

## KEY LESSONS AND OBSERVATIONS FROM THE FOUR METRO EXPORT INITIATIVE PILOTS

As leaders in the four pilot metropolitan areas reached out to firms and service providers in their communities to design their metro export plans, numerous insights surfaced about the state of U.S. and metro exporting. These insights can serve as starting points to begin to evaluate the local market and produce a metro export plan. Among the themes unveiled were the following:

- **Companies fear exporting.** Many companies say that they would like to export, but fear of the unknown and comfort operating within the United States limits actual action. For these companies, numerous real and perceived risks loom large and range from difficulties associated with connecting to global partners and conducting global marketing to issues involving logistics, regulatory compliance, financing, and unfair trade practices. For their part, companies that already export often express concern about how other local companies, and the metro region as a whole, will compete in the future if they don't engage in exports and global trade.
- **Companies lack awareness of global opportunities and services.** Company awareness (particularly among SMEs) of global opportunities, foreign markets and available export services and programs is low. As a result, a relatively low proportion of firms export, and a minority of exporting firms report having ever received assistance from federal, state or local export services providers.
- **Thus, there is an inadequate pipeline of identified firms ready to enter foreign markets.** The pipeline of "export ready" companies in each of the four metro areas is not currently strong enough to meet export objectives. To build a larger pipeline of prospects, metro areas will have to be proactive in identifying and reaching out to export ready companies and in developing a system that better prepares companies for global opportunities. Initial outreach in the four metro area pilots is demonstrating that there are companies ready to start filling the export pipeline; however, the export outreach and development effort had not been identifying and bringing them into the export services system.
- **Many companies are accidental (reactive) exporters and thus may be under-exporting.** Few companies proactively target export opportunities. More often, companies reported that export opportunities were accidental or passive (e.g., the overseas company found them or a current U.S. customer moved its operation overseas). In some cases, existing export strategies were often isolated incidents and not part of a defined growth strategy (e.g., the CEO randomly knew someone in a country, and that country represents their only export market). Further, many companies are indirect exporters (through sales to U.S.-based exporting firms); however, they have no intentional export strategy of their own.

- **Company executives must be highly intentional about exporting.** Successful exporting companies stress that pursuing business opportunities in new foreign markets requires significant up-front resources and persistence. While companies can start initial exploration of exports with existing staff, venturing into exports ultimately requires the demonstrated commitment and time of the CEO (one-on-one interviews with companies in the pilot metro areas consistently revealed the need for the CEOs of small- to mid-sized companies to commit up to 25 to 50 percent of available time in year one) along with the dedication of a person or consultant to the effort on a full-time basis. This can be difficult for SMEs that lack resources to commit to the effort in the face of other demands. However, successful exporting companies claim the rewards far outweigh the risks, hassles and investment.
- **Exporting firms typically require case management support.** Most companies require one-on-one case management support to navigate their way through the process of pursuing exports. While initial broader export training for groups is valuable in the early stages of the process, companies (particularly SMEs) need more focused and tailored guidance and support if they are to ultimately make that first overseas sale or add another export market.
- **Export services vary in quality and are often fragmented.** Export services and programs provided by federal, state, and local agencies vary in quality across U.S. metro areas. Most local systems are also fragmented, have gaps, and are typically reactive in nature. Companies are often not aware of or do not fully understand the export services and programs available to them and don't know to whom they must go for help at different stages in the process. There is no clear exports roadmap to follow. However, of the companies that have received state or federal export assistance in the four pilot metro areas, a high percentage report it as being "good" to "excellent."
- **State and federal export efforts often lack sustained vision and commitment.** State and federal government frequently provide the core export services and programs in metro areas. However, the level of resources and commitment provided to these programs is often described by companies and export service providers as "cyclical". Existing companies and on-the-ground export services providers in each of the four pilot metro areas have experienced ebbs and flows in the commitment to exports, and related funding and capacities, with changing state and federal administrations. While metro area leaders can help fill some of this capacity, they are highly aware that sustained, quality state and federal programs are critical to their metro area success and credibility. Companies and export experts interviewed as part of the pilot MEI process expressed the strong and consistent opinion that peer countries— such as Germany, Korea, China, Brazil and Japan—demonstrate a stronger, more consistent commitment of resources and outreach to global trade and investment, putting the U.S. at a competitive disadvantage.

The metro export plans have surfaced at least four major benefits of metropolitan-level engagement and problem-solving on exporting:

- Metro area leaders can proactively increase the number of firms who are ready to export or export to additional markets. Currently, most state and federal service providers lack the capacity to recruit non-exporting firms or help such small- and mid-sized firms become export ready. This may explain why the number of firms selling abroad has barely budged past one percent. However, metropolitan area leaders can play a critical role here because they have strong, direct relationships with firms and know the firms and actors in their leading industry clusters. Many of these metro export plans involve metro chambers of commerce, port authorities, regional civic groups, and/or regional economic development agencies that have ongoing contact with companies. They can proactively identify and reach out to target firms, perhaps within priority industries, and help them become export-ready. They can also work with their member companies or use surveys to better identify and reach out to firms that are under-exporting and can move into additional markets
- Metro leaders can help make exports and trade a mainstream part of regional economic development. Exporting and global engagement is not yet in the economic development DNA, hindering the ability to scale up firm- and cluster-based export activities. While regional economic development officials work with companies regularly on identifying their business expansion needs, few have the expertise or awareness to recommend global market expansion as a key growth opportunity. Engaging regional economic development practitioners in a metro export plan is essential to making exports more the economic development norm than the exception
- Metro leaders can help create a more transparent, coordinated export assistance system that is moving toward common goals. Leaders in the pilot metro areas are quickly learning that firms, government, civic groups, universities, and other export service providers are not aware of the array of existing services in a region, making it difficult to efficiently refer companies to appropriate services or address the gaps and redundancies in the delivery system. Thus metro area leaders, through their export plan, are key to bringing together the vast network of export service providers and champions around a unified goal and strategy for boosting exports. This has the added benefit of giving small- and midsized -firms a coordinated system of services that will give them the confidence that exporting is the right investment
- Finally, metro area leaders are best positioned to integrate exports into a broader economic strategy for growth and global competitiveness. Exports represent just one step in a more comprehensive regional game plan for greater global engagement. The best metro leaders are those who are aligning export strategies with parallel strategies in foreign direct investment, manufacturing innovation, freight and transportation modernization, workforce development, and immigrant outreach so they can more effectively build a globally fluent economy