

# Becoming a Global Leader: Examining the Barriers for Chippewa Valley Businesses

Eric Becker and Dr. Kristina Bourne ❖ Department of Management and Marketing ❖ University of Wisconsin-Eau Claire



## Introduction

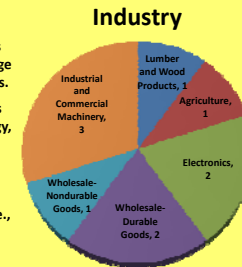
International trade supports 6.8% of Wisconsin's private sector employment and has become increasingly important as the demand for products from the domestic market decreases. Technology and trade agreements have removed many barriers to the international arena; however companies still face significant obstacles when conducting international business. According to the 2008 "Wisconsin Next Generation Manufacturing" study, 60 percent of the 500 surveyed manufacturers said they were making "little or no progress" toward becoming a world-class global player. Research has proven that a majority of exporters are small and medium-sized enterprises (SMEs) (i.e., businesses with 500 or less employees).

## Objective

The objective of this study is to examine the barriers to internationalization experienced by small and medium-sized enterprises that export their product from the Chippewa Valley region of Northwestern Wisconsin.

## Methodology

- Performed semi-structured interviews with senior managers specifically in charge of international business at 10 companies.
- Focused interview questions on issues such as financing, regulations, technology, management strategy, networks, and cultural differences.
- Fully transcribed all interviews.
- Followed a two-step coding process (i.e., open and focused) to identify common barriers.



## Company Demographics

- Years in international markets  
Range: 6 years to 60 years
- Total sales volume  
Range: 12 million to 70 million
- % of total sales that are international  
Range: <1% to 80%
- Number of employees  
Range: 20 to 500

## Results and Analysis

### Strategic Barriers

#### Marketing Strategy

While some companies had well-established processes to locate partners and distributors, others lacked specific market knowledge or chose not to actively seek out partners. Take the following quotes:

"Sometimes end users will contact us directly, but the contact comes from the dealer. We aren't beating the bushes in Africa, they call us."  
(60 years in international markets, 30% of total sales being international)

"If we work with someone in Saudi Arabia they are trying to nail us down so we only work for them, but...we are trying not to limit ourselves" [until we have enough knowledge to find the appropriate partner.]  
(12 years in international markets, 25% of total sales being international)

**Overall company strategy is sometimes hesitant to embrace internationalization.**

#### Staffing Strategy

While some companies hired a person with specific international experience to run their international division, others had an indifferent approach to staffing international positions. Take the following quotes:

"We just don't have the staffing to do it. It isn't one of our top priorities."  
(9 years in international markets, <1% of total sales being international)

"[H]e drew the short end of the stick... [international sales] wouldn't have been his first choice."  
(30 years in international markets, 20% of total sales being international)

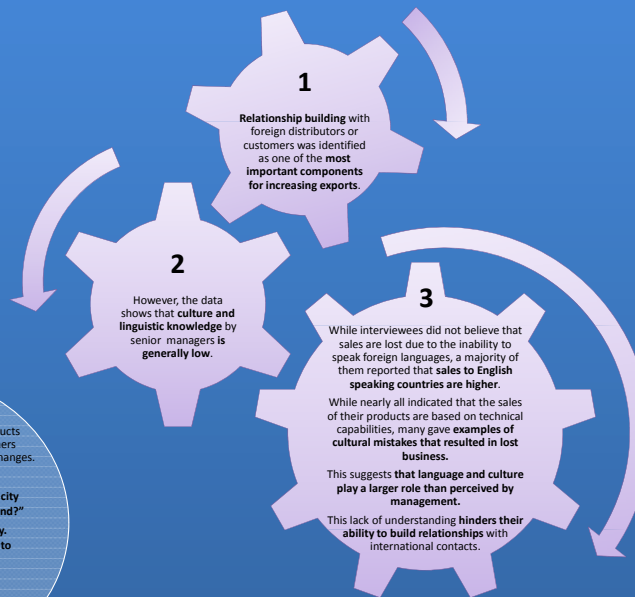
#### Production Strategy

While some companies customized products for all markets (including domestic), others were reluctant to make major production changes. Take the following quote:

Question: "So would you not have capacity in the plant for extra international demand?"

Answer: "No, we would have capacity. It is a lot of effort, work, and expense to do business overseas."  
(9 years in international markets, <1% of total sales being international)

### Cultural/Linguistic Barriers



### Logistical Barriers

#### 3 Effect on International Competitiveness

- Costs associated with products sold to international customers is higher than if companies were located closer to an ocean port on the coast.
- The added lead time hinders their ability to win sales over both domestic and international competition.
- Ultimately, sales are forfeited occasionally because of high transportation costs.

#### 2 Implications of this Situation

- Lead time to customers is lengthened because of additional trucking to port or rail yard.
- Air freight from the MSP International Airport is not a solution for long lead time because of the exponentially higher cost of air freight over ocean or rail transportation.
- Increased effort is required to maintain close communication with freight forwarders located outside the local area.

#### 1 Chippewa Valley's Situation

- The Chippewa Valley is not located next to an ocean port or rail yard.
- Chippewa Valley Regional Airport does not have established air-freight service to/from Eau Claire.
- Major freight forwarders' headquarters are located in metropolitan areas such as the Twin Cities or Chicago.

## Conclusion

Within the field of international business research, scholars have called for more qualitative research methodologies. We have answered this call by performing in-depth interviews to gain a deeper understanding of the complexities in which businesses are operating in today's global environment. This project identified three major barriers to expanding the export operations of the businesses in our sample. Findings suggest: 1) the role of internationalization is often not supported by overall company strategy, 2) culture and linguistic knowledge is vital to the success of building international relationships, but is often overlooked, and 3) inherent transportation issues may be difficult to overcome to ensure responsive lead times and competitive total product cost. While our focus was on the Chippewa Valley, our findings can be used by SMEs in other like regions across the country to overcome barriers to international business, and ultimately drive economic development of the region and the nation.

## Key References

1. *New venture hopes to increase state exports.* (2009, September 24). Retrieved April 16, 2010, from Wisconsin State Journal: [http://host.madison.com/wsj/business/article\\_44c75132-97a0-573b-a9ac-9f8e7c7f92fe.html](http://host.madison.com/wsj/business/article_44c75132-97a0-573b-a9ac-9f8e7c7f92fe.html).
2. OECD. (2009). *Top barriers and drivers to SME internationalization.* Paris: OECD.
3. Schlisserman, C. (2007, November 23). Smaller firms have a bigger piece of export pie. *Bloomberg News.*
4. Yang, Z., Wang, X., & Chenting, S. (2006). A review of research methodologies in international business. *International Business Review,* 15, 601-617.

This research was sponsored by University of Wisconsin-Eau Claire Differential Tuition and University of Wisconsin-Eau Claire Faculty-Student Collaborative Research Grant