



# Release the constraints: Solving the problems of export financing in troublesome times

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## KEYWORDS

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**Abstract** Export growth is seen by governments as being a key to economic recovery. In the United States, the Obama Administration pledged to double exports by the year 2015. To gain greater insights into exporting as an engine for growth, we look to export lenders to understand the contextual changes in export lending, as well as priorities in evaluating exporters. Findings from a study of export lenders on the lender referral list of the Export-Import Bank of the United States suggest that changes in the financial industry's structure over the last two decades, coupled with the economic recession, have motivated policy—at both the lending firm and governmental level—that hampers the ability of exporting to contribute to economic recovery. Further, the findings suggest that current lender policy encourages a focus on short-term returns rather than an exporter's long-term strategic position in the market. Lender preferences, in addition to governmental policies increasing regulation of the financial sector, place significant constraints on economic recovery. Thus, we call for key lender and governmental policy changes that could release industry constraints and unleash the export engine for economic recovery.

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## 1. Exporting as a foundation for economic recovery

The global business environment has changed dramatically. Ironically, only 20 years after the 'defeat' of the communist notion of society within the Soviet Union, the general acceptance of preferring the individual over society has been substantially reduced

across the globe. This apparent repudiation has occurred in the new millennium as nations struggle with job losses, mounting debt, recession, and slow and sputtering recovery. In the aftermath of the economic crisis, global priorities are being rebalanced. For example, governments have worked to establish a substantive position of influence within the business environment (Reich, 2009). Players in international business are discovering that they and their concerns are being increasingly downplayed as governments work to set the rules and goals for society. Politics, security, religion, self-actualization, health, and environmental consciousness are only some of the

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aspects of society that are possibly held in higher esteem than business welfare in the aftermath of the economic crisis. On a global scale, governments are instituting new regulations on industry with more stringent operating restrictions and oversight on ways to raise funds. Some traditional key concepts that were not up for debate—such as risk, competition, profit, and private property—are now subject to reevaluation and realignment. It is in this context that virtually all countries are working to gain or regain a strong foothold in the global market while simultaneously acting to increase the strength of their own economy by putting citizens back to work. Central to this is a rejuvenated focus on exporting.

Exporting is espoused by governments around the world as a central strategy for economic prosperity in the new global landscape. The focus on exporting as an engine of economic growth has taken hold in almost every country, even in nations with large domestic demand, such as the United States. This focus is not surprising since national governments have discovered that outward-bound international activities generate jobs and taxes at home and that export revenues are instrumental to the enhanced welfare of citizens. Although quite convinced of exports' value, governments are displaying great temerity when it comes to imports. By the necessity of double-entry bookkeeping, an export from one country has to be another nation's import. This dichotomous perspective on imports and exports creates tension between governments as nations around the world work to employ exporting as a foundation for growth.

Compared to other nations, which have long recognized the importance of exports as a foundation for economic growth, the United States' focus on exports is more recent—at least historically. For many decades, the U.S. government and American firms were so convinced of American exceptionalism (Pease, 2009) in fields like global affairs, world history, and business that limited attention was paid to markets abroad. However, the debt leverage of the typical American household no longer permits the United States to maintain its level of domestic consumer spending.

To avoid legislated import substitution with all its inefficiencies and risks, U.S. businesses must look to other countries to achieve long-term growth and prosperity. Consequently, in 2010, the Obama Administration pledged to double U.S. exports by the year 2015. To put this goal in a historic context, U.S. exports in the prior decade (2000 to 2009) grew by about 50% (U.S. Department of Commerce, 2011). The Obama Administration's pledge of doubling exports within half the time of the previous

mark indicates a task four times as large as the one accomplished previously.

The emphasis on exporting as a source of economic development and job recovery appears sensible on a comparative basis. In fact, the United States woefully under exports compared to other nations, a symptom of the large domestic market creating a lack of stimulus for international market exploration. For example, on a per capita level, while German exports were \$13,670 for every man, woman, and child in 2009, it was only \$3,238 in the United States (CIA World Factbook, 2011). While the base comparative figure is suggestive of growth potential, suffice it to say that accomplishing such growth will not be an easy task since few if any other nations appear to be willing to sacrifice their global market share in favor of the United States. Simply stated, global competition and firms'—and countries'—reluctance to surrender market share necessitate a strategic perspective inclusive of understanding strategic responses to changing global markets (Douglas & Craig, 2011). The development of exporting as an engine of economic growth in the United States is a strategic maneuver. Thus, it is important to understand the position export lenders take and the role of governmental policy in facilitating the success of exporters.

