

SPECIAL SECTION

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OPPORTUNITIES FOR SMALL BUSINESS IN THE GLOBAL MARKETPLACE

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As the chief executive officer of the Small Business Administration, Patricia F. Saiki directs a comprehensive array of programs and services designed to promote and expand U.S. small businesses. She oversees policy development, management, and delivery of financial and business development programs by the agency's 5,000 employees in nearly 100 offices across the country.

For today's small business owner, the question is no longer, "Should I consider exporting?" Instead, the proper question to ask is, "How *soon* can I enter the global marketplace?"

The changing map of world politics along with advances in technology and transportation has created an economic environment where overnight deliveries to anywhere in the world are routine and facsimile machines can start multi-national business deals in minutes.

Importantly, exporting is no longer the exclusive domain of big business. Trade barriers that once made exporting especially difficult for small companies are giving way to more arrangements. For example, the unification of Western Europe's economic community is bringing a \$4.8 trillion market of more than 340 million people under a single trade umbrella. Closer to home, cross-border trade with our northern neighbors has been made easier by the U.S.-Canada Free Trade Agreement.

Recently the *Wall Street Journal* ran an editorial that praised the advances brought by the agreement and described the particular good fortune of Buffalo, New York. The article noted that "Since the free trade treaty went into effect in 1989, between 400 and 700 Canadian businesses have set up shop in Buffalo." The editorial went on to say that "Buffalo-area stores benefit from cross-border shoppers, who spent \$238 million there last year."

This is the kind of progress we can expect from more open trade arrangements coming into place around the globe. However, we must be prepared to participate in this exciting arena.

The SBA held an international trade conference not long ago, and a speaker there talked about how our changing trade situation today is similar to developments that faced American

companies 60 years ago. Back then, markets were mostly local and regional, but national markets were evolving. A manufacturer in Miami, for instance, complacent with his position in the local area, would have been quite surprised if a competitor from, say, Atlanta, moved in.

This type of complacency must be guarded against today. As the European countries consolidate and strengthen, only the foolish would not expect them to begin marketing their products here in the United States in our communities. Small business owners must continue innovating and must sharpen their competitive edge by looking across borders and oceans for trade and investment opportunities.

Although our domestic market is enormous, it is limited. The United States is home to only 5% of the world's customers. World economic growth, excluding that of the United States, is expected to be 40% higher than domestic growth for the balance of this century.

It is crucial for the health and progress of our economy that small business owners find success in exporting. Ninety-nine percent of all businesses in the United States are small; that's more than 20 million small businesses. They employ 57% of the private work force, are responsible for 54% of all sales and generate 50% of the domestic private sector output.

At the Small Business Administration we are working to promote greater participation by small business in the world market, working to overcome many of the principal obstacles that prevent small firms from doing business overseas. We have found that a great deal of their reluctance can be traced to several factors, including a lack of knowledge about how to get involved, unfamiliarity with a foreign language, and fear of operating in a strange business environment. In actual practice, however, these uncertainties present few problems or are easily overcome. Open minds and a dedication to success must prevail.

The chances for success in the world market are encouraging. Small companies enjoy advantages that major exporters often cannot match--primarily greater flexibility and responsiveness to the needs of customers.

The best reason for small businesses to move into the international marketplace is the bottom line. Exporting opens up vast new markets for sales and can extend product life economic fluctuations. Perhaps most inviting, exporting can improve a company's competitiveness. Promising marketing techniques can be tested as can the popularity of new products in different markets.

Despite these attractions, a Dun and Bradstreet study of businesses with fewer than 100 employees discovered that of those that do *not* trade overseas, nearly 15% say their product or service *is* exportable. This must not continue.

Small businesses must be more aggressive and confident in their abilities in order to succeed in the world marketplace. We hear a great deal about Germany and Japan and the wonderful things being accomplished by these economic powers. But our economy is twice the size of Japan's, nearly five times that of a united Germany, and by most measurements larger than the entire European Community. Furthermore, the cost of production in America is lower than in either Germany or Japan; this means that our products are affordable.

The President put it best when he said, "In this new world, old notions no longer apply. If we want to put people to work here at home, we've got to expand trade and to open markets."

He is right; all businesses must enter into international trade. That is where the markets are, that is where growth lies, and that is where our competitors will be. Firms that rest secure at home will not be secure at all.