



THEME 4 TRANSITIONS

INTRODUCTION

Given Indiana's vital role in the world economy, it is important that our students understand the full impacts of international trade—positive and negative—so that they can vote and lobby for legislation as informed citizens. Although the gains from trade are widely recognized, it is important to consider the costs to communities that lose major industries because of an inability to compete or because of a decision to move the jobs abroad. These losses are often short-term and considered a cost of transition. These transition costs manifest themselves in a variety of ways, including influences on the local culture, environment, and economy.

The effects of international trade are often felt in all sectors of society. The impact on culture is evident in language changes brought on by the introduction of new marketing strategies. The impact on the neighborhood may also be significant as large-scale multinational firms compete with locally owned businesses. In most economics textbooks, authors spend a great deal of space discussing the gains from international trade, trade barriers and their effects, and exchange rates and the effects of their changes on international trade. Yet it seems that little attention is paid to the very real effects of economic "transitions" that result from the increasing globalization of our economy.

These lessons focus on the impact of international trade in a variety of areas. Lesson 1 looks at local examples of international trade. Lesson 2 looks at the impact on the environment. Lesson 3 is a case study of Thompson Consumer Electronics and its decision to move operations from Bloomington, Indiana, to Juarez, Mexico. This lesson is designed so that teachers can easily adapt it to explore the effects of transitions in their own or nearby communities. Lesson 4 examines skills students will need to be successful in a global economy.

ACADEMIC STANDARDS

Social Studies

Economics. Students should be able to:

- Compare and contrast how education and technology influence productivity and economic development;
- Explain the role of government in the allocation of resources in a market economy;
- Explain the importance of labor productivity to individuals, firms, and nations by explaining how labor productivity affects income, production costs, and national standards of living;
- Explain why nations trade goods and services and explain the impact of trade on the economies of the nations involved.

Geography. Students should be able to:

- Analyze the patterns and networks of human economic interdependence;
- Explain how natural and human characteristics of the local environment can and should enter into decisions about production of good and services.

Related Content Areas: U.S. Government, Sociology, U.S. History, Language Arts



LESSON 1

What Business Should I Open?

LESSON DESCRIPTION

This lesson provides teachers with the opportunity to review concepts learned in previous lessons. Students identify the resources of Logansport, Indiana, by examining maps of the city and surrounding areas. They then choose a unique good or service to produce and justify their choice based on such factors as location, market, and transportation routes. Students also read about three businesses from Indiana that are doing business globally. Finally, students look at the resources of their own communities in order to identify possible business opportunities.

OBJECTIVES

As a result of this lesson, students will be able to:

1. Explain how local resources allow entrepreneurs to produce goods and services for national and inter national markets;
2. Explain, with examples, how cultural and geographic factors influence the decisions made by businesses in Indiana;
3. Express their opinions about how their own community fits into the international arena;
4. Locate an Indiana community and explain how it is connected to other regions of the state, nation, and world.

KEY IDEAS

Entrepreneur. An entrepreneur is a person who takes risks to start a business. An entrepreneur organizes other productive resources.

Productivity. Productivity measures how many goods and services are produced over a period of time. It is usually measured as "output per hour."

Technology. The science of production. The introduction of technology to the production process usually increases productivity.

TIME REQUIREMENT

Two class periods

MATERIALS

- Visual 1: A View of Logansport, Indiana
- Handout 1: Where is Logansport, Indiana?
- Handout 2: My Business Plan
- Handout 3: Case Study: Berg Bows, Inc., Bloomington, Indiana
- Handout 4: Case Study: Task Force Tips, Valparaiso, Indiana
- Handout 5: Case Study: Gettelfinger Popcorn, Palmyra, Indiana

