

IDENTIFICATION OF STRATEGIC TRADE ISSUES:  
THE CASE OF SOUTH DAKOTA

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**ABSTRACT:** This paper reports the results of a delphi style study conducted during the summer months of 2000. The study asked participants to identify international business and trade issues that would be important to the State of South Dakota for the coming decade. The two-round study identified six major issues (50% or more of respondents) and 8 lesser issues (28% or more of respondents) of importance to South Dakotans in the realm of international business and trade for the coming decade.

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### **INTRODUCTION**

The new millenium had dawned. Only a few months ago we reflected on what happened, changed, and became reality in the last century. We spent time wondering what could be and what will be in the forthcoming century. We spent time analyzing the changes in society, medicine, engineering, entertainment, transportation, exploration, and business. We have made our predictions of what life will be like a century from now. With the celebrations of only a few months ago out of mind, we once again have turned our attention to matters at hand.

Business literature, and strategic management literature in particular, contains numerous articles suggesting the importance of analyzing trends and planning. The environmental analysis literature (e.g., Duncan, 1972; Fahey & Narayanan, 1986; Lenz & Engledow, 1986) and management tools such as situational analysis (Ansoff, 1965; Andrews, 1987) suggest the importance of understanding changes in the business environment. More recent strategic management literature (Van de Ven, Angle & Poole, 1989; Kotter, 1995 & 1996) suggests the importance of the study of and creation of change. The literature suggests that firms that are better able to identify change in their environment are better able to develop strategies to deal with the foreseen change.

Hence, the ability to identify important issues in a firm's strategic business environment is of particular importance.

Developments in the realm of international business and trade are of particular interest to business. Much recent literature (e.g., Kogut, 1998; Medcof, 1996; Shanklin & Griffith, 1996; Werther, 1996) focuses on the effect of the global market on various business segments, e.g. agriculture, exports and imports, trade, labor, and strategy. Many organizations in many locations around the globe are well versed in the intricacy of conducting business across national borders. However, there are many businesses that have yet to experience such forms of commerce. Yet these businesses realize that their competitive viability rests on their ability to identify and develop strategy to effectively deal with these issues.

This study reports the results of a two round delphi study conducted during the summer months of 2000. The researcher sought to identify the most significant issues in international business and trade facing businesses in the State of South Dakota, a state in which international issues become increasingly more important with the continued growth of commerce. The following sections present a review of evidence of the importance of international business to the state and a clarification of methodology used in this research. The paper concludes with a discussion of the results of the study and gives direction for further research.

## **SOUTH DAKOTA AND INTERNATIONAL BUSINESS**

South Dakota is an Upper-midwestern state and relies primarily on agriculture and tourism for its economy. In recent years, however, an increasing portion of the state's economy has derived from both the service and manufacturing sectors.

Between 1987 and 1997, South Dakota led the nation in the growth of manufacturing jobs with a 74% increase (Associated Press, 1997b). The same article reports that the state's economy is growing faster than anytime since statehood. A more recent article (Associated Press, 2000a) reports that South Dakota has seen a 93% increase in retail sales and an 107% increase in exports to US\$12.4 billion from US\$6 billion between 1992 and 1997. The Federal Reserve Bank of Minneapolis (Gruenewald, 2000) reports dramatic increases in manufactured goods export activity from 1998 to 1999 among South Dakota exporters. Total exports increased 5.5%, while exports to Canada and Asian NIC's increased 14.7% and 44.4% respectively. The Federal Reserve data (Gruenewald, 2000) also reports that the computer and electronic equipment industry saw the largest area of growth, up 24.6%, during the same time frame.

Combined with the increased activity in exporting and economic growth, South Dakota businesses are also faced with increased competition on their home turf. In July 2000, the Consul General of the Netherlands, Gilbert de Froidville, led a trade mission to South Dakota. In a general statement, he reported that South Dakota accounted for over US\$30 million in trade annually with the Netherlands. He also reported that South Dakota has "good foundations" for those interested in international business investments (Waltman, 2000).

South Dakota businesses have already felt the adverse effects of international competition as well. Several businesses have relocated manufacturing plants to other countries to save on labor costs, while simultaneously providing large blows to small, local economies. A large South Dakota employer recently announced the closing of two manufacturing plants and the loss of 82 jobs due to increased international competition

(Associated Press, 2000b). The company stated that they cannot compete with foreign rivals that pay only a few cents per hour to their employees.

