

**ASSESSING THE EFFECTIVENESS OF EXPORT PROMOTION PROGRAMS: A
RESEARCH NOTE ON LOUISIANA PROGRAMS**

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ABSTRACT

This paper examines the effectiveness of services provided as part of export promotion programs with respect to increasing export trade activities of businesses in Louisiana. The objectives of the study are to determine if there is an increase in: (a) the number of Louisiana businesses that participate in export trade activities; and (b) the percentage of Louisiana businesses that engage in export trade activities. Data for the study was compiled from various databases of the U.S. Census Bureau, Division of Foreign Trade; available data covers the period 1997-2008. Results show an increase in both the number of businesses in Louisiana that engage in export trade activities and the percentage of Louisiana businesses that export. The results suggest that programs designed to encourage new businesses to export are having an impact. The findings imply that some businesses that currently engage in export trade activities did not do so in the past.

INTRODUCTION

More and more countries are implementing export promotion programs with the goal of increasing their export trade activities. A rationale for these programs is that export trade plays a significant role in the economic vibrancy of a nation. A nation's successes in global trade can significantly improve its balance of trade positions, and reflect positively on its economic strength and international competitiveness (Cavusgil & Michael, 1990; Shamsuddoha, Ali & Ndubisi, 2009). According to the U.S. Government Accountability Office (GAO, 2009), rationales for the export promotion programs include macroeconomic considerations such as job creation and economic growth. Thus, it is no surprise that many of the more developed countries tend to be those with active export promotion programs and consequently, favorable balance of trade. Adopting similar strategies, most of the emerging economies are taking significant steps to expand their export trade activities, including export promotion programs.

Export promotion programs are designed with a variety of objectives, depending on the export trade goals of the country and the particular needs of the businesses that the respective programs are intended to help (Brewer, 2009; Seringhaus & Rosson, 1990). However, typical activities include providing foreign market information to firms, organizing trade visits abroad, providing information on financing for international transactions, providing logistical information and

support for exporting, organizing trade exhibitions overseas, providing contact details of potential customers, agents or distributors, and conducting 'how to export' workshops (Brewer, 2009; Kotabe & Czinkota, 1992).

However, a major issue with respect to export promotion programs, is how to objectively measure their effectiveness in terms of achieving their prescribed goals - particularly, when the goals relate directly to increasing the overall export trade activities of the given country. As noted by Seringhaus (1987, p. 61):

What researchers should determine and management wants to know, is whether or not such assistance has any impact on exporting activity and to what extent such impact manifests itself.

According to Brewer (2009), the issue of objective and effective measurements of these programs is important both for countries where the public expenditures are significant, and also for nations that do not currently have such programs, but, may be thinking about implementing them.

PREVIOUS RESEARCH

Brewer (2009) argues that there is a general perception that export promotion programs are effective and beneficial, particularly to small and medium-size businesses - at least from a theoretical point of view. This perception is derived largely from research that show that there is a need for information (and knowledge development) with respect to the internationalization process in general, and export development in particular (Johanson & Wiedersheim-Paul, 1975; Liesch & Knight, 1999). Since the need exists, programs that are designed to provide the needed information must therefore, be beneficial to the firms. In a study of the effectiveness of the various export promotion programs provided by the Australian Trade Commission, Brewer (2009) concluded that the programs are essentially ineffective, even though, they are generally perceived as achieving their objectives. Brewer's conclusions were based on the fact that the number of firms in Australia that engage in export activities did not increase (but, rather decrease), following the commencement of the export promotion program (2002/2003 - 31,174 firms); reported data show that the only increase in the number of firms was achieved at the very end of the program (2006/2007 - 31,765 firms).

However, based on their review of the literature, Shamsuddoha, Ali and Ndubisi (2009) noted that few studies have examined the impact of export promotion programs on firm export performance in a rigorous and systematic manner (e.g., Donthu & Kim 1993; Katsikeas, Piercy & Ioannidis, 1996; Francis & Collins-Dodd, 2004; Gencturk & Kotabe, 2001; Rusmevichientong & Kaiser, 2009; Singer & Czinkota, 1994). Donthu & Kim (1993) reported a positive relationship between firms' usage of export assistance and export growth, and Katsikeas, Piercy and Ioannidis (1996) found that national export promotion policy is positively influencing export performance.

