

# Encouraging Global Success for New York City's Small Businesses

*Summary of Findings from the 2007  
New York City Small Business  
Global Survey*

September 2007



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# Encouraging Global Success for New York City's Small Businesses

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## Introduction

During 2005-2007, the Manhattan Chamber of Commerce and the Weissman Center for International Business, Baruch College/CUNY conducted the *New York City Small Business Global Survey*. The goal was to learn more about the challenges New York City's small businesses encounter in going global and what they would value most to help them overcome the obstacles they face.

Very little is known about the global engagement of New York City's small businesses. Indeed, learning more about them is not a simple task, since data on U.S. international trade in goods and services and foreign investment is currently not readily available at the metropolitan level. This is unfortunate because, in order to be relevant, trade promotion programs offered by governments, chambers of commerce and nonprofit organizations (educational, technical assistance, networking, financing) must reflect the rapidly evolving nature of the small business marketplace. Small businesses face greater and more complex challenges in expanding overseas than do their large multinational counterparts. Better information will help organizations and government agencies tailor trade promotion programs to the unique needs of small businesses located in New York City.

The *New York City Small Business Global Survey* targeted small businesses with fewer than 100 employees<sup>1</sup> located in New York City's five boroughs. The survey sample was randomly selected from the D&B Million Dollar database in 2005. The survey sought to gain information about companies currently engaged in international business and learn about companies who may consider international business in the future. To answer the survey questions that focus on characteristics of small businesses that are international, the random sample was augmented with additional firms engaged in international business resulting in 155 usable survey responses. The number of firms engaged in international business thus rose to 62.

For the purposes of the survey, international business was defined as any private cross-border commercial transaction involving two or more countries. International commercial transactions involving government and nonprofit entities were not included. A company providing services to facilitate commercial transactions between two or more

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<sup>1</sup>The term "small business" has no widely accepted definition. Different programs use different size standards to qualify firms for the "small business" designation. To learn more about the standards used by the Small Business Administration, visit [www.sba.gov/size/indexsize.html](http://www.sba.gov/size/indexsize.html). For purposes of the *New York City Global Small Business Survey*, a small business is defined as a firm with fewer than 100 employees.

countries was also considered to be engaged in international business. The survey sought to capture information about the type of operating modes small businesses are choosing when they conduct international business. For example, a company may choose to import and export products and/or services. A firm may decide instead to enter a foreign market by licensing or franchising internationally. As an alternative, it may choose to invest overseas.<sup>2</sup>

A summary of the preliminary survey findings was presented at an international conference on small business internationalization organized by the Organization of Economic Cooperation and Development (OECD) and the Asia-Pacific Economic Cooperation Forum (APEC). The conference was held in Athens, Greece in November 2006.<sup>3</sup>

The findings and recommendations derived from the survey project are summarized in the following. In order to provide context for the report's conclusions and recommendations, economic data about U.S. and New York State exports of goods and services, as well as statistics on New York City employment and size-of-firms by industry sector, are also discussed.

## **New York City's Small Businesses in the Global Marketplace: Creating Jobs, Driving Innovation**

Small businesses are a vital component of the New York City economy. According to New York State Department of Labor statistics, the 221,000 firms in New York City that have fewer than 100 employees represent 98% of the total number of firms and 48.5% of the City's total private sector employment (see Appendix: Third Quarter 2006 New York City Employment and Size-of-Firm by Industry Sector).<sup>4</sup>

Recent research on the relationship between the export orientation of small businesses and economic growth would seem to suggest that those small businesses that are engaged internationally may make a particularly strong contribution to New York City's overall economic growth. This is because going global stimulates learning and innovation as the firm adapts its products and services to overseas markets and is exposed to new processes and technologies.<sup>5</sup> The question then becomes, "How global are New York City's small businesses?"

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<sup>2</sup> For further information on the environment and operations for conducting international business see John D. Daniels, Lee H. Radebaugh and Daniel P. Sullivan, *International Business*, (Pearson Prentiss Hall, 2007). For an overview of international trade operations and procedures see James F. Foley, *The Global Entrepreneur*, (Jamric Press International, 2004). The study of international business, which has traditionally focused on large established multinational enterprises, has recently broadened in scope to include small businesses and new ventures.

<sup>3</sup> The Report, *OECD-APEC Global Conference on Removing Barriers to SME Access to International Markets*, is available on the OECD website <http://www.oecd.org>.

<sup>4</sup>Size-of-firm data is available from the New York State Department of Labor QCEW data series.

<sup>5</sup>S. Jolanda A. Hessels and André van Stel, "Export Orientation among New Ventures and Economic Growth," (EMI Research Report, 2006).

In the public's mind, international trade has become synonymous with big business and big money, seemingly far removed from the needs and concerns of smaller entrepreneurs. While there are no official statistics readily available at the metropolitan level measuring the scope of small business internationalization, national and state merchandise export figures tell a remarkably different story. These figures show that although exports are dominated by large companies, most exporting companies are small- and medium-sized firms. Yet, the number of small businesses engaged internationally remains relatively low. This could indicate significant potential for growth in exports by small businesses over time.

