

PACE

Fourth Edition

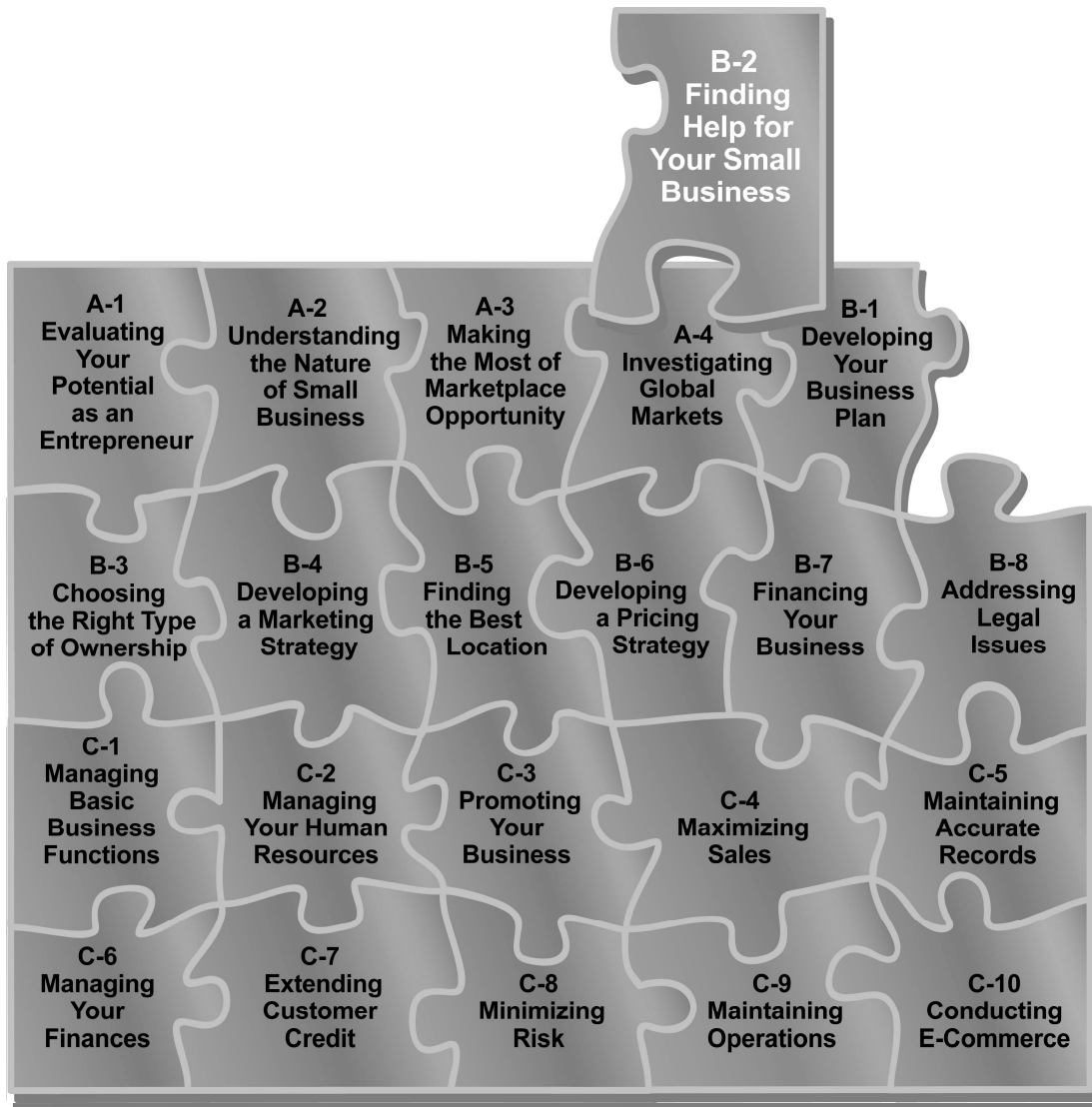
Program for Acquiring Competence in Entrepreneurship



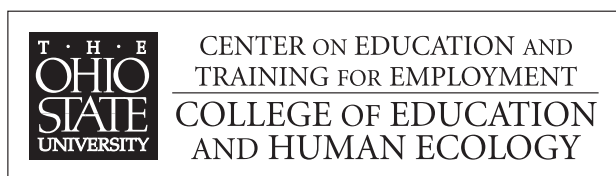
PACE

Fourth Edition

Program for Acquiring Competence in Entrepreneurship



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Foreword

I am pleased to introduce you to the Fourth Edition of the Program for Acquiring Competence in Entrepreneurship (PACE). PACE represents our continuing effort to respond to the needs of the education and business communities. At no other time in history has understanding entrepreneurship been as important. For one thing, promoting entrepreneurship carries the societal imperative as small businesses as a whole contribute much to the growth and renewal of regional and national economies.

