rather sought to determine firms' general perceptions of the quality of services used, and of the Division's contribution to the various export-related results examined.

Surveyed firms that had used the Division's services consistently rated them as being helpful. In fact, with respect to *each* of the 11 Trade Development Division services examined in the survey, 75% or more of the responding client firms indicated that the particular service was helpful. Of significance was the finding that 100% of the firms that had used the KTSAP rated it as being helpful. This finding was confirmed in the case study interviews: use of the KTSAP was common to seven of the eight case study firms and all seven found this program helpful. Most indicated that participation in the KTSAP had caused their international marketing efforts to increase, and most reported sales (immediately after and six months later) resulting from the particular shows attended.

Other services receiving significantly high helpfulness ratings by the surveyed firms included information and technical assistance on foreign markets (97%), sales leads (95%), and leads on potential distributors (92%). In addition, over 77% of the client firms indicated that they would be likely to use a particular service again across each of the 11 Trade Development Division services examined.

While firms that have used the Division's services have found them helpful in the vast majority of cases, equally positive perceptions as to the Division's contribution to various export-related activities was not as evident. For *each* of the eight export-related results examined in the survey, 79% or more of the respondents indicated that the Trade Development Division was not involved in achieving the particular result. However, 48% of the respondents felt that the Division would be either very important or somewhat important to their international operations in the next two years.

Suggestions for Improvement

The overwhelming response to questions about how the Trade Development Division could improve its usefulness was that it make the business community more aware of the Division's services. In addition, the most frequently mentioned reason from the responding firms as to why they felt that the Trade Development Division would not be important to their international operations in the future was insufficient knowledge about the Division's services (65%). Consistent with the survey responses, the most frequent suggestion for improvement offered by the case study firms was to increase the promotion, hence awareness, of Trade Development Division services available to Kansas firms.

Research suggests that this problem is common to most states, and that it is a significant barrier to exporting and the success of export promotion programs. While most states have the mechanisms in place to foster trade, inadequate marketing impedes their effectiveness.

XIII. POLICY IMPLICATIONS

States have found that promotion of international trade is essential to their economic development. Kansas is no exception; indeed, export promotion efforts are particularly needed in Kansas because most firms have had little exposure to international markets and there are few resources to help orient them to global trade.

The Trade Development Division is geared primarily towards assisting small- and medium-sized firms: its services are not needed by the large, internationally oriented firms which generate the bulk of the state's exports. However, by helping smaller firms adapt to global competition, and by expanding their capacity to understand international forces, many jobs that might otherwise have been lost can be saved, and businesses can position themselves to survive and prosper in an international economy.

Firms in Kansas which have used Trade Development division services were overwhelmingly positive about the assistance received, and plan to continue utilizing any services offered. Based on the research findings, several options may be considered by the Trade Development Division to make its services more effective and to reach more firms that could benefit from its programs. Policy options suggested by this study are outlined below.

1. Create an Information System Within the Division.

Rationale: The Division has difficulty in documenting its goals and accomplishments. It lacks a systematic, substantiated procedure for follow-up and/or contact with potential exporters. The lack of a way to identify promising potential exporters is a serious handicap. Furthermore, the Division must be able to evaluate its effectiveness on an ongoing basis in order to ensure that it is meeting the needs of its customers and, in turn, can strategically establish goals and objectives.

At present, even descriptive information on which companies have used what services is not easily accessible. Such information is in itself of limited utility, although maintenance of statistics on numbers of firms contacted, number of companies requesting repeat assistance, industry groupings most likely to use KDOC services, etc., could provide valuable guidelines to the Division in planning and evaluating its services. Equally important would be a follow-up with clients to determine how Trade Division services have impacted firms' international endeavors. More results-oriented research is needed as well; for example, over time the Division should be able to document increases in Kansas exports to countries where the state has international representatives.

2. Create a Comprehensive Strategy to Target Division Efforts.

Rationale: There is little concrete evidence of how regions, firms, or industries have historically been targeted or selected by the Trade Division. While business intuition is vital to

the Division's operations, the value of a strategic plan in guiding the Division's decisions should not be overlooked. The Division should continue its research—although it has been limited by resources—and base its target strategy on the results of the research.

