

## Going Global

By Birgit M. Klohs

### BEST PRACTICES IN INTERNATIONAL BUSINESS DEVELOPMENT

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# going global

By Birgit M. Klohs

International business and economic development is not about business attraction. Nor is it about imports, exports, or foreign direct investment. It's about all of the above, and more.

Over its 25-year history, The Right Place, Inc., West Michigan's leading economic development organization, has developed a formula for international economic success. Leveraging this formula, today, over 90 international companies now have operations in West Michigan's 13-county region and hundreds of local businesses now have global contracts. A few of these companies include: Benteler Automotive (Germany), Booking.com (Netherlands), Dematic (Germany), Gerber/Nestlé (Switzerland), Kawasaki Motors (Japan), LG Chem (South Korea), and Sun Chemical (Japan).

Each year, the organization coordinates and manages two to three foreign trade missions to Europe, Asia, and the Middle East, meeting with companies that have or may have interests in doing business in West Michigan. Much of what The Right Place has learned over the years has been that international business and economic development is not solely about business attraction. It is about building communication and relationships. It is through those relationships that business decisions are ultimately made.

This article details several aspects of the organization's formula for international business development. From initial strategy planning and preparation, to developing business relationships and avoiding "potholes," the organization's formula for international economic success was developed through years of listening, executing, and trial-and-error.

Too often, communities and economic development organizations focus international business efforts on what many call "elephant hunting," travelling abroad in search of the next global business expansion for their region. Unfortunately, that



Michigan Governor Rick Snyder and the Michigan economic delegation on a tour of the Fraunhofer Institute for Chemical Technology in Germany. The purpose of the meeting was to discuss potential research partnerships between Fraunhofer and Michigan

aspect of international business represents only a fraction of the total global business trade and investment pie. And, in some cases, this has given international business development a poor reputation of success.

In 2010, the U.S. exported over \$1.9 trillion in products and services, while receiving more than \$164 billion in foreign direct investment. The U.S. now ranks first and second in the world, respectively, in total service exports (14 percent global share) and goods exports (8.4 percent global share).

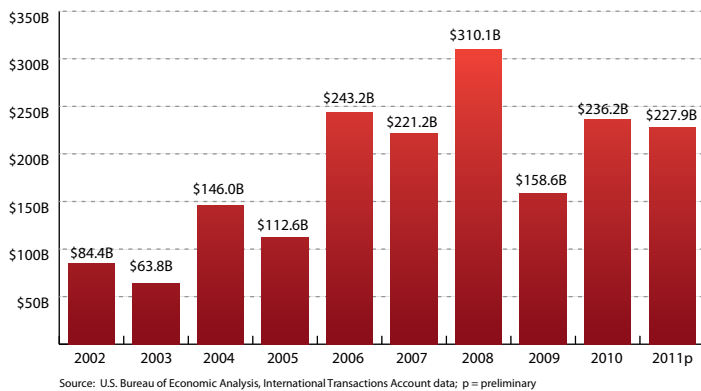
However, it is critically important to note that the global economy has changed considerably over the past several years. Today, approximately one-quarter of the 27 European Union (E.U.) countries are experiencing significant national debt issues. Resulting austerity measures are having dramatic effects on the current and future value of the Euro. With the E.U. being a major importer of the U.S. (22 percent of total U.S. exports in 2010), demand

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## BEST PRACTICES IN INTERNATIONAL BUSINESS DEVELOPMENT

Each year, the U.S. imports and exports trillions in goods and services. However, continued international business, political, and social issues are contributing to increased trade instability and business uncertainty. Thus, successful economic developers must have a solid strategy for how, why, and where they can effectively build international business relationships. By developing a long-term strategy, executing short-term tactics that support the strategy, and avoiding the "potholes," communities and economic development organizations can succeed globally.

**Total Foreign Direct Investment in the U.S. (2002-2011p)**



for U.S. products and services has the potential to experience significant changes. And while the E.U. works through its challenges, other economic tensions continue to increase in other areas of the world.

