

American Indian Business Development Office & International Business and Trade Office Status Report

SUBMITTED TO:

Legislative Council Economic Development Committee
State Capitol
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Section 46 of Senate Bill 2018 asked for a status report as follows:

SECTION 46. NORTH DAKOTA AMERICAN INDIAN BUSINESS DEVELOPMENT OFFICE AND INTERNATIONAL BUSINESS AND TRADE OFFICE - REPORT TO LEGISLATIVE COUNCIL. During the 2005-06 interim, the commissioner of commerce shall report to the legislative council on the status of the North Dakota American Indian business development office and the status of the international business and trade office; whether the North Dakota American Indian business development office and international business and trade office should continue; whether the division of economic development and finance should continue to contract with a third party for international business and trade office services; and whether there are potential changes that could be made to enhance the support of American Indian businesses and to enhance the support of international trade by North Dakota businesses.

AMERICAN INDIAN BUSINESS DEVELOPMENT OFFICE

Background

The North Dakota American Indian Business Development Office began operations on May 22nd, 2006, through a contractual relationship with the Impact Foundation, based in Fargo, ND. The Director for this program, Christine Martin-Goldsmith, is based in Bismarck, currently serving a statewide area.

Current Status

Several activities have been accomplished at this early stage (see attached detail of planned program action steps):

- Negotiating with business development entities located on the four reservations to provide a local entry point and presence for the program.
- Initial 'grand opening' promotions have been completed, resulting in client registrations driven by several newspaper pieces, a positive editorial and public radio interview. A minority vendor has been selected to create the program's website; anticipated to have preliminary information online by late July.
- 26 companies have registered with the program for services (close to half of the original target market anticipated), including 7 non-minority owned companies interested in partnership opportunities – such as Noridian Administrative Services (Fargo) and Cloverdale Meats (Mandan). Minority owned companies are taken through an initial SWOT session to identify internal strengths and weaknesses. The integration of this program with Impact Foundation's Procurement Assistance Center (also managed by Martin-Goldsmith) has already resulted in intensified consulting services being provided to overcome company weaknesses (i.e., website design; the lack of a basic website has been identified repeatedly by ND federal buyers as a critical obstacle for doing business with the government.)
- Director has been invited by the Trickle Up organization, based in New York, to have this program become a 'Coordinating Partner'; this would give program

clients access to \$700 business grants, intended to promote reservation-based new micro-businesses and micro-business expansions. (this is a true grant, not a reimbursable award, which can be used towards virtually any bona fide business purpose.) This program could easily provide access to thousands of grant dollars for minority entrepreneurs who are within income guidelines.

- 13 companies are currently receiving online bidmatch (procurement leads) daily; over 500 of these leads have been emailed to company representatives.
- 8 of these companies are currently receiving personalized assistance with seeking minority certification (8a/SDB) by the federal government; 9 are currently receiving intensive assistance in completing a vendor application to GSA (the federal government's purchasing department), which will open up national access to billions of dollars of routine federal purchases between \$2,500 and \$100,000. (This same technical assistance service has been quoted by out-of-state consultants at \$10,000 and up.)
- 90% of the federal and state agency buyers have been personally visited by the Director, in order to share information about the program and its services, and learn more about that particular agency's purchasing techniques/intricacies.

Should Continue?

Yes.

Continue to contract with a third party?

Yes.

Potential changes that could be made to enhance the support of American Indian businesses

The interest and the efforts involved in beginning a North Dakota chapter of the National Minority Supplier Development Council are being preliminarily explored. This national agency has 39 regional chapters and its purpose is to provide a direct link between minority owned businesses and Corporate America. The national council has over 3,500 corporate members throughout the network, including most of America's largest publicly-owned, privately-owned and foreign-owned companies. The regional chapters certify and match more than 15,000 minority owned businesses with member corporations which want to purchase goods and services. Chapters routinely are able to offer ongoing professional training in the best practices for MBE firms working with corporate America (such as Target, Alcoa, United Airlines, IBM, etc.), financing resources for contracts, a worldwide network of suppliers, and marketing capabilities on a national level. (To date, North Dakota companies have been joining the Minnesota chapter for these services.)

INTERNATIONAL BUSINESS AND TRADE OFFICE

Background

The North Dakota Trade Office was created in March 2004 as a response to an RFP issued by the Department of Commerce Economic Development and Finance Division authorizing the establishment of a “Trade Promotion Authority” to research the barriers and opportunities for North Dakota Exporters. This research revealed a strong demand for exporting services with commitments from the private sector to support statewide exporting efforts.

The 2005 Legislative session allowed \$700,000 in matching funds (two state dollars for every one private dollar raised) and the contract for expanding North Dakota’s exports was granted to the North Dakota Trade Office.