In order to continue to produce economic growth, to protect local jobs, and to compete in international markets, South Dakota businesses must prepare strategic initiatives to deal with current and projected issues in the international marketplace. Before businesses can create such strategy, businesses must identify the significant issues facing them and identify the nature of the competition. In a speech delivered at the University of South Dakota, Tom Brokaw, NBC News, stated that “great competition comes not from the neighboring states, but from across the world... in SD (you) are competing with them politically, economically, and culturally” (Associated Press, 1997a). This research identifies international business issues of importance to South Dakotans. The next section presents the methodology used to collect the data.

## **METHODS**

This study employed a two round delphi style survey technique. Delphi techniques have been associated with sound survey research practice and quality of data collection (Van de Ven & Delbecq, 1974; Riggs, 1976; Linstone & Murray, 1976; Stumpf, Zand & Freedman, 1979). In the first round of this research, the researcher asked participants to identify international business issues that would be of importance to South South Dakota businesses for the next decade. The questions was open-ended and gave no suggestions as to categories, etc. The questionnaire did ask for any comments that the participant would care to provide. The second and final round asked participants to choose and rank order the top ten issues (1 most important to 10 of

lesser importance) from those identified in the previous round and provide comments if they so desired.

The researcher derived the original sample from several sources. The South Dakota Directory of International Business provided names and addresses of both exporters and international service providers based in South Dakota. Additionally, the researcher mailed surveys to all local Chambers of Commerce, Economic Development Agencies, and Higher Education Leaders (university and community college presidents, business school deans and department chairs). The initial sample identified 445 participants. Twenty-five participants continued through both rounds of the survey research, yielding a final participation rate of 5.6%. Table 1 provides a more detailed analysis of the participants.

The researcher provided postage paid return envelopes and a fax number that participants could use to return the completed survey. The following section reports the results of the research.

## **RESULTS**

Research results indicate a broad awareness of the significance and variety of international business issues facing organizations in South Dakota. The participants identified 37 issues varying from agriculture to education to transportation. Table 2 lists the issues identified by participants in the first round of data collection. Because of the number of issues identified by the participants and the varying degree of frequency of mention, the second round of the research asked participants to identify the ten most significant issues from the list identified by the group. Table 3 lists the six most significant international business issues facing South Dakota business for the next

decade. At least 50% of all participants identified these issues as significant. Table 4 identifies eight additional issues that received the support of exactly 28% of survey participants.

## **DISCUSSION**

The results of this study indicated that a broad array of international business issues faced South Dakotans as they enter the 21<sup>st</sup> Century. Of the six major issues identified in Table 3, respondents indicated that the opening of new markets and increasing product/service quality for competitiveness were the two most significant issues facing businesses in the state. However, the other four issues, cooperative distribution networks, e-commerce, cooperative marketing arrangements, and international business education, followed closely behind in respondent rankings. The following paragraphs provide further discussion of each of these issues.

**Opening new markets and decreasing trade barriers.** Survey results indicate that South Dakotans realize the importance of finding new markets for the various products and services produced in the state. With a large portion of the state's economy dependent on agriculture, farmers and ranchers constantly seek new markets for their products. Universal concerns on the safety of genetically modified crops have limited the marketability of grains and produce, particularly in Europe and Japan. Concerns over mad cow disease and the use of animal by-products in cattle feed have limited the export of beef, particularly to Europe. Hence, the ability to find new markets and to work toward the lifting of trade barriers on these products is a significant issue to the state. It is also interesting to note that 28% of survey respondents also indicated

that the identification of the role of genetically modified agricultural products was a significant international issue for the state.

**Increase product and service quality to be competitive at the international level.** Comments from respondents listing this issue commented on the need to add value to the products and services produced in the state. Several offered examples in their comments of the need to foster the development of “value added” agricultural products in particular, e.g., production of soy based products instead on only the soy beans. Many businesses, agricultural cooperatives, individuals, and state government are currently working on way to enhance the competitiveness of all industry in South Dakota through value added activity.