PROCEDURES

1. Ask students if they have ever wanted to own their own business. Brainstorm types of businesses that they would be interested in owning. List these on the board. Remind students that businesses produce both goods and services. Review what resources exist in the community that might help them in producing goods and services.
2. Show **Visual 1: A View of Logansport, Indiana**. Ask students to identify any resources they see. Examples would include schools, roads, factories, and people. Classify these resources into the three basic categories: human, natural, and capital.
3. Pass out **Handout 1: Where is Logansport, Cass County, Indiana?** Ask students to show how Logansport is connected to other regions. How does movement play a part in Logansport's being a community?
4. Ask students to show how goods and services produced in Logansport can reach regions outside Indiana and the United States. Correct answers include State Road 25, State Road 24, airport, telephone lines (World Wide Web), and satellite dishes.
5. Pass out **Handout 2: My Business Plan**. Have students answer the questions about a business they would like to start in Logansport. Students may work together if they can justify the reasons for working together. Justifications might be wanting to start a partnership or corporation or sharing expertise.
6. Have students present their business plans to the rest of the class. Make sure that they are able to justify producing the good or service based on resources that exist locally. Mining gold would probably not be a reasonable economic activity in Logansport.
7. Pass out **Handouts 3, 4, and 5**. Have students read the case studies and answer the following questions: What good or service does the company produce? How did it first develop its international market? What special techniques does it use to service its customers in other nations? Ask the students if they considered expanding their own business plan to service customers outside Indiana? Discuss what ways they could change their business plans to include international commerce. Suggestions include the Internet, other telecommunication technology, and catalogs.

CLOSURE

Review the resources of your local community. Discuss the ties to other regions in Indiana and to places outside of Indiana. Explain to the class that many businesses often begin with the same brainstorming and resource identification process that they just performed.

ASSESSMENT

Have students write a class letter to the editor of a community newspaper supporting an international festival or other community activity. In the letter, they should emphasize their community's ties to other regions of Indiana or the World. These connections might be sister community relationships with other communities or the international business done by local businesses. They could also point out the local availability of products produced in other regions of the U.S. or the world. The letter should include a discussion of local resources and how those resources affect the relationship that your community has with the rest of the world.

EXTENSIONS/CONNECTIONS

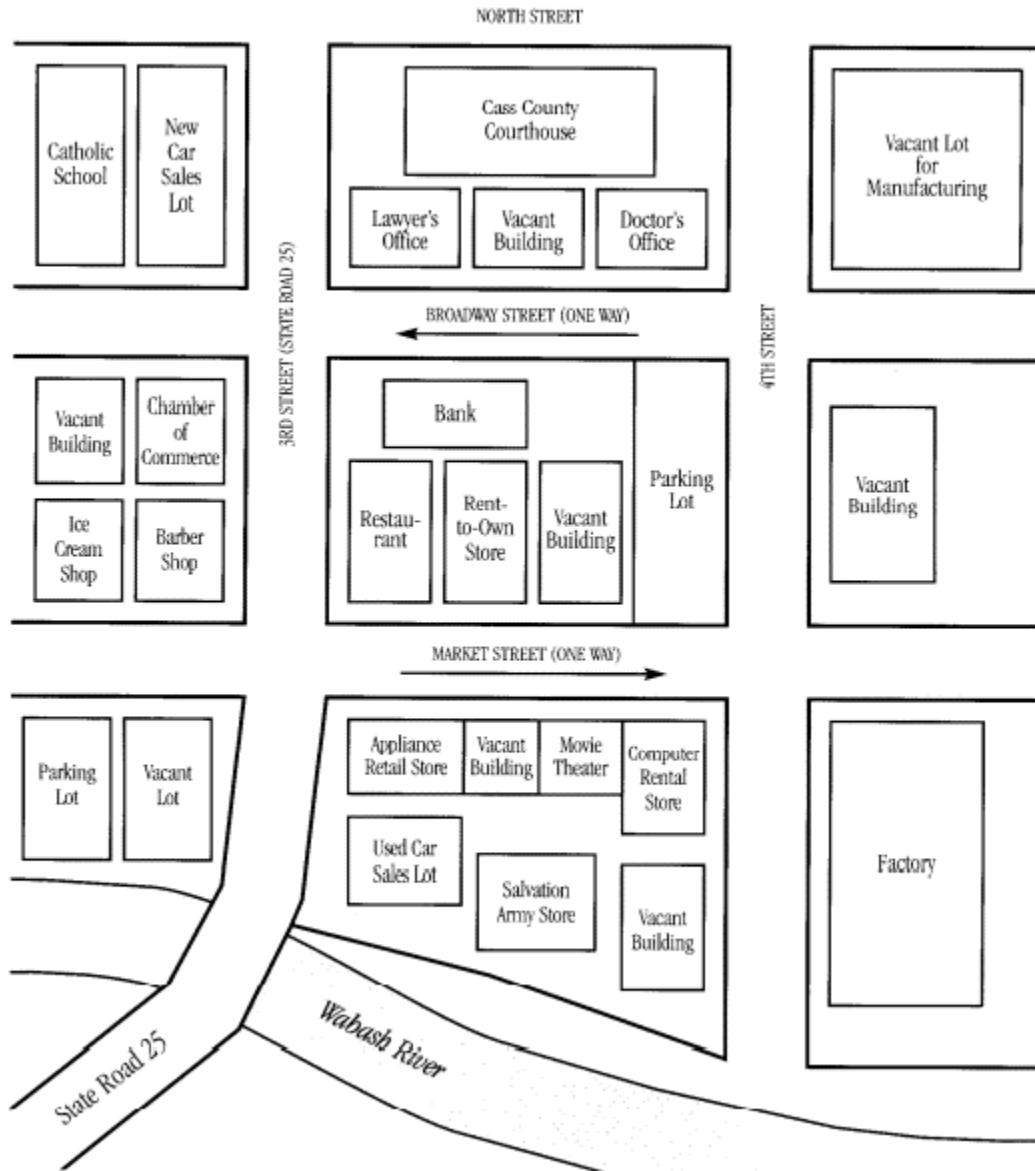
1. Have students do a survey of local businesses and determine how many of them have resources or customers in other parts of the world. Have them use the information to create a display of your community's connections to the rest of the world.
2. Have students use the local historical society to research the business relationships your community had in the past. Have them interview people of the community who worked in these businesses and create a publication or website which includes this information.

