



DEFINING SUCCESS:

**MEANINGFUL METRICS TO EVALUATE
U.S. STATE INTERNATIONAL-TRADE PROGRAMS**

JULY 2018

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TRADE PROGRAMS**

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Foreword

In today's metric-driven economy, nearly every program and initiative is analyzed to determine its effectiveness and impact. This is even more prevalent for government programs.

In the international trade arena, state trade offices are on the frontline, steering U.S. companies through the export process. They provide a variety of services, such as counseling businesses, conducting market research, executing trade missions and shows, providing education seminars, and more. Those exports support nearly 12% of the U.S. gross domestic product and support millions of good paying jobs in the U.S.

So how do states measure the many activities and accomplishments of trade development programs? The answer is not as easy as a simple cost-benefit analysis. For years, federal and state leaders have used a variety of indicators, including number of companies counseled, estimated export sales, jobs supported, and customer satisfaction surveys. However, metrics have changed frequently and there has been minimal analysis on how to best measure state international trade programs.

I want to commend the State International Development Organizations (SIDO) leadership and members for making this report a priority. This best-practice report will help federal and state policymakers better understand the role of state international trade programs and how to measure them.

The report is also an important starting place to help increase the coordination and reporting requirements among various federal agencies and programs. Coordinating metrics will help reduce duplication and inefficiencies, while making sure all programs are speaking the same language.

On behalf of the SIDO officers, I want to thank Ambassador Charles Ford, Aaron Miller with the Virginia Small Business Development Centers at George Mason University, and Chris Rugambwa for their leadership in developing this report.

I also want to thank our partners at the U.S. Department of Commerce's Trade Promotion Coordinating Committee, the U.S. Small Business Administration, and everyone who contributed to this report.

We hope this report is a valuable resource for state international trade offices, federal trade agencies, state and federal policymakers, and all other organizations seeking to better understand how to analyze their respective international trade development programs.

David Máthé

SIDO President

Export Trade Director, Delaware

Contents

- Executive Summary..... 1**
- I. Introduction 3**
- II. Overview of state international trade development programs 9**
- III. Review and Comparison of Metrics 17**
- IV. Best Practices for Measuring Success 23**
- V. Recommendations for Best Practice in Metrics 33**
- Appendices..... 37**
 - Notes
 - For Further Research: Literature Review



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Executive Summary

International trade is vital to the health of the United States economy. We cannot have a growing economy or lift wages unless we continue to export beyond our borders, where 95% of the world's population resides.

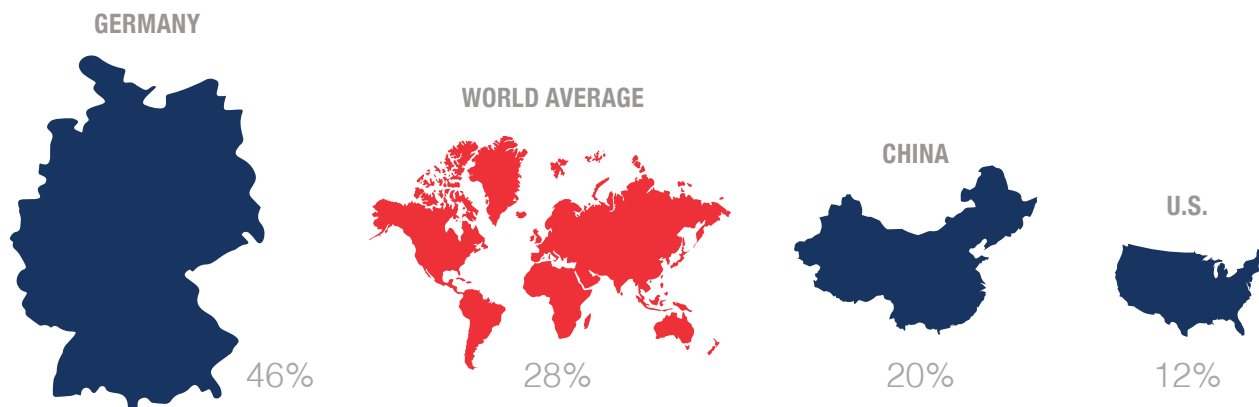
KEY FACTS

Workers in export-intensive businesses earn between 15-16% more than other workers.

The United States has the ability to export considerably more.

- The world average for a country's exports as a percentage of gross domestic product is 28.5%
- Germany: 46%
- China: 20%
- U.S.: only 12%

COUNTRY'S EXPORTS AS PERCENTAGE OF GROSS DOMESTIC PRODUCT



- As additional evidence of untapped export potential, consider that currently only 5% of businesses in the U.S. are involved with exporting, and 59% of small- and medium-sized business exporters sell to only one foreign market.

The public sector, in this case state governments, has a vital role to play in support of the private sector. State international trade programs provide information and trade contacts not readily available in the market place, and they assist firms to identify market opportunities and expand market access. State international trade programs address these challenges by organizing trade missions, participating in trade fairs, and counseling companies on product specific information on overseas markets. Metrics that evaluate the impact of these programs are designed in the context of what is important to each state.

Obvious differences in the economic composition of each state place serious constraints on the development of a one-size-fits-all approach. The inability of state international trade programs to require companies to report trade results is another constraining factor as it takes time to develop rapport with companies so that they feel comfortable sharing outcomes with state partners. Finally, as it often takes several years for a company to find success in overseas markets, the focus on short-term results can lead to a serious under-reporting of program impacts.

Meaningful metrics helpfully assist stakeholders and businesses define what success looks like while measuring program outcomes. Key findings: the current trend is toward the design of metrics that most credibly capture the value that clients place on services offered.

Specifically:

- 1 FOCUS ON THE CLIENTS:** Many agencies are moving to adopt two metrics as indicators of their core performance: the number of clients served and the percentage of clients who indicate they are satisfied with the service provided and would recommend the trade program to another business.
- 2 UNDERSTANDING THE NUMBERS:** Given the extreme difficulty of demonstrating that an export would not have occurred if government support were not provided, metrics that offer a quantitative outcome or a dollar value result are becoming more nuanced. There is greater transparency as to how a number is reported and the number is combined with a narrative that documents the assistance offered and its value to the final export transaction, as well as the value the company places on the service received.
- 3 ALIGN WITH THE OVERALL MISSION AND VISION:** Best practice today focuses on the total commitment of the trade program, its stakeholders, and its clients to a process that generates a mutual understanding of vision, mission, and core program goals. A widely accepted and understood metric is the key to a successful program.

I. Introduction

Why international trade programs matter

Before reviewing best practices for developing metrics to evaluate U.S. state international trade programs, it is important to understand 1) why these programs are vital to fostering economic prosperity and 2) the public policy rationale that underpins the allocation of taxpayer resources for trade programs.

In brief...

State international trade programs matter because:

The U.S. economy's health is dependent on exports to grow its economy and increase high-paying jobs.

There are two primary public policy rationales for state international trade programs:

- *Companies at certain stages of their growth need assistance to overcome imperfections in the marketplace.*
- *Defensive measures are needed to counter the programs of competitor nations.*

It is crucial that adequate metrics are assigned to measure their impact on exports.

First, international trade is important to the health of the U.S. economy. The United States cannot have a growing economy or lift wages unless it continues to export beyond our borders, where 95% of the world's population resides. Consider:

TRADE:

The U.S. is one of the world's top three trading nations with total trade of \$5.2 trillion in 2017. It has had a surplus in agricultural trade every year since 1959. Services made up one third of U.S. exports in 2017, providing a surplus of \$242 billion. In total, U.S. exports reached \$2.35 trillion in both goods and services. U.S. imports stood at \$2.9 trillion in 2017.²

JOBS:

More than 41 million U.S. jobs depend on international trade. An estimated 25% of all manufacturing jobs are supported by exports. U.S. agricultural exports support an estimated 929,000 jobs on and off the farm. Importantly, jobs supported by trade pay 13-18% more than the U.S. national average. Workers in export-intensive manufacturing industries earn 16.3% more, while the wage premium for export-intensive service industries is 15.5% more than comparable non-exporting industries³.

BUSINESS:

Roughly 98% of the 300,000 U.S. companies that export are small- and medium-sized businesses, and they account for one third of U.S. merchandise exports. Of small- and medium-sized companies that export, the majority export to only one market, leaving additional market opportunities unexplored.⁴ Surprisingly, only about 5% of U.S. companies are involved in export.

STATE AND LOCAL JURISDICTIONS:

Since 2009, nearly every U.S. state has seen an increase in exports, and exports have increased by more than 25% in 37 states. In 2015, 156 metropolitan areas had more than \$1 billion in exports.

INTERNATIONAL COMPARISON:

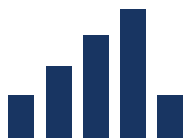
The U.S. has a very high potential to export much more. Consider for example that the world, on average, exports 28.5% of gross domestic product. Exports as a percentage of national GDP is 46% for Germany, 20% for China, yet only 12% for the United States.⁵

These indicators illustrate the strong, well-documented case of the benefits of international trade and the opportunities to further expand trade.

