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West Michigan Firms' International Business Activity in 1996: Results of the Second Annual Survey

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The table illustrates the level of correlation between the two items at the intersection of the column and row. The second number is the statistical significance of the correlation and the third number is the number of complete responses for that item in the study. The **bolded** items were found to be significant.

So What Does It All Mean:

We found no relationships between levels of integration and international success, nor between the IT success items and international success. This is disappointing since we expected that there might be a relationship between the two. The study however did find several interesting relationships between the measurement of system success (Satisfaction, Ease of Use, and Usability) and Integration. Basically, the findings strongly support that increased levels of integration in both a vertical and horizontal direction lead to improved perceptions of the system by the end users (in this case managers) of the international information systems in the organization. This would imply that companies with increased presence in the information technology result in managers better facilitated in the performance of their increasingly global jobs. Particularly important was the idea of manager's satisfaction with the information system. The ease of use and usability measurements did not prove significant but this is not totally surprising. Managers who have been trained in the use of such systems may feel the system is difficult to use even though they are satisfied with the system in general.

Recommendations:

Despite the findings, it is still our belief that technology is an important component of the international marketplace. It is possible that Export Intensity is not the best way to measure success in information technology integration. It may be possible that the importance of integration of information technology to international business efforts may be demonstrated by looking at other measures, such as the number of countries where international business is done, and the type of international operation that is involved (exporting, joint venture, wholly owned subsidiary).

There is an important finding as a result of this study, however. Managers are cognizant of the levels of vertical and horizontal integration of the information systems within their companies, and the degree of integration is related to managerial satisfaction with those systems. This type of system satisfaction is a good, albeit different, measure of success that should be noted. Managers who are satisfied with the systems they use are likely to perform their jobs more effectively, which would tend to improve the performance of the company in general. Thus, the key finding here is that increased levels of vertical and horizontal integration of international information systems improved the satisfaction of the managers who performed international operations within the firm.

West Michigan Firms' International Business Activity in 1996: Results of the Second Annual Survey

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International trade continues to be a principal source of business growth in the 1990s. Below, we will discuss the international business activity of West Michigan manufacturing companies in 1996, obtained from the Second Annual International Survey conducted by Seidman School of Business International Business Program. This survey asked West Michigan firms to tell us about their current international business activity, their commitment to international business, if they plan to increase their international business activity in the future, and in what topic areas of international business firms might seek support, training, or advice.

We mailed the survey to 756 West Michigan manufacturing firms that export located in Kent, Ottawa, Muskegon, and Allegan counties. Each of the 756 firms employ more than 20 people, and 84% employ 200 people or less. Of the 756 questionnaires mailed, 84 were returned, for a response rate of about 12%. The average size of the firms that responded is 151 employees.

Nearly 64% of the respondents reported they had an interest in international sales, but only 46% reported having a person whose main responsibility is looking after international business. Twenty percent said that the person's title is manager, 18% of them said it is a Vice President, and 14% said it is the President who oversees international operations. Over half of the respondents that do business internationally do not have a specific person to oversee these operations.

International sales contribute to the firm's sales growth:

Sixty-five percent of respondents agreed with the statement that international sales contribute to their firm's sales growth. Fifty percent agreed that international sales contribute to the firm's competitiveness, while 50% disagreed with the statement.

International sales account for 11.81 % of total sales:

Average international sales of respondents in 1996 was \$ 3.5 million. Average total sales for these firms was \$ 38.4 million. Therefore, international sales comprise 11.8% of all sales among respondent firms. Respondents predict that their average international sales by the year 2000 will be \$ 7.13 million. The average total sales in 2000 is estimated to be \$ 66.43 million. The ratio of international sales to total sales in 2000 is expected to increase to 17.11%.

Exporting is the principal mode of doing international business:

Most of the firms that do business internationally engage in exporting activities (82%). Joint ventures and wholly owned subsidiaries (each 27%) are the next most common forms of doing international business, followed by licensing (18%). In the future, respondents report that exporting (30%) will be the most common mode for conducting international business.

For many firms, international sales have increased by more than 25%:

Nearly 60% of firms reported that international sales have increased by 25% or more. Only 5.8% of them said that their international sales had decreased, and the rest reported no change.

Canada is the number one country for international sales:

Nearly 28% of respondents cited Canada as their top target country for international sales. Twelve percent reported Mexico as the most important source of sales, and 10% put Japan in the top sales spot. More than half of the firms said that the top target country absorbs 30% or more of their total international sales.

China and Brazil are the top two countries for future international sales:

The countries that ranked first for future international sales were China (16%) and Brazil (13%), followed by Germany (15%) and Canada (11%).

International sales support 5% or less of jobs:

More than 60% of the firms said that international sales support 5% or less of jobs in their firms. Another 20% said that up to 10% of their jobs were supported by international sales, whereas only 12% of the firms said international sales support between 11% to 49% of their jobs.

Industrial and commercial equipment are the main types of product sold internationally:

Twenty nine percent of respondents said that industrial and commercial equipment were their primary products sold internationally. Another 16% of them said that they sold transportation equipment, and 12% said that they sold fabricated metal products as their primary product. Sales of the primary product produced an average of 50% of gross international sales.

Less than one-fourth of firms have significant sales in the European Market:

When asked what effect the creation of the European Union would have on their international business activity, 73% of West Michigan firms reported a minimal presence in the European Market, with sales of 5% or less of their total sales. Nevertheless, 16% of them said that sales to the market accounted for between 11% to 50% of their total sales.