First, export lenders play an important role in the success of exporters. It is not surprising that financial resources—and, thus, export financing—is a central element of export success (Kaleka, 2011; Leonidou, 2004). Unlike most domestic business, exporting often occurs between two parties that do not know each other very well, often with significant cultural and business distance (Evans, Mavondo, & Bridson, 2008; Sousa & Bradley, 2006). However, to conduct business in this context, there must be a large degree of financial trust and support. This trust and support not only give the seller confidence that the buyer will pay for the goods received but will also assist the seller in gaining the financial capital to produce or procure the goods and offer the buyer competitive credit terms. International orders are either too large, the lag times of payment too long, or the risk of loss too high for many exporters to single-handedly absorb (Czinkota, Ronkainen, & Moffett, 2011). However, “the working capital and financial liquidity requirements of export operations mean that access to financial resources is essential” (Morgan, Kaleka, & Katsikeas, 2004, p. 94). While the need for exporters to gain access to financial resources to ensure competitive positioning and long-term success is clearly evident, it will be difficult to unleash exporting as an engine of economic recovery unless we better understand the context of export lending, how export lenders evaluate exporters, and

the implications of this evaluation as an objective assessment of lender policy (Griffith, 2011).

Second, governmental policy sets the stage in which both exporters and export lenders operate, thereby providing a contextual element that must be considered to understand the role exporters can play in the economic growth of a nation. Historically, governments have provided some stimulus for exporting, whether in the form of export promotion assistance (Czinkota, 1994; Gencturk & Kotabe, 2001; Leonidou, Palihawadana, & Theodosiou, 2011) or via institutions such as the Export-Import Bank of the United States (Eximbank), Hermes Kreditversicherungs-AG of Germany, or the Korea Export Insurance Corporation. The start-up costs for international operations, particularly for smaller firms, may be sufficiently high to warrant some kind of government support (Kotabe & Czinkota, 1992). Furthermore, and more importantly, governments set regulatory policy, ultimately establishing the amount of oversight, stability, and predictability of the regulatory environment.

## 2. Gaining insights into lenders' evaluation of exporters

To better understand lending practices for exporters during a time of economic turbulence, we conducted a study of lending institutions. This study was conducted in the midst of the financial crisis and at the time of early calls for export growth to contribute to economic recovery. The results tell the story of an industry undergoing dynamic changes, resulting in strong risk aversion and what some may deem short-sightedness. To engage the study, export lenders identified through the Export-Import Bank of the United States' lender referral list (i.e., a listing of various lending institutions on the Export-Import Bank of the United States' website referenced under 'Strategic Partners and Referrals') were contacted electronically and asked to complete an online survey pertaining to their assessment of export-lending conditions. Overall, 52 lenders replied, representing a 17.1% response rate.

Prior discussions with several export lenders resulted in a holistic perspective of exporter evaluations. As such, the survey focused on changes in the financial sector; export lenders' integration of exporter innovativeness, risk taking, and proactiveness in markets; and various aspects of exporter performance in their lending decisions; see Table 1 for the items used to measure these aspects of exporters in the context of lender financing. Export lenders were asked, via an open-ended solicitation

format, to provide input pertaining to their evaluations of exporters at the time of the survey in comparison to the period immediately prior to the financial crisis. Additionally, a number of respondents volunteered to interact with the lead researcher to provide greater insights into the characteristics and patterns of the industry, as well as its challenges for the future.