RESOURCES

Procter & Gamble publishes a series of lessons that show students how they fit into a global economy. The publication is called *Global Visions* and is available at no charge. Contact Learning Enrichment, Inc., P.O. Box 415, Pennington, NJ 08534-9938 to order classroom sets of the material.

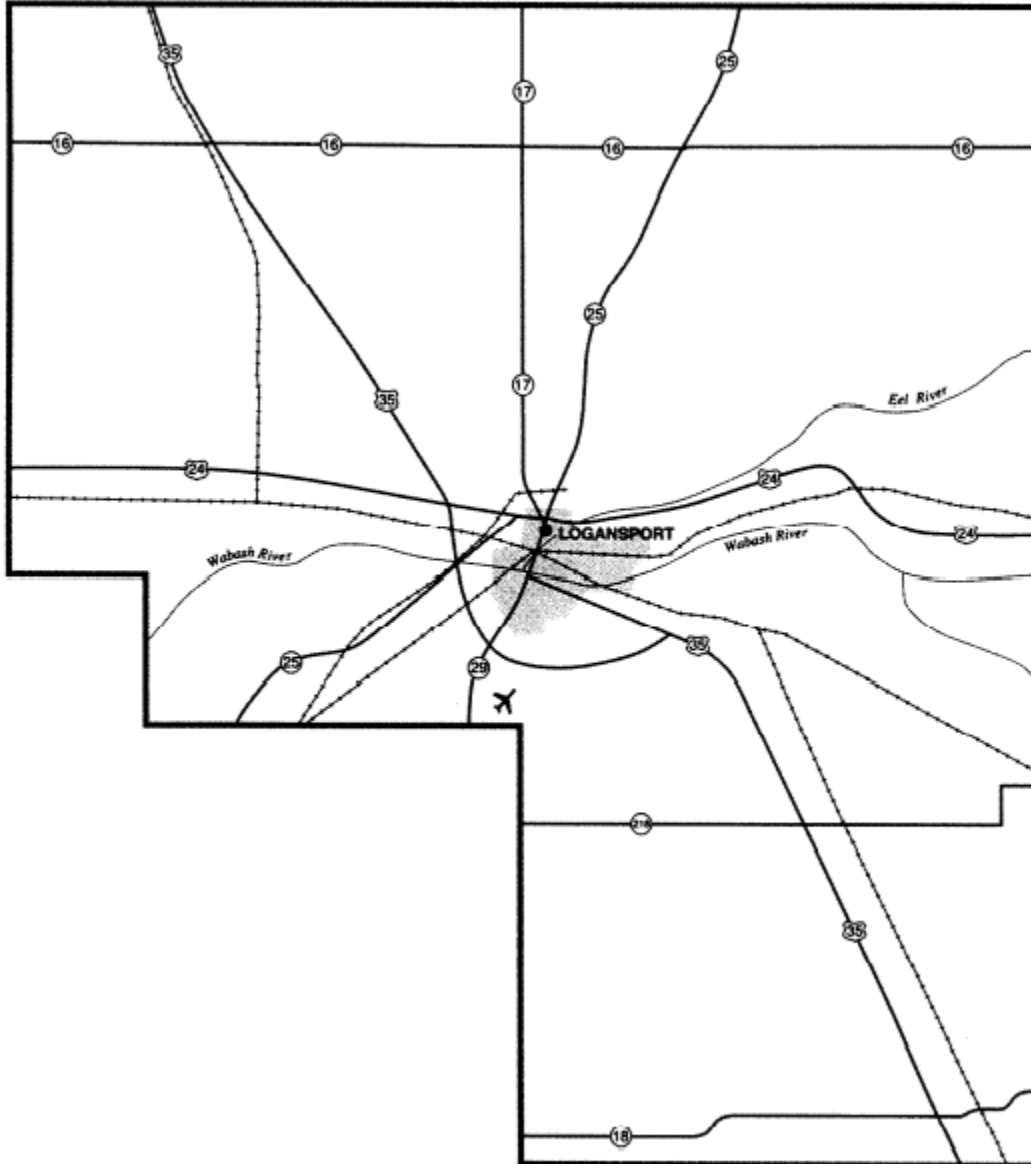
VISUAL 1

A VIEW OF LOGANSPORT, INDIANA



HANDOUT 1

WHERE IS LOGANSPORT, CASS COUNTY, INDIANA?



HANDOUT 2

MY BUSINESS PLAN

Name of Business:

Owner(s) of Business:

Good or Service Produced (Explanation)

Type of Business (Explanation)

Productive Resources Needed:

Local Infrastructure to Support Business:

Production Plan (How will I produce my good or service?):

Marketing Plan (Who will buy my good or service, what price will I charge, how will I get them to buy it?):

Location of Business (Explanation)

HANDOUT 3

CASE STUDY BERG BOWS, INC., Bloomington, Indiana

By Chas McGrew, Indiana Department of Education

Bloomington is known for more than just college basketball and limestone quarries. Indiana University has an acclaimed School of Music. That is one of the attractions that brought Mr. Michael E Duff to IU in the early 1970s. The native of New Zealand came to Bloomington to teach biology at the university. He also came to study music and to exercise his talent for crafting and repairing stringed instruments. Mr. Duff found a clientele for his unique craft, and his true vocation began.

Building on the work of Mr. Irving Fink and Mr. Robert Berg, Mr. Duff began constructing bows for stringed instruments such as violins, violas, and cellos. Fink and Berg had developed a way of constructing high quality bows out of a composite material at a fraction of the cost of their French all-wood