When first published in the late 1980s, PACE properly emphasized that entrepreneurship was based as much on sound planning as having products and services that were responsive to the marketplace. Through its various revisions, PACE continued to focus on the general importance of planning and managing the startup of a small business.

The current PACE edition represents a necessary break from past versions in both its format and some content. For one thing, the text format has been substantially changed from paragraphs to a series of related sections with subheadings. This change allows readers to have greater accessibility to the information, whether it is delivered via a printed booklet or a technology-based approach. And the format allows the instructor/facilitator to have greater flexibility in selecting content to accommodate the needs of various audiences and settings.

In terms of the content, PACE continues to emphasize the importance of planning and managing of a small business. But it now includes a renewed emphasis on meeting customer expectations. Any business cannot exist without a comprehensive understanding of who receives its products or services. In this sense, PACE introduces the topic of conducting e-commerce. Until recently, the entrepreneurial horizon may have been limited to serving local customers only. The advent of the Internet offers the promise of serving many more customers, but not without the accompanying challenges.

This edition was supported in part by a grant from OSU Extension and in partnership with OSU South Centers – Piketon. We hope that PACE will provide you with the understandings necessary to help you to achieve your entrepreneurship goals.

Ronald L. Jacobs
Director
Center on Education and Training for Employment

Overview

Introduction

As an entrepreneur, you'll perform a wide variety of essential tasks and make some critical decisions for which you may or may not be prepared. If it's an area of expertise with which you're unfamiliar, consider looking outside your business for specialized help.

Key point: The fact that you recognize the need for assistance is not an indication that you've failed. Rather, it is a sign that you're serious about succeeding.



Continued on next page

Overview, Continued

Rationale When you decide to start your own business, you may lack some of the specialized skills necessary to succeed. Therefore, you're wise to recognize that you may need help.

Objectives By the conclusion of this module, you will be able to:

- Name the sources of technical assistance.
- Explain how to prepare for technical assistance.
- Describe securing technical assistance including:
 - how to select your technical assistance resource
 - long-term assistance
 - selection criteria.
- Elaborate on obtaining technical assistance for international trade including:
 - accessing resources
 - researching trade barriers
 - identifying contacts.
- Explain business networks, both domestic and international.

Relevant NCSEE standards This module aligns with the following National Contents Standards for Entrepreneurship Education (NCSEE):

A.24 Use external resources to supplement entrepreneur's expertise.

More information on the NCSEE is available at: http://www.entre-ed.org/Standards_Toolkit.

Continued on next page

Overview, Continued

Topics

The topics in this module are:

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|--|-----------------|
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Exhibit

There are no exhibits in this module.

Before you begin

After reviewing the above objectives for this module, determine whether you can already meet those objectives and consult your instructor if you can.

What Is Technical Assistance?

Definition *Technical assistance* is the outside help you will need to start and operate a small business.

Benefits A wealth of technical assistance is available to you. By tapping into this reservoir of expert advisors, you'll get their objective opinion about the areas where you can improve and the potential risks that you face. It can be an excellent approach to adding to your management capability and knowledge.

Note: It's human nature to focus on the positive aspects of starting your own business. Your advisors will offer a broader perspective of business ownership while still supporting your enthusiasm.

Prevention The old saying, "an ounce of prevention is worth a pound of cure," applies to obtaining technical assistance. Prevention is almost always less expensive than damage control. The solution is to set up a network of technical assistance before you open your doors.

Example: In the beginning, startup expenses may make liability insurance seem too expensive. But if you suffer a loss because of an accident, you risk paying a high cost and losing your business.

Key point: Compare the cost of preventive action to the potential loss you might sustain.

Duties before and after starting up The duties that you'll perform as a business owner fall into two broad categories – ones to do before you begin and ones to sustain after you've been operating the business for a while.