## 3. Finance sector turbulence: Implications for export lending

The financial crisis beginning in 2007 is considered by many to be one of the greatest economic challenges since the Great Depression of the 1930s. Levin and Coburn (2011), chairman and ranking minority member of the United States Senate Permanent Subcommittee on Investigations, Committee on Homeland Security and Governmental Affairs, note that the crisis was not one of natural causes but rather the result of complex financial products, limited regulation, and high risk taking on the part of financial institutions. The growth markets of the late 1990s and early 2000s ended with dramatic effects, inclusive of the collapse of some of the largest financial institutions (e.g., Bear Stearns), questions of a liquidity crisis, bank bailouts across the globe, downturns in stock markets worldwide, plummeting real estate prices, rapid devaluation of debt instruments, high unemployment, and interjections of governments into the business environment.

While the financial crisis clearly played an important role in the changing nature of export financing, as will be discussed later, our experts indicated the importance of understanding that the financial crisis devastated an economic sector already in transition. To understand this transitioning sector in the United States, we must look to the decades preceding the financial crisis. Competition within the financial sector intensified rapidly during the late 1990s and early 2000s after passage of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994. Specifically, this Act removed many of the geographic restrictions placed on U.S. banks, thereby allowing for growth into new geographic markets. The ability to expand stimulated increased competition through the unfettered movement toward efficiency gains made possible by mergers within the finance sector. For example, the 1998 merger of Wells Fargo & Company and Norwest Corporation was an initial illustration of the drive toward industry consolidation to gain efficiency. Other key mergers that took place were Gulf West Banks Inc. and The South Financial Group in 2002 and Bank of America and FleetBoston Financial Corporation in 2004. In fact, between 1994

**Table 1. Capturing lender preferences for export characteristics****Entrepreneurial Proclivity (Matsuno et al., 2002)**

When evaluating potential firms for export financing, we are more likely to provide funding if. . .

*Innovativeness*

- . . .when it comes to problem solving, top managers in the exporter value creative new solutions more than the solutions of conventional wisdom.
- . . .top managers in the exporter encourage the development of innovative marketing strategies, knowing well that some will fail.

*Risk Taking*

- . . .top managers in the exporter value orderly and risk-reducing management process much more highly than leadership initiatives for change.
- . . .top managers in the exporter like to 'play it safe.'
- . . .top managers in the exporter like to implement plans only if they are very certain they will work.

*Proactiveness*

- . . .top managers in the exporter firmly believe that a change in the market creates a positive opportunity for them.
- . . .top managers in the exporter talk more about opportunities than problems.

**Export Performance (Zou et al., 1998)**

Overall, when evaluating a firm for export financing, we are more likely to provide lending when the exporter. . .

*Financial*

- . . .has generated a high volume of sales.
- . . .has been very profitable.
- . . .has achieved rapid growth in the past.

*Strategic*

- . . .has significant global market share.
- . . .has a strong strategic position.
- . . .has strong global competitiveness.

and 2003, acquisitions in the banking sector increased to over \$3.1 trillion in assets and \$2.1 trillion in deposits (Piloff, 2004). The movement toward mergers and acquisitions resulted in significant downsizing in terms of personnel and the restructuring of investment portfolios to increase competitiveness and profitability. While all these shifts had substantial effects on the competitive and operational structure of the financial sector, their impact on export lending cannot be overlooked.

Mergers forced firms to examine personnel under the auspices of consolidation. In the export-lending operations of many banks, consolidation resulted in the release of experienced export lenders and their replacement with less expensive and less experienced personnel. This not only minimized institutional experience in export lending but also eliminated many personal relationships between lenders and exporting firms. The

loss of key lending personnel continued to increase during the financial crisis; for example, Bank of America's substantial workforce reduction in the fall of 2011.

At the same time that the industry was losing a significant portion of its most experienced lenders through downsizing, it implemented enhanced computerization of its loan-approval processes. Computerization provided bank managers with the confidence that electronic assessments would enable less experienced loan officers to process loan applications effectively and efficiently. This movement downplayed loan officers' experience and the prior relationships lending institutions had with extant clients. Furthermore, this trend moved the industry toward a mechanistic view of lending. As a result, lender policy standards became increasingly lax and inexperienced loan officers' performance outcomes started being based on loan sales,

thus amounting to a recipe for disaster. Unfortunately, the recipe proved well and the financial collapse devastated the banking sector, stimulating the imposition of regulation to restrain an industry perceived to have caused the crisis.