**Development of international cooperative distribution networks for small business.** As any small business person will tell, finding efficient and effective distribution networks remains a significant concern. With nearly 98% of the nation’s and South Dakota’s businesses considered small businesses (Riddle, 1997), this issue is not only a concern for South Dakota but also perhaps for the nation as well. Many small business people fear the risk, dangers and problems associated with doing business outside of home country boundaries. This is reflected perhaps in the fact that only about six percent of all US small businesses export (Worsham, 1998). This figure is even smaller for South Dakota, although exact data is not available from the state at the time of this writing. Respondents indicated that efficiency could be achieved in consolidation of shipments, costs of transportation, location and interaction with distributors and sales agents should small businesses within the state work together when dealing in the international market. It is also interesting to note that 28% of

respondents indicated that improved air transportation service to and from South Dakota is also a significant issue. Perhaps the fact that only two South Dakota cities, Sioux Falls and Rapid City, have jet airline service complicates distribution issues even more so, a difficult challenge for any small business.

**Development of internet and e-commerce skills.** The growth of the use of the internet for both recreational and business purposes has increased at an almost unbelievable rate over the past 5 years. The importance of this important tool and economic sector of the economy cannot be understated. Survey respondents indicated a two fold importance for the high ranking of internet and e-commerce skills. The first reason focused on marketing: the need to create an awareness of what the company offered to its customers. Respondents indicated that the internet was an efficient method to link South Dakota business to the rest of the world. Linking to the previous discussion, Clement (2000) suggests that businesses in an e-commerce oriented economy rely on effective and efficient air service as an “essential” component of their distribution systems. Respondents also indicated that the internet was also an important business resource for location suppliers, business partners, and general business information. Twenty-eight percent of respondents also supplemented this view by suggesting that internet based business-to-business networks should be developed to eliminate middlemen, further indicating a need to increase efficiency and improve competitive positions in the market.

**Cooperative marketing arrangements between business and government.** Survey respondents indicated a strong need for intervention on the part of government agencies to assist business in cooperatively marketing products and services in

international markets. One respondent specifically stated that the State of South Dakota should lead trade missions to foreign countries to promote state made products and services. South Dakota does provide export assistance to business through the Governor's Office of Export Development and the South Dakota International Business Institute. If results are indicative of government service knowledge across the state, perhaps the state itself must do a better job of promoting the services available to business within the state.

**Increased focus on international business education.** Respondents indicated that a lack of knowledge about foreign markets, foreign culture, language barriers, export procedures, etc. severely hampered international business efforts in the state. At present, state high schools do not require the study of a foreign language as a graduation requirement and only one state university has a degree program in international business. One respondent indicated a need to change the overall mentality of South Dakotans from a parochial to a world view only available through enhanced educational opportunities.

**International: the unknown.** Although not included in the tabulation of responses, two similar comments are of important note. The researcher received these comments in the first round of the survey. Both respondents (each one indicated that they exported products) indicated that they would be unable to complete the survey as there was no guidance given to the selection of the issues: "Not sure what issues would pertain to SD specifically," or "this does not effect our business at present...maybe in the future it will." Such responses perhaps indicate a naïveté with regard to effect of global commerce on even the smallest of businesses. Such comments definitely

support the assertion made by respondents for the need for increased international business education in the state.

## **CONCLUSION**

Overall, one can distill common needs for international business in South Dakota from the survey responses. The survey indicates first that South Dakotans need markets to sell their products and need assistance to improve the overall quality (value added) of their products and services. Secondly, the results indicate that South Dakota businesses need cost efficient and effective methods to advertise and get their products and services to the international marketplace. Finally, the results demonstrated a need for increased international business and technology education to aid making South Dakotans competitive in the global market.

Despite limitations to this research, including small sample size and possible contamination of responses due to the progress of time, the results are of significant use for both the researcher and practitioner. The results call for additional research into the specific needs of businesses throughout the state of South Dakota, with particular focus given to identifying specific needs in the industrial, agricultural and service sectors. For the practitioner, whether educator, business person, or government official, the results serve as an outline for needed action to ensure the competitive viability of South Dakota's businesses in the international marketplace.