Current Status

Over the past year the North Dakota Trade Office has:

- Established four locations to serve exporters (Grand Forks, Fargo, Bismarck, Dickinson)
- Expanded to eight team members, five export assistants, 600 exporters, and 113 International Business Resource Providers
- Began Trade Talk meetings to discuss trade issues among exporters and International Business Resource Providers
- Hosted 11 events (three kickoff events, export finance, Russia, Kazakhstan, Australia, Taiwan, alumni picnic, Immigration, export tax benefits)
- Moved trade issues forward (such as intermodal transport and LCL freight)
- Trained and certified 12 international export assistants who assist in market entry planning, sales assistance, market research activity and seminar development.
- Published/broadcast 100 news stories promoting exporters
- Assisted approximately 42 companies in expanding to a new country
- Developed a Web site as a resource and directory for exporters and international business resource providers : www.ndto.com
- Conducted a comprehensive freight forwarder study, resulting in The Shippers’ Reference
- Influenced the development of an “official” U.S. Export Assistance Center in North Dakota and lobbied for the reduction of commercial service fees
- Raised \$150,000 in grant money to offset members’ export expansion costs
- Developed customer satisfaction score of 75 per cent indicating Trade Office export services were either significant or essential to their business
- Conducted four successful trade missions with three others in development
 - October 2005: France Italy and Spain – four dry pea and lentil dealers
 - March 2006: Australia – 20 delegates representing: Aviation, farm and construction equipment, medical supplies

- March 2006: Thailand, Singapore, & Malaysia – six non-GMO Soybean companies
- June 2006: Taiwan – 29 delegates including food processors, higher education and aviation
 - All the companies participation either expanded their exports to current markets or met with new distribution contacts
 - Responses to the post-mission survey to the question: Overall, did the trade mission meet your objectives on a scale of 1-5, the response were between 4.4 and 4.8.
 - Pending sales discussed during each mission rank in the multiple millions.

As a result of our trade-expansion efforts, exports from North Dakota are increasing at an annual rate of 18 percent, nearly twice the U.S. rate. Additionally, export-generated revenue for Trade Office members is expanding at an average rate of 35 percent. We have just completed our first annual member satisfaction survey (see summary attached) and are pleased to report that 75 percent of respondents indicated the Trade Office has met or exceeded first-year expectations and has become a valuable part of their export-expansion process.

Should Continue?

Yes, the Trade Office has demonstrated a significant increase in North Dakota exports, an increased awareness in the value of exporting and the ability to expand North Dakota business to compete in the global marketplace.

Continue to contract with a third party?

Yes; with a 2 to 1 match (the state matches \$2 of every private dollar earned).

Potential changes that could be made to enhance the support of international trade by North Dakota businesses

1.) Establish a mechanism utilizing the Bank of North Dakota to help exporters bridge the finance gap for entry level exporters. A state finance program would help exporters build their business to the level where they qualify for federal assistance from the U.S. Export-Import Bank and/or the Small Business Administration Export Finance division or private insurance and funding organizations.

2.) Create an Export Business Expansion Fund whereby companies can competitively approach the NDTO Board of Directors for funds to expand their international business by executing solid business plans. These are soft dollars not usually offered by any banks or federal funding mechanisms today, particularly for manufacturing firms. This fund would operate a model similar to APUC.

- 3.) Draft a clear and concise legislative directive to solve North Dakota's statewide intermodal transportation challenges.
- 4.) Expand international business expertise via foreign student graduates. This entails expanding existing foreign student recruitment. This will bring sorely needed new tuition dollars, new students and international business expertise into the State's economy.
- 5.) Continue NDTO core business growth with required increases for rent, capital equipment, two additional senior managers, associated operating expenses, education and seminar funds.
- 6.) Expand North Dakota's public relations efforts to include high-level international publications (Asian Wall St. Journal, Economist, etc) that can put ND and our companies on the map and bring them viable business leads.