Business, political, and social issues continue to build trade instability and business uncertainty throughout the M.E.N.A. (Middle East and Northern Africa) region. Long-term U.S. trade relations with China, an economy that traded \$539 billion in goods and services with the U.S. in 2011, remain unclear. Meanwhile, in the U.S., debate on foreign immigration and visa policies rages on.

With such a current high level of business uncertainty both domestically and abroad, why would any community pursue an international business development strategy? The reason is that just as successful, innovative companies see challenges as opportunities, so too should smart economic development organizations.

Today, smart organizations are taking an approach that mimics a Major League Baseball strategy most recently made popular by the Brad Pitt movie “Moneyball.” That is, while homeruns are exciting and grab headlines, base hits and runs win games – and grow economies. Smart organizations are focusing on research and data on manufacturing supply chains, newly formed joint ventures, and more to show where their community has the highest likelihood for international success. The focus is on smaller, individual wins like new supply chain contracts and local joint ventures than larger, more elusive expansion and relocation projects.

Successful international business development requires numerous initiatives and individual activities, all guided by two key elements.

*First:* A community must understand all aspects of its region (good and bad), and how they relate to the global business environment.

*Second:* Communities must have a long-term vision and strategy for how they will engage in international business development.

## BUILDING A STRATEGY

Developing a successful, long-term international business development strategy requires analysis, community input, and establishing measurable goals. These goals must fit the unique culture of the community and its assets. There is no “one-size-fits-all” approach to international business development, and what works for one community may not work for another. Without a clearly defined and documented strategy, not only can a community’s efforts be in vain, the consequences can be very costly – both in dollars spent and credibility lost.

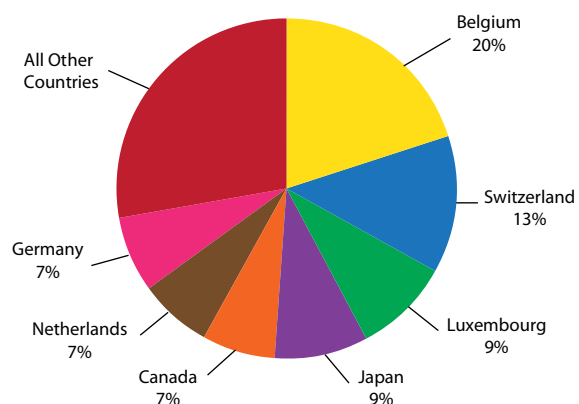
At a minimum, an international strategy should answer these questions:

- Is there community support for this effort?
- Who will lead the effort?
- What do we want to accomplish?
- By when should we accomplish it?
- Where, geographically, do we want to accomplish it?
- What industries or market sectors are we going to target?

Although similar, international business development is not the same as domestic development. International business relationships take much longer to develop. Successful relationships are built on trust. Even in the era of instant access to data and sharing of information, success internationally takes time. One-time “trade missions” do little to establish long-term business collaborations and are often viewed as “business shopping trips” by both the local community and international prospects. This is not to say that formal trade missions are not effective, but they must be part of a larger international business strategy.

The Right Place plans international strategies based on a three- to five-year commitment and investment. This allows enough time to develop business relationships and provides the greater possibility for success and ROI. Strategies are developed in collaboration with local and state partners to ensure that local business development efforts are linked to those larger initiatives.

**Leading Countries by Foreign Direct Investment in the U.S. - 2011p**



Successful international business development strategies are not built in a vacuum. The best strategies for success include internal and external stakeholders, locally-based international businesses, and other partner organizations with international expertise. When the organization first established its international strategy in the late 1980s, several business and community leaders were tapped to contribute to the vision and set a formal strategy. Local businesses that were already operating in both Asia and Europe were able to provide insight and localized business knowledge that were key to customizing a strategy specific for West Michigan.