competition. Mr. Duff had found a marketable product and began a partnership with Mr. Berg. Berg Bows was established in 1985. Today Berg Bows' clients include dedicated students, university professors, orchestra players, soloists, concertmasters, and renowned virtuosos from all around the world. Not bad for a small business located in southern Indiana. How has Berg Bows gained such prominence in the world of stringed instruments? The answer is high quality and customer satisfaction. However, even the best product in the world can't be sold if the customer doesn't know about it. Berg Bows has used the World Wide Web to let its customers know about its products.

Berg Bows' clients want the best possible bow for the price they pay. The bows typically sell for between \$2,500 and \$5,500. A top-quality traditional French bow made of pernambuco wood may sell for as much as \$80,000. Since knowledgeable players have determined that Berg bows can perform as well as the more expensive competition, the market for the product is huge. When the clients are happy with their purchases, Berg Bows wants them to tell their peers. The company website uses the praises and accolades of satisfied clients to advertise the bows. According to Mrs. Yvonne Pate, business manager of Berg Bows most customers follow up research on the Web with an e-mail or telephone call to the Bloomington company. Mrs. Pate has added an "Updates" link to the site that includes Frequently Asked Questions, Bow Care Tips, and excerpts from the company newsletter, *Berg Bows Bulletin*. She also updates customer comments regularly. Because many of its customers are international, the company may also add a secure order form to the site to allow payment in a quick and safe fashion.