A Note on Terminology

International trade is defined as the exchange of goods and services across international boundaries. More specifically, international trade includes exports (the sale of goods and services from one country into a foreign country) and imports (the purchase of goods and services from a foreign country by a host country.) For the purpose of this report, “international trade”, “trade development,” “export development,” and “export promotion” are used interchangeably to mean, primarily, the sale of U.S. goods and services into other countries.

INTERNATIONAL TRADE IMPACT



JOBS

41 million U.S. jobs depend on international trade. Those jobs pay **13-18% more** than national average.

BUSINESS

98% of U.S. companies that export are small- and medium-sized businesses. The majority export to only one market, leaving additional market opportunities unexplored.

STATE LEVEL

Since 2009, nearly every U.S. state has seen an **increase in exports**.

INTERNATIONAL COMPARISON

The world exports **28.5% of GDP**. Exports as a percentage of national GDP is **only 12% for the U.S.**

TOTAL U.S. TRADE IN 2017: \$5.2 trillion

PUBLIC POLICY RATIONALE FOR STATE INTERNATIONAL TRADE PROGRAMS

Individual states operate programs that support the private sector in its efforts to identify overseas market opportunities and increase market access internationally. These programs are an important component of the public-private partnership that is necessary with the business community to reap the benefits of increased trade. Given the multiple demands placed today on ever scarcer public purse strings, it is vital to acknowledge the public policy rationale that underpins the use of public money to support the international trade activity of private enterprises.

OVERCOMING MARKET IMPERFECTIONS

First, public policy rationale rests on the need to assist companies at certain stages of their growth to overcome imperfections in the marketplace. As cited in a seminal General Accountability Office report, “*Export Promotion: Rationale for Government Programs and Expenditures*”⁶

“Economists, as a general proposition, oppose government intervention in private markets because markets typically produce more efficient outcomes. Government intervention tends to distort resource allocation and create inefficiencies. However, for markets to be able to achieve the anticipated level of economic efficiency, key conditions must be met. For example, all costs and benefits are to be internalized to firms and consumers, market participants are to have perfect information with respect to all market variables and the future, and no market participants may hold monopoly power. When such key conditions are not satisfied, the outcome that the market generates may not be the most efficient. It is in such circumstances, referred to as “market failures,” that the economics literature discusses how government intervention can improve efficiency.”

As noted in a 2017 report of the U.S. Trade Promotion Coordinating Committee (TPCC):⁷

“Most small- and medium-sized businesses are unable to dedicate the necessary staff, management attention, and budget for international expansion”

“U.S. companies, small- and medium-sized businesses (SMEs) in particular, often face gaps in their ability to assimilate information and to make business contacts overseas. Most SMEs are unable to dedicate the necessary staff, management attention, and budget for international expansion. Social networks are a key vehicle for obtaining information about new business opportunities and finding buyers, agents, and other business partners; however, the social networks of SMEs often do not extend to foreign markets. Even with information and overseas business partners, most SMEs lack the staff expertise to manage export compliance issues, trade logistics, and global business planning.”

This gap in the ability of SME's to readily assimilate market information and to develop relationships with overseas business contacts is precisely the marketplace gap that state international trade programs fill.

Competitor nations support exports by:

- Aggressively advocating for indigenous firms
- Providing attractive packages for export and project financing
- Providing grants for project feasibility studies
- Linking development assistance to trade development programs

DEFENSIVE TO STAY GLOBALLY COMPETITIVE

A second policy rationale recognizes the need for defensive measures to counter the international trade development programs of competitor nations. Over the last decade, these nations have renewed commitments that make their trade development programs even more robust. Competitor nations aggressively advocate for their indigenous firms bidding on major projects. In addition, competitor governments provide attractive packages for export and project financing, and grants for project feasibility studies to support their indigenous firms. Germany, a dominant trading nation, has expanded its extensive public-private partnerships that sustain the world's leading trade fairs. It also offers programs to assist its exporters to overcome the market

imperfections described previously. Many competitor governments tie their development assistance (ranging from airline routes/landing slots to scholarships and technical training programs) to their trade development programs, seeking leverage for their commercial interests.

The American Academy of Diplomacy (AAD) and the Una Chapman Cox Foundation in 2017 released a two-part report, “Support for American Jobs,” that documents the current challenges facing U.S. exporters and issued an urgent call for a new federal-business partnership to confront this foreign competition in order to take advantage of new emerging business opportunities in the global marketplace.⁸

Support for American Jobs describes the competitive landscape of the business climate for U.S. exporters today. These challenges and opportunities require the engagement of all actors involved in the U.S.’ international trade development network — states, cities, non-profit organizations, private sector, and federal government. The focus should address:

1. Reconciliation of the goal of increasing exports and the competitive quality of our business climate with the goal of providing trade facilitation services to individual firms.
2. Alignment of mission and programs within existing national and international networks.
3. Organizational process issues related to clarity of mission statement and engagement of stakeholders and clients.

STATE-LEVEL INITIATIVES TO INCREASE EXPORTS

Based on this rationale for providing international trade development to local firms, state policymakers have adopted a wide range of solutions that aim to increase exports. The services offered by state export development organizations vary according to a number of factors, of which the most important are state resources allocated to international trade development. Services currently offered across states include:

- Agent and distributor searches
- Client export counseling
- Competitive analysis / pricing information
- Export finance counseling
- Export readiness training
- Foreign company background checks
- Foreign student recruitment to local colleges and universities
- Inbound buying missions
- Licensee, joint venture, partnership contract review
- Market analysis
- Market entry strategy development
- Market research
- Marketing / promotional literature reviews
- Overseas offices or representative
- Trade missions
- Trade shows
- Training programs and seminars

Given the importance to overall U.S. economic growth of establishing competent exporting companies, it is crucial that adequate metrics are assigned to measure their impact on exports. Meaningful metrics assist stakeholders and clients define success and measure outcomes.

Section IV of this report describes current best-practice for metrics, both performance measurement and program outcomes. It also includes case studies to present the best practice examples of one U.S. federal agency and one foreign government to illustrate these principles in practice.

Section V presents recommendations for best practice in metrics for program measurement and evaluation.

“Given the resources allocated to state programs designed to increase exports, it is crucial that adequate metrics are assigned to measure their impact on exports.”

II. Overview of U.S. State International Trade Development Programs and Current Performance measures

FUNCTIONS OF STATE INTERNATIONAL TRADE DEVELOPMENT PROGRAMS

It is necessary to inventory and describe the metrics currently used by international trade programs at the state level, as significant variation exists from state to state. Understandably, the program objectives and size of budget and personnel of export development programs vary from state to state. This variance in programmatic structure happens because each state has a unique economic mix of industrial and service sectors. Further, the geographic location of border states and states in general has a major impact on state priorities and the composition of individual programs.

The following charts provide a broad overview of the current programs of members of the State International Development Organizations (SIDO). SIDO is the only national organization focused on supporting governors' international trade agendas by serving and representing the 50 state trade agencies to the federal government. Through SIDO, state international trade agencies can share best practices, participate in training activities, and advocate for policies that support their operations and businesses. SIDO is an affiliate of The Council of State Governments. These data are drawn from the February 2018 SIDO survey of 41-member programs and provide an indication of the size, scope, and coverage of the current program mix.

In brief...

A 2018 survey of members of State International Development Organizations (SIDO):

- Found vast differences in program coverage and funding / staffing
- Discovered no agreed-upon metrics to evaluate the effectiveness of programs
- Established a baseline at the state level for the discussion of best-practice principles now in use and under development by organizations at the state, federal, and international level.

SERVICES OFFERED BY STATE INTERNATIONAL DEVELOPMENT ORGANIZATIONS

SERVICES	COUNT	PERCENT
Trade missions	36	88%
Trade shows	35	85%
Client export counseling	33	80%
Export readiness training	31	76%
Overseas offices or representatives	30	73%
Market research	28	68%
Market entry strategy development	26	63%
Training programs and seminars	24	59%
Agent distributor searches	23	56%
Inbound buying missions	19	46%
Foreign company background checks	19	46%
Marketing/promotional literature reviews	14	34%
Competitive analysis/pricing information	10	24%
Identifying suppliers abroad for companies in your state	10	24%
Foreign student recruitment to your local colleges or universities	8	20%
Licensee, joint venture, partnership contract review	6	15%
Import counseling	6	15%

NUMBER OF FULL-TIME EQUIVALENT (FTE) EMPLOYEES IN STATE TRADE OFFICES

EMPLOYEES OR STAFFING	COUNT	PERCENT
1 to 5 employees	19	48%
6 to 10 employees	17	43%
11 to 15 employees	3	8%
15+ employees	1	3%
Sum	40	
Median	6.5	
Mean	6.5	

¹SIDO Washington Forum: 2018 SIDO Survey Analysis

MEASURING IMPACT: CURRENT APPROACHES AND CHALLENGES

The above indicators are helpful, yet it is not possible to offer meaningful cross-state comparisons due to the vast differences in program coverage and funding / staffing. A report cited earlier on the coordination of federal state trade promotion offered some useful conclusions.