When looking at the rest of the developed and developing countries in the world, determining “how” and “where” to begin can be a daunting effort. As a first step in building a strategy, conducting a thorough audit and analysis of both the community and the organization often provides focus and clarity. Using the results of a completed SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis, short and long-term goals can be established and target industries and geographies can be identified. However, a SWOT analysis is not a strategy. The results of the analysis should be shared with the stakeholder group. Further review and discussion provide a framework of a specific international business strategy and direction for the community and the organization.

When complete, a comprehensive strategy should identify the following:

1. Goals and Objectives,
2. Resources and Responsibilities,
3. Targeted Geographies /Regions,
4. Timeline for Strategy, and
5. Metrics for Success.

## INTERNATIONAL MARKETING COMMUNICATION AND TACTICS

Effective marketing communication tools and tactics are critical to the success of any international business development effort, yet they are often overlooked. In today's world of instant access to information, businesses often engage organizations and communities through indirect marketing efforts before meeting anyone in person.

International businesses often visit community and organizational websites, travel to trade shows, and access other indirect channels of information before a phone

One of the worst marketing gaffes a community can make is to position it as something it is not. Every community has unique assets and advantages that may appeal to international prospects. By diluting or improperly positioning a community, a false sense of place is communicated to the prospect (and, inevitably will be discovered).

## About The Right Place, Inc.

Serving West Michigan since 1985, The Right Place, Inc. is West Michigan's leading non-profit economic development organization. The group's mission is to promote regional wealth creation and economic growth while strengthening the global competitiveness of area businesses and attracting new companies and talent to West Michigan.

Staffed by a team with more than 150 years of combined experience, the organization provides a single source of services, information, and support for companies that want to grow in West Michigan. Their work is evidenced by billions in new capital investment, and thousands of new and retained jobs in West Michigan. The Right Place plays a vital role in transforming West Michigan's economy and building a thriving global center for future business and innovation.

**Established:** 1985

**Employees:** 22

**Primary Services:** Business Development (Retention, Expansion, Attraction), Innovation, and Manufacturing Technical Services

**Funding:** Private 45%, Public 55%

call or meeting is ever scheduled. This means that websites, news articles, advertising, and other mass media channels are often the first impression for international prospects.

Three key principles guide The Right Place's efforts in developing international marketing communication tools:

1. Remain true to the community (positioning).
2. Speak the language (localization).
3. Know the market (insight).

## Positioning – Remaining True to the Community

One of the worst marketing gaffes a community can make is to position it as something it is not. Every community has unique assets and advantages that may appeal to international prospects. By diluting or improperly positioning a community, a false sense of place is communicated to the prospect (and, inevitably will be discovered).

International business relationships are built on a high level of trust. Misrepresenting a community undermines trust and injects doubt into the relationship. The consequences of misrepresentation simply outweigh any benefit of attracting additional interested businesses.

For example, do not market or position a rural community as an urban setting, or vice versa. Although a town may be a “bedroom community” to a larger city, it is not the larger city. It is part of the larger region, with unique qualities to that specific town. Every community has unique assets that are highly marketable to the right audience. Discover those, and remain true to them.



### **Localization – Speak the Language**

Localization does not mean translation. To translate is to simply convert information from one language to another, regardless of context, meaning, or applicability. Localization is the ability to understand the region's culture, dialects, nuances, and other unique aspects and transfer that into meaningful materials and marketing communications. Effective localization demonstrates an economic development organization's understanding of the prospective region and can often separate it from the plethora of competing communities.

Unfortunately, there are countless negative examples of marketing localization gone bad scattered throughout the web. Some localization efforts are more simple than others, like the use of weights and measures (metric vs. imperial) and colors (in China, the color red is associated with good luck and celebrations, in Russia it is associated with Bolsheviks and Communism, and in South Africa it is the color of mourning). Others can be more difficult, such as modifying phrases and references to things with only an American or Western context.