In preparing its strategic plan to facilitate export growth within Kansas industries, the Division should focus on the needs of the market, by targeting clusters of Kansas businesses or industries for attention. For example, past barriers to exporting, such as the state's location, the traditional nature of its industries, and conservative business attitudes, have not encouraged individual firms to consider export opportunities. Development of a network of business clusters with common interests would enable these firms to share their international experiences with others and, over time, become less dependent on the Division's assistance and attention.

3. Establish Standards for Selection, Location and Performance of Overseas Trade Representatives.

Rationale: The current location and relative investments in trade offices and representatives appear to be consonant with the state's major trading interests, although some past allocations do not seem wise in retrospect. Issues of control and accountability have been problems in some countries, although at present most of these difficulties appear to have been resolved.

Documentation of the rationale for selection of the overseas trade representatives is important for accountability and to assure the long-term continuity which is vital in developing international relationships. Selection of representatives should be carefully researched and performance should be reviewed frequently on the basis of clearly defined goals and expectations.

4. Increase Public Awareness of Division Services.

Rationale: Forty-three percent of exporters and potential exporters surveyed indicated they were not aware of the Division's services. The most frequent suggestion regarding improvement of the Division was that it publicize its activities more effectively.

Direct personal contact appears to be important in attracting companies to trade development programs, and recent Division efforts are emphasizing this aspect. Participation of individuals having hands-on experience in international business, and who are not seen as simply bureaucrats, is important in establishing the Division's credibility, and staff qualifications in this regard should be publicized. In offering its services—either through media or personal contact—the Division should rely on a targeting strategy based on research in addition to "business intuition."

5. Enhance International Trade through Domestic Market Development.

Rationale: The Division's involvement in domestic marketing—within the U.S. but outside Kansas—seems to be underdeveloped. Since the Division does have domestic marketing

as part of its mission, it may wish to consider a systematic program in which companies could be helped to prepare for U.S. markets outside Kansas, then guided to neighboring and English-speaking countries and finally to the world market. Such a comprehensive approach has not been tried in the U.S., but has worked successfully in other countries.

This would clearly be an ambitious program, but it could be carried out in cooperation with organizations such as the Small Business Development Centers to help make Kansas firms more competitive.

6. Create Partnerships With Other Organizations.

Rationale: Although the Division does have some cooperative programs with the U.S. Department of Commerce, it operates largely on its own. More joint activities with other state governments in the region, with government-sponsored organizations such as the Small Business Administration, state universities, and other entities could help leverage the Division's resources, increase its outreach, and improve access to specialized and technical information. Such cooperation would require a more open, proactive attitude on the part of all involved.

7. Maintain Appropriate Funding for Level of Activity

Rationale: The Trade Development Division undertakes a wide range of activities in spite of staffing and resource constraints. For example, in FY 1992 the Division experienced a budget cutback equivalent to 25 percent of its operating budget. The state needs to be aware that continuity in its international efforts is vital, since international relationships are developed on the basis of long-term commitment and trust. At current funding levels resources are inadequate and discontinuation of some programs or implementation of fee-based services may need to be contemplated if these levels are sustained.

The Division is attempting to target industries and focus its export efforts where there is the most potential. However, it must be kept in mind that firms which have used the Division's services have found them helpful in the vast majority of cases. There is little other assistance available and affordable to small and medium-sized firms in Kansas; such firms appear grateful for any assistance the state can provide. Additionally, the Kansas Trade Show Assistance Program has been highly rated by exporters; by the Division, which estimates a high return on investment; and by the Legislature, which has increased the program budget by 100% in three years. It is important, then, to carefully weigh the Division's options—with the assistance of a strategic plan—and ensure that it is not pressured into making unrealistic cutbacks.

While this study did not look at the activities of International Industrial and Investment Development, comments regarding inadequacy of current funding pertain to this operation as well. This program is responsible for very large efforts on behalf of the state and is operating at a rock-bottom level in terms of staffing and operating resources.

Funds for the Trade Development Division, at a minimum, should be returned to pre-FY 1992 levels to ensure threshold effectiveness, and an increase in funding should be considered because the net benefit to the state's economic development will be strong. A very good basis exists on which to expand these activities, particularly if improvements along the lines suggested above are implemented.