Complicating the situation is an aftermath of blame, regulation, and uncertainty directed toward lenders. For example, proposed regulatory reform noted in President Obama's remarks on 21<sup>st</sup> Century Financial Regulatory Reform on July 17, 2009, created an initial sense of uncertainty and was followed swiftly by the Dodd–Frank Wall Street Reform and Consumer Protection Act of 2010. Then, the [Levin and Coburn \(2011\)](#) report concluded that the crisis was not one of natural causes but was rather the result of complex financial products, limited regulation, and high risk taking on the part of financial institutions. Regulatory uncertainty, coupled with uncertain governmental policy pertaining to economic recovery, and bipartisan politics of the age created a context in which lending decisions to exporters were greatly constrained.

#### **4. Prioritizing innovativeness, risk taking, and proactiveness**

Exporters, much like entrepreneurs, constantly enter new markets, create new offerings, and work with new clients. These activities necessitate processes, practices, and decision-making activities that are characterized by innovativeness, risk taking, and proactiveness ([Hortunha, Lages, & Lages, 2011](#); [Matsuno, Mentzer, & Özsoy, 2002](#)). Innovativeness relates to combining firm resources in new and unique ways to provide the firm with a competitive advantage within the markets it operates. Furthermore, firms willing to take risks are more likely to employ resources creatively ([Hortunha et al., 2011](#)). Finally, proactiveness refers to acting in the expectation of future changes or opportunities and is reflected in an exporter's ability to engage in opportunistic expansion in order to seize market opportunities in the process of new market entry. These three characteristics allow an exporter to continually modify resource deployment and business strategies to meet customer needs over a longer period of time. It is innovativeness, risk taking, and proactiveness that largely determine an export firm's ability to become successful in the global market; therefore, export lenders must assess these three characteristics. Unfortunately, while these characteristics are clearly related to exporter success from the perspective of the firm and its customers, they are not valued equally or prioritized by export lenders.

In fact, findings in the export lender survey were quite disappointing. The results indicated that lenders favor those exporters who avoid risk rather than those who approach risk in a strategic way. This is disappointing but not surprising given that a central goal of lenders is loan repayment. The preference for risk aversion may be indicative of the mechanistic calculus used by lenders after the consolidation of the financial market and increased restrictions placed on lenders due to the financial crisis, as well as fear of taking on 'bad' loans not only due to repayment concerns but also to oversight and potential reprisals from regulators. However, by placing increased emphasis on a strict financial repayment approach, lenders deprioritize a key aspect that makes exporters successful when expanding within existing markets and into new markets.

Compounding the constraining effect of preferring risk-averse exporters is the fact that the surveyed export lenders placed more importance on client risk aversion than either innovation or proactiveness. Such prioritizing further cripples exporters' (i.e., those with the characteristics indicative of long-term success) ability to gain access to resources necessary to drive economic recovery. True export growth is realized through taking risks and being innovative and proactive. If export lenders place greater priority in their lending operations on exporters who minimize risk, then the majority of low-risk exporters will receive export financing. Unfortunately, those exporters who take more risks and are more innovative and proactive—and, hence, more likely to be successful in the long term and serve as key components of economy recovery—will receive less funding. If this is the case, the potential for exporting as an engine for economic growth is unlikely to be achieved.

#### **5. Prioritizing aspects of firm performance**

Firm performance is a critical element of consideration when determining credit worthiness and assessing potential loan investments. Past firm performance history includes no history, poor performance, and acceptable performance. Those with either no history or poor performance are considered higher risks for loan default and, therefore, are not granted loans or are forced to incur higher interest rates and more stringent repayment terms; in these cases, lenders, just like typical foreign investors who only briefly enter and rapidly leave risky environments, demand higher returns given the higher risk of default loan repayment. In contrast, firms with acceptable past performance (i.e., performance

meeting the lender's benchmarks) are considered lower risks of default and, therefore, receive greater consideration. Those with acceptable past performance also typically benefit from lower interest rates and more favorable repayment terms. While past performance plays an important role in the determination of risk and loan potential, performance is multi-faceted. As such, we need to consider the complexity of performance. Specifically, we examined export performance in relation to the financial and strategic aspects of corporate activities.