### **Regional Insight – Know the Market**

Having a true understanding of a target region's business and political environment is another critical aspect of international business development. This is even more applicable in today's global economic environment of economically distressed countries and rapidly-changing international business and trade policies.

The Right Place regularly tracks international news of prospective countries and regions for this very reason. Local and regional news sources within target international countries can provide a wealth of information on the current business and policy environment.

Just as in the United States, attempting to conduct business development relationships in a foreign country during governmental election cycles or social/political movements can be very risky. These environmental changes create instability and businesses (local or international) do not like instability. Attempting to convince

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an international business to invest in the local community is made exponentially more difficult during these times. Instead, use these opportunities to further build relationships by providing support and assistance through local community resources (i.e. leveraging local, international law and accounting firms to provide consulting assistance at no cost).

Related to election cycles, it is equally important to remain abreast of policy issues within the target region. For example, conducting an alternative energy trade mission to a country that is currently debating its own policies on alternative energy can demonstrate a lack of understanding and hurt the business relationship.

### **DEVELOPMENT TACTICS**

The following section is not a comprehensive grouping of possible ways to tactically engage in international business development. Instead, these are basic tactics that should be incorporated in any international strategy and used as a springboard to develop unique tactics that apply to an individual community.

#### **Trade Shows and Conventions**

Attending and participating in international trade shows and conventions can be a valuable way of building new relationships as well as maintaining existing relationships. At a base-level, it demonstrates that a community is aware of such business events and has made the commitment to attend and engage. Attending a trade show without the burden and management of exhibiting at the exposition often provides greater flexibility to get out into the event and engage with exhibiting businesses. Often, exhibitions provide a "flavor" of the specific industry, and also provide a sense of general size of the industry, complexity of the industry, and where companies tend to be concentrated. Once relationships in the region are established, investing in the cost and management of exhibiting at the show makes more sense.

Strategies for attending international trade shows are often very similar to attending domestic events. Many of the same recommendations apply: plan meetings in advance, review the exhibitor list before the event, have



From left to right: Franz Reiner, Chief Executive Officer, Mercedes-Benz Bank AG; Dr. Henning Oeltjenbruns, Plant Manager, Detroit Diesel Corporation; and Michigan Governor Rick Snyder during a private reception in Germany.

a plan “B” in case of meeting cancellations, and avoid bringing stacks of marketing collateral.

### **Matchmaking Events**

Hosting supply chain matchmaking events for international business prospects often provides a double-win for the community. The events allow the prospect to meet with several companies in a condensed, organized format, and they enable the prospective company to experience the local community during its visit.

The Right Place has hosted several matchmaking events in West Michigan for both locally-based, foreign-owned companies and international prospects exploring the idea of doing business in West Michigan. The organization’s business development team works with the company to identify possible local supply chain opportunities and schedule private one-on-one meetings between the local supply chain company and the international business. When necessary, representatives from the organization participate in the actual meetings, providing facilitation services and relationship management expertise.

For example, in 2010 the organization hosted a major international wind energy manufacturer in West Michigan for several days. In addition to regional tours and strategic meetings, it hosted private one-on-one meetings between the prospect and 20 local West Michigan companies regarding supply chain opportunities. The companies met directly with the prospect and explained their unique capabilities. In turn, the prospect was able to meet with over 20 prequalified, local companies in one trip. A win-win for both the prospect and West Michigan.

Today, West Michigan has one of the highest export ratings in the country, thanks in part to the work of these matchmaking events. According to a recent Brookings Institute report, *ExportNation 2012*, the Grand Rapids-Wyoming Metropolitan Statistical Area benefited from over \$5.4 billion in exports in 2010. Additionally, the growth rate from 2009-2010 was calculated at 16.1 percent, ranking 4<sup>th</sup> among the nation’s top 100 metro areas.