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Appendix A

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INTERNATIONAL EXPORTING AND NON-EXPORTING BUSINESSES IN KANSAS

This study was conducted by the Institute for Public Policy and Business Research at the University of Kansas for Kansas Inc. Increasing Kansas's participation in the national and world economies is an important part of the state government's plan for economic development. This report examines the differences between Kansas exporting and non-exporting firms based on a sample survey of firms. The findings are based on telephone surveys with a random sample of owners or managers of 424 Kansas business firms. Two hundred and three currently export. Two hundred and twenty-one do not export. For the purpose of this study, exporting refers to selling products outside the United States. The report is divided into three sections. First, the findings and implications are summarized. Second, the results of the survey of businesses are detailed. Third, the research methods and basic frequencies are reported in two appendices.

Summary of Findings

1. Larger firms are more likely to export than smaller ones. The majority of Kansas exporting businesses employ between 10 and 99 full-time employees. The majority of non-exporting firms (54%) employ fewer than 10 full-time employees.
2. In terms of total annual sales, almost half of Kansas exporters (47%) have sales of between \$1 and \$10 million. In contrast, the majority of non-exporting businesses (58%) have sales of \$1 million or less.
3. Kansas exporting businesses sell the majority of their products (72%) in the national market; non-exporting businesses sell almost half (49%) of their products in their local market.
4. Kansas exports to over 50 countries around the world. Canada is the country that receives the largest percentage (23%) of our exports; Europe is the continent receiving the highest proportion (37%) of Kansas products.
5. Kansas exports a variety of products. The majority of exports (51%) are machinery, instruments, transportation equipment, and miscellaneous manufactured goods.
6. Two-thirds of Kansas exporters feel they have great influence over export decisions. Decisions are not made by corporate leaders outside Kansas.
7. A majority (54%) of Kansas exporters are optimistic about their potential for further export expansion. In contrast, 74 percent of non-exporters feel they have no potential to export.
8. Nearly 80 percent of Kansas exporters market their exports themselves.
9. Of Kansas exporting businesses, 39 percent presently attend one or more foreign trade fairs a year. Only a small percentage, 7 percent of non-exporters, attend foreign trade fairs.
10. About three-quarters of Kansas exporters finance their exports internally.
11. Of Kansas non-exporters, 32 percent indicated that they had no desire to export. Forty-six indicated that it was inappropriate for their business. Although not all non-exporting firms can expand into international markets, these figures suggest some untapped potential. Of the non-

exporters potentially interested in exporting, 47 percent indicated that financing was an important factor preventing them from exporting. Thirty-five percent never considered exporting and 32 percent lacked the needed knowledge. Twenty-six percent said that the lack of government assistance prevented exporting.

12. Points 10 and 11 indicate the nature of the financing problem of small firms. Many firms may avoid or reduce exports because of a lack of available funding. The opportunity is foregone rather than the contract lost. This is especially likely with small firms that lack the resources for internal funding
13. For those Kansas businesses already exporting, financing remains a problem, but their most significant need is for information on foreign markets. Next in significance is the need for government assistance to individual firms with export development. Other areas of need are: information in foreign governments and assistance in getting and coordinating financing.

Appendix B

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KANSAS DEPARTMENT OF COMMERCE
Trade Development Division
Kansas Trade Show Assistance Program (KTSAP)
Fiscal Year 1990
Kip Schwimmer, Trade Show Assistance Manager