North Dakota American Indian Business Development Office

May 22, 2006 - July 13, 2006

| Objectives | Action Steps | Planned Completion Date | Status/Revised Completion Date | Additional Information |
|---|---|--|--|---|
| Establish and market North Dakota American Indian Business Development Office | 1. Secure Funding 2. Hire Center Director and contract for one full-time outreach specialist 3. Distribute press release to selected businesses, media, chambers, ED orgs 4. Develop and distribute brochures 5. Distribute qtrly reports to legislators, media, chambers, ED orgs, and others | 5/2006 5/2006 6/2006 7/2006 8/2006 | Completed: 5/2006 ongoing Completed: 6/2006 on schedule on schedule | negotiating with 4 entities to create a local office presence draft being finalized |
| A. Coordinate SWOT analyses with top American Indian and non-American Indian businesses | 1. Compile a list of top ND American Indian and non-American Indian businesses 2. Utilize Impact Foundation's Institute for Innovation and Effectiveness to train NDAIBDO on SWOT techniques and develop materials 3. Invite top businesses to participate in SWOT sessions 4. Determine meeting logistics and hold 2 - 4 SWOT sessions with top businesses reaching 20 - 40 businesses per year. 5. Conduct customized one-on-one technical assistance with SWOT participants to improve access to resources and other opportunities | 6/2006 7/2006 7/2006 begin 7/2006 begin 7/2006 | Completed: 6/2006 Completed: 6/2006 began 6/2006 on schedule on schedule | over 130 NA firms registered online with procurement interest SWOT techniques used in one-on-one sessions over 60 invitations sent out to date provided over 135 hours of technical assistance to date. |
| B. Facilitate partnerships between American Indian and non-American Indian businesses | 1. Disseminate organizational assessment tools to businesses identified as top performers and use results to identify those interested in forming network 2. Form network of American Indian and non-American Indian businesses 3. Utilize SWOT analyses and other assessment tools to gauge individual business readiness to engage in business partnerships 4. Help businesses forming partnerships determine what role they will play i.e., mentor, protégé, or advocate for each opportunity | begin 6/2006 begin 7/2006 begin 8/2006 begin 9/2006 | on schedule on schedule began 6/2006 on schedule | over 20 minority companies working towards this readiness |
| C. Provide link to government and private resources and programs | 1. Develop a NDAIBDO/PAC website 2. Conduct one-on-one presentations and technical assistance for businesses 3. Organize marketing fairs for vendors and business owners every 6 months | begin 6/2006 begin 6/2006 begin 9/2006 | on schedule on schedule on schedule | website designer selected; framework completed late July provided over 135 hours of technical assistance to date Workshops targeted in 3 communities in fall/winter timeframe |
| D. Promote the Bank of North Dakota Tribal-State Guaranty Program | 1. Add BND program information to NDAIBDO/PAC website 2. Conduct one-on-one outreach with American Indian businesses 3. Market BND program at business trainings and events | 7/2006 7/2006 7/2006 | on hold on schedule on hold | guaranty program on hold, per Robert Human, BND guaranty program on hold, per Robert Human, BND |
| E. Build a resource database | 1. Solicit and select content from partners and other sources to develop the website with sections including: capacity building, procurement opps, assessments 2. Create a calendar of events for NDAIBDO/PAC and partners 3. Develop an online application for businesses to access technical assistance 4. Engage businesses in listserv of partnership opportunities 5. Create links to partner websites and other public/private resources | begin 7/2006 begin 6/2006 6/2006 9/2006 7/2006 | on schedule on schedule Completed: 6/2006 on schedule on schedule | website outline being finalized; content to be added during August |
| F. Communicate government procurement opportunities with American Indian businesses and help leverage status | 1. Assess and purchase software for identifying and managing opportunities 2. Market website/resource database in brochure, etc. 3. Organize marketing fairs for vendors and business owners every 6 months 4. Distribute brochures with ND procurement opportunities 5. Distribute news releases announcing upcoming procurement opportunities | 7/2006 7/2006 9/2006 7/2006 begin 5/2006 | Completed 6/2006 on schedule on schedule on schedule on schedule | over 500 procurement leads provided to companies to date. revising objective to communicate via website met with 90% of all federal buyers within ND |
| G. Work closely with the SBA | 1. Refer businesses to SBA for assistance and consulting 2. Provide information on financial assistance available to businesses 3. Provide information for business owners on topics such as: licensing, taxes, health and safety, strategic planning, etc. | begin 5/2006 begin 5/2006 begin 5/2006 | Began 5/2006 Began 5/2006 Began 5/2006 | 6 clients working on financial packages 10 companies lined up for marketing/strategic plan development |

North Dakota Trade Office Export-Member Survey Results

2005-2006 Fiscal Year

This report summarizes the results of a survey used to learn more about the international business trends of Trade Office exporter-members and to measure their satisfaction with Trade Office services. Trade Office members, both exporters and international business resource providers, will be surveyed annually to help gauge export trends and formulate strategies that help expand North Dakota's export volume.

Survey Profile

Sample Size : 24/40

Of the 40 Trade Office exporter-members, 24 have either been with the Trade Office one full year and/or are active short-term members and therefore included in this survey.