- | Before | After |
|---|---|
| <ul style="list-style-type: none">• Assess your aptitude for entrepreneurship• Identify business opportunities• Develop a financial plan• Develop a marketing plan• Select a business location• Select a legal structure | <ul style="list-style-type: none">• Manage finances• Manage marketing• Manage sales• Manage human resources• Manage customer relations• Protect the business |
-

Continued on next page

What Is Technical Assistance? Continued

Duties before and after starting up (continued)

Are you fully qualified to perform all of the above duties? Remember that each of the broad categories can be divided into a multitude of more specific tasks, each requiring a specialized competency.

| If you can... | Then you are... |
|---------------------------------|---|
| perform every task required | very unique because most entrepreneurs never become completely skilled in every area. |
| NOT perform every task required | perfectly normal and are wise to seek technical assistance with some of the tasks. |

Categories of technical assistance

If you decide that you might need some support, consider the category of help you need. You can think of technical assistance in four main areas of expertise:

| Manufacturing and Production | Marketing | Organization and Management | Finances |
|--|---|--|---|
| <ul style="list-style-type: none"> • Product planning • Engineering • Production methods • Quality control • Cost control • Materials handling • Plant layout • Warehousing • Logistics | <ul style="list-style-type: none"> • Research • Strategies • Purchasing • Inventory management • Pricing • Packaging • Warehousing • Distribution • Selling methods • Promotion | <ul style="list-style-type: none"> • Systems design • Policy/procedure • Legal structure • Public relations • Human resources • Record keeping • Administration | <ul style="list-style-type: none"> • Taxes • Planning • Analysis • Accounting • Credit • Collections • Investment • Financing |

Continued on next page

What Is Technical Assistance? Continued

Categories of technical assistance (continued) If you decide that you might need some support, consider the category of help you need.

| Manufacturing and Production | Marketing | Organization and Management | Finances |
|---|---|---|--|
| To find help with: <ul style="list-style-type: none"> • Business associations • Educational institutions • Government agencies • Professional consultants • Publications | To find help with: <ul style="list-style-type: none"> • Researchers • Suppliers • Business associations • Educational institutions • Government agencies • Professional consultants • Publications | To find help with: <ul style="list-style-type: none"> • Business associations • Educational institutions • Government agencies • Professional consultants • Publications | To find help with: <ul style="list-style-type: none"> • Accountants • Bankers • Business associations • Educational institutions • Government agencies • Professional consultants • Publications • Suppliers |

Part I

Sources of Technical Assistance

| | |
|-------------------------------|--|
| Introduction | Whichever type of technical assistance that you identify as a need is most likely available to you. You may even find it difficult to choose from all the technical assistance offered. |
| Free vs. paid services | You may have the choice of paying for services, or you can take advantage of the free services offered by some industries and government agencies. |
| An unusual resource | <p>Competition is an unusual resource of technical assistance. It's in your best interest to maintain a friendly relationship with your competitors.</p> <p>Rationale – The value of talking things over with somebody else in the industry can provide outside opinions to assist you in decision making.</p> <p>Word of caution – Successful competitors may not want to share their business secrets with you, but they're usually pleased to help you with most technical matters.</p> |
| Major sources | <p>The seven major sources of technical assistance are:</p> <ul style="list-style-type: none">• business affiliations• business associations• educational institutions• government agencies• professional consultants• publications• Internet. |

Business Affiliations

Introduction

Business affiliations are groups of companies legally joined for mutual benefit. The two kinds of business affiliations are:

- franchises
 - cooperatives.
-

Franchises

Franchises are forms of marketing where the parent company sells a product or service through local businesses while maintaining control over the operating methods. The parent company provides the logo, recipes, advertising plan, marketing plan, and operational plan. The local entrepreneur pays the parent company for the help provided, generally a large amount at startup and then a share of the profits along the way.

Advantage – You get more technical assistance and less risk.

Disadvantage – Franchises limit your freedom to be your own boss. The more assistance from the parent company, the less control you have and the more it costs.

Exception – Some parent companies may only supply the name and product to the franchise.

Example: fast food restaurants

Cooperatives

Cooperatives are businesses owned and operated by a number of different companies for their mutual benefit.

Advantages – You get lower prices from suppliers because of the purchasing power for large quantities, for storage because of sharing space, and for advertising due to sharing the expense.

Disadvantages – There are membership dues or fees for purchased shares. You may have to pay for technical services unless you are part of a larger cooperative that publishes a newsletter.

Example: farmers, credit unions, day care centers

Business Associations

Introduction

There are a large number of national business associations that will support you. Many have state, regional, and local offices ready to serve their members. If they don't have the answer to a problem themselves, they can usually connect you to the proper resource.

Advantages – Business associations publish newsletters and magazines, offer training, and lobby for legislation of interest to the business that they represent. They often hold meetings and annual trade shows that are excellent for keeping up with industry trends and talking to competitors and suppliers.

Disadvantages – Business associations may also have a membership fee.

Examples: Chambers of Commerce, Farm Bureau, Doctors Associations

Educational Institutions

Introduction

With entrepreneurship education on the rise, many educational institutions offer programs for you to experience. As long as you're in business, your knowledge and skill set will continue to expand. There will always be a steady flow of courses, seminars, workshops, and independent study available in your community.