Company Name	Location of Trade Show	KTSAP Actual Reimbursement	Immediate Sales Reported by Company	Dollar Return Per KTSAP Dollar	Total Sales to Date	Dollar Ratio
Gott Corporation	Koln, Germany	3,500.00	35,000.00	10.00	335,000.00	95.71
Mordige Manufacturing	Koln, Germany	1,858.41			77,000.00	41.43
Cramer Products, Inc.	Munich, Germany	2,666.33	30,000.00	11.25	59,000.00	22.13
Fuller Industries, Inc.	Tokyo, Japan	1,798.42				
Fuller Industries, Inc.	Osaka, Japan	1,798.42				
The Lynn Peavey Company	London, England	1,320.99			7,000.00	5.30
Osborne Industries	Guadalajara, Mexico	581.40			50,000.00	86.00
ASIMA Corporation	Bordeaux, France	2,117.74				
Burke Mobility Products, Inc.	London, England	570.52	60,000.00	105.17	123,700.00	216.82
A.R.E. Industries, Inc.	Toronto, Canada	2,638.16	29,000.00	10.99	74,000.00	28.05
Mycro-Tek	Amsterdam, Neth.	3,500.00	30,000.00	8.57	30,000.00	8.57
Network Interface Corp.	Munich, Germany	3,000.00			12,000.00	4.00
Brite Voice Systems, Inc.	Munich, FDR	3,304.42				
Big Shot Manufacturing	Montreal, Canada	3,500.00				
Designs in Motion	Montreal, Canada	2,197.27			103,000.00	46.88
Brite Voice Systems, Inc.	Frankfort, FDR	1,750.00				
Express Scale Parts, Inc.	Sydney, Australia	2,674.59	9,000.00	3.37	61,000.00	22.81
The Reuter Organ Company	Yonsei, Korea	3,500.00			85,000.00	24.29
Brackett, Inc.	Toronto, Canada	3,500.00	80,000.00	22.86	135,000.00	38.57
Moly Manufacturing, Inc.	Regina, Canada	1,552.03	7,300.00	4.70	21,000.00	13.53
Goldblatt Tool Company	Tokyo, Japan	3,500.00	3,500.00	1.00	3,500.00	1.00
Bell & Carlson, Inc.	Ottawa, Canada	823.73	1,093.55	1.33	10,000.00	12.14
Mega Manufacturing, Inc.	Mexico DF, Mexico	2,300.08	33,860.00	14.72	150,000.00	65.22
Aviation Systems, Inc.	Singapore	1,893.28				
Tricon Americac Corporation	Mexico DF, Mexico	3,500.00				
Network Interface Corp.	Hanover, FDR	3,500.00				
Ruf Corporation	Hanover, FDR	1,963.23			50,000.00	25.47
SitBack Technologies, Inc.	Hanover, FDR	1,442.68	5,000.00	3.47	80,000.00	55.45
Soft-Tek International, Inc.	Hanover, FDR	2,492.41			30,000.00	12.04
Aviation Systems, Inc.	Santiago, Chile	3,500.00				
GT, Inc.	Beijing, China	3,500.00	10,000.00	2.86	10,000.00	2.86
The Bradbury Company	Montreal, Canada					
Peabody TecTank, Inc.	Barcelona, Spain	3,500.00	35,000.00	10.00	80,000.00	22.86
Brackett, Inc.	Dusseldorf, FDR	3,500.00			150,000.00	42.86
Didde Web Press	Dusseldorf, FDR	3,500.00	2,075,220.00	592.92	3,351,152.00	957.47
Goldblatt Tool Company	Kobe, Japan	2,672.50	5,000.00	1.87	5,000.00	1.87
Totals		88,916.61	2,448,973.55		5,092,352.00	
Dollar Return Ratio (KTSAP Participants % size)				27.54		57.27
KTSAP FY90 Budget		100,000.00				
KTSAP FY90 Total		100,000.00				
KTSAP FY90 Allocation		88,916.61				
KTSAP FY90 Balance:						
Congressional District 1		12,251.27				
Congressional District 2		17,500.00				
Congressional District 3		25,204.12				
Congressional District 4		15,985.07				
Congressional District 5		17,976.15				

08/20/91

KANSAS DEPARTMENT OF COMMERCE
Trade Development Division
Kansas Trade Show Assistance Program (KTSAP)
Fiscal Year 1991
Wesley Jaeger, Trade Show Assistance Manager