According to the U.S. Department of Commerce, a total of 225,139 small and medium-sized enterprises (SMEs) exported merchandise from the U.S. in 2004, accounting for 97% of all U.S. merchandise exporters. The Department of Commerce defines SMEs as companies with fewer than 500 employees. There is no readily available data on merchandise exports specifically for firms with fewer than 100 employees.<sup>6</sup>

SMEs accounted for almost 99% of the 1992-2004 growth in the number of exporters. The number of SMEs that export merchandise more than doubled during this period. The exporter population increased from 108,026 in 1992 to 225,139 in 2004. The known export revenue of SMEs rose from \$102.8 billion in 1992 to \$203.0 billion in 2004. SMEs were responsible for 29% of the value of U.S. goods exports in 2004.

Wholesalers and other non-manufacturing companies<sup>7</sup> dominate exports of merchandise by SMEs. In 2004, they accounted for 68% of all SME exporters and generated 63% of total SME exports.

For New York State, SMEs made up 93% of all exporters of manufactured goods in 2004 – the third highest percentage of any state. The value of the goods they sold abroad in 2004 accounted for half (50%) of the state's merchandise exports – the fourth highest percentage of any state in the nation and well above the national average of 29%.

The export statistics discussed above represent only those small businesses that are exporting merchandise, but not firms that export only services. The following section discusses the role of the service sector in New York City by employment and firm size. Available data on service exports is also presented.

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<sup>6</sup> For an overview of the export activities of U.S. Small and Medium-Sized Enterprises (SMEs) visit [http://www.ita.doc.gov/TD/Industry/OTEA/sme\\_2004/SME\\_index\\_2004.htm](http://www.ita.doc.gov/TD/Industry/OTEA/sme_2004/SME_index_2004.htm).

<sup>7</sup> The U.S. Department of Commerce divides companies into three categories: manufacturers, wholesalers, and "other companies." Manufacturers are firms that fall into NAICS classifications 31 to 33. Wholesalers fall into classification 42, as do brokers, agents, and similar entities primarily engaged in the distribution of goods to businesses. The term "other companies" embraces all remaining NAICS categories. Included here are resource extraction companies, retailers, freight forwarders, engineering firms, and miscellaneous service companies that often market goods abroad and act as exporters of record.

## The Importance of the Service Sector to the New York City Economy

New York City is characterized by a high concentration of jobs in private sector service industries. According to New York State Department of Labor data, 92% of total New York City employment is in private sector service producing industries (see Appendix: Third Quarter 2006 New York City Employment and Size-of-Firm by Industry Sector).<sup>8</sup> In addition to business sectors such as real estate, finance and insurance, New York City has the highest concentration of business services employment in the state. Each of these sectors has an important international facet. Jobs in the service sector in New York City paid an average salary of \$70,000 in 2005, according to the New York State Department of Labor.

Compared to other localities, New York City small businesses are more likely to be in the service sector. According to New York State Department of Labor data, 91% of firms with fewer than 100 employees are concentrated in the service sector (see Appendix: Third Quarter 2006 New York City Employment and Size-of-Firm by Industry Sector). These firms are specialized in a diverse range of service industries, e.g., business consulting, information technology, design, arts, education, health, travel and tourism, and translation. They each have unique characteristics and may have a key international component.

National trends point to even further growth in the service producing industries. It is estimated that 18.3 million new services jobs (not including federal, state and local government jobs) will be created by 2012. This constitutes approximately 86% of all new jobs in the U.S.<sup>9</sup> The U.S. Bureau of Labor's Employment Outlook for 2002-2012 projects that within the service sector, the fastest growing areas with the strongest employment growth will be professional and business services and education and health services. Each has a significant international component as well as a large New York City presence.

Very little is known about the scope of international trade in services or about the characteristics of the firms engaged in trade in this sector. According to the U.S. Bureau

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<sup>8</sup>According to NAICS (North American Industry Classification System) (2002), the sectors of the economy can be grouped to form five largely goods-producing industries (NAICS 11 to 31-33) and fifteen service-producing industries (NAICS 41 to 91). The 15 economic sectors specified as services-producing industries include: Wholesale Trade (NAICS 41); Retail Trade (NAICS 44-45); Transportation and Warehousing (NAICS 48-49); Information and Cultural Industries (NAICS 51); Finance and Insurance (NAICS 52); Real Estate and Rental and Leasing (NAICS 53); Professional, Scientific and Technical Services (NAICS 54); Management of Companies and Enterprises (NAICS 55); Administrative and Support, Waste Management and Remediation Services (NAICS 56); Educational Services (NAICS 61); Health Care and Social Assistance (NAICS 62); Arts, Entertainment and Recreation (NAICS 71); Accommodation and Food Services (NAICS 72); Other Services - except Public Administration (NAICS 81); Public Administration (NAICS 91). NAICS does not categorize companies according to size standards. Public administration was not included for the purposes of this study.