The biggest advantage to allowing clients to purchase online is the fact that the "store" doesn't close. Orders can be taken 24 hours a day without having to allow for time zone differences. Professional-quality stringed instrument bows have a relatively large customer base spread all over the world. The Web allows

Berg Bows to service that clientele. Clients of Berg Bows occasionally don't speak English. E-mail correspondence can be translated more easily than phone calls. E-mail also expedites the handling of customer questions and orders.

The World Wide Web has been a huge benefit for Berg Bows. It has allowed the company to establish itself as a quality producer and marketer of bows. It also enables the company to keep up on current trends in the industry. According to Mrs. Pate, "The World Wide Web has opened information, sales, and communication doors which were closed to small businesses in the past."

HANDOUT 4

CASE STUDY: TASK FORCE TIPS, VALPARAISO, INDIANA

By W Spencer Valentine, Indiana Department of Commerce, International Trade Division

Doug McMillan calls the fire-fighting equipment industry "an interesting little market." That little market, however, is taking Task Force Tips-the Valparaiso, Indiana company that he and his brother Stewart run-all over the world.

From firehose nozzles to deluge guns that can shoot six tons of water per minute, Task Force Tips produces an assortment of fire-fighting products. The market for these products is substantial in the United States, but over the last five years, Doug and Stewart have brought about a very successful expansion into international markets. "Our products are used in departments throughout the European Union, the Middle East, and the Pacific Rim," says Doug. "In the Pacific, we do a lot of business with Korea, Malaysia, and Indonesia, and we're the predominate fire-fighting-equipment supplier to Australia and New Zealand."

Task Force Tips is not yet done selling to the Pacific. "Right now I'm concentrating on China," Doug continues. "That could be a huge market for our products. In fact, we're attending a trade show in Hong Kong in November"

The McMillan brothers realize that lots of companies are forced to seek foreign markets because they are suddenly faced with market saturation at home. "That leads to a mad scramble for the international market," Doug explains. "We started to plan expansion about seven years ago. It allowed us to take our time and enter those markets with a more objective approach."

That objective approach came down to three things: paying special attention to pricing considerations, forming alliances with smaller companies in those regions to support distribution, and making a concerted effort to modify products to meet varying market standards.

Willingness to meet varying international standards allowed Task Force Tips to successfully break into several European markets. "The more industrial nations of Europe-such as Germany, Britain, and France-have higher building codes and fire code standards than some of the others. Our willingness to meet those standards brought us into those markets. Even with the formation of the European Union, there's still a lot of differences among those countries. You've got to be willing to adapt to those differences," said Doug.

This approach has paid off immensely. Over the last two years alone, export sales have increased 1,000 percent. In fact, one out of every four nozzles that Task Force Tips produces is sold internationally. It is

this kind of rapid growth that has led Task Force Tips to be recognized as Indiana's 1995 small-business exporter of the year by the U.S. Small Business Administration and as one of six winners of the 1995 Lieutenant Governor's Outstanding Indiana Business awards in Northern Indiana. "Task Force Tips is a fine example of a company that accepted the challenges of this new global economy," says Lieutenant Governor Frank O'Bannon. "They have invested in employee training programs, adopted new technologies, and explored the international trade arena."

Adopting new technologies is key to Task Force Tip's present and future success. It is regular company practice to add at least one new technology to the company's "menu" every 12 to 18 months. "Periodically, we'll gather the entire staff-sales, engineering, and management-into the office for a pizza party," says Doug. "It becomes a big development session. Everybody brainstorms ideas, and everybody contributes suggestions toward making those ideas the best they can be."

One such session led to the crossfire monitor, a safety valve that shuts down a fire hose when it hits the ground. Task Force Tips patented and introduced the monitor in 1993, and it resulted in a 20 percent increase in overall sales.

One unique characteristic of Task Force Tips is that many of the company's employees-Doug and Stewart included-are active firefighters. They are continuing the legacy of their father and Task Force Tips founder Clyde McMillan. Clyde was chief of a Civil Defense Fire Department in Gary, Indiana, when he founded Fire Task Force Innovations in 1971-the company that eventually became Task Force Tips. "My brother and I spent every weekend at Dad's fire department," says Doug. "We'd be there late rolling up hoses and get in trouble the next day for being late to school.