### **Trade Missions**

As mentioned previously, trade missions, as part of an overall international strategy, can be very effective. Frequently, community trade missions involve key leaders from the local community, region, and perhaps the state. Trade missions, unlike individual business development trips, often require an increased level of management and coordination, as multiple professionals on the trade mission may be meeting with multiple companies in different locations. Trade missions, for that reason, can be extremely valuable in generating the greatest impact for the investment.

Often, trade missions also involve local and state dignitaries, including elected community mayors and state representatives. Leveraging these relationships and positions can be effective in gaining meetings with higher level business executives and government contacts in a target region. Planning trade missions that include high

level dignitaries often require advanced planning and several levels of bureaucratic approvals during the planning process.

The Right Place has managed and coordinated many formal trade missions for the West Michigan region and the state of Michigan. As part of a larger international business development strategy, these missions have proven to be a valuable asset in driving international business trade and foreign direct investment. From initial strategy planning sessions to final travel itineraries and prospect meeting schedule, the organization acts as the central planning and coordination group. When working with large groups and many different agencies, designating a central planning group is critical to maintaining momentum and focus.

### **Using Intermediaries**

When first developing international business development efforts, utilizing and leveraging existing business relationships can be extremely valuable. If there are very few or no local international business relationships in the community, engaging in intermediaries may increase the likelihood of international success.

Business development intermediaries can be anyone from a local consultant with an international business development focus, to foreign industry associations and international site consultants. Although these organizations come at a price, the cost of inefficiency and lack of results in unreturned calls, emails, and invitations can be higher.

Local businesses and resources within the community can also be successfully used as intermediaries. Community businesses like large commercial real estate brokers, international banks, accounting firms with international exposure, and other internationally-based companies can be great assets when entering a new market abroad.

The Right Place continues to utilize the services and support of international business development consultants and industry associations. The organization utilizes several manufacturing and engineering associations in Europe that provide a wealth of information and industry news, including upcoming events and industry trends, such as the European Automobile Manufacturers’ Association (ACEA), German Association of the Automotive Industry (VDA), and the Fraunhofer Institute. These golden nuggets of information are important tools to implement in developing international relationships.

## **AVOIDING THE POTHOLE (“WHAT NOT TO DO”)**

### **Thinking Short-Term**

International business development is not a short-term venture. Developing successful, trusted international business relationships that lead to trade and investment take years. When developing an international business strategy, it is critical to consistently inform and remind key stakeholders and participants that it is a long-term strategy requiring a long-term view of success. Organizations must ask the difficult question, “Are our

community stakeholders and supporters ready for this type of long-term investment?” However, not all aspects of an international business strategy must take the long view of success. A successful, comprehensive strategy balances long-term goals with short-term wins, such as new business relationships, small supply chain contracts, and local visits from international prospects.

Furthermore, international business strategies that focus solely on the long-term will eventually lose support and interest of the community and stakeholders. Inversely, focusing solely on short-term wins may force organizations to produce quick, small successes that do not benefit the long-term growth of the local economy and increase frustration within the community.

### ***Bringing the Entire Business Community***

International business development efforts tend to attract the interest of many organizations in a community; from local municipalities and elected officials, to state economic development agencies and internationally-based manufacturers with several thousand employees in the region. Although nearly all of these parties have value to contribute to the process and strategy, when conducting trade missions and international business meetings abroad, travelling with large delegations of seemingly disparate resources increases the complexity and risk of success exponentially.

Taking the point of view of the prospective international company, arriving at a business meeting with 15-20 local colleagues and stakeholders can be overwhelming and uncomfortable for the prospect. Depending on the individual country or region, this approach may also be offensive to the business and interpreted as overpowering or an intimidation tactic.

Additionally, the logistics and management of travelling with and moving such a large group of business professionals can be extremely difficult. Well planned trade missions take advantage of every waking hour of the day (and some non-waking). From private meetings and company tours, to hosted dinners and receptions, successful trade missions are very tightly scheduled with little room to manage late arriving parties, various travel schedules, and differing individual goals.