Key point: Take advantage of the opportunity for lifelong learning. It will enhance not only your business, but your personal well being as well.

Educational resources

Look for technical assistance from:

- public secondary and postsecondary schools
 - vocational and technical schools
 - colleges and universities
 - private institutions.
-

Government Agencies

Introduction

The federal government will provide you with a wide variety of information at little or no cost. The three prominent agencies to contact are the:

- Small Business Administration
 - Department of Commerce
 - Department of Labor.
-

Small Business Administration

The Small Business Administration (SBA) is devoted to finding and organizing sources of assistance for small businesses. The SBA has regional and branch offices across the country and its territories. It offers the following technical assistance:

- Staff specialists to counsel you
- Special assistance to help veterans with loan applications, training, procurement, and other services
- Small Business Development Centers (SBDCs) are located in offices throughout the United States. These centers offer training and one-on-one assistance for start-up and existing businesses.
- Consultation services provided by the Service Corps of Retired Executives (formerly SCORE)
- Small Business Investment Companies (SBICs) that offer extended long-term loans to small businesses; SBICs are licensed and regulated by the SBA.
- Publications and videos on starting up and operating a small business
- Educational programs in local communities co-sponsored by adult and vocational educational agencies
- Programs to support women and minorities in business that bring prospective business owners together with established women and minority business owners for counseling

Note: Search the Internet at www.sba.gov or visit your library to find local assistance.

Continued on next page

Government Agencies, Continued

Department of Commerce

The Department of Commerce provides publications of interest to prospective or current entrepreneurs.

Examples: The U.S. Census of Business offers statistical information for businesses operating in the U.S. Its Minority Business Development Agency assists minorities in becoming successful entrepreneurs. Its Business Development Centers help minorities with things like preparing business plans and finding the financing they need to start a business. Its Manufacturing Extension Partnership provides small and medium sized manufacturers the services they need to succeed.

Website: www.commerce.gov

Department of Labor

The Department of Labor assists anyone who needs and wants to work. The Department of Labor also provides information on federal labor laws for small business owners. They make a special effort to help:

- older workers
- youth
- minorities
- women
- the physically challenged.

Note: This agency also provides you with valuable information such as changes in wages and other national economic measurements.

Website: www.dol.gov

Other agencies

The above agencies are only a partial list of government assistance that you can receive. If you contact any of the agencies described, you will find other types of technical assistance available to you.

Note: Your state and local governments may also offer help to small business owners. Ask your friends and associates to direct you to any other resources.

Professional Consultants

Introduction

It's common for entrepreneurs to hire professional consultants. A whole consulting industry has evolved to provide technical assistance to you. Depending on the amount of money you have to spend, professional consultants may assist you with a specific problem or they might provide broader, more comprehensive services on an ongoing basis.

Examples: You might need an attorney to help you build the legal structure of your business or an accountant to help with taxes.

Publications

Introduction

Commercial and/or business publishers offer a wide variety of books, magazines, and periodicals. They are an effective means of keeping up-to-date with changes in technology as well as specialized management or technical knowledge and skills.

Popular journals

You can find many interesting and useful ideas about how successful business owners started and manage their own ventures. Some of the most popular journals in entrepreneurial literature are:

- *Inc Magazine* – www.inc.com
 - *Entrepreneur* – www.entrepreneur.com
 - *BusinessWeek* – www.businessweek.com
 - *Venture* – www.venture.com.
-

Inc Magazine

This magazine is a good example of the practical value of trade publications. It offers a Hands-On section with articles on real life sales efforts, human resource management, financial strategies, banking, etc. It also lists business opportunities broken down by sectors: business ventures, financing, venture capital, leasing, patents, investments, legal, international, education, publications, franchising, real estate, marketing, computers, public speaking, and other related services.

Note: For a free copy of the catalog of books, software, video, and audiotapes published annually by *Inc Magazine*, go online at www.inc.com or call toll free at 1-800-468-0800.

Local resources

Local resources – Many of these trade publications are available at your local library or on the Internet so you can avoid the expense of buying or subscribing to them.

Key point: A popular belief is that “knowledge is power.” Within the pages of these trade publications, you can find the information to guide you on the path to success as an entrepreneur.

Internet

About the Internet

With the growing technology, the Internet is also a source of technical assistance. Many websites can assist with the necessary steps to enhance your knowledge in becoming a successful entrepreneur.

Advantages:

- The Internet is convenient; you can get online at anytime and virtually anywhere.
- E-mail or online chat rooms can help you get answers to an array of questions.

Disadvantage:

- The quality or reliability of the information may be uncertain. One helpful tip would be to make sure you are viewing a site from a trusted source, such as websites that end in .edu or .gov.

