

## ABSTRACT

### A NEW INTERNATIONAL MARKETING ERA FOR U.S. SMALL AND MEDIUM-SIZE BUSINESSES?

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As products of Western Europe and Japan flooded world markets in the 1960's and 1970's, U.S. domination of the foreign marketplace, and our own domestic market, steadily eroded. Past experience has left U.S. companies and the U.S. government ill-prepared for developing and implementing a competitively effective global strategic posture.

As early as 1916, the FTC observed: "In seeking business abroad American . . . producers must meet aggressive competition from powerful foreign combinations. . . If Americans were to enter the world markets on more nearly equal terms. . . they (have) to be free to unite their efforts." The FTC found that doubt and fear as to antitrust restrictions prevented Americans from developing equally effective organizations for overseas business and that smaller concerns suffered particularly. Thus, in 1918 the Webb-Pomerene Act made it possible for independent American producers of competing products (not services) to join forces in export (not import) activities without being subject to certain Sherman Antitrust Act constraints. Otherwise-competing firms could form Webb-Pomerene Export Associations (WPEAs) which could set prices, standardize products and offer major benefits via exploiting economies of scale. For two major reasons the WPEA has not been adequate: (1) inability of members to cooperate effectively and (2) relatedly continuing concerns regarding potential antitrust prosecutions of potentially collusive actions.

About 80% of U.S. manufactured products sold abroad are provided by only about 200 large multinational corporations (LMNCs). However, in October 1982, President Reagan signed the Export Trading Company (ETC) Act. This historic legislation now affords many small and medium-size businesses (SMBs) an unprecedented potential opportunity to seek out foreign sales aggressively.

Due to foreign competition much of American industry was losing market share both at home and abroad. The most formidable competitors were the Japanese. At the heart of the Japanese organizational strength is the Sogo Shosha, or Japanese general trading companies, which spearhead overseas sales efforts. They join the technological and productive strengths of Japanese industry, the financial capabilities of banks, the cooperative assistance of the government, and the international marketing expertise and intelligence network of the Sogo Shosha itself.

The same elements which make the Sogo Shosha successful are latently present in the U.S. The ETC Act is intended to facilitate the combination of those elements. An Export Trading Company (ETC) is defined as doing business in the U.S., under the laws of the U.S. or any state, and organized principally to export goods and/or services produced in the U.S. and/or to facilitate exportation of goods or services produced in the U.S. by unrelated companies, or to facilitate exports by unaffiliated persons. It can be owned by foreigners and can import, barter, and arrange sales between third countries, as well as export.

The Act permits and encourages equity investments in ETCs by certain types of banking institutions, which can markedly expand the ability of the ETC to finance trade. Also, international banks have extensive information networks, sophisticated international management skills and tools, and high-level industry and political contacts that the ETC can exploit.

Under the Act, it is assumed exporting activity which only affects foreign commerce will not violate the Sherman Act or Section 5 of the FTC Act, unless it has a "direct, substantial and foreseeable effect" on U.S. dom-

estic commerce or on export trade of a U.S. competitor. With U.S. Department of Justice concurrence, the U.S. Department of Commerce will issue certificates to ETC applicants who establish that their export trading activities will not offend any of four major tests, the standards of which--at this writing--remain somewhat ambiguous and open to interpretation. Nevertheless, while "Certified ETCs" will not be completely immune from federal and state antitrust lawsuits, generally their conduct will be presumed to be lawful. Also, the Act limits a successful plaintiff's remedies to only actual damages and/or an injunction. Unlike the ETC Act, the Webb-Pomerene Act provided no preclearance certification procedure and does not protect the WPEA against the filing of private treble damage suits; nor does it cover export of services.

Is the ETC destined to become the vital "missing link" in the U.S. international channel structure that will restore the U.S. to its former preeminence in foreign marketplaces now dominated by the Japanese and Western Europeans? The response is wide ranging depending on how the ETC system is conceptualized and implemented, both by LMNCs and SMBs.

Some LMNCs may be potential organizers of ETCs. Acting through its ETC arm, the LMNC may be able to "piggyback" on its existing international distribution network potentially three categories of products of otherwise non-affiliated producers, i.e. unrelated, complementary and even competitive products. However, as yet no ETC has actually been certified. Until standards are published and their interpretation is known, the future of the LMNC form of ETC is very uncertain.

The ETC's organizational structure and thrust should mirror its competitive strengths, strategic objectives, and relevant environments. Four fundamental strategic forms are likely to evolve: (1) the Product-Oriented ETC, (2) the Geographic Market-Oriented ETC, (3) the Project-Oriented ETC, and (4) the Regional-Oriented ETC. The latter is potentially the most complex form of ETC. It represents an amalgamation of the strategic perspectives of the other three forms. Its unique mission derives from its sponsorship by a public or quasi-public body, such as a state economic development agency, a port authority, or a chamber of commerce. The regional-oriented ETC may be driven toward a matrix organization. Similarly, many Japanese Sogo Shosha are matrix organizations operating on a gigantic scale. It is essential to recognize that these four strategic forms imply very different marketing approaches, human skills, and control systems--as well as objectives.