Loan repayment is one key goal of export lenders, although the long-term servicing of a loan and the establishment of long-term lender-client relationships may well be competing priorities. From a lender perspective, future performance resulting in loan repayment is difficult to predict, as the exporter has information available (e.g., market research reports, prior communications with the buyer, strategic plans for market penetration or customer segmentation) that is not necessarily shared with the lender. Thus, while past performance is no indicator of future results, export lenders indicate that they rely on past performance as a primary indicator of future repayment potential. In fact, when assessing how export lenders evaluated exporters, financial performance was the most widely and highly prized aspect of performance, compared to strategic performance. This is not surprising, as financial performance is the only aspect of export performance providing the necessary resources for loan repayment.

While understandable, the seemingly paramount focus of export lenders on financial performance is somewhat disheartening since it is the exporter's strategic performance that truly provides the foundation for the future viability of the exporter's activities. It could be argued that the firm's strategic performance in achieving goals within selected markets provides insights into not only the potential effectiveness of the firm's management strategies but also into the firm's long-term viability in a changing global marketplace in which new and creative approaches to markets are required (Douglas & Craig, 2011). Thus, strategic performance could and should serve as a foundation for long-term export growth.

## 6. A need for change

### 6.1. Recommended changes in lender policy

Lenders perform a crucial role in the economic growth and prosperity of a nation. This is particularly relevant in export-oriented economies or

economies looking to exporting as a central tenet of economic recovery and growth. In order for U.S. exporters to achieve the goal of doubling exports by 2015, our study of export lenders suggests that lenders must not only revisit their policies related to export evaluation but must also better understand their role in the larger context of the evolving global economy. This is particularly important in an era of international financial turbulence and currency management; for example, in September 2011 Switzerland announced a currency peg to stabilize its exchange rates. To work toward exporting as an engine of economic growth and recovery, we offer the following considerations for export lenders (Table 2).

#### 6.1.1. Prioritize the strategic aspects of exporters

Lenders should take a broader perspective of exporters and their activities in loan evaluations and reprioritize long-term strategic aspects of exporters over short-term financial aspects. These strategic aspects not only relate to incorporating the firm's strategic performance in the lender calculus but also focus on reprioritizing export lending to better understand the unique factors and approaches with which exporters need to align to be successful in the long term. Experts reported that loan officers were allowed greater discretion in their lender/applicant approval process prior to the restructuring of the financial sector and eventual financial crisis. This allowed greater consideration of the long-term viability of the enterprise, including its past, current, and future strategic positions. Only by reinstating the strategic perspective within the loan process, wherein the lender prioritizes risk taking, innovativeness, and proactiveness and strategic performance achievements, can exporting achieve its proper role in U.S. economic rehabilitation. We

**Table 2. A need for change**

#### *Recommended Changes in Lender Policy*

- ✓ Prioritize the strategic aspects of exporters
- ✓ Establish (or reestablish) connections with exporters
- ✓ Recognize societal performance responsibility
- ✓ Prepare for lending in a changing world

#### *Recommended Changes in Governmental Policy*

- ✓ Set clear, stable, and supportive regulation
- ✓ Invest in export-support mechanisms
- ✓ Engage in bridging market-expansion activities
- ✓ Actively engage the trade evolution

recognize that doing so is challenging in times of financial trouble and heightened regulation, but we believe it is a necessary first step to engage exporting for economic recovery.

#### **6.1.2. Establish (or reestablish) connections with exporters**

Downsizing, the continuation of mergers and acquisitions, and the aftermath of the financial crisis have resulted in a disconnection—perceived or real—between lenders and exporters. This disconnection has created a situation in which export lenders may no longer have a strong understanding of the business model exporters use in the new global marketplace. Additionally, export lenders may no longer have a keen understanding of firms' history or the skills and values of their management, key determinants of customer responsiveness and export performance (Sichtmann & von Selasinsky, 2010; Sousa, Ruzo, & Losada, 2010). When a lender works to understand its export clients' business models and corporate history, it demonstrates commitment and dedication to the exporter and allows the export lender to move beyond what has come to be a simple numeric relationship. This type of relationship is not only important for exporters but also for export lenders themselves, as one outcome of consolidation in the banking sector has been increased competition. Without the personal relationships that hold an exporter to a specific lender, the exporter can take its business to new financial service providers. We are all familiar with stories in which after decades of having a relationship with its bank, a client visits the main branch after a merger and does not recognize any personnel. This type of situation, coupled with being treated like either a number or a stranger by new loan officers, breeds not only trouble for exporters but for lending institutions as well. Thus, export lenders should work to rebuild their relationships with prior export clients and take sincere interest in their exporters' businesses.