Popular Links:

- www.sba.gov
 - www.kauffman.org
 - www.entrepreneur.com
-

Part II

Preparing for Technical Assistance

Introduction

It is ideal to get to know the technical resources available to you before your business faces challenges. By establishing relationships and understanding the expertise readily available to you, you can have expertise a phone call away. If you have not built the rapport and you are facing problems, then it's important to act quickly. In order to make the most of these resources, you have to prepare for technical assistance. Answer some key questions about the technical assistance you want to seek before striking out.

Example: You meet with your banker and say, "I'm planning to remodel my building. Can you lend me the money?" Your banker will no doubt say that he or she will be glad to talk to you. But before you can apply for the loan, you have to know how much money you can supply, how much you need to borrow, what your collateral is, and an assessment of the current and future condition of your business.

How to prepare

The following table describes how to prepare for obtaining outside technical assistance:

| Step | Action |
|------|--------------------------------------|
| 1 | Define the problem. |
| 2 | Identify the expected benefits. |
| 3 | Analyze the cost effectiveness. |
| 4 | Consider any personal constraints. |
| 5 | Review the options available to you. |

Define the problem

You have decided to seek technical assistance to solve a specific problem you are having. It's important to define the that problem before turning to outside resources because:

- It will be easier to obtain the proper technical assistance.
 - You will save time and money when the consultant is on the clock by defining the problem beforehand.
-

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Preparing for Technical Assistance, Continued

Identify expected benefits

Before seeking technical assistance, ask the key question, “How will the solution to this problem help my business?” The benefit of using an outside resource should outweigh the cost of not using the resource.

Example: If you aren’t properly insured and an accident occurs, you might lose your business. Before buying a policy, look at the benefits of each type of coverage to determine whether it would sufficiently cover your business.

Analyze cost effectiveness

Before you commit to paying for technical assistance, estimate the cost as accurately as possible. Besides the consultant’s fee, consider these factors:

- Time that you will spend away from your job
- Time saved by not doing the work yourself
- Money saved by having the work done correctly
- Additional expenses (travel, materials, etc.).

Free services – Some technical services are offered free of charge. Identify the sources of free assistance that you have at your disposal.

Example: A banker advises you on financial matters because he or she wants to lend you money or have you do business there in the future.

Non-example: An advertising agency representative charges you for consultation until you become a client. Then the cost is absorbed into the cost of your account.

Predetermined fees – Consultants in certain fields offer their services at a predetermined rate based on the exact nature of the relationship.

Examples: attorneys, accountants, financial planners

Major consideration – The major consideration is whether the cost of technical assistance will be offset by the benefit to your business.

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Preparing for Technical Assistance, Continued

Consider personal constraints

As a business owner, your days will be extremely busy. Before seeking technical assistance, make sure that you can manage your time to take advantage of the advice you get from the consultant.

Note: Be realistic about the demands on your time, both personal and professional. Sometimes technical services are actually performed by the specialist. But in other situations, the specialist simply advises you about what to do. In this case, you will have to commit much more of your time.

Review options

You have several options open to you in many cases. The table below presents some of those alternatives for seeking technical assistance.

| Option | Details |
|---|--|
| Community advisors | <ul style="list-style-type: none"> • Free of charge • Limited time available |
| Professional consultants (bankers, insurance agents, real estate agents, suppliers) | <ul style="list-style-type: none"> • Free advice in hopes of attracting you to their firm |
| Business associations | <ul style="list-style-type: none"> • Up-to-date industry information • Membership required |
| Chamber of commerce | <ul style="list-style-type: none"> • Provide limited publications and other material free of charge • Local data for finances, human resources, etc. |
| Government agencies | <ul style="list-style-type: none"> • Free counseling • Provide publications and other material free of charge |

Part III

Securing Technical Assistance

Introduction To select the right technical assistance for your business, take a systematic and methodical approach.

How to select your resource The following table describes how to select your technical assistance resource:

| Step | Action |
|------|-------------------------------------|
| 1 | Set up a technical assistance file. |
| 2 | Identify job requirements. |
| 3 | Search for potential consultants. |

Set up a technical assistance file Organize a file box containing information on available technical consultants. This reference material will shorten the time needed to find appropriate outside assistance when necessary.

Note: You can also use this file to keep a record of services used and evaluate the services you've already received.

Identify job requirements Defining exactly what your technical needs are in advance is advantageous. Write down the tasks that you expect the consultant to perform and use it to describe the job at hand.

Search for potential consultants In your technical assistance file, keep input from business associations, various agencies, and experienced competitors. Their feedback on potential consultants will make it easier to find qualified individuals to provide the needed help.