There are other studies that have examined the direct relationship between the usage of export promotion programs and export performance (e.g., Francis & Collins-Dodd, 2004; Gencturk &

Kotabe, 2001; Singer & Czinkota, 1994). Generally, results from these studies show a positive relationship between usage of export promotion programs and: (a) firms' efficiency and competitive position in exporting (Gencturk & Kotabe, 2001), (b) export competence and export strategy (Francis & Collins-Dodd, 2004), and (c) the achievement of "various export outcomes" (Singer & Czinkota, 1994). Detailed and comprehensive reviews of the literature are presented by Brewer (2009) and Shamsuddoha, Ali and Ndubisi (2009).

PURPOSE OF THE STUDY

The purpose of the paper is to present an analysis of the effectiveness of the export trade promotion programs and services with respect to businesses that export from the state of Louisiana. Through the Louisiana Economic Development Department, the state of Louisiana provides various incentive programs to businesses. The Department is responsible for "strengthening the state's business environment and creating a more vibrant Louisiana economy." Included in the various incentive programs are services that are designed to promote export trade activities. In addition, there are export promotion services that are provided by the World Trade Center of New Orleans and the U.S. Trade and Development Agency. The paper examines the effectiveness of these services with respect to increasing the export trade activities of the businesses in the state.

METHODOLOGY

Data for the study was obtained from the U.S. Census Bureau, Division of Foreign Trade. Data was compiled from various databases of the U.S. Census Bureau for the period 1997-2008 (see Table 1).

TABLE 1. LOUISIANA - TOTAL NO. OF FIRMS, NO. OF EXPORTERS, KNOWN VALUE OF EXPORTS, PERCENT OF FIRMS THAT EXPORT, 1997-2008

Year	Total Number of Firms	Number of Exporters	Known Value of Exports (\$million)	Percent of Firms that Export
1997	82,330	2,546	3,860	3.09
1998	82,138	2,488	3,469	3.03
1999	81,903	2,698	3,464	3.29
2000	81,669	3,373	14,698	4.13
2001	81,295	3,310	14,659	4.07
2002	81,684	3,048	16,666	3.73
2003	82,308	3,104	17,576	3.77
2004	83,068	3,131	19,092	3.77
2005	82,663	3,123	17,736	3.78
2006	81,421	3,314	22,590	4.07
2007	83,159	3,661	29,581	4.40
2008	82,301	3,941	40,833	4.79

Source: U.S Census Bureau – compiled from various databases. (See Appendix I).

ANALYSIS AND RESULTS

To examine the impact of the various export promotion programs that are being provided to businesses in Louisiana, the number and percentage of businesses in the state of Louisiana that engage in export trade activities were analyzed. Specifically, the objectives of the analysis are to determine if there is an increase in:

- (a) the number of Louisiana businesses that participate in export trade activities; and
- (b) the percentage of Louisiana businesses that engage in export trade activities.

As the results show, there is an increase in the number of businesses in Louisiana that engage in export trade activities; there is also an increase in the percentage of Louisiana businesses that export (see Table 1, Figures 1 and 2).