Company Name	Location of Trade Show	Companies		Immediate Sales Reported by Company	Dollar Return Per KTSAP Dollar	Total Sales to Date	Final Dollar Return Ratio
		Actual Expenses	KTSAP Actual Reimbursement				
Network Interface Corp.	Toronto, Canada	1,900.00	950.00			20,000.00	21.05
Eagle River Industries	Vancouver, Canada	1,729.75	864.88	400.00	0.46	15,400.00	17.81
PMS Foods, Inc.	Curacao, N.A.	351.00	175.00				
GT, Inc.	Moscow, USSR	37,428.00	3,500.00				
Physio Technology	Singapore	5,987.38	2,993.69			50,000.00	16.70
IMS Enterprises	Koln, Germany	13,409.94	3,500.00	35,000.00	10.00	200,000.00	57.14
Geoprobe Systems	Birmingham, UK	5,845.01	2,922.51	1,000.00	0.34	26,000.00	8.90
IMS, Inc.	Birmingham, UK	5,476.17	2,738.09				
Trinity Consultants, Inc.	Birmingham, UK	4,065.24	2,032.62			25,000.00	12.30
Roth Asbestos & Env. Conslt.	Birmingham, UK	5,399.96	2,699.98				
Kreonite, Inc.	Koln, Germany	56,564.31	3,500.00	150,000.00	42.86	1,100,000.00	314.29
Mycro-Tek	Barcelona, Spain	17,429.42	3,500.00				
Brite Voice Systems, Inc.	Mexico DF, Mexico	6,943.20	3,471.60	30,000.00	8.64	30,000.00	8.64
Schroff Development Corp.	Munich, FDR	6,000.00	3,000.00				
HIX Corporation	Singapore	3,439.68	1,719.84	11,000.00	6.40	31,000.00	18.02
GT, Inc.	Orange, Australia	785.60	390.00				
Tranco, Inc.	Orange, Australia	500.00	250.00				
Krause Plow Corporation	Orange, Australia	9,958.88	3,500.00	65,000.00	18.57	130,000.00	27.14
Hoelscher Engineering & Fab.	Orange, Australia	3,117.42	1,558.71	7,050.00	4.52	7,050.00	4.52
IMS, Inc.	Orange, Australia	2,302.94	1,151.47				
Sunflower Manufacturing	Orange, Australia	500.00	250.00				
Great Plains Manufacturing	Orange, Australia	9,029.49	3,500.00	7,500.00	2.14	120,000.00	34.29
Curtis Machine Co. Inc.	Mexico DF, Mexico	3,073.45	1,536.73				
Plainsmen Mfg, Inc.	Mexico DF, Mexico	1,568.00	784.00			2,475.00	3.16
Asima Corporation	Bangkok, Thailand	3,406.02	1,703.01			80,000.00	46.98
Express Scale Parts	Bangkok, Thailand	5,774.47	2,887.23	17,000.00	5.89	87,000.00	30.13
Extru-Tech, Inc.	Bangkok, Thailand	11,704.78	3,500.00	283,750.00	81.07	478,740.00	136.78
Wenger Manufacturing	Bangkok, Thailand	9,075.71	3,500.00			500,000.00	142.86
M E C Company	Bangkok, Thailand	3,881.01	1,940.00				
Pioneer Balloon Company	Nuremburg, FDR	7,058.55	2,363.00	10,000.00	4.23	50,000.00	21.16
Fairways & Greens, Inc.	Tokyo, Japan	4,310.28	1,478.89				
Sports Revolution, Inc.	Tokyo, Japan	1,493.74	746.87				
AGTECH, Inc.	San Jose, Costa Rica	1,073.00	462.50			1,100.00	2.38
SitBack Technologies, Inc.	Hannover, FDR	4,414.65	2,207.32	20,000.00	9.06		
Soft-Tek International	Hannover, FDR	3,759.05	1,879.52			20,000.00	10.64
Hodgdon Powder Company	Nuremburg, FDR	4,000.00	2,000.00	60,000.00	30.00	60,000.00	30.00
Q Corporation	Birmingham, UK	5,810.00	2,905.00	25,000.00	8.61	25,000.00	8.61
Vickers Electromech	Frdrcshfn, FDR	2,191.00	1,095.50	40,000.00	36.51	40,000.00	36.51
Preco Industries	Seoul, Korea	11,686.35	3,100.00				
Robbie Manufacturing	Birmingham, UK	1,870.00	935.00				
Straight Line Manufacturing	Hannover, Germany	8,065.59	3,500.00				
Honorbuilt Industries	Tonsberg, Nor.	6,095.14	3,047.57	92,000.00	30.19	92,000.00	30.19
Tri State Tank Corporation	Dubai, U.A.E.	10,318.00	3,500.00	350,000.00	100.00	350,000.00	100.00
Phoenix Corporation	Dubai, U.A.E.	7,665.67	3,500.00	65,000.00	18.57	65,000.00	18.57
Midwest Air Traffic Control	Dubai, U.A.E.	4,235.74	2,117.87				
SOR, Inc.	Dubai, U.A.E.	4,468.10	2,234.05				
Mega Manufacturing	Dubai, U.A.E.	7,218.80	3,500.00	65,000.00	18.57	65,000.00	18.57
Stratco, Inc.	Dubai, U.A.E.	4,410.45	2,205.23				
Garsite/TSR, Inc.	Dubai, U.A.E.	9,327.78	3,500.00				
School Specialty Supply, Inc.	Dubai, U.A.E.	4,767.80	2,383.90				
Packer Plastics, Inc.	Dubai, U.A.E.	6,753.45	3,376.73	30,000.00	8.88	30,000.00	8.88
Glendo Corporation	Paris, France	10,844.94	3,500.00	18,592.00	5.31	18,592.00	5.31