- 1 Frequently trade programs are combined with efforts to attract investment.
- 2 Most trade programs fall under the state economic development agency.
- 3 Some states favor robust trade and investment programs, while others strategically choose to engage only in investment attraction. A few states only do international trade programs.
- 4 Some states limit themselves only to executing the STEP grant program of the Small Business Administration (SBA).
- 5 Some states enter into public-private partnerships where programs are supported by state funds and corporate fees.
- 6 Some states have no program. Other states outsource their trade program to world trade centers or other similar organizations

Just as there is great diversity of international trade development programs offered across U.S. states, there is no agreed-upon set of metrics to evaluate the effectiveness of those programs and services. While all states receiving STEP grant funding from the SBA are required to track impact with a common set of metrics, those metrics have varied year to year. In addition, many states use a client satisfaction survey to assess the quality of services rendered. A sample of current performance measurements used by eight state programs is presented in the following chart:

“There is no agreed upon set of metrics to evaluate the effectiveness of the programs and services.”

PERFORMANCE METRICS FROM EIGHT LEADING STATE PROGRAMS

STATES	EXPORT SALES	STEP METRICS	CLIENT SATISFACTION SURVEY	JOBS SUPPORTED	GENERATED TAX REVENUE	LONGITUDINAL CLIENT SURVEY
Missouri	Projected	No single metric captures the value of STEP	✓	✓	✗	✗
Pennsylvania	Actual	Number of clients assisted, and value of export sales reported	✓	✓	✓	✗
Wisconsin	Projected	Projected or Actual Sales	✓	✓	✗	✓
Georgia	Actual	N/A	✓	✓	✗	✗
North Dakota	Actual	New markets entered by ESBCs and ROI	✓	✓	✗	✗
Virginia	Projected	ROI	✓	✓	✗	✓
Nevada	Projected & Actual	Number of ESBCs engaged in export	✗	✗	✗	✗
Florida	Projected	Export Sales	✓	✓	✓	✓

KEY CONCLUSIONS ABOUT METRIC USE

Similar to findings of the overview chart describing state trade programs, our sample reveals a range of choices made by states on how best to define and measure success. In terms of the overarching evaluation of trade program outcomes, many states used between 3 and 6 metrics that combined a quantitative indicator with other measures related to number of clients served, new markets entered, and customer satisfaction results as a few of the most common. Other states relied on just one or two key measures.

There is nothing surprising about this diversity of approaches to performance measurement, since each program has its unique set of stakeholders, clients, and resources that determine specific mission goals and program activities to report for evaluation. In order to establish a descriptive baseline for the subsequent purpose of comparison to the practices of federal partners and foreign government competitors, the following features stand out:

1

NO STANDARDIZED USE OF EXPORT SALES DATA

There is widespread use of a firm-level customer survey of export sales with some states measuring actual export sales while others report on projected export sales. Some states combine these two metrics, initially collecting projected export sales one to three years out and then converting to actual sales in subsequent annual surveys. Many states used between 3 and 6 metrics that combined a quantitative indicator with other measures related to number of clients served.

2

CUSTOMER SATISFACTION SURVEYS USE WIDESPREAD

The use of a firm-level customer survey metric, mostly on an annual basis, is widespread; for the majority it is self-reported and done in-house. A small number of the sample used a third party for independent verification. Some states surveyed clients multiple times, although not with the goal of conducting a multi-year longitudinal study. All states surveyed their clients who participated in trade missions.

3

SOME STATES USE JOB CREATION AND TAX REVENUE METRIC

The metrics of programmatic-level job creation and tax revenue generated were utilized by many but not all states in the sample. This metric was either self-reported or calculated by a formula. In some cases, the state agency did not use this metric but reported data to another state agency that determined job and revenue results by a formula.

4

EXPORT VOLUMES RARELY USED AS METRIC

States rarely, if ever, use the metric of increasing state-level export volumes. This stands to reason when one acknowledges that a state trade development program cannot be expected to affect overall state exports, since they serve only a small percentage of said state's companies on an annual basis. Moreover, macro-economic factors such as changing currency valuations and tariffs can have broad effects on a state's export volume, and these are beyond the control of state trade programs.

5

NUMEROUS STATES ARE INCREASING NUMBER AND TYPE OF METRICS

The sample survey in its granular detail revealed that numerous states are undertaking an extensive effort to measure results and to report to their boards and legislatures on a range of metrics. Those metrics focused on number of clients reached, new markets opened, and the quality of their products and services as determined by client satisfaction surveys.

6

NO STANDARDIZED METRIC FOR SBA STEP GRANT

The preferred metric for the SBA STEP grant varied, as there has not been a consistent set of metrics in use since the program's inception. Some states focused on number of clients assisted and/or new markets obtained for clients. One state adopted a hybrid approach of export sales, number of clients, and a softer measure of success stories. Not all of the states in the sample participated in the STEP grant program. Through our research and conversations with SBA officials, state representatives, and experts in performance metrics, there was concern about the congressionally-mandated return on investment (ROI) metric as it was assessed to lack credibility and was not useful for improving program efficiency or outcomes.

This overview of SIDO members reveals the parameters for offering standardized recommendations for best-practice principles in measuring trade program performance and outcomes. It establishes a baseline at the state level for the discussion of best-practice principles now in use and under development by organizations at the state, federal and international level.

CONSTRAINTS ON THE DEVELOPMENT OF A ONE-SIZE-FITS-ALL APPROACH

Best practice is very much dependent on the size, scope, and resources dedicated by each state to its international trade development program. Export assistance is typically a key part of an overall integrated state policy and plan for economic development. Metrics are designed in this context of what is important to each state. Performance measures at the macro level might be standard, but each state would have to find its own unique path to meeting the desired outcome. Constraints on the development of a one-size-fits-all approach to metrics for states include:

- 1 DIFFERENCES IN THE ECONOMIC COMPOSITION OF EACH STATE**
For example, Virginia has a high technology, defense, and government contractor economy while Nebraska has an agricultural, commodity-based economy.
- 2 DIFFERENCES IN STATE RESOURCES ALLOCATED TO TRADE DEVELOPMENT**
The scale of the program in terms of staff and program funding has a major impact on the program's mission and metric.
- 3 THE INABILITY OF MOST STATE PROGRAMS TO CHOOSE THE COMPANIES THEY WORK WITH CAN LIMIT METRIC OPTIMIZATION**
Each state is able to focus resource towards more promising clients but must also address the needs of any state company that requests assistance.
- 4 THE INABILITY OF STATE TRADE PROGRAMS TO REQUIRE CLIENTS TO REPORT TRADE RESULTS**
Companies can be hesitant to report dollar value-based. Since many of the metrics in use today incorporate actual export sales or projected export sales that can only be obtained via company self-reporting, this is a serious limitation.
- 5 THE USE OF ANNUAL SURVEYS LEADS TO UNDERREPORTING**
Annual surveys, or surveys taken after a specific program activity, lead to serious under-reporting of outcomes, since trade development requires multiple years of effort; results often do not materialize until the second and third year.

Section III examines the current best metric practices of two international trade development agencies at the federal level and the work being accomplished on metrics by the governments of Australia, Canada, and the United Kingdom.

Constraints on standardized metrics:

- States are economically diverse
- State budgets vary
- States are unable to choose all clients
- Key metrics are collected voluntarily
- Annual survey focus misses long-range outcomes

III. Review and comparison of metrics used by federal agencies and foreign export development programs

To complement research on the current use of metrics in state international trade programs, this section reviews metrics used in the programs of the U.S. Department of Commerce's U.S. & Foreign Commercial Service (Commercial Service) and the U.S. Small Business Administration's (SBA) STEP grant program; the export development programs of Australia, Canada, and the United Kingdom; and examples of metrics used in the private sector for business development programs. Australia, Canada, and the United Kingdom were deemed most relevant given the nature of their public-private sector relationships and their commitment to program evaluation.

In brief...

A review of private-sector, federal, and international exports development programs found a shift in focus toward metrics gleaned from client satisfaction surveys and success stories.

Foreign competitor governments maintain more aggressive trade programs than those of the U.S. They generously subsidize private sector companies and, therefore, do not provide a meaningful blueprint for recommending a set of measurable outcomes. The following chart displays performance measure information used by the five agencies:

PERFORMANCE METRICS FROM EIGHT LEADING STATE PROGRAMS						
	EXPORT SALES	JOB CREATION	ROI	NUMBER OF CLIENTS SERVED	CLIENT SATISFACTION SURVEY	SUCCESS STORIES
U.S. Department of Commerce	✗	✗	✗	✓	✓	✓
U.S. Small Business Administration/STEP	✓	✓	✓	✓	✗	✗
Australia	✗	✗	✗	✓	✓	✓
Canada	OPTIONAL	✗	✗	✓	✓	✓
United Kingdom	OPTIONAL	✗	✗	✓	✓	✓
Private Sector: Net Promoter Score	✗	✗	✗	✓	✓	✓

What is striking is that three of the five agencies and the private sector focus their efforts on the information gleaned from client satisfaction surveys and on documenting success stories. A core element of the approach taken by these trade development programs was the use of a balanced set of performance metrics with targets designed to drive staff behavior — outcome, output, and customer satisfaction. For CS and Austrade, there is a conscious effort to separate these program performance metrics from efforts to document the economic impact of their programs. The objective to demonstrate economic impact is important but not to be confused with the effort to determine the results of specific program activities and the satisfaction of business clients. A summary description of each of the five approaches follows.