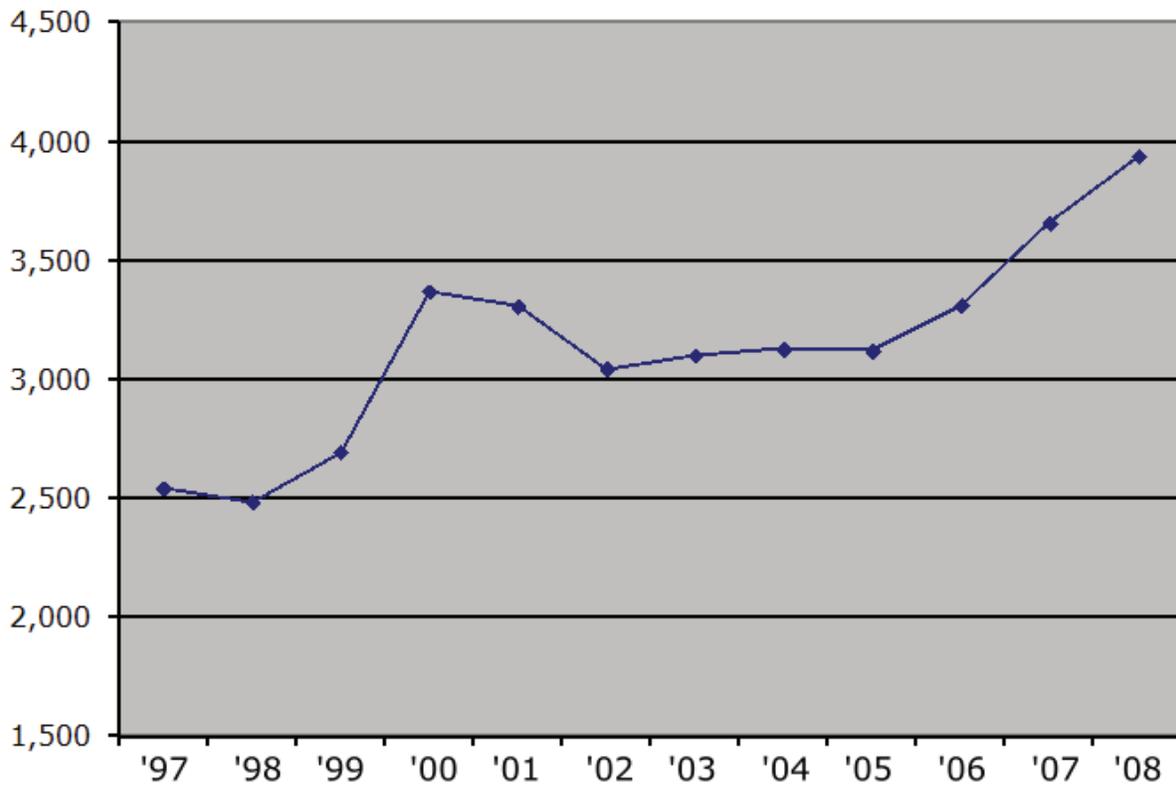


FIGURE 1. NUMBER OF FIRMS EXPORTING BY YEAR (1997-2008)