Exporter Profile

The 24 exporters surveyed share an average business profile listed below:

| | |
|--|-----------------|
| Annual revenue: | \$8.7 million |
| Export revenue | \$3 million |
| Percentage of export revenue to annual revenue | 20% |
| Average number of employees | 25-50 Employees |
| Years exporting | 7 years |
| Member expansion to new country this year | 70% |
| Export growth in past year | 35% |
| Members planning export expansion next year | 67% |
| Expected export growth next year | 22% |

In general, exporter-members are mid-level businesses with rapidly growing export revenue (35 percent). Of surveyed members, 70 percent expanded sales to a new country this year, fueling anticipated export growth of 22 percent next year. Most other members (not surveyed) report that they too have recently begun expanding into new countries, and with proper execution could exceed their planned goals. Growth should continue at a healthy pace into 2008 given that 67 percent of members surveyed plan to continue export expansion efforts in 2007. When asked what countries offer them the most potential for export sales, the exporter-members' responses were literally all over the map.

Industry Profile

In general, Trade Office exporter-members fall into the following seven industry categories. All of these industries are involved in the production of goods or equipment that are in high demand around the world. The industry categories are:

- Identity Preserve/Organic Agribusiness
- Pollution Control Equipment
- Agriculture Equipment
- Medical Equipment
- Aerospace and Defense Suppliers
- Nutraceuticals
- Biotech

Service utilization rate of 72 percent

The survey found that exporter-members relied on Trade Office services or the services of its international business resource network about 72 percent of the time when carrying out international expansion efforts. “Most utilized services” include trade mission management, business partner searches, promotional services, export strategy planning and export financing. Despite this high utilization rate, the Trade Office can likely increase the use of its service offerings through more proactive marketing.

Export services are significant/essential in 75 percent of cases

Surveyed members reported that Trade Office export services were either significant or essential to their business 75 percent of the time. They rated the services as significant 51 percent of the time or essential 24 percent of the time. These survey results are encouraging but the Trade Office and its international business resource network must proactively work to become a more **essential** part of exporters’ expansion efforts. Members indicated that greater expansion will require more on-site international business expertise and capacity, more trade missions and reverse missions, more proactive marketing of services, and more progress on trade issues such as North Dakota’s intermodal shipping challenges and free trade agreements. In four percent of cases, survey respondents said the Trade Office and its IBR network were of “no help” in signing agreements with overseas partners and in expanding sales in current export countries. This service rating was primarily due to the fact that respondents’ export strategies were already in progress prior to the Trade Office’s formation.

| Primary Export Expansion Activity Service Used | | | | | | |
|--|---------------------|-----------------|-----------------|------|-------------|-----------|
| | Completed Last Year | NDTO/IBR Helped | Business Effect | | | |
| | | | None | Some | Significant | Essential |
| Participation trade mission | 70% | 100% | 0% | 7% | 50% | 43% |
| Export publicity services | 65% | 100% | 0% | 13% | 60% | 27% |
| Export training | 57% | 100% | 0% | 23% | 46% | 23% |
| Export finance services | 35% | 100% | 0% | 25% | 38% | 38% |
| Development export strategy | 61% | 93% | 0% | 31% | 69% | 0% |
| International Business Resources (IBR) referral | 61% | 93% | 8% | 8% | 62% | 15% |
| Found potential overseas business partner or buyer | 78% | 78% | 0% | 7% | 50% | 43% |
| Expanded exports in current countries | 74% | 59% | 20% | 30% | 50% | 0% |
| Exported into a new country | 70% | 50% | 0% | 25% | 50% | 25% |
| Exported new products or services | 30% | 43% | 0% | 0% | 67% | 33% |
| Signed agreement with overseas partner | 52% | 42% | 20% | 40% | 20% | 20% |
| Exported products or services for the first time. | 0% | 0% | | | | |
| AVERAGE | 54% | 71% | 4% | 19% | 51% | 24% |
| | | | | | | 75% |

NDTO service quality meets or exceeds expectations

Fifty four percent of the exporter-members surveyed reported that the Trade Office met their expectations and 46 percent said the Trade Office has exceeded expectations. These reports too are encouraging, but the Trade Office’s goal is to exceed all members’ expectations to inspire true partnerships and loyalty.

“Trade Talk” Meetings

The Trade Office will begin addressing key trade issues and benefits through a series of monthly breakfast meetings. These “Trade Talk” discussions will bring exporters and export service providers together in Grand Forks, Fargo and Dickinson. The meetings will also be available via Webinar. Trade Talk meetings will be held the first Thursday of each month.

Topics for the next four months include:

| | |
|---|-----------|
| Federal export tax benefits | June 1, 2 |
| Distribution contract tips | July 6 |
| International business resource options | Aug. 3 |