"Coming from a fire-fighting background and still being active in volunteer fire departments gives us and our company a lot of credibility. Firefighters see themselves as part of a brotherhood. If I'm talking to a chief in Riyadh or Sydney and he knows I'm a fellow fireman, his view of me as a salesman fades away.

"It's a very interesting little market."

HANDOUT 5

CASE STUDY: GETTELFINGER POPCORN, PALMYRA, INDIANA

By W. Spencer Valentine, Indiana Department of Commerce, International Trade Division

The year is 1930, the Depression is still gripping the country, and two Southern Indiana farm boys have a goal: a bicycle. The problem is, Mom and Dad do not have the money for such luxuries. So, Herbert and Irvin Gettelfinger get an idea and embark on a journey that will last a lifetime.

The boys decide to use a half-acre plot of land on the family farm in Palmyra, Indiana, to plant popcorn and earn the money to buy the bicycle. They plant the crop, care for it throughout the summer, then harvest and shuck it by hand. A nearby buyer for Kroger groceries purchases the bulk Gettelfinger crop. The result: a new bike and a tidy \$10 profit.

Seeing opportunity, the Gettelfinger family built this early success into a family enterprise. They expanded production and continued selling the popcorn in bulk to Kroger, which had several stores by this time. As with so many other successful businesses, change was inevitable and necessary. The buyer no longer wanted 50-pound bags and insisted on smaller packages. So, in 1948, Gettelfinger Popcorn Co. built its first packaging facility and developed the label "Spee-Dee Pop." At the same time, the company expanded its product, offering white popcorn in addition to the original yellow.

A few years later, a new processing plant was built to meet changes in the business. The popcorn business became more scientific as consumers' popcorn desires changed. Customers were concerned with the size and type of pop (ball or butterfly), and the popcorn companies had to address this. The need to control and measure "popability" could be accomplished at this new facility.

During the first four decades, the business focused largely on domestic markets. "There was competition, but we could still run a healthy business here in the U.S.," says Herbert Gettelfinger. Eventually, Gettelfinger Popcorn needed to expand its sales focus. The company looked toward foreign markets. In the early 1980s, the Gettelfingers attended their first international trade show. According to Herbert, "At that show we made a few good contacts and sales and began learning how to sell internationally."

Herbert served as president and Irvin worked in production and processing for the enterprise until 1985, when Preston Farms, L.P. purchased the company. Today, the Gettelfinger brothers continue to work in the company they built, along with Leigh Anne Preston, vice president of sales and marketing, and Greg Pritchett, vice president of operations.

Since that first show, the company moved into other markets and slowly built its foreign sales, though mostly on a reactive basis at first. Today, Gettelfinger and Preston travel extensively throughout Asia, Europe, and Mexico, actively promoting their products, and they are finding success. In fact, Spee-Dee Pop and the company's other labels-Americas's Premium, Hoosier Gold, Heartland USA, and Kentucky Poppers brands-are now found in more than 50 countries around the world.

Gettelfinger Popcorn learned to access trade information and assistance through organizations such as the International Trade Division (ITD) and the Mid-America International Agri-Trade Council (MIATCO), an agriculture consortium made up of 12 member states. Using ITD's Trade Show Assistance Program and MIATCO's Marketing Promotion Program, the company attended several overseas trade shows in 195.

That year, Gettelfinger became acquainted with ITD's European office and its director, Jim Sitko, prior to attending the ANUGA food show in Cologne. ` Jim sent introductory letters to European buyers before the show. As a result, several people sought us out at the show," Herbert recalls. "His work was very helpful and was translated into more sales than we would have had."

The company also worked during the summer with ITD's East Asian Operations. Since that time, leads that were generated in Asia and funneled through ITD to Gettelfinger have proven valuable. Gettelfinger's growing name recognition and a curiosity about Indiana popcorn yielded an inquiry to ITD, which was passed on to the popcorn company. This contact resulted in a sale of 11 shipping containers to South Korea.

Today, international exports of Gettelfinger Popcorn account for 50 percent of the company's total sales, and the volume continues to expand. The days of selling 50-pound bags of popcorn to the local grocer have been replaced by traveling the world in search of sales. A lot has changed for the Gettelfinger Popcorn Co. since those early bicycle days, but it's been a successful journey.