SOR, Inc.	Kuala Lumpur, Malay.	3,868.75	1,934.38				
Vickers Electromech	Paris, France						
Aerospace Syst. & Compts	Paris, France	5,018.04	2,509.02				
Airight, Inc.	Paris, France						
Midwest Air Traffic Control	Paris, France						
Dodson International Parts	Paris, France						
Plastic Fabricating	Paris, France	21,234.78	3,500.00				
Mega Manufacturing	Mexico DF, Mexico	10,745.00	3,500.00	79,000.00	22.57	79,000.00	22.57
Curtis Machine Co., Inc.	Regina, Canada	1,466.12	733.06				
Kantronics/RF Concepts	Frdreshfn, FDR						
Totals			128,234.77	1,462,292.00		3,798,357.00	
Dollar Return Ratio (KTSAP Participants % size)					11.40		29.62
KTSAP FY91 Budget		150,000.00					
KTSAP FY91 Total		150,000.00					
KTSAP FY91 Allocation		128,234.77					
KTSAP FY90 Balance:							
Congressional District 1		16,716.48					
Congressional District 2		14,222.92					
Congressional District 3		44,919.00					
Congressional District 4		35,648.64					
Congressional District 5		16,727.73					

Appendix C

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Appendix D

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SURVEY METHODOLOGY

This IPPBR study was conducted from September 16, 1991 to September 23, 1991 by telephone. A total of 301 interviews were completed with owners or presidents of the selected firms, or other executives in charge of international trade. The response rate for the survey was 75%. This means that for every four individuals contacted, three responded to the survey.

Questions used in the survey were designed by the Institute staff in collaboration with Kansas Inc. The full text of the survey instrument completes this Appendix D. Most of the questions and responses have been summarized for discussion within the body of the report.

The sample was randomly drawn from the Kansas Department of Commerce (KDOC) *Directory of Kansas Manufacturers and Products* database. All the firms in the sample had indicated in the database that they exported one or more of their products. Given KDOC's emphasis on the Trade Show Assistance Program (KTSAP) within the Trade Development Division, the sample was manipulated to include an adequate random sample of firms which had participated in this program. Three hundred and one firms were included in the final sample, including 29 firms that had participated in the KTSAP.

The percentages obtained from the survey responses are estimates of the entire populations under consideration. Sampling theory suggests that when an adequate random sample is obtained within a population, the sample will adequately reflect the responses that would be given if the entire population were surveyed. The margin of error in a survey is the probable difference between interviewing everyone in a given population and a sample drawn from that population. The overall margin of error for this survey is 5% at a 95% level of confidence. Given this margin of error, chances are that in about 19 out of 20 cases, if all exporters in Kansas had been surveyed with the same questionnaire, the results would differ from the poll findings by no more than 5% in either direction.

Although great care is taken in composing questions and drawing a sample, caution should be exercised in the interpretation of telephone survey results. Responses generally represent immediate answers to question, and respondents are limited to the answer categories given. Nevertheless, telephone surveys are the best form of public opinion polling of random samples to obtain representative results in a timely fashion.

SURVEY INSTRUMENT FOR MANUFACTURING FIRMS

- Q1. Approximately how many people does your Kansas firm employ?
- Q2. In what year was your Kansas firm founded?
- Q3. What is the approximate amount of annual sales that your Kansas firm generates?
- Q4. How would you describe the (foreign) export status of your Kansas firm?
1. have never exported and not interested (**SKIP TO Q33**)
 2. have exported in past but no longer interested (**SKIP TO Q33**)
 3. not exporting but interested (**SKIP TO Q9**)
 4. exporting
- Q5. In what year did your firms begin exporting?
- Q6. Approximately what percent of your annual sales are export sales?
- Q7. What is the primary product or service exported (please indicate SICs if known)?
- Q8. To which country(ies) do you export (please indicate up to 5)
- Q9. Are you aware of services which KDOC's Trade Development Division provides?
1. no, have not heard about them (**SKIP TO Q25**)
 2. yes, have some idea of what they do
 3. yes, am well informed about their programs
- Q10. How did you learn about KDOC Trade Development Division programs?
1. from the public media (newspaper, radio, etc.)
 2. from other business people
 3. from KDOC newsletters/publications
 4. from KDOC employees
 5. other
- Q11. Has your Kansas firm ever had direct contact with KDOC Trade Development Division staff regarding their programs/services?
1. yes
 2. no (**SKIP TO Q15**)
- Q12. When did this initial contact occur?
- Q13. Who initiated contact?
1. your firm (**SKIP TO Q15**)
 2. KDOC