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**TABLE 1**  
**ANALYSIS OF PARTICIPANTS**

<b>Group</b>	<b>N</b>	<b>% of population</b>	<b>n</b>	<b>% of N</b>	<b>% of sample</b>
Service providers	18	4.0%	1	5.5%	4%
Exporters	327	73.5%	15	4.6%	60%
Chamber of Comm.	31	7.0%	6	19.4%	24%
Econ. Dev. Offices	23	5.2%	1	4.3%	4%
Higher Education	46	10.3%	2	4.3%	8%
<b>Totals</b>	<b>445</b>	<b>100.0%</b>	<b>25</b>	<b>5.6%</b>	<b>100%</b>

**TABLE 2**  
**ISSUES IDENTIFIED IN ROUND ONE OF SURVEY**

- Increase product/service quality to be competitive at the international level.
- Improved/increased airline service to/from South Dakota.
- Improved communications systems/networks in state.
- Increased promotion of tourism.
- Development of internet and e-commerce skills to reach global market.
- Development of e-business-to-business networks to eliminate middle-men.
- Refining individual advertising and marketing skills.
- Increase wage rates in SD to eliminate brain drain and attract skilled workers
- Increased governmental support for agriculture and farming.
- Reduction of the influence of large agricultural corporations.
- Identification of the role of genetically modified agricultural products.
- Development of packaging that is environmentally sound yet practical and attractive.
- Opening new markets and decreasing trade barriers.
- Development of global networks.
- Further development of global production and service standards such as ISO 9000.
- Development of common international communications and data transfer protocols.
- Development of common international business reporting and accounting standards.
- Increased focus on international business education in the state.
- Increased focus on foreign language and cultural education in the state.
- Increased focus on international research at state universities.
- Government aid in increasing exports from SD producers.
- Increased focus on international issues in SD newspapers, newscasts, etc.
- Development and increased use of SD port of entry in Sioux Falls.
- Increased economic development efforts by state and local governments.
- Development of technology to increase productivity.
- Development of alternative fuels to decrease reliance on imported fuels.
- Increased international student and business exchanges.
- Reduction of state and local taxes on businesses and individuals.
- Cooperative marketing arrangements between business and government.
- Increased awareness of Ex-Im Bank role and programs.
- Reduction of transportation costs.
- Change in negative attitudes toward outsiders and highly educated individuals.
- Ensure international property rights protection.
- Development of international cooperative distribution networks for small business.
- Stabilization of 3<sup>rd</sup> world / lesser developed countries' governments to facilitate foreign trade.
- Elimination of foreign government subsidies of domestic industries.
- Finding ways to compete against low cost labor in foreign countries.

**TABLE 3**  
**SIX MOST SIGNIFICANT INTERNATIONAL ISSUES FACING SD BUSINESSES**  
*(identified by 50% of more all respondents)*

(percent identifying issue/ average ranking on scale 1-10 with 1=most important)

1. Opening new markets and decreasing trade barriers (56% / 4.07, range 1 to 10)
2. Increase product/service quality to be competitive at the international level (56% / 4.5, range 1 to 9).
3. Development of international cooperative distribution networks for small business (52% / 5.1, range 1 to 9)
4. Development of internet and e-commerce skills to reach international market (52% / 5.27, range 2 to 10)
5. Cooperative marketing arrangements between business and government (52% / 5.4, range 2 to 10).
6. Increased focus on international business education in the state (52% / 5.5, range 1 to 10).

**TABLE 4**  
**EIGHT ADDITIONAL INTERNATIONAL BUSINESS ISSUES FACING SD BUSINESS**  
*(identified by 28% of all respondents)*

(average ranking on scale 1-10 with 1=most important)

1. Improved/increased airline service to/from South Dakota (3.86, range 1 to 10).
2. Increased wage rates in SD to eliminate brain drain and attract skilled workers (4.29, range 1 to 8).
3. Improved communications systems/networks in the state (4.71, range 1 to 8).
4. Development of e-business-to-business networks to eliminate middlemen (5, range 1 to 9).
5. Identification of the role of genetically modified agricultural products (5, range 3 to 7).
6. Finding ways to compete against low cost labor in foreign countries (5, range 4 to 8).
7. Development of technology to increase productivity (6.29, range 1 to 10).
8. Increased economic development efforts by state and local governments (6.71, range 4 to 9).