Instead, selecting a small group of five to eight individuals that represent broad areas of a community can have a much more effective result. As an example, an effective trade mission group may be comprised of one individual from the following areas:

- Local economic development,
- State economic development,
- Finance and funding,

- Commercial real estate,
- Corporate law and/or legal consultation,
- High-ranking local elected official,
- High-ranking state elected official, and
- Large, successful business owner representing a specific industry (manufacturing, alternative energy, life sciences, etc.).

### ***Arriving Unannounced***

Just as other business leaders in a community are respectful of each other's time, so should a community be respectful of an international prospect's time. Arriving unannounced to an international company to meet with a company executive can often create unneeded tension at the start of the relationship. It doesn't matter how far an organization or delegation has travelled to a country or region. Just as it is often interpreted in the U.S., dropping in unannounced to an international prospect can be perceived as being unorganized or disrespectful of the company's time.

Culturally, all countries and regions have social and business codes of conduct – many involving planning, preparing, and presentation. Breaking these codes demonstrates a lack of understanding, and disrespect for, the culture and business practices. When travelling abroad with dignitaries and other executive business leaders, many prospective companies request to see the list of those attending prior to the meeting. The company then has an opportunity to assemble a similarly-structured list to participate on behalf of the company.

Ideally, each prospect meeting should be made several weeks in advance of the trip. This allows the company time to prepare for the meeting, creating a more engaging, productive environment for both sides. This situation often comes into play with resorting to “Plan B” in international business travel. This is addressed later in the article.

### ***Assuming Everyone Understands American Culture***

Although English is considered the international language of business, assuming that everyone in the business world understands American culture is a recipe for disaster. This statement may conjure images of parodied brash American businesspeople lumbering their way through countries and regions like bulls in a china shop. However, beyond obvious cultural differences, many countries and cultures have very different accepted ways of conducting business meetings, interactions, and commerce.

From the level of acceptable assertiveness in prospect meetings, to understanding and respecting levels of au-

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thority within an individual company, not acknowledging and respecting these cultural differences can damage international relations and business opportunities.

Taking the time to perform a self-examination of individual cultural tendencies is one of the easiest ways to avoid cultural mistakes. Identifying and understanding when and where these tendencies appear will help in avoiding them when conducting business internationally. There are many resources on the Web today that provide assistance with understanding foreign cultures. Additionally, as stated before, engaging an international business consultant can further assist in this effort.

### ***Assuming an Understanding of Other Cultures***

When developing international business relationships, understanding the cultural differences of the country or region is critical to building successful relations. (Hint: two years of high-school French class does not count as having an understanding of modern French business culture.)

Taking the time to understand a country's business culture and codes of conduct demonstrates a thorough understanding of the country and a willingness to adapt to cultural needs. Engaging an international business consultant is often the most direct and efficient method of gaining a greater understanding of a specific culture. However, if utilizing a consultant is not feasible, working with local companies with international experience in a specific country or region can provide valuable insight.

### ***Expecting a "Deal" or Agreement on the First Trip***

As mentioned throughout this article, international business development is a long-term investment requiring months and years of engagement, information, and trust building. Setting a goal that the first trade mission or business trip will result in a "deal" or agreement may place a false set of expectations on an international business strategy. Placing unneeded pressure on international business relationships can potentially come across in communication and business meetings, leading to increased strain on the business relationship. Setting expectations and goals during the initial strategy planning phases establishes a clear vision for expected results.

## **LESSONS LEARNED**

Over its 25 years of international development experience, The Right Place business development team has experienced numerous lessons learned that, today, are now part of the process of the organization's international business development strategy. Unlike potholes to avoid, these tips provide insights for making the most out of an international business strategy.