America's SMBs tend to be innovative, fast-moving, and accustomed to offering specialized products (or services) to fill market niches or producing in limited volume. These qualities are uniquely suited to the developing world, the sector often projected to include the most significant growth markets through the remainder of the 20th century. Markets which may be "too small" for the LMNC could be major opportunities for smaller companies caught in a declining or stabilized U.S. market, if they can be linked to foreign buyers by a channel structured around the new ETCs. Many smaller companies have not sold overseas in the past because they lacked the sophisticated international capabilities of the LMNC. With the ETC these capabilities may now be feasible.

In the future, the ETC Act of 1982 may be considered the landmark event that effectively catapulted U.S. SMBs into the world marketplace. America's "Sogo Shosha" may now be in the making--and the U.S. government gradually changing from adversary to advocate for such U.S. firms.

3) They also argue that the international material in most beginning texts is an appendage and is not integrated into the other material.

4) Either another required course would have to be removed from the curriculum or an elective would have to be eliminated.

These and other factors were considered at the University of South Alabama. The balance of this paper describes the process we followed in developing our international business program.

Since its inception in 1964, the University of South Alabama located in Mobile, Alabama's only seaport, has been cognizant of the necessity to train students in international business. Initially, the College of Business and Management Studies offered as electives (1) international marketing, (2) international finance, and (3) comparative management systems.

In 1974, the Marketing Department, after a long-range planning session, decided to offer a specialization in international business. An entry level course, international business, and an export-import procedures course were added. The comparative management course was moved to the department and was organized as a capstone course. Simultaneously, a program in transportation was initiated after a survey of industry in Southern Alabama indicated that it was needed. Because of the close relationship between transportation and foreign trade in Mobile, both programs were structured so that the majors in one specialization could take courses in the other.

As with most programs, the initial growth of the international business specialization was slow. In our search for additional students, we encountered a gold mine -- language majors. A minor in international business was designed to include all of our international business courses plus the prerequisites. The idea proved successful. For the first two years, over 50 percent of the students in the international business classes were either international studies or language majors from Arts and Sciences. Another source of students was the principles of marketing course required of all business majors. When the international marketing chapter was to be covered, the professor of international business came in to give the lectures. The importance of knowing something about foreign business practices especially in a port city such as Mobile was emphasized. This tactic worked, and more students were recruited.

In 1976, the College of Business and Management Studies was accredited by AACSB at the undergraduate level. At that time the dean and the faculty were acutely aware of the AACSB standard. Although we offered various courses in international business, the great majority of business students were being graduated without having taken even one of them. We knew that there was little, if any, class discussion of the international aspects of any of the business functions. Most of the faculty members were unprepared, and few of the basic textbooks were adequate.

After various discussions with the chairman of the marketing and transportation department, the dean appointed a committee consisting of three professors with international experience. They were to examine the two alternatives of (1) requiring an international business course of all business majors, and (2) internationalizing the entry level courses of the functional areas. After examining the available textbooks and the capabilities of the faculty, the committee decision was unanimous: all business majors should be required to take the entry level course, international business.

When this recommendation was presented to the college curriculum committee, both the international business committee chairman and the dean appeared to urge that

it be accepted. The motion passed. The proposal now had to be presented to the faculty.

Those who were in favor of requiring international business of all business students realized that there was considerable opposition on the part of some faculty members to adding any required courses, and thus it was decided to postpone faculty vote. During this interim, two faculty members, one of whom was from a department that had demonstrated little interest in the international area, were sent to AACSB-sponsored international workshops. The funds to defray the cost of the trips were obtained from a small U.S. Department of Education grant given to the University for the purpose of curriculum internationalization on a campus-wide basis.

When the proposal to require international business of all business students was brought before the faculty, both professors who had attended the workshops spoke out strongly in its favor. The dean and others, sensing a concern among some of the faculty that a department was about to have another required course, pointed out that the international business courses covers material from all functional areas and that members from all departments would have an opportunity to teach it. Faculty members were also reminded that we were not only fulfilling AACSB requirement, but that we were also better preparing our graduates for employment. The proposal was approved and became effective September, 1980.

The necessity to increase the sections of international business from the present two to seven or eight annually will not be immediate because of a grandfather clause in our catalog. Only incoming freshmen and transfer students will be affected in the coming academic year. To help man the additional sections, we have received approval from the Fulbright Committee to bring in a foreign businessman for a year. We are confident that he, the two professors who attended the workshop, and the faculty who now teach in the international business area will be able to staff the course. Two years later when all business majors will be taking the course, we shall need another international business professor.

The international business course has been well received both by the students and the business community. As a result of this publicity, our graduate students required that we offer International Business in our MBA program. Approximately forty students now take the graduate course which is offered once a year.

#### REFERENCES

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