- Q19. Would your firm have attended the trade show(s) without KDOC assistance?
1. yes
 2. no
- Q20. How did you learn about the trade show you attended?
1. from KDOC staff
 2. from trade publication
 3. from other business persons
 4. other (specify)
- Q21. To what extent did KDOC help prepare your firm for participation in the trade show by providing information or other nonfinancial assistance?
1. none, my firm did not need such services
 2. none, but my firm could have used additional assistance/ information
 3. KDOC provided additional information/assistance prior to the trade show
- Q22. How active has KDOC been in providing follow-up support to your firm since it participated in the Trade Show Assistance Program?
1. very active (e.g., personal contact by staff)
 2. somewhat active (e.g., general mailings)
 3. not active
- Q23. Did your firm obtain significant sales from your participation in the Trade Show Assistance Program?
1. yes
 2. no
- Q24. How has participation in the Trade Show Assistance Program affected your company's international marketing efforts?
1. has not affected our efforts
 2. has caused our interest in exporting to decrease
 3. has caused us to increase our international efforts
- Q25. Has your firm used the services of any other organizations for general assistance in exporting?
1. universities (name program)
 2. international trade clubs (K.C., Wichita, other)
 3. world trade centers (Wichita, other)
 4. Small Business Administration (K.C., Wichita, other)
 5. Small Business Development Centers (location)
 6. U.S. Department of Commerce offices (K.C., Wichita, other)
 7. private commercial service such as bank, law firm, freight forwarder, consultant

- Q26. Of the programs listed above, which if any, would you recommend as having been the most useful?
- Q27. Overall, how important do you feel KDOC assistance will be to your firm's international operations in the next two years?
1. very important (SKIP TO Q 29)
 2. somewhat important (SKIP TO Q 29)
 3. not important
- Q28. Why do you feel KDOC assistance will not be important to your firm's international efforts?
1. don't have sufficient knowledge of KDOC's Trade Development Division or its services
 2. don't need outside assistance in exporting
 3. KDOC's Trade Development Division doesn't provide type of service needed
 4. have heard that others were dissatisfied with services
 5. prefer to use private sources for export assistance (please specify)
 6. prefer to use other government sources for export assistance (please specify)
 7. don't believe state government can provide good business services
 8. have been dissatisfied with KDOC services in the pas

MATRIX FOR QUESTIONS 29 and 30.

Q29. Please indicate whether the following export-related activities have taken place at your Kansas firm in the last 3 years (yes, no) (IF AN ACTIVITY HAS NOT OCCURRED IN Q29, SKIP TO Q 31)

Q30. Was KDOC's Trade Development Division helpful regarding these activities?
H = helpful / N = not helpful

	<u>Q29. Has taken place?</u>	<u>Q30. KDOC helpful?</u>
1. Acquired distributors in new country or countries		
2. Pursued new sales leads overseas		
3. Increased domestic sales		
4. Increased (foreign) export sales		
5. Added new export-related jobs		
6. Retained jobs that would have been lost without exports		
7. Signed licensing agreements		
8. Signed joint venture agreement		

Q31. In the last year, the quality of KDOC's Trade Development Division services has?

1. improved
2. declined
3. stayed the same

Q32. What, if anything, do you believe KDOC's Trade Development Division (including the overseas offices and representatives) might do to make its services more useful?

END OF SURVEY FOR EXPORTING AND INTERESTED FIRMS.

NON-EXPORTING FIRMS ANSWER QUESTION 33

Q33. Briefly state why your company does not export, or no longer exports.

1. no desire to export
2. lack of specific export know-how
3. lack of government assistance
4. lack of financing
5. not appropriate for business/product
6. other (specify)

END