“The objective to demonstrate economic impact is important but not to be confused with the effort to determine the results of specific program activities and the satisfaction of business clients.”

THE U.S. DEPARTMENT OF COMMERCE’S COMMERCIAL SERVICE

The Commerce Department’s Commercial Service (CS) is the federal government’s primary trade development program, now more than 40 years old, that maintains offices in over 100 U.S. locations and in more than 75 overseas markets. CS has established seven overarching goals: reduce the costs and complexities of exporting to enable more companies to export; connect more companies to foreign markets and prescreened buyers; advocate for firms bidding on foreign government procurements; address foreign government actions that impede U.S. exports; advocate for U.S. investment; and provide tailored assistance to investors and states to facilitate increased investment. In 2017, performance indicators used include:

- KEY METRICS**
- Percentage of clients highly likely to recommend CS
 - Number of commercial diplomacy / advocacy written impact narratives (WINs) including:
 - Number of advocacy cases resulting in a signed contract
 - Number of foreign trade barriers removed, reduced, or prevented
 - Annual dollar value impact of clients receiving trade assistance
 - Number of investment clients assisted

The CS program will be presented more fully as a case study, but it should be noted here that the annual export dollar value of clients receiving trade assistance and the annual dollar value of WINs for investors are measures that do not have target goals (explained in further detail below). Successful metrics are generally connected to easily-obtained data sources as opposed to company-reported outcomes.

“The STEP grant program is the only one of the five to have as a core ROI measurement based on actual exports.”

THE UNITED STATES SBA STATE TRADE AND EXPANSION PROGRAM (STEP)

STEP is the federal government's new entrant into international trade development and, for the past six years, has provided matching grants to states to assist Eligible Small Business Concerns (ESBC) to enter and succeed in the international marketplace. To achieve this goal, the STEP grant program has established two objectives:

- 1. To increase the number of small- and medium-sized businesses that are exporting**
- 2. To increase the value of exports for those small businesses that are currently exporting**

As SBA notes in its annual reports on STEP, export sales involve an extended process; therefore, many sales made as a result of STEP activities are completed after the reporting period. The congressionally-mandated measurement required of grant recipients is to report on the return on investment (ROI).



- **ROI for STEP calculated by taking the reported export sales divided by the award amount**
- **Other indicators also used or in development include:**
 - **number of significant touches of small business exporters**
 - **increase in the number of small businesses that export**
 - **increase in the value of exports for current small business exporters**

The STEP grant program is the only one of the five to have as a core ROI measurement based on actual exports.¹¹

“The UK is the only country surveyed that has moved in the direction of attempting to demonstrate an actual export value based upon the government service provided.”

THE UNITED KINGDOM'S DEPARTMENT OF INTERNATIONAL TRADE (DIT)

DIT is an entirely new government department created in July 2016. DIT is in charge of promoting and financing UK trade and investment and for developing and negotiating the international trade rules within which UK businesses will operate once the UK leaves the EU. Prior to 2016, performance was measured by two indicators:

- 1) significant assists where a company does not necessarily win a contract but the interaction changed its thinking or provided a new strategy to attack the market
- 2) overseas market introductory service to introduce UK firms to potential foreign clients.

Current performance measures include:

- KEY METRICS**
- **Value of customers' export WINS as represented by the clients' expected export value over a five-year period**
 - **Number of new exporters supported to achieve export wins (new exporter defined as not exporting in previous 12 months)**
 - **Number of involved inward investment successes.**

The UK is the only country surveyed that has moved in the direction of attempting to demonstrate an actual export value based upon the government service provided. Before 2016 the measures were focused on numbers of clients and quality of service.¹²

CANADA

For Canada, export promotion focuses on the provision of information, training, market intelligence, and expert counseling. Most export-ready assistance and in-market assistance is provided free of charge. Market intelligence is the most important service offered by Canada to its exporters. Export Development Canada is the export credit agency that provides export and project finance to Canadian companies bidding on major projects overseas.

- KEY METRICS**
- Canada's trade promotion program does not evaluate success based on jobs created or capital investment. Instead, Canada uses "Success Stories" to measure performance. Success stories are placed into one of four tiers depending on the dollar amount of the sale. Larger sales are placed in higher tiers. Importantly, the story documents the specific Canadian service provided and its impact / importance to the sale. This information is gathered through conversations with clients and not surveys.**

The Canadian Trade Commissioner Service does not publish a recurring report on its activities. Canada's Foreign Affairs, Trade, and Development department publishes an annual report on Canada's trade activities called "Canada's State of Trade".¹³

AUSTRALIA

“Austrade uses the most systematic performance assessment techniques of any of the agencies studied.”

Australia’s export promotion program, Austrade, is unique in the sense that it distinguishes between two types of service: free and fee-based. “Intenders” and “new exporters” receive free services to correct the market failure related to access to and absorption of information between small- and medium-sized businesses and large companies. Customized services that help companies understand and enter new export markets are billed on a full cost-recovery basis. Austrade’s specific mandate is “to reduce the time, cost, and risk associated with selecting, entering, and developing foreign markets.”

Austrade uses the most systematic performance assessment techniques of any of the agencies studied. Each of the agency’s trade-related outcomes is subdivided and assigned a target against which results are measured annually.



Some measures are related to the volume of activity, while others are purely results-oriented and based on survey data. Export services are rated according to both the volume of activities and their export impacts in terms of the number of clients and dollar volume. Export impacts are rigorously assessed on a sector-by-sector basis. Client satisfaction is assessed through the Performance Measurement Annual Client Survey, which includes satisfaction ratings and a measurement of the export impacts on Austrade’s services.

The last section of our report will present more detail on Austrade as an organization that stands out in our profession for its serious commitment to improving performance and outcomes of trade promotion programs.¹⁴

PRIVATE SECTOR: NET PROMOTER SCORE

As a final category, we examined how the private sector often looks to measure customer loyalty and health by constructing a Net Promoter Score (NPS) as well as the metrics used by business incubators, since they function with similar goals as international trade development programs. NPS helps companies in all industries build customer loyalty and achieve growth. Hundreds of Fortune 500 companies employ NPS, including Delta Air Lines, Alcoa, eBay, Dupont, Nieman Marcus, Honeywell, JP Morgan Chase, and others. What these companies have in common that determine their use of the NPS is that they provide, and evaluate, a service to their customers, in the same manner as state trade development agencies.

For the NPS, clients are surveyed on one single question...



They are asked to rate the company's service on an 11-point scale as to the likelihood of recommending the company/agency to a friend or colleague.

Based on ratings provided, clients are classified in three categories: detractors (6 or below), passives (7 or 8), and promoters (9 or 10). The NPS is determined by subtracting the percentage of clients who are detractors from the percentage who are promoters. What is generated is a score between -100 and 100 called the NPS. A NPS provides companies with a simple and straightforward metric that can be shared with their frontline employees.¹⁵

For incubators, commonly-used metrics include:



- **Program attractiveness—number of applications, current number of companies**
- **Company growth— number of companies that no longer need support**
- **Degree of internal support— number of workshops/seminars hosted, number of advisors available to help**
- **Client satisfaction— obtained through surveys, testimonials, and NPS scores**

IV. Best practices for measuring success

The research demonstrates both the importance and difficulty of measuring the success of government funded trade development programs. Developing and applying a credible set of measures to these programs is absolutely essential to obtain necessary levels of funding and sustainable public support. Based upon our review of current state, federal, foreign government, and private sector programs, this section outlines the challenges as well as trends found in current systems and then presents operational guidelines for the design of meaningful performance measures for international trade development programs.

In brief...

The following are best practices in measuring trade program success:

- Those most committed to measurement have moved actively into the area of client satisfaction.
- It's critical to establish metrics as part of a holistic approach and not become fixated on metrics alone
- To establish meaningful metrics programs must:
 - develop a clear mission statement with measurable outcomes
 - distinguish between outcomes and inputs
 - consider the cost in time and financial resource to data collection

CONSIDERATIONS IN DEVELOPING GUIDELINES

The weaknesses of current metrics for state trade development programs include:



OUTPUTS: PROGRAM ACTIVITY MEASURES

Program activity measures (numbers of trade leads, counseling sessions, clients assisted, etc.) are outputs of program activities that are relatively easy to collect. They also do not require much funding to collect, although they can be very labor intensive and, depending on target levels set, also might lead to pressure to “pad” the counts. Most importantly, activity does not always translate into outcomes.

2

OUTCOMES: LITTLE DATA ON EXPORT SALES OR PROJECTED EXPORT SALES

State trade programs lack hard data on export sales or projected export sales. Conservative estimates of export sales resulting from services provided often can be a fair measure of short-term outcomes but fail to capture long-term export success that often starts with participation in state trade programs. On the other hand, using this measure puts pressure on providing services as close to a final point of sale as possible and to emphasize volume over other factors. It might also create an incentive to avoid working with companies that are less prepared to take advantage of immediate business opportunities in favor of those that are close to a final export decision.