#### **6.1.3. Recognize societal performance responsibility**

Lenders not only perform a necessary activity by providing exporters access to funding; they also have important responsibilities regarding societal performance. As we see in times of financial turmoil, the capability and steadfastness of lenders and the availability of funds play crucial roles in economic performance. Short-sightedness can result in grave danger for an economy suffering from economic stagnation. Taking a conservative posture or relying too heavily on old markers, both of which lead to unduly restrictive policies, may help protect

the lender from loan default, but this approach fails to achieve the creditor's broader societal obligations. Lenders must begin to recognize how lending practices influence the domestic employment picture. For example, exporting is credited with the creation of 6,000 U.S. jobs per billion dollars of exports (Obama, 2010). Further, lenders have a responsibility for the economic improvement of the country, the success of domestic brands, and the reputation of the nation as a whole. Thus, these issues need to be part of export lenders' evaluation process instead of them merely relying on a mechanistic loan-repayment calculus.

#### **6.1.4. Prepare for lending in a changing world**

Export lenders need to understand that the underpinnings of trade and the role of each nation within the global economy are changing dramatically. As such, environmental changes will influence lender business models and the lending calculus, as well as lender relationships with exporters. For example, export lenders will need to make a substantive investment in exporters if the Obama Administration's goal is to be achieved. This move would shift current investment models, necessitating a recalibration of investment portfolios and approaches to risk management. Further and more significantly, current economic and financial volatility may encourage the reemergence of substitute exchange methods, such as countertrade, barter, or offsets (Czinkota, 2011). If this develops, export lenders will need to incorporate the countertrade dimension into their export-lending calculus. Such developments will create the need for export lenders to partner more closely with exporters and engage in a broader range of services. For instance, personnel will need to be hired and trained to initiate, supervise, and follow through on such transactions to achieve long-term successful completion. Lenders will need to prepare for countertrade-based financing and helping clients learn to use countertrade as a competitive tool.

### **6.2. Recommended changes in governmental policy**

Governments provide a key element of the context in which exporters and export lenders operate. In the United States, the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 and the 1999 repeal of provisions of the Glass-Steagall Act of 1933 dramatically re-shaped the U.S. banking environment. Regulatory changes not only helped reshape an industry but also set the stage for the financial crisis. Concurrent deregulation in other nations, coupled with historic governmental spending, helped

deepen the world economic crisis. As governments set the stage for international commerce to occur, it is the responsibility of these same governments to take an active role in supporting exporters and those facilitating exporting tasks. To this end, we offer several suggestions.

### **6.2.1. Set clear, stable, and supportive regulations**

Governments need to create a clear, stable, and supportive regulatory environment to facilitate export trade. First, governments should establish policy that encourages export lender flexibility when engaging in lending practices for the export market. While there are certainly concerns that prior lending practices in the financial sector were fundamental to the economic crisis, export lenders cannot engage in lending activities that will achieve the Obama Administration's goals unless restrictions on lenders for exports are lessened. For example, a report by [Iacovone and Zavacka \(2009\)](#) indicated that exporters requiring greater access to financial resources grew at significantly lower rates than those exporters requiring less access to financial resources during the banking crisis. Second, the rhetoric blaming the financial sector—including claims of legal action against those in the financial sector—should be toned down. While political points may be gained by continuing to focus on the cause of the financial crisis, it is more important that the government, businesses, and society as a whole focus on job creation. By providing a clear, stable, and supportive regulatory environment where export lenders do not fear penalization for engaging in sanctioned business practices, export lenders can help provide the access to resources exporters need to be successful.

