

XII. Competing in a Global Environment

Global Competition is becoming increasingly fierce. Panelists will discuss how Wisconsin companies can expand their sales with exports and succeed in a world economy.

The workers and companies of Wisconsin face competition from all corners of the world. Over 95 percent of the world's population lives outside of the USA. Many of these customers are seeking the kinds of high-quality goods produced in Wisconsin, but in the global environment, competition is not just for foreign markets, but for domestic U.S. markets as well. European and Asian manufacturers actively target markets in the United States. To succeed, more and more U.S. businesses must develop global strategies even if they currently sell only to domestic markets.

Many U.S. firms are accepting the challenge and meeting international competition. Even small- and medium-sized firms are becoming increasingly globally-minded. Small- and mid-sized manufacturers have increased their share of U.S. exports from 20.5 percent in 1992 to 30.6 percent in 1997. And those exports are keeping jobs in the United States. Smaller firms account for 70 percent of the new jobs added to the economy in recent years.

It is estimated that there are 200,000 small- and mid-sized companies in the United States capable of exporting but not doing so. The primary reason is fear of the unknown. What they should really fear is losing their markets to more aggressive global competitors.

Nearly 6,000 Wisconsin firms already sell at least some of their products in markets around the world. While 84 percent of those firms are small- or medium-sized (fewer than 500 employees), they generate only 29 percent of the state's exports. Over two-thirds of Wisconsin's exports come from just 16 percent of the state's businesses. Wisconsin needs to change that equation and get more small- and medium-sized firms more involved in exporting.

In addition to increasing the sales of firms and therefore affecting employment, exports also have a positive impact upon wage rates. According to the U.S. Department of Commerce International Trade Administration, Wages of workers in jobs supported by goods exports range 13-18 percent higher than the national average. Export-supported jobs are also more secure: Exporting plants are 9 percent less likely to shut down than comparable nonexporting plants.

Active exporters are more competitive because they are meeting and beating their rivals in other markets. Competition breeds innovation and places a premium on knowledge workers who can develop newer and better methods of production and marketing. Repeated studies have shown that exporting companies grow faster and earn higher profits. Management guru Tom Peters says, "Any company that is not doing 10% of their business overseas is falling woefully behind." In Wisconsin alone, we have companies selling Christmas trees to Mexico, beer to Germany, bows and arrows to Japan, wooden chopsticks to China, and sand to Saudi Arabia.

Global competition is tough. Cheap labor is an important reason. We must counter with better quality, better service, and better technology.

Trek Bicycle Corp. of Waterloo is an excellent example of the success that a Wisconsin firm can achieve by addressing international challenges head on. In 1985 the firm received its first inquiries from Canada and established its first distributor in Switzerland. By 2002 Trek had established 65 Independent distributors around the world and eight wholly-owned subsidiaries.

Trek has been successful globally because it is not afraid to try new things. It has used different strategies but maintained a corporate identity worldwide. The firm also recognized that it could not meet the needs of all its customers by manufacturing high-end bicycles in Waterloo, Wisconsin. The firm has production facilities in two countries, but more importantly, the firm that employed 800 Wisconsin workers in 1985 now employs 1,300 highly paid engineers, marketers, financial analysts, machinists, and others here today.

Many people assume that companies must shift production to low-wage locations like China in order to stay in business. That is not a foregone conclusion. The Wisconsin Manufacturing Extension Partnership (WMEP) has worked with many companies to correct this misconception and maintain competitive production facilities in the state. There are steps that can be taken to reposition a firm's leadership and its organization into a global company to gain more opportunities.

Snider Mold Company of Mequon manufactures large precision molds for manufacturers of plastic parts. The molds are used by manufacturers of outboard engines, parts for the Chrysler PT Cruiser, and other auto parts. While significant amount of plastic fabrication is going on in other countries, Snider Mold is keeping the mold building process here in Wisconsin and exporting molds to Mexico, Brazil, and China. Its customer in Mexico produces plastic seating for auditoriums, concert halls, and stadiums (including Azteca Stadium in Mexico City). A customer in Brazil uses one of its molds to fashion 1,000 liter water containers. Snider Mold also sells to plastics firms in China.

Key to Snider Mold's international success have been the Big 3 principles of quality, delivery, and price/value. In addition, the firm stresses differentiation, time compression, value chains, and global markets.

The State of Wisconsin recognizes the importance of exporting to the state's economy and has excellent resources to help small- and medium-sized firms initiate or expand their international business. International Outreach Consultants work one-on-one with businesses to evaluate market potential and explain the technical aspects of the export process. Area Specialists can explain the business culture of another country, offer advice on the best response to foreign inquiries, and identify important issues that will affect how customers in other countries may respond to business proposals from Wisconsin. The International Division has Overseas Offices in Canada, Mexico, and Brazil that provide valuable in-country contacts for Wisconsin exporters. Each has direct access to markets, resources, and key business decision-makers. The department also organizes trade promotion efforts such as catalog shows, industry-specific trade shows, and trade missions. The Wisconsin Trade Project Program awards grants of up to \$5,000 to small Wisconsin firms seeking to break into new overseas markets via international trade shows.

The panel hopes to relay the following:

- How small companies can and do compete successfully in the manufacturing of highly competitive products;
- The history and success of Trek Bicycles;
- What manufacturers can do to compete globally;
- Available resources.

During the Q & A, the panel would like a broad based discussion on action items that can be taken by the state to increase Wisconsin's competitiveness and participation in the global arena.