3

CLIENT SURVEYS

The structure of client survey instruments is extremely important for long-term evaluation and program adaptation and surveys are not comparable program to program. They also are expensive and time consuming to set up, although easier once systematized. A best practice, although one with added cost, is for a trusted third party to conduct the survey.

It is important to reflect on two additional factors that underpin the selection of any metrics by an organization. One is philosophical while the other is a practical consideration important to anticipate in advance of initiating the metric development process. First, it is important to take a big-picture view of the value of metrics and how they contribute to program evaluation together with professional experience and judgment. The following quotation from *The Tyranny of Metrics* captures this requirement best:

“There are things that can be measured. There are things that are worth measuring. But what can be measured is not always what is worth measuring. And, what gets measured may have no relationship to what we really want to know. The cost of measuring may be greater than the benefits. The things that get measured may draw effort away from the things that we really care about. And measurement may provide us with distorted knowledge—knowledge that seems solid but is actually deceptive...The problem is not measurement, but excessive measurement and inappropriate measurement—not metrics, but metric fixation.”

“The problem is not measurement, but excessive measurement and inappropriate measurement—not metrics, but metric fixation.”

—from The Tyranny of Metrics

On a practical level there is widespread acknowledgement of the lack of quality trade data necessary to be able actually to apply the metrics that are desired. Two reports by the Brookings Institution point out the difficulties for programs operating at the sub-federal level to obtain relevant data on firm specific exports. Federal export data, for example, track goods exports based on the port from which they are shipped, which bears little relation to where exported goods are actually produced. And federal sources provide no substate data on services exports. This reality is unlikely to change due to continued budget constraints and the reluctance to burden companies with mandatory reporting requirements.

GUIDELINES FOR THE DEVELOPMENT OF METRICS FOR STATE TRADE DEVELOPMENT PROGRAMS

The following guidelines are based on concepts offered in a report prepared by the Center for Regional Economic Competitiveness (CERC) for the U.S. Department of Commerce as follow-on analysis of the effectiveness of the Brookings Institution.¹⁸



1 START WITH THE BIG PICTURE

Begin with a statement about the vision, mission, and core goals of the program.

The CERC report confirms that *“a clear goal or performance statement is the foundation of good evaluations, not to mention effective program management.”*

a. Develop or reconfirm a clear mission statement with measurable outcomes.

It was our finding that many trade programs have vague mission statements and objectives. Missions that express a desired outcome of increased exports or an increased number of exporters or both need to identify more specific targets of focus such as overcoming information barriers or organizing business visits to target markets. This focus will allow specific program activities to be developed that can be measured as inputs into achieving the desired outcome.

b. Fully engage clients and staff.

Successful metric implementation requires an upfront commitment to organize a transparent process to engage clients and stakeholders in the development and/or reconfirmation of a clear mission statement where outcomes can be measured.

c. Balance tension between goal to increase trade and support of individual companies.

This mission definition should lead to an understanding and reconciliation of two goals: the desired outcome for the state that increases trade and the outputs necessary to measure the program's effectiveness. It is important to address the clients of the program in two broad categories: those already active in the global marketplace and those not yet engaged. A recent World Bank paper pointed out: *“The top 1% of exporters shape trade patterns. These export super-stars typically entered the market relatively large and reached the top 1% after less than 3 years.”* The question to be asked is: What role can / should an agency play in identifying and supporting these “export superstars”? How does an agency determine its client base or segment its clients in terms of their needs to overcome the market imperfection they face or the competitive impact of the trade programs of competitor countries?

2

ALIGN INDICATORS WITH PROGRAM GOALS AND PARTNER ORGANIZATIONS

After stakeholders have been engaged to develop a measurable mission statement, it is imperative to align the selected metrics with program goals and national partners.

a. Align with program goals.

It is vital that the process to evaluate and measure program outcomes is distinguished from the process to evaluate and measure program outputs. For example, a program outcome might seek to achieve a client satisfaction percentage of 95 or to increase the number of clients in a given state trade program by 100 companies. On the other hand, a program output measure quantifies the specific satisfaction percentage or numerical increase achieved by a trade mission or market research program. As stated in the aforementioned CERC report²⁰,

“It is vital that the process to evaluate and measure program outcomes is distinguished from the process to evaluate and measure program outputs.”

“For program evaluation purposes, it is important to distinguish between indicators that describe outputs (activities or deliverables) and those that describe outcomes (measures tied to program purpose). Evaluation indicators should focus on outcomes, but often the challenge is that the resources being expended do not lead directly to an outcome. It is important then to develop explicit steps that occur and can be measured between the policy and the hoped-for outcome.”

This report documents how two organizations have specifically addressed this issue. It cannot be stressed enough how both of these guidelines require an ongoing policy and process commitment to change the culture and achieve the mission. There is no one-time magic bullet but a sustained effort to learn and to share.

b. Align with national partners.

A second element of successfully aligning indicators and program goals is to consciously and explicitly achieve an alignment within existing national and international partner networks. This alignment would identify the direct value added of the state trade program together with the value added by the program's ability to leverage the resources and programs of other partners in the network of international trade programs. As an example, the coordination of the federal trade program network is taking steps to align with state partners. Federal trade programs are taking steps to improve coordination across government by modifying metrics to emphasize the need for local coordination. The Department of Commerce's Commercial Service maintains over 100 offices in the United States. In 2014, the directors of these offices modified their performance plans to expressly encourage and reward coordination with the programs of their state and local partners.

3

CONSIDER DATA SOURCES AND AVAILABILITY

Clearly, the metrics chosen and the data that enter into their formulation must meet management and stakeholder objectives. Equally important is the identification of metrics where data exist and is available at little cost to extract.

As the CERC report recommends:

“Determine data sources and availability when selecting metrics to make sure that data collection does not require time or money beyond your organization’s means. Data options should be reviewed to assess the quality and validity for evaluation purposes. If metric information will be collected from recipients of program services, define in advance how this data will be collected from recipients, verified and reported in a pragmatic way.”

A common cause of failure in metric management is to implement guidelines #1 and #2 but not address the realities of guideline #3. Many metrics, such as client surveys, don’t appear as if they have a significant resource expenditure, yet they have an enormous cost in terms of the time spent by agency employees to collect the data. A careful consideration of how best to address this guideline is vital to sustainable efforts to measure success.

“The ease of metrics collection and their relevance to operations are crucial.”

In order to make these guidelines less abstract and more meaningful to trade development practitioners, the following two studies will illustrate how to use these guidelines in daily operations while also pursuing metrics and a narrative that is satisfactory to stakeholders.

CASE STUDY: AUSTRALIA

Austrade and the outcomes and programs framework



Austrade's broad mission is to help Australia secure economic prosperity. Austrade, like all Australian government entities, operates under the "*Outcomes and Programs Framework*" which requires entities to report on the programs that contribute to government outcomes. A central aspect of this approach is the development of clearly specified outcomes, program objectives and appropriate key performance indicators. Austrade is evaluated on two main outcomes:

- I. Contribution to Australia's economic prosperity by promoting Australia's export and other economic interests through the provision of information, advice and services to business, associations, institutions and government.
- II. The protection and welfare of Australians abroad through timely and responsive passport and consular services in specific overseas locations.

Under the outcomes framework, each one of Austrade's five primary functions is assigned metrics against which it is measured as shown below:



PROMOTING AUSTRALIAN TRADE INTERNATIONALLY

This function is measured using seven metrics assessed through an annual survey:

- A.** Proportion of businesses which have engaged with Austrade and say that Austrade has made a positive contribution to their international business activities.
- B.** Proportion of businesses which have engaged with Austrade and say they have achieved some form of commercial outcome because of working with Austrade.
- C.** High level of satisfaction for ministers, Australian business community, institutions, and key partners with Austrade's services.
- D.** Proportion of Export Market Development Grant (EMDG) recipients reporting that the receipt of a grant enabled their business to become a more sustainable exporter.
- E.** Proportion of EMDG recipients reporting that the receipt of a grant enabled them to grow their international revenue.

- F.** Proportion of seminar and roadshow attendees reporting an increased awareness of free trade agreements (FTAs).
- G.** Proportion of seminar and roadshow attendees reporting an increased understanding of how to use and benefit from FTAs.

2

PROMOTING AUSTRALIAN EDUCATION INTERNATIONALLY

In an annual survey, Austrade evaluates this function through two metrics:

- A.** Proportion of Australian education institutions which have engaged with Austrade and say Austrade made a positive contribution to their international business activities.
- B.** Proportion of Australian education institutions which have engaged with Austrade, and say they achieved some form of commercial outcome as a result of working with Austrade.

“The Australian Government’s Trade and Investment Commission (Austrade) demonstrates the total commitment necessary to achieve mission objectives and use hard data to describe success.”

3

ATTRACTING FOREIGN DIRECT INVESTMENT TO AUSTRALIA

This goal is measured using five different metrics:

- A.** Number of investment outcomes facilitated.
- B.** Amount of investment value association with outcome facilitated.
- C.** Number of new jobs created or retained as a direct result of outcome facilitated.
- D.** Anticipated annual exports from investment outcomes facilitated.
- E.** Number of information, project and visitation requests, and stakeholder introductions generated from potential investors.