### **6.2.2. Invest in export-support mechanisms**

Financing is a crucial component of international performance. In the United States, institutions like the Export-Import Bank of the United States and the Overseas Private Investment Corporation have been created. However, in times of budget restraint, there is the temptation to reduce investments in supportive institutions, particularly when they can be publicly positioned as supporting businesses (an economic actor that has become vilified) or as a 'subsidy for foreigners.' Without continued support of these institutions, loan volumes will be reduced, commitment times will be shortened, interest rates will be raised, risk assessments and loan terms will become more restrictive, and premiums will be ratcheted up. For example, as investments in supportive mechanisms decrease, personnel will be lost and processes will be

altered to simply have fewer people concentrating on a few loans, thereby making loan facilities less accessible. It is in times of financial crisis, such as today, that governments must recalculate resource assignments and place increased emphasis on and investment in those institutions that back the country's export operations. Governmental institutions should reach out to work with lending institutions, thus providing a stronger supportive network for exporters. In fact, governments' pledges to fulfill export-led economic recovery can only be achieved through continued support of and investment in these institutions and through extending networks to provide a stronger linkage between exporters and lending institutions.

### **6.2.3. Engage in bridging market-expansion activities**

Hard financial conditions are a detrimental influence on exporters' competitiveness. As financial conditions deteriorate, sharp restraints are placed on international activities in preference of domestic activities; the latter are perceived to be less risky and direct local job creation. However, the government not only needs to refocus attention on the important role exporting activities play in the domestic economy, but also take an active role in bridging market-expansion activities for exporters. The domestic economy benefits from export activities through multiple means, both directly (e.g., through job gains, tax income, domestic production stimulation) and indirectly (e.g., jobs created in communities in which export firms or their suppliers exist). Given the volatile international environment, firms are likely to encounter market gaps resulting from international divergences ([Douglas & Craig, 2011](#)). We contend that it is appropriate to have the government provide temporary help in bridging such gaps. Through refocusing current investments (e.g., federal and state tax incentives in the United States) and harnessing the power of international information and contact networks, governments can provide a narrowly focused directive in working with exporters to help identify and grow international markets. These actions would be more expansive than traditional export-promotion efforts, which have effectuated exporting success (e.g., [Gencturk & Kotabe, 2001](#); [Leonidou et al., 2011](#)).

### **6.2.4. Actively engage the trade evolution**

Governments need to play an active role in how evolving markets result in changes in manners of trade. As noted previously, most economies are actively working to stimulate exports. For these recovery strategies to be effective across markets,

governments must also set the stage for their nations to be open to imports. Countertrade presents an opportunity for increased exports across evolving global markets. Governments should assist with countertrade training and negotiations if countertrade is indeed headed for a return (Czinkota, 2011), and governments should not abandon or oppose countertrade just because the activity is not the most efficient method of exchange. While clearly a second best solution, countertrade is still much better than no trade at all. With the help of government support, the financial and time synchronicity inefficiencies of countertrade can be partly mitigated, thus allowing for a broader spectrum of firms and products to play a role in exporting. While countertrade is one possibility, there are a multitude of others. Through active government-to-government involvement in facilitating solutions within the evolving global marketplace, the social welfare of all nations can be elevated.

## 7. The export engine for growth

Export growth is seen by governments as a key to economic recovery. To gain greater insights into exporting, this work attempted to understand the contextual changes in the financial sector related to export lending, as well as understand export lender priorities in evaluating exporters. The findings suggest that changes in the financial industry over the last two decades, coupled with the economic recession, have motivated policy developments—at both the lending firm and governmental level—that restrict the ability of exporting to fully contribute to economic recovery. The findings also imply that current lender policy encourages lenders to prioritize exporters who focus more on risk aversion than those with anticipated growth strategies driven by innovation, risk taking, and proactiveness. The findings indicate that export lenders prioritize loan repayment over the equally important aspect of exporter strategic market position. The prioritization of exporter characteristics is partially attributable to the changing nature of the financial sector, the financial crisis, and the ensuing policy uncertainty in the aftermath of the financial crisis. To help overcome these conditions and thus enable exporters to serve as an engine of economic recovery, we present a series of recommendations for both export lender policy and governmental policy. Through the consideration and implementation of these recommendations, exporters can hopefully achieve their full potential as an engine of economic growth and job recovery.

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