### ***Have a "Plan B"***

Sometimes, the best laid plans and schedules run awry. Meetings are cancelled, prospects request time changes, and various modes of transportation are delayed. When

these situations occur thousands of miles from the office, having a "Plan B" or contingency plan can mean the difference between a recoverable, somewhat productive day and a lost day filled with nonproductive downtime.

A contingency plan can be as simple as a "B" list of customers and prospects that can be contacted in case of an opening, or as complex as a separate complete itinerary that can be switched in the case of cancellations or requests for schedule changes. Additionally, recent technological advances in customer relationship management (CRM) software provide some relief. Some of today's CRM solutions provide mapping tools that will search customer/prospect data and present a list of companies that are "near you."

### ***Have an In-Country Connection***

Having an in-country business connection can be an invaluable tool in opening doors in countries and cultures that are difficult to crack. It can be very difficult to develop new relationships in many regions like Eastern Europe and the Middle East without the assistance of an in-country connection or intermediary. A well-versed in-country connection, one that has a strong understanding of the local business community and/or has links back to the community, can be incredibly valuable.

### ***If Government Is Involved ... Plan Early***

When planning and/or managing official international trade missions that include local or state government officials, begin the process as early as possible. If high-level officials (such as a governor, member of congress, or other international dignitary) need to participate, add additional planning and travel time for security reasons. Many times, the official's security and advance planning detail reviews the travel itinerary and plans before approving the trade mission.

Official international trade missions also tend to be very public affairs, filled with media interviews and receptions. Although events like these can be valuable in creating awareness and building international governmental relations, they often have few opportunities for business and trade discussions. Thus, additional time may need to be added to allow for these public matters.

### ***Overcrowded Schedules***

Dealing with an overcrowded schedule and having a "Plan B" are two sides of the same coin. The key is to not over book or under book meetings and events. A travel schedule that is too ambitious and tightly planned adversely affects the trade mission. Arriving at meetings without enough time to prepare reflects poorly on a community. Allowing enough time to prepare for meetings and catch some much needed rest when available can have a dramatic impact on the overall success of a trade mission.



If conducting business internationally has taught The Right Place anything, it has taught the organization to be prepared to answer anything about the local community. Meetings to discuss intricate supply chain manufacturing issues and opportunities may quickly turn into questions on expanding in a local community through foreign direct investment.

### **Trade Shows and Conventions**

International trade shows and conventions can be great venues to establish new business relationships and follow-up on existing relationships. However, avoid conducting in-depth business development topics such as negotiating contracts or review expansion/relocation projects during these events. Being respectful of the exhibiting company, the business is primarily there to introduce new products and build customer relationships of its own.

Although both parties may be planning to attend the trade show, it is recommended that a meeting time be established prior to the event. In this way, there is a higher likelihood of meeting with the necessary business representatives at a pre-established time.

### **Be Prepared to Answer Anything**

If conducting business internationally has taught The Right Place anything, it has taught the organization to be prepared to answer anything about the local community. Meetings to discuss intricate supply chain manufacturing issues and opportunities may quickly turn into questions on expanding in a local community through foreign direct investment.

In addition to business questions, be prepared for social questions as well. Anything from major league sports

to political scandals are fair game in the international courtship process. Often, international businesses are just as curious about U.S. business and society as we are about their business and society. However, if a prospect asks a question that someone cannot answer immediately, do not make one up. Ensure the prospect that someone from the team will respond and follow up at a later time.

### **IN SUMMARY**

Nearly every community in the U.S. can benefit from expanding internationally. And, as this article has detailed, there is no “cookie-cutter” approach to developing an international business development strategy. However, being true to the community’s assets and building a long-term strategy that fits the community is a recipe for success.

Most importantly, international business development is an iterative process. Taking a step-by-step approach to international business is a model for success that can continue to be built upon for decades. The international business and trade climate in West Michigan was not developed overnight. It required the investment, collaboration, and support of the region’s community and business leaders for over 25 years. The opportunities are there and it is the responsibility of the economic development organization to set a direction and strategy to find them. 🌐



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