4

STRENGTHENING AUSTRALIA'S TOURISM INDUSTRY

Austrade has goals that are measured through three metrics:

- A.** Double overnight visitor expenditure to between \$115 billion and \$140 billion by 2020.
- B.** Proportion of tourism operators which use Austrade's tourism research and information and say it helped their marketing and business decisions.
- C.** Budgeted Tourism Demand-Driver Infrastructure (TDDI) funding distributed to state and territory governments.²⁴

CASE STUDY: UNITED STATES

The U.S. Department of Commerce: U.S. and Foreign Commercial Service ²⁵



The U.S. Commerce Department's U.S. & Foreign Commercial Service (CS) has worked extensively on program evaluation and measurement since the early 1990s. Its statutory mission is to expand exports and to increase the number of companies that export, particularly small- and mid-sized companies. Over time it has moved away from outcomes that attempted to document a direct role in specific export sales or a return on investment that claimed a total number of export sales generated by its programs.

2017 CS performance indicators:

- Percentage of clients highly likely to recommend CS
- Number of commercial diplomacy / advocacy written impact narratives (WINs) including:
 - *number of advocacy cases resulting in a signed contract*
 - *number of foreign trade barriers removed, reduced, or prevented*
- Annual dollar value impact of clients receiving trade assistance
- Number of investment clients assisted

CS PERFORMANCE METRICS

The CS today has a balanced set of performance metrics with targets that are established in order to drive behavior of the CS staff to achieve outcomes, outputs, and customer satisfaction.

Outcomes

The number of export successes achieved as documented by Written Impact Narratives (WINs). These are reported by CS staff where CS assistance was essential and the impact is of significance to stakeholders. The goal is:

1) to set reasonable targets so as to avoid incentives to “game” the system and

2) to drive staff behavior to assistance that generates a greater economic success and/or a higher level of client satisfaction.

There are three types of WINs: export promotion, commercial diplomacy that reduces, removes, or prevents trade barriers, and advocacy for government procurements and investment promotion.

Outputs

Number of clients assisted including both the number assisted and the number assisted in-depth with a higher value service. The latter is defined by the difficulty confronted by the client-barrier, lack of transparency, market uncertainty, and the sophistication intensity of the effort required to support the client.

Customer satisfaction

A transactional survey is sent one week after a fee-based service was provided or one day after an in-depth support has been provided to a client. The survey ascertains the percentage of clients who have had their objectives completely met and the percentage of clients likely to recommend the CS to others.

CS ECONOMIC IMPACT AND EFFICIENCY METRICS

Separate from these measures that focus on day-to-day performance, there is a rigorous evaluation of the economic impact and effectiveness / efficiency of the overall CS program. Here, performance indicators are not used, nor targets established. To obtain the dollar value of CS economic impact, an annual survey is conducted by an independent office. This survey uses a random, stratified sample of the CS client population and extrapolates results in consultation with the Census Bureau. For the economic impact of reducing / removing / preventing trade barriers, CS economists conduct a separate analysis, similar to how market access benefits are determined when negotiating trade agreements or disputes. Finally, dollar values of foreign government procurements are validated by CS through a rigorous reporting process that documents CS involvement. These quantitative measures are facilitated by CS access to federal data services.

V. Recommendations for best practice in metrics for trade program measurement and evaluation

THE CHALLENGE

In the United States the private sector almost exclusively is responsible for producing products and services and for marketing them in the global marketplace. Nonetheless, as described in this report, the public sector (state governments in this case) has an important role to play in supporting this private sector activity. State programs provide product market information that is not readily available in the market place, assist in the identification and vetting of appropriate business contacts in overseas markets, and assist firms that confront aggressive support from the governments of foreign competitors.

Thus, the challenge in applying quantitative metrics to U.S. state international trade development programs is that its impact is often indirect and always long-term (multi-year) in nature. While it is difficult to document that an export sale by a company would not have happened if a state trade program had not been involved, it is equally difficult to conclude that U.S. companies would pursue exporting without the encouragement, counseling, and technical support of state international trade development agencies.

In brief...

The two important parts of metrics performance are the number of clients served and client satisfaction. Pure ROI metrics are becoming obsolete. They are becoming more specialized and transparent and being used as part of a larger narrative.

A shift toward long-term metrics helps encourage more meaningful interactions with clients earlier in the process. Focus on meaningful metrics will impact a program's mission, culture of the agency, and day-to-day operations. Agency should:

- *Meet regularly with stakeholders and clients to discuss mission*
- *Outline explicit steps that occur and can be measured between policy goals and the hoped-for-outcomes*
- *Align metrics within existing national and international networks of trade program partners*
- *Incorporate the culture of measurement / evaluation into their daily work and avoid onerous data collection methods.*

The ease of metrics collection and their relevance to operations are crucial.

BEST PRACTICE

Meaningful metrics helpfully assist program stakeholders and their clients to define what success looks like and to measure program outcomes. Given the aforementioned challenge confronted by international trade programs, it is not surprising that a principal finding of this report is the current trend toward the design of metrics that most credibly capture the value that clients place on the services offered. It is in this context that the following best practices are highlighted.

1**USE TWO KEY METRICS**

Many state trade agencies are moving to adopt two metrics as core to their performance:

I. Number of clients served**II. Percentage of clients who indicate they are satisfied with the service provided and would recommend the trade program to another business****2****PUT ROI NUMBERS IN CONTEXT**

Metrics that offer a quantitative outcome or a dollar value result are either being dropped or becoming much more nuanced. It is understandable that public sector officials would seek to demonstrate that in exchange for spending a certain amount of money on international trade programs a multiple of that amount was generated in exports / trade; however, return-on-investment (ROI) calculations lack credibility.

I. Clarifying and explain ROI

Leading state trade development programs are presenting quantitative outcomes in a more tailored and qualified manner. There is increasing transparency as to how the number was calculated and the limitations on its meaning. In addition, the trend is to combine any quantitative outcome with a detailed narrative that carefully documents the assistance offered and why it was valued by the client and why it represented a key factor in the final outcome. The quantitative number in this way is given meaning by documenting how the program was vital to the client's success.

3**CONSIDER LONG-TERM METRICS TO ENCOURAGE EARLIER CLIENT INTERACTIONS**

Best practice has moved away from attempts to quantify direct program results because these efforts were found often to have the unintended consequence of driving behavior so that programs would look to work with clients who are close to a final sale. State trade programs do not want to disfavor harder cases, early in the pipeline, where program support actually would be most meaningful. Many agencies are putting in place longer-term metric reporting periods to take into account these shortcomings.

4

DEVELOP A COMMITMENT TO PROGRAM EVALUATION THAT DRIVES YOUR MISSION, CULTURE, AND DAY-TO-DAY OPERATIONS.

Best practice of those agencies that maintain an active commitment to program evaluation and measurement has evolved to focus on the development of a policy and operational framework for thinking about their mission and programs and to do so in a way that impacts the very culture of the agency and its daily operations. Three practices stand out:

I. Align metrics to input from stakeholders and clients

On a regular basis, the agency gathers its stakeholders and clients to exchange views about the reconciliation of the twin missions / goals of increasing the amount of firm-level exports with the goal of providing trade facilitation services to individual firms. There is no answer to this discussion but rather a process to follow so that everyone has bought into and understands the program's big picture view—vision, mission, and core program goals.

II. Align income and outcome indicators within program

Best practice distinguishes between metrics that describe program outputs and metrics that describe mission / program outcomes. The focus on outcomes is ideal yet difficult as trade programs provide an indirect benefit to the private sector exporter. Best practice, therefore, stresses the need to develop explicit steps that occur and can be measured between the policy goal and the hoped-for-outcomes. Best practice by the best agencies is to document the steps taken along the journey.

III. Align with existing national and international networks of trade program partners

Each state trade program exists within a network of other governmental, non-governmental, and private sector partners, and each national network has its connections to similar trade programs in overseas markets. Best practice for a state trade program would be to establish its big-picture vision, mission, and programs, taking full account of the network possibilities that would allow it to leverage resources as well as comparative advantages on behalf of the businesses in its jurisdictions. This network alignment not only avoids duplication and issues of bureaucratic competition but more importantly, as a best practice, allows for leverage that creates the opportunity to employ many more resources in support of state programs.

SIDO Performance Metric Report: Literature Review

SIDO performance metric proposal: Literature review

Australian Trade and Investment Commission. 2017. [Annual Report 2016-2017](#). **Australian Government.**

The Australian Trade and Investment Commission (Austrade) plays a crucial role in helping secure Australia's economic prosperity as the government's international trade, education, and investment promotion agency. Austrade operates under the Australian Government's outcomes and programs framework. Government outcomes are the intended results, impacts or consequences of actions by the Government on the Australian community, and government programs are the primary means by which agencies achieve their intended outcomes. Under this outcomes framework, each one of Austrade's primary functions is assigned metrics that are mostly measured through user satisfaction surveys collected annually.

Calderon, H. and T. Fayos. 2005. [A Model for valuation of government export promotion policies: An empirical analysis in the Spanish context from a market-oriented perspective](#). **International Review on Public and Nonprofit Marketing 2.**

Results indicate that the benefits derived from using promotion programs are more indirect than direct in the way they contribute to results obtained by exports companies. Information is also provided on the degree to which companies feel that public promotions are actually able to cover their needs, value the perceived efficiency of those promotions, and perceive that there exists a contrast between the needs and the available programs.