Long-Term Assistance

Introduction

If you need long-term assistance, you'll probably have to pay for it. Many professional consultation services are available to you IF you are willing to pay for them. Common areas where you need ongoing technical assistance are legal and financial. Become familiar with the services of:

- attorneys
 - accountants
 - management consultants.
-

Securing names

A good way to secure the names of specialists is to network with your business contacts. They will provide first-hand information about their personal experience with these individuals and the kind of assistance you need that they can provide.

Attorneys

The legal aspect of your business is an important one and requires the services of a qualified attorney who knows your type of business. He or she is one of your most important allies, so make it a priority to provide up-to-date information about your business. Although experience will help you understand major legal issues, consult legal counsel for technical assistance concerning:

- legal structure
- taxation
- insurance
- union activity
- leases and real estate transactions
- contracts and agreements
- government regulations
- estate planning.

Note: Write down questions as they occur to you and schedule monthly meetings with your attorney to resolve any pending issues and learn about new laws that may affect your business.

Continued on next page

Long-Term Assistance, Continued

Accountants

A healthy bottom line is also an integral part of your success. Although you can obtain limited assistance from bankers, attorneys, and suppliers, employ an independent accountant for expert advice on financial issues from record keeping to payroll. A certified accountant is an important member of your team and can provide technical assistance on matters such as:

- preparing financial statements and periodic audits of records
- assisting with the interpretation of financial statements
- determining cashflow and working capital requirements
- developing purchasing and inventory controls
- preparing tax returns and planning tax programs
- evaluating insurance coverage
- reviewing accounting systems and identifying discrepant procedures
- training bookkeeping personnel
- recommending credit policies.

Key point: Your accountant can become a trusted advisor on many major issues. Seek his or her input on the financial health of your business on a regular basis.

Management consultants

Although there are management consultants for every phase of the business operation, establish a relationship with a general management consultant – somebody you can call for help on almost any type of entrepreneurial problem.

Example: As an entrepreneur, you operate your business under constant risk, ranging from protecting your physical assets to collecting debts to dealing with natural disasters. A high level of risk management is required, which your attorney or accountant can provide. But you may want to get more specific advice, so a general management consultant well versed in insurance will be the person to go to for technical assistance from a more entrepreneurial perspective.

Selection Criteria

Introduction

Interview each potential individual or consulting firm. Evaluate the following criteria before making your final decision on which technical assistance to select:

- competence
 - working methods
 - fee arrangements.
-

Competence

The technical assistance professional you select must possess absolute competence in the area of need. Not all professionals are equally qualified, so choose wisely. Consider these factors:

- experience and past success in dealing with similar problems in a small business setting
 - the fit between the consultant's competencies and your situation
 - your level of trust in the consultant to resolve the issue satisfactorily
 - the consultant's level of concern for your dilemma
 - professional references furnished by the consultant.
-

Working methods

Confirm that the outside resource is:

- compatible with your business
- willing to adapt to your schedule and style of operation
- practical rather than theoretical.

Note: You can ascertain this information from the perspective consultant as well as former and present clients.

Key point: The time to uncover these details is BEFORE you employ the consultant to provide technical assistance, not after he or she has come on board.

Continued on next page

Selection Criteria, Continued

Fee arrangements

You can pay consultants for their services using one of several methods. Before reaching an agreement, make sure that the conditions are fair and clearly understood. Also include an escape clause for either party to terminate the services with proper notice. The table below presents the most common fee arrangements.

Note: With any fee arrangement, variations may occur.

Example: You don't set a maximum fee in advance. When the project is over, you owe the consultant the additional compensation.

| Type of Fee | Arrangement |
|-----------------------|---|
| Per day or hourly fee | You pay the consultant either by the hours worked each day or by the hours worked for the entire period of employment. |
| Project fee | You predetermine the total number of hours required to complete a project and compensate the consultant at the agreed upon fee for the entire body of work. |
| Retainer fee | You pay the consultant to be available to work for you under certain conditions. <u>Example:</u> You retain an accountant to do your quarterly income statements and complete your income taxes for a yearly retainer fee. |

After selecting a consultant

Once you've selected a consultant, take a team approach to addressing the problem. You each have an important role to play in this partnership and you share the responsibility for communicating clearly and frequently. Reach an agreement on the following issues before signing a contract:

- scope of the work and expected outcomes (timelines, deliverables, etc.)
 - working methods from beginning to end
 - schedule for conducting activities without interfering with daily business
 - pay rate and schedule for payment
 - reporting and implementation procedures
 - channels of communication between the whole team.
-

Part IV

Technical Assistance for International Trade

Introduction

International trade is the buying (importing) and selling (exporting) of goods and services between nations. By specializing in the production of goods for which you have a competitive advantage, your business will profit from trade with other countries.