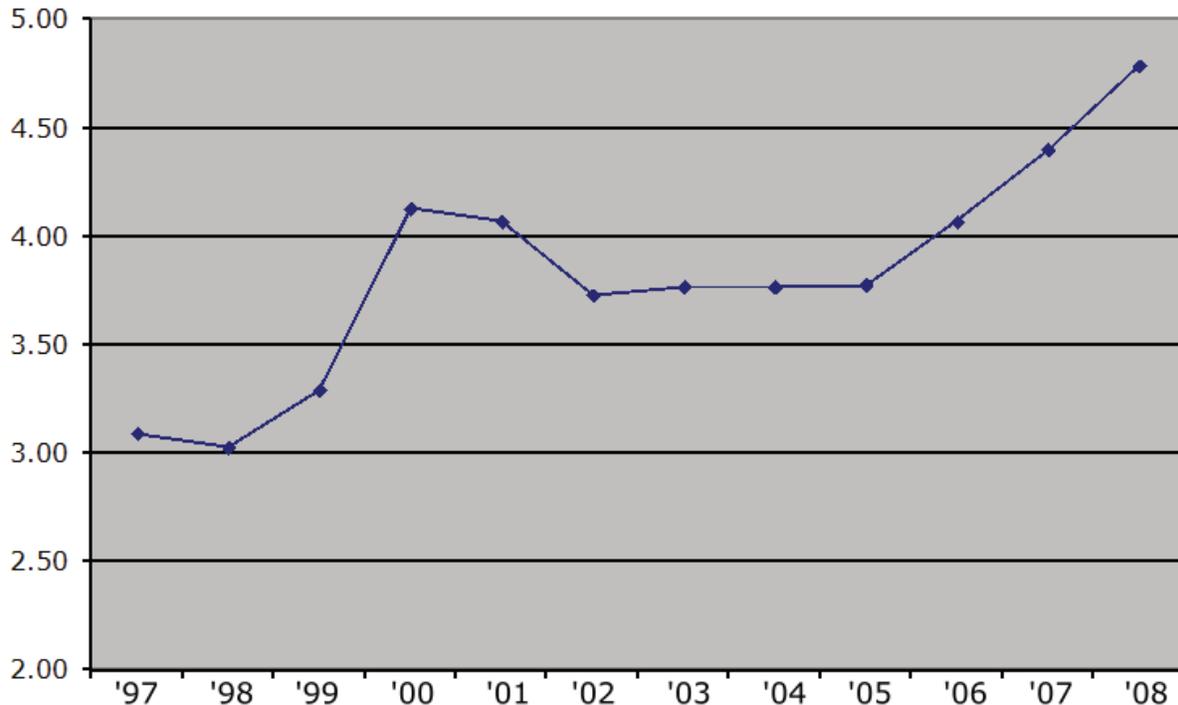


FIGURE 2. PERCENT OF FIRMS EXPORTING BY YEAR (1997-2008)

DISCUSSION

An increase in the number of businesses that export implies that programs designed to encourage new businesses to export are having an impact. However, the impact is more clearly discernable if the percentages of businesses that export also increase. An increase in the percentage of businesses that export suggests that there are businesses in Louisiana that currently engage in export trade activities, but, did not do so in the past.

However, there may be an alternative explanation for the results, there is the possibility that the increases in both the number of firms that export and the percentage of the total that export could be the result of new businesses that were created in (or moved to) Louisiana during the period of the analysis (1997-2008). The argument is that the new businesses may be more export-oriented and thus, are more likely to engage in export trade activities than businesses that were already established in the state. Therefore, the increases are due, primarily, to the new firms and not because the export promotion programs are effective in getting established firms to start exporting. However, even though, this explanation is plausible, it is highly unlikely. An increase in the percentage of the total number of firms that export is very likely due to services provided under the various export promotion programs. A direct cause and effect relationship cannot be established from the data; nevertheless, there seems to be a strong association between the export promotion programs and the exporting activities of the firms.

CONCLUSION

The results of the analysis presented in this paper show that a major goal of the various export promotion programs provided by the state of Louisiana, the United States Trade Office, and the World Trade Center of New Orleans are being achieved with respect to businesses in Louisiana. There is an increase in both the number and the percentage of businesses in Louisiana that engage in export trade activities for the period 1997-2008. Though a direct, objective and efficient measure of the impact of export promotion programs is difficult to develop, the analysis presented here represents a reasonable and common-sense approach to assess programs' impact.

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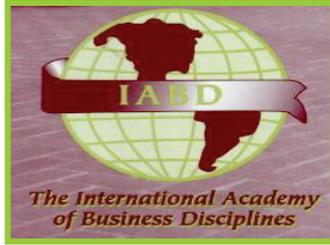
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APPENDIX I. DATA SOURCES AND LOCATION ONLINE

Information	Data Source: U.S. Census Bureau	Located at:
Total Number of Firms	Statistics of U.S. Businesses: 2008: Louisiana - All industries	http://www.census.gov/epcd/susb/2008/la/LA--.HTM
<p>ONLINE SEARCH: Use the following generalized search term to search for data on U.S. export companies: <i>Profile of U.S. Exporting Companies 2006-2007*</i></p> <p>Data for each period was excerpted from search results: <i>Exhibit 6a</i> <i>Exports by State of the Origin of Movement, Number of Exporting Companies, Value, and Percent Difference Between the 2008 and 2009 Results*</i></p>		
Number of Exporters 2008-2009	2008 and 2009 Results	http://www.census.gov/foreign-trade/Press-Release/edb/2009/exh6a.pdf
Number of Exporters 2007-2008	2007 and 2008 Results	http://www.census.gov/foreign-trade/Press-Release/edb/2008/edbrel.pdf
Number of Exporters 2006-2007	2006 and 2007 Results	http://www.census.gov/foreign-trade/Press-Release/edb/2007/edb-6a.pdf

* *Insert appropriate values – e.g., 1998-1999, 2000-2001, etc.*



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