Cruz, M. 2014. [Do export promotion agencies promote new exporters?](#)
World Bank Policy Research Papers no. 7004

In recent years, an increasing number of countries have introduced export promotion agencies (EPAs) to enable their firms to deal with asymmetric information and make feasible gains from trade. Recent studies on the topic have found that the support provided by EPAs has been effective with respect to the intensive and extensive margins of trade. This paper evaluates the impact of the Brazilian Trade and Investment Promotion Agency (Apex-Brasil) on firms' export status. In order to identify the effect of Apex's assistance on firms' export propensity, the paper relies on a procedure of matching difference-in-difference estimators. The results show evidence of the program's positive impact on the probability of promoting new exporters. Firms that receive Apex's assistance see their propensity to export increase by almost 130% (from 1.75% to 4.05%) when compared with other non-exporting firms one year after the treatment. Furthermore, the program seems to be more effective when focusing on small and medium firms.

Department for International Trade. 2017. [Annual Report and Accounts](#).
Department for International Trade Annual Reports

The Department of International Trade (DIT) is an entirely new government department created in July 2016. The DIT is in charge of promoting and financing UK trade and investment and for developing and negotiating the international trade rules within which British businesses will operate once the UK leaves the EU. The new "demand led" operating model aligns teams at the DIT's overseas posts that are responsible for finding and creating demand for British goods and services, with sector teams in the UK who work to build the supply of export-ready businesses. The DIT also works across the UK to provide support to businesses to overcome the barriers to exporting. The agency is working to develop and expand the range of products and services it provides to encourage UK businesses to start, increase, or sustain their exporting activity. In addition, DIT's e-exporting program helps UK companies sell their products and services to millions of global customers and grow their business through online exports. The agency has negotiated preferential rates for 15 e-marketplaces, reducing the costs of selling through these platforms for UK businesses. The agency measures its performance through three main indicators: value of customer's export wins, new exporters supported to achieve export wins, and the number of involved inward investment successes.

Durmusoglu, S. et al. 2012. [The effect of government-designed export promotion service use on small- and medium-sized enterprise goal achievement: a multidimensional view of export performance.](#)

Industrial Marketing Management 41

Extant literature is equivocal on the effect of government-designed export promotion instruments and services (EPS) on firm performance. Moreover, literature examining the effects of EPS on exporting firms' success is dominated by a single performance perspective, namely, financial goal achievement. Further, the majority of the studies are conducted in developed countries with limited attention to exporters in developing countries. In order to address these gaps, this study examines the impact of EPS use on export goal achievement of small- and medium-sized enterprises (SME) from a developing country, while adopting a four-dimensional view of export performance. Based on a survey of 143 firms in Turkey, the findings suggest that EPS use improves all four export performance dimensions considered, namely: financial, stakeholder relationship, strategic, and organizational learning goal achievements. The article also delineates the performance effects of specific EPS. For example, stakeholder relationship goal achievement is influenced by only one EPS considered, namely, informational materials (e.g., brochures, pamphlets) on exporting. The paper concludes with a discussion of the implications for scholars, public policy makers, and managers.

Export Development Canada. 2016. [Changing Trade: Annual Report 2016.](#) ***Export Development Canada.***

In this annual performance review, Export Development Canada (EDC) provides an overview of the services they provide and the metrics they use to evaluate the outcomes of their efforts. This agency helps Canadian exporters through every stage of the international expansion process, providing them with a full range of services ranging from market intelligence to financing. EDC also uses a wide variety of metrics when measuring the outcomes of the services offered. These metrics include a net promoter score, the total amount of business the agency facilitated, and the amount of small and medium enterprise transactions recorded.

Ford, C. and Donnelly, S. 2017. [Support for American jobs: Requirements for next-generation commercial diplomacy programs.](#) ***American Academy of Diplomacy.***

US commercial diplomacy programs must adapt quickly to confront the challenges of today's global marketplace. Today's successful American companies, large and small, do business in fundamentally different ways than they did even five or ten years ago. Their operations are driven by global value chains and integrated global production networks with relentless pressures for ever-greater efficiency. These components are now core contributors to business success internationally and thus to the creation of new jobs at home. Furthermore, the international consensus on the accepted "rules of the game" has broken down with the emergence of alternative approaches that have yet to fully mature into next-generation rules to guide world trade and investment. Intellectual property rights, copyrights, trademarks, designs, and trade secrets will be crucial to maintaining America's competitive edge, yet they will only work if our economy has skilled workers and creative entrepreneurs who are supported by the right policy environments. New and reinvigorated commercial diplomacy programs that support US jobs and our national competitive position in this evolving global marketplace must become a core tenet of our foreign policy.

Francis, J. and C. Collins-Dodd. 2004. [Impact of export promotion programs on firm competencies strategies and performance: the case of Canadian high-technology SMEs.](#) ***International Marketing Review 21.***

This study clarifies the ways in which export promotion programs bolster the export competence and export activities of firms by drawing on the results of a survey of small- and medium-sized Canadian high-technology firms. The results suggest that using a greater number of government programs influences the achievement of export objectives and export expansion strategies and enhances export marketing competencies. By segmenting firms by level of export involvement, a clearer picture of the benefits and limitation of export promotion programs emerges. These results suggest that sporadic and active exporters gain the most from export promotion programs while there is little impact in the short term for more experienced international firms which derive most of their incomes from exporting.

Freixanet, J. 2010. [Export promotion programs: their impact on companies' internationalization performance and competitiveness.](#) *International Business Review* 21.

These results are consistent with the objectives of export promotion programs EPPs: they are expected to help companies become more competitive internationally, but the final achievement of exports depends on other variables beyond program control. These findings also reinforce previous research. Gencturk and Kotabe (2001) concluded that EPPs bring about results primarily in export diversification and profitability rather than in export sales. Francis and Collins-Dodd (2004) also found a positive relationship between program use and impact measures related to company objectives, strategies, and competencies but not with economic measures. Fayos (2003) concluded that companies receive only indirect benefits from promotion (improvement in managers' skills and sales leads) but not direct benefits (economic results). Finally, Seringhaus (1984) did not find a relationship between the use of a program (trade missions) and two performance outcomes (export intensity and number of orders), but it did with other indirect indicators such as the number of export contacts.

Regarding analysis by export involvement, as expected, exporters in the initial exporting stages are the ones that experience positive correlations with a higher number of impact measures. These companies need more support in order to develop their exports, training, and information to become more competitive and to help identify contacts and opportunities.

For the first time, the individual impact of each EPP was measured. The analysis by type of program has shown that use of direct promotion programs results in a higher number of export markets regardless of the internationalization stage. Thus, using these programs (basically trade missions and sponsored trade shows) enables the company to enter into markets that, because of the lack of information and local contacts, would not enable exporters in stages 1 and 2 to improve their promotion activities and the creation of an international sales network. These results are consistent with previous studies on the impact of trade missions and sponsored trade shows from Seringhaus and Rosson (1998) and Brouthers and Wilkinson (2006), who also found positive effects for these specific programs. Additionally, the program to support companies to start exporting accomplishes its purpose by helping exporters in stage 1 achieve a wide range of intermediate results. Specifically, they may become more competitive by obtaining more information on international markets, obtaining more business contacts, and by developing their marketing competencies.

Freund, C. and Pierola, M. 2012. [Export Superstars.](#) *World Bank Policy Research Paper No. 6222.*

Using firm-level data from 32 countries, this paper shows that the top 1 percent of exporters critically shape trade patterns. In particular, variation in average firm size (the intensive margin) explains over two-thirds of the variation in the sector distribution of exports across countries; the remaining share is explained by variation in the number of firms (the extensive margin). Variation in average firm size across sectors is largely driven by variation in the sectoral distribution of exports from the top 1 percent of firms in a country—export superstars. In contrast, the sectoral distribution of exports from the remaining 99 percent of firms is more similar across countries, and the distribution of the total number of firms across sectors is very similar across countries. This paper also finds that current export superstars typically entered the export market relatively large, reached the top 1 percent after less than three years of exporting, and accounted for more than half of a country's total exports, export growth and diversification. The results underscore the role of individual firms in determining both trade volumes and trade patterns.

Gencturk, E.F. and M. Kotabe. 2001. [The effect of export assistance program usage on export performance: a contingency explanation.](#) *Journal of International Marketing* 9

The results indicate that export marketing involvement of firms and firms' usage of government export assistance programs are important export success factors. However, the relevance of export assistance programs and the role they play vary depending on the dimension of export performance being considered.

Head, K. and J. Ries. 2010. [Do trade missions increase trade?](#) *Canadian Journal of Economics* 43.

We find that Canada exports and imports above-normal amounts to the countries to which it sent trade missions. However, the missions do not seem to have caused an increase in trade. In the preferred specification, incorporating country-pair fixed effects, trade missions have small, negative, and mainly insignificant effects.