Small vs. large companies

Small businesses can be just as successful in international markets as large ones. Unfortunately, many small business owners shy away from this source of trade because they're unfamiliar with the nuts and bolts of doing business abroad. But foreign markets will become less foreign and more familiar as you learn more about them.

Key point: Consider these marketplaces as a way to energize your own small business by investigating the opportunities for international trade.

Accessing Resources

Introduction You have many sources of technical assistance available to you in the area of international trade. Study the cultural and economic factors in the foreign market that you choose in order to avoid costly errors.

Small Business Administration The Small Business Administration (SBA) is an excellent source of information on foreign markets; it offers the *Exporter's Guide*. Another document, *A Basic Guide to Exporting*, is available from the Superintendent of Documents, U.S. Government Printing Office in Washington DC, or online at www.unzco.com/basicguide.

Federal government The federal government lends strong support to small businesses interested in doing business abroad. They offer a wealth of information on international trade.

Researching Trade Barriers

Introduction

It's beneficial to do your homework before venturing into the world of international trade. The return on the time you invest in research can be lucrative. A wide variety of technical assistance is available if you're willing to explore the possibilities.

Trade barriers

Use technical assistance resources to investigate the many trade barriers that exist such as:

- tariffs
 - quotas
 - licenses
 - product standards.
-

Identifying Contacts

Introduction

When considering foreign trade, identify the contacts (or channels of distribution) available to assist in the foreign distribution of your goods or services. The Department of Commerce has identified the options below as possible foreign market channels of distribution.

Sales representatives or agents

A sales representative is the same as a manufacturer's representative in the U.S. The following specifications apply to sales representatives or agents:

- The sales rep or agent distributes product literature and samples in order to present their product to the potential buyer.
 - He or she usually works on commission.
 - The sales rep or agent is under contract for specified period of time. This contract defines:
 - territory
 - terms of sale
 - method of compensation
 - any other relevant details.
-

Distributors

The foreign distributor purchases merchandise from a U.S. manufacturer at the greatest possible discount and resells it for profit. The following specifications apply to distributors:

- Since the distributor buys in his or her name, it's easier for the U.S. manufacturer to establish a credit pattern so that convenient payment terms can be offered.
 - For products requiring servicing, the prospective distributor should be willing to carry a sufficient supply of spare parts and maintain adequate facilities and personnel to perform normal servicing operations.
 - The length of association is defined by contract, as with the sales representative.
-

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Identifying Contacts, Continued

Foreign retailers

Generally limited to the consumer line, this method relies mainly on direct contact by traveling sales representatives. But depending on the project, it can also be accomplished through:

- mail catalogs
- brochures
- other types of literature.

Note: Even though this method eliminates commissions and travel expenses, the U.S. manufacturer who uses the direct mail approach could suffer because his or her proposal may not receive proper consideration.

Selling direct to the end-user

Opportunities often arise from advertisements in magazines with overseas distribution. But the entrepreneur may stumble because he or she may not be fully knowledgeable of the country's foreign trade regulations.

With the increase usage of business websites and online auction websites, selling direct has become increasingly easier and has increased sales globally.

Note: Rules may exist that prevent the businessperson from receiving the merchandise upon arrival. In this case, the host country could impound the goods and sell them at public auction. The host country could also return the goods, which would be costly.

State controlled trading agencies

This term applies to countries with state trading monopolies where business is conducted by a few government-sanctioned and -controlled trading entities. Because of worldwide changes in foreign policy and the effect on trade between countries, these areas can become important markets in the future. For the time being, most opportunities are limited to such items as:

- raw materials
 - agricultural machinery
 - manufacturing equipment
 - technical instruments.
-

Continued on next page

Identifying Contacts, Continued

New product information

The Department of Commerce offers a special service to facilitate your direct selling effort to potential overseas consumers. It works as follows:

| Stage | Action |
|-------|---|
| I | The American company interested in selling a new product overseas submits appropriate product data to the Commerce Department. |
| II | The Commerce Department directs their district offices to place this information in their publication, <i>Commercial News USA</i> . <u>Note:</u> This document is distributed exclusively abroad through 250 U.S. Foreign Service posts. |
| III | The new product information is extracted and reprinted in newsletters tailored to local markets. |
| IV | Selected information is broadcast abroad by the International Communication Agency's Voice of America. |

Commission agents

These individuals are "finders" for foreign companies wanting to purchase American products. They obtain the desired product at the lowest possible price and then receive a commission from their client.

County controlled buying agents

These foreign government agencies or quasi-governmental firms locate and purchase desired goods.