A single currency in the European Union will not affect West Michigan firms:

Nearly three-fourths of responding firms (74%) reported that a single EU currency would have little or no impact on their firms. Importantly, none of the firms thought that the EU currency would provide a loss. The remaining 26% reported they would benefit from a single EU currency. Nearly 98% of the firms said that they were doing nothing to prepare for the single currency. Only one firm noted that employee training would be an area that would be affected. None of the respondents felt that other areas, such as contract renegotiation/review, marketing strategy, product alteration, would be affected in any way by the single currency.

The most important barrier to entering international markets is having no known distributor:

Although firms reported that barriers to doing business internationally were generally low, not having a known distributor in foreign markets was the most important problem faced by 23% of respondents. Other important problems included insufficient staff with international experience (15.4%), cost of production (15%), cost of sales (11.5%), cost of transportation (8%), and tariffs in foreign markets (8%).

Most firms' international business experience is in the area of exporting:

When it comes to doing business internationally, 73% of responding West Michigan firms feel their expertise is in the area of exporting. They have experience ensuring payment from abroad (50%), shipping aspects of exporting (42%), domestic production capabilities (35%), and international sales and distribution strategies (31%). Some firms (19%) have experience in doing international business through wholly owned subsidiaries. They have less experience with international licensing and franchising operations and joint ventures.

Many firms indicated their willingness to learn more about international business topics, including regulations for selling internationally (40%), international sales and distribution strategies (33%), assessing foreign demand (30%), joint ventures (29%), export financing (27%), managing an international sales force (27%), general information on doing business in a country or a region (25%), in-house market research on foreign buyers (23%), and protecting trade secrets (21%).

Summary of Results:

It is clear that a significant number of West Michigan firms are aware of the opportunities provided by international business. Nearly half of the firms have named a person whose primary responsibility is international business. When firms target resources of this type to international sales, it suggests that they are taking the idea of international business very seriously.

More than half of the firms report that international sales have increased 25% or more in the past five years. Although this is much smaller compared to what they reported last year (150%), it suggests steady international growth. Comparing last year's figures to this year's, firms reported that they are selling about the same amount of product internationally as a percentage of total sales.

Identical to last year's results, Canada remains the top country target for international sales. Interestingly, China replaced Germany as the top future sales target, with Brazil vying for second place.

As was reported in 1995, industrial and commercial equipment were still the principal types of products sold overseas in 1996. Exporting remained the international sales mode of choice for West Michigan firms in 1996, as it was in 1995.

Perhaps most importantly, firms perceive that international sales contribute to growth and competitiveness. These results are consistent with last year's, and suggest that managers believe that international business has the potential to positively impact the firm in various ways.

Germany's International Strategic Weapon: Environmentalism

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Introduction:

Business decision makers worldwide are coming under additional pressure from increasingly stringent standards generated by aggressive packaging laws instigated in Europe. These new packaging standards promise to act as a substantial barrier to exporting success by west Michigan firms. This unlikely strategic weapon of "environmentalism" could arm governments with a powerful rationale for either outright rejection of import products or placing them at a significant disadvantage in the marketplace.

The present research depicts the international situation that exporting manufacturers in western Michigan face regarding new packaging and labeling laws. Understanding logistic dimensions facing exporters in a demanding country may be useful in strategic planning for an accelerating global trend in environmental warfare. As a specific case in point, examples are offered demonstrating how German laws generate competitive advantages for German firms domestically and internationally.

Germany's Packaging Laws:

Recently, Germany has phased in a radical concept in packaging laws which require companies doing business in Germany to reclaim materials used packaging the product. Since 1991 all packaging used for transporting goods (pallets, styrofoam containers, barrels, and crates) in Germany were required to be accepted back by manufacturers and distributors. In 1992, manufacturers, distributors, and retailers were required to accept all returned secondary packaging (blister packs and cardboard boxes). During 1993, distributors, retailers, and manufacturers were obliged to accept returned sales packaging necessary to transport and contain goods up to the point of sale or actual consumption (foil wrapping, styrofoam, cardboard, and cans). Further, fully half of packaging materials used in any of Germany's federal states must be collected and 30 to 70 percent of this material (depending on make-up) must be recycled or reused. In 1995, 80 percent of packaging materials used in Germany's federal states must be collected and 80 to 90 percent of the collected material (depending on its make-up) must be recycled or reused. Firms found guilty of dumping or burning such materials are subject to substantial legal penalties.

Home Field Advantage:

The guidelines clearly encourage German firms to avoid packaging waste wherever possible since everything sent out the warehouse door may migrate back to the firm. The increased cost of materials management in terms of labor, machinery, and space is directly linked to material volume. German firms gain financially in the long run by designing minimized packaging.

German firms are also driven to maximize every opportunity to use recyclable materials. This ready availability of recycled materials will reduce manufacturer's dependence on suppliers and may offer greater leverage in demanding price decreases.

The new packaging laws may also spur the manufacturers to exploit this market of environmentally concerned consumers by seeking public relation advantages based on environmental efficiency. Businesses could advertise their technical expertise which may lure consumers seeking to purchase products having a smaller negative environmental impact. Refined package design may not stand out in Germany where all firms strive for package minimization or recyclability, but products exported offer a differentiated advantage to ecologically sensitive consumers in other countries.

While Germany's environmental laws have the primary purpose of reducing its waste material problem, it gives its companies a new strategic weapon. The laws may protect German home markets from foreign competition and spur German companies to exploit new opportunities in foreign markets.

Protecting the German Market:

Stringent legal German demands on manufacturers, distributors, and retailers act as a formidable barrier for foreign firms seeking to export to