Hultman, M., Katsikeas, C., and M. Robson. 2011. [Export promotion strategy and performance: the role of international experience.](#) ***Journal of International Marketing* 19.**

This study examines how international experience shapes managerial judgment in the formation of effective export promotion strategies. Drawing from contingency theory and the organizational learning perspective, the authors develop and test a model of the effects of different forms of international experience — duration, scope, and intensity — on the performance outcomes of promotion adaptation. Using data from 336 export ventures, the authors find that promotion adaptation relates positively to performance when duration is short and intensity is low, but there is a nonsignificant moderating effect for scope. However, the subsequent analysis suggests that scope, together with sociocultural distance and promotion adaptation, exerts a complex three-way effect on export performance and highlights the need for more research attention in this area.

Lages, L. 2005. [The relationship between export assistance and performance improvement in Portuguese export ventures: an empirical test of the mediating role of pricing strategy adaptation.](#) ***European Journal of Marketing* 39.**

This exploratory study provides an empirical foundation for simultaneously analyzing the effects of export assistance on the decision to adapt or standardize the domestic pricing strategy to the main foreign market and ultimately improve a firm's short-term export performance. Surprisingly, the findings reveal that the total effects of export assistance on short-term export performance are non-significant. Although export assistance has a direct positive impact on performance, there is a negative indirect impact on performance through export pricing strategy adaptation. Findings also indicate that both export assistance and performance improve with management international experience and with the degree of export market competition.

Lederman, D., Olarreaga, M., and L. Payton. 2009. [Export promotion agencies revisited.](#) ***World Bank Papers* no. 5125.**

In the last two decades, the number of Export Promotion Agencies (EPAs) has tripled as more countries made them an integral part of their national export strategies. However, in recent years an increasing number of studies have criticized the effectiveness of these agencies particularly in the developing world. This paper studies the impact of existing EPAs and their strategies based on a new data set covering 104 developed and developing countries. The results suggest that on average these programs have a statistically significant effect on exports. For every \$1 of export promotion, the study estimates a \$40 increase in exports for the median EPA. Moreover, the researchers find strong diminishing returns, suggesting that as far as EPAs are concerned, small is beautiful.

Leonidou, L. et al. 2011. [National export-promotion programs as drivers of organization resources and capabilities: effects on strategy, competitive advantage, and performance.](#) ***Strategic Direction* 27.**

The authors present the results of a study that empirically tests a model connecting national export-promotion with export performance through the intervening role of export-related organizational resources and capabilities, export marketing strategy, and export competitive advantage. The study reveals that the adoption of specific export-promotion programs positively strengthens the firm's export-related resources and capabilities, which in turn is instrumental in developing a sound export marketing strategy. By realizing this strategy, the firm enjoys competitive advantages related to costs, products, or services, which in turn help it achieve superior export performance market and financial dimensions. In addition, the firm's export market performance has a positive impact on financial performance. This study also shows that the effect of national export-promotion programs on export-related resources and capabilities is stronger among smaller firms, and for some programs, among firms with less experience.

Lederman, D., Olarreaga, M., and L. Zavala. 2016. [Export promotion and firm entry and survival in export markets.](#) ***World Bank Policy Research Working Paper* 7400.**

Surveys of export promotion agencies suggest that they tend to focus on helping firms become exporters as a means of stimulating aggregate export growth. However, the existing literature has paid little attention to the role of export promotion agencies in helping entry into exporting. This paper addresses this issue with a panel of exporting and non-exporting firms from seven Latin American countries during the period 2006-2010. The study finds that firms that used EPA services are more likely to enter and survive in world markets, but the level of firms' exports is

unaffected. This is consistent with the fact that the cost of collecting information on international markets does not depend on quantities exported, and therefore the provision of such information by government agencies should not affect the decision of how much to export but rather whether to enter or survive in export markets.

Nathan Associates Inc. 2004. [Best practices in export promotion](#). **Nathan Associates Inc.**

Commissioned by USAID to help El Salvador set up its own export promotion agency, this report studies best practices in Latin America, Australia, and Canada. The study finds that in most countries, export promotion focuses on the provision of information, training, market intelligence, and expert counseling. This report also finds a great deal of variety in the metrics that these countries use to assess the effectiveness of their export promotion strategies. In Canada, for instance, the effectiveness of export promotion services is measured almost entirely on the basis of client satisfaction. On the other hand, Australia assigns metrics to certain outcomes to determine the success of its export promotion agency.

Olarreaga, M., Sperlich, S., and V. Trachsel. 2015. [Export promotion: What works?](#) **University of Geneva.**

In this paper, the authors focus on the determinants of the heterogeneity of returns and examine the type of policy instruments and governance of export promotion agencies that are more likely to generate higher returns. The study merges data from three rounds of surveys of export promotion agencies conducted between 2005 and 2014 and obtains an unbalanced panel across European and non-European countries, which spans from 2005 to 2014, with information on agency budget, funding sources, and activities. Preliminary results suggest that on average one dollar spent on export promotion generates 15 dollars on exports (with a 95 percent confidence interval between \$11 and \$19), confirming results of earlier literature. More interestingly, agencies that focus on new exporters rather than occasional or experienced exporters experience higher returns. Similarly, agencies that focus on medium-size firms rather than small or larger firms are also likely to have higher returns. In addition, the importance given to export promotion within the institution or the share spent on marketing activities do not seem to systematically affect returns to export promotion.

Sousa, C.M.P. 2004. [Export performance measurement: an evaluation of the empirical research in the literature](#). **Academy of Marketing Science Review 8.**

This paper reviews 43 empirical studies concerning the measurement of export performance published between 1998 and 2004. The study is organized into four sections: First, a description of the review methods including the criteria used for a study to be eligible for inclusion. Second, the descriptive properties of the 43 studies selected are summarized and evaluated along three dimensions: (a) fieldwork characteristics (i.e., country of study, industrial sector, and firm size); (b) sampling and data collection (i.e., sample size, data collection method, response rate, nonresponse bias, key informant, and unit of analysis); and (c) statistical analysis. Third, export performance measures employed in the literature are analyzed. Fourth, findings are discussed in detail, along with directions for future research.

Van Biesebroeck, J., Yu, E., and S. Chen. 2015. [The impact of trade promotion services on Canadian exporter performance](#). **Canadian Journal of Economics/Revue canadienne d'économie 48**

Between 1999 and 2006, Canadian firms successfully diversified their exports to destinations well beyond the United States, with smaller firms increasing their share of total exports. Both are explicit goals of the Trade Commissioner Service export promotion program. Exploiting assumptions from the treatment effects literature, the authors identify a causal, export-boosting effect. In contrast with existing evidence for Latin American countries, the intensive margin effect — higher exports to existing product-destination markets — dominates. Effects at the extensive margin — exporting more product to more destinations — are smaller and sensitive to identification assumptions.

Van Biesebroeck, J., Konings, J., and C. Volpe Martincus. 2016.

Did export promotion help firms weather the crisis? ***Economic Policy 31.***

Following the 2009 global recession, exports declined precipitously in many countries. In this study the authors use firm-level data for Belgium and Peru to illustrate that the decline was sudden and almost entirely due to lower export sales by existing exporters. After the recession exports grew quickly, and the study evaluates whether export promotion programs were an effective tool in this recovery. Controlling flexibly for systematic differences between supported and control firms, the authors show that firms taking advantage of these programs did better during the crisis. The study finds that supported firms are generally more likely to survive on the export market, and in particular, are more likely to continue exporting to countries hit by the financial crisis. In terms of absolute magnitudes, the midpoint of the range of estimates suggest a 6% to 11%, respectively for Belgium and Peru, higher probability of survival on the export market for supported firms and approximately 20% to 10% higher exports for surviving exporters.

Volpe Martincus, C. and J. Carballo. 2010. Export promotion: Bundled services work better.

The World Economy: Inter-American Development Bank, Washington D.C.

We find that bundled services combining counselling, trade agenda, and trade missions and fairs that can be thought as providing exporters with an integral accompaniment throughout the process of starting export businesses and building up buyer–seller relationships with foreign partners are more effective than isolated assistance actions, e.g., trade missions and fairs alone. The largest effect is observed precisely where the lack of information is likely to be more severe, namely when expanding exports on the extensive margin and especially on the country dimension.

United States General Accounting Office. 1994. Export promotion: rationales for and against government programs and expenditures. ***United States Government***

GAO discussed the rationales for and against the operation of government export promotion programs. GAO noted that (1) supporters have justified export promotion programs for job creation and deficit reduction and the enhancement of trade policy objectives, but there is no empirical data on the programs' effect on such issues; (2) many economists believe that government intervention in private markets makes these markets less efficient, but other economists believe that under certain limited circumstances government intervention can improve market efficiency; (3) export promotion programs can offset foreign governments' subsidies for their countries' exports in order to equalize competition; (4) export promotion programs provide export subsidies, foreign market information, government advocacy for U.S. businesses, and financial assistance for both exporters and importing countries; (5) the government needs a unified strategy for export promotion to efficiently allocate funding and reduce costs; and (6) prime candidates for consolidation, termination, or redirection include food assistance and cargo preference programs, and the Market Promotion, Export Enhancement, and General Sales Manager Export Credit Guarantee Programs.

Notes

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