Export management companies

Export management companies (EMCs) act as the export department for several manufacturers of noncompetitive products. They represent manufacturers for a commission, salary, or retainer fee plus commission. Many EMCs carry the financing for export sales, assuring immediate payment of the manufacturer's product.

Note: This is a good arrangement for small firms who do not have the time, money, or personnel to develop foreign markets but who want to establish a relationship and product identity internationally.

Continued on next page

Identifying Contacts, Continued

Export merchants

The export merchant purchases products directly from the manufacturer and has them packed and marked to his or her specifications. Then this individual sells the products overseas through established contacts, in his or her own name.

Note: The export merchant assumes all risk for the transaction.

To find more information concerning technical assistance for international trade, go to www.ita.doc.gov/cs/.

Export agents

The export agent operates in the name of the same manufacturer as a manufacturer's representative, but the risk of loss is with the manufacturer.

Note: In transactions with export merchants and export agents, the seller is faced with the possible disadvantage of giving up control over the marketing and promotion of the product which could have an adverse effect on future success.

Government assistance to exports

When considering foreign trade, identify the contacts (or channels of distribution) available to assist in the foreign distribution of your goods or services. The U.S. Department of Commerce, www.commerce.gov, has identified possible foreign market channels of distribution. Another excellent resource can be found at www.export.gov.

The Commerce Department directs their district offices to place this information in their publication, *Commercial News USA*, www.thinkglobal.us.

Part V

Business Networking

Introduction Networking is a source of promotional power that projects your business image to a supportive group of noncompetitive peers. It sustains a cost-effective flow of mutually beneficial information.

Key point: By linking contacts together in a network, you can be part of a community that supports each other and the network itself.

Rationale As a small business owner, you can network your way to success much faster than if you work on your own. Networks are an inexpensive way to help others in order to help yourself run a more successful business.

Establishing a network The most effective way to establish a network is to talk to your friends and business associates in order to generate interest in your idea. Develop networks with a wide range of people. Once you've created the buzz, tell everybody when and where you'll meet.

Note: Early morning breakfast meetings are popular because they occur at a more convenient time of day.

Sustaining a network The most important goal of networking is the commitment of each member to make every effort to help other members whenever possible. It's the responsibility of each and every member to help the network grow and prosper in a mutually beneficial way.

Example: One method is to bring a business lead for another member to each meeting. This gesture gives everybody the incentive to attend the meeting.

Identifying Networks

Introduction To be successful, develop networks with a wide variety of business partners and acquaintances. Some of these potential links include suppliers, bankers, established professional organizations, and government regulators. The following passages describe the range of possible opportunities for networking.

Suppliers Supplier networks help you find the suppliers you need in order to avoid shipment delays and to save time when looking for a new source of raw materials, purchased parts, etc.

Distributors, sales reps and purchasers Distributor, sales representative, and purchaser networks can be helpful in marketing your product. This type of network is especially critical for manufacturing businesses.

Consultants Consultants know each other and can assist you in finding additional competent technical assistance when you need it.

Example: Your accounting firm might be able to recommend a good attorney in an emergency, saving you time, effort, and potentially money.

Bankers Bankers are also valuable contacts. A reliable relationship with your banker is especially important when you need to raise additional capital since they have in-depth knowledge of your financial situation. Your banker can also be of service when you need information about credit.

Professional organizations and industry associations Professional organizations and industry associations offer numerous opportunities for networking. Attending events staged by these entities can enable you to reach consultants, suppliers, government agencies, and other business people in the community and your specific industry.

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Identifying Networks, Continued

Personal contacts

Personal contacts can be developed on a golf course or tennis court, at a party, or in the dentist's office – almost anywhere you might go for personal reasons. Even though this type of networking is established outside the business environment, the contacts you make can help you take big steps in expanding your business network.

Competitors

Even business owners whom you consider as the competition can be a valuable link in your chain. When you're on good terms, a competitor might recommend you to people with whom they do business or just give you practical advice based on their own experience.

Key point: Although the competition might not directly make you more successful, they might prevent you from making an expensive mistake by sharing their own experience with you.

Foreign Market Networking

Introduction

Networking becomes critical when an entrepreneur expands his or her business into foreign markets. But the contacts that the business owner makes there can help them overcome the challenges caused by unfamiliarity with the marketplace.

Optimal networking

The ideal contact in a foreign market would be an entrepreneur in the same business as you. They could lead you to suppliers, distributors, consumers and other people you need to know in order to better promote your product in the foreign marketplace.

Potential obstacles

The potential obstacles in foreign markets might be less daunting if you have a contact who can verse you in the following areas:

- market conditions
 - cultural differences
 - economic barriers
 - resource availability
 - skill gaps.
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