<sup>9</sup> U.S. Department of Labor, "Employment Outlook: 2002-12," Monthly Labor Review (February 2004).

of Economic Analysis, total U.S. cross-border exports of private services reached \$404.3 billion in 2006, representing an increase of 10% after increasing 10% in 2005 and 15% in 2004.<sup>10</sup> No official statistics are currently available to measure U.S. metropolitan or state level exports of services. The Coalition of Services Industries (CSI), a business organization that advocates for the reduction of barriers to U.S. exports of services, has estimated that New York State exports of private services in 2005 reached \$27.4 billion.<sup>11</sup> This represented an increase of 8.4% over 2004, making New York State the third largest exporter of services, behind California and Texas.

New York State exports of services included business, professional, and technical services, travel and transportation services as well as royalties and license fees, according to CSI research. Given the high concentration in New York City of service producing industries with a key international component, it is likely that a significant share of New York State service exports originate in New York City.

## How Best to Encourage More Small Businesses to Engage Internationally

Encouraging more small businesses to engage internationally will benefit New York City’s economy by creating more jobs, encouraging innovation, generating higher wages, and increasing the local tax base. The key question becomes, “How best to encourage this evolution?”

To gain insight here, a sample of companies with fewer than 100 employees located in New York City’s five boroughs was created to serve as the basis for the *New York City Global Small Business Survey* that sought answers to the following questions:

- What type of international business activities are New York City’s small companies currently involved in?
- What are the primary motivations that drive New York City’s small business owners to engage in international business?

<u>Year</u>	<u>Exports of private sector services</u>	<u>Percentage change from the prior year</u>
2003	\$290.2 billion	---
2004	\$333.0 billion	15%
2005	\$367.8 billion	10%
2006	\$404.3 billion	10%

This data can be found on the Bureau of Economic Analysis (BEA) website at: [http://www.bea.gov/international/bp\\_web/list.cfm?anon=71&registered=0](http://www.bea.gov/international/bp_web/list.cfm?anon=71&registered=0)  
Click on table 3 for detail on trade in private sector services.

<sup>10</sup>Coalition of Service Industries (CSI), *Services Drive U.S. Growth and Jobs: The Importance of Services by State and Congressional District* (June, 2007). The report is available on the CSI website <http://www.uscsi.org/>.  
CSI findings are based on preliminary estimates of U.S. service exports for 2005 released in 2006 by the Bureau of Economic Analysis (BEA). BEA has recently revised 2005 U.S. service exports upward from \$360.5 billion to \$367.8 billion (see footnote 10 above).

- What type of support programs would be useful to them in pursuing their international business goals?

For small businesses that are NOT engaged in international business, the survey asked, “Why not?” The survey also asked *why* these firms would seek to pursue international business opportunities given the challenges they face. The survey also sought to learn more about *what* types of support programs and services would encourage small businesses to explore global markets.

## **New York City Small Business Global Survey Findings**

Preliminary survey results indicated that slightly over 25% of New York City small businesses with fewer than 100 employees are engaged in international business. To answer the survey questions that focus on characteristics of small businesses that are international, the random sample was augmented with additional international firms resulting in 155 usable survey responses. The number of firms engaged in international business thus rose to 62.

Of the 62 firms who identified themselves as engaged in international business, approximately 20% only do so occasionally. Another 20% are developing plans to actively engage in international markets. More than 55% are active internationally on a regular basis and 20% of these have established operations overseas. Over half of the companies in the international category (56%) indicated that they have more than 11 years of experience in markets outside the U.S.

Respondents report that they use a variety of approaches to conducting international business based on the specific needs of their customers. These approaches range from trading goods and services to investment overseas. Among firms who indicate that they are engaged in import/export activities, there are approximately 25% more firms who import rather than export. This result is not surprising given the size and cultural diversity of the consumer market in New York City which acts as a magnet for imports of goods from around the world. New York was thus the second largest trade district in the nation in 2006 for merchandise imports carried by ocean and air, surpassed only by Los Angeles, according to U.S. Census Bureau foreign trade data.<sup>12</sup> Yet, even though survey findings show that more New York City small businesses engaged internationally are importing than exporting, most research and trade promotion programs are focused on exports.

New York City’s small businesses that are internationally engaged are actively targeting distant, growing emerging markets such as China and India. In doing so, they are tapping into and leveraging the rich internationally focused networks of people, resources and infrastructure that define New York City as a global city. The strong participation of New York City’s small businesses in emerging markets is consistent with national trends. According to U.S. Department of Commerce data, 90% of all U.S. exporters to China in

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<sup>12</sup> U.S. imports by Customs District are available on the U.S. Census Bureau website at <http://www.census.gov/foreign-trade/www/>

2004 were SMEs (companies with fewer than 500 employees). This is up from 1992, when 77% of exporters to the China market were SMEs.<sup>13</sup>

The largest industry sectors among the augmented group of respondents, both overall and in terms of international engagement, were business services (11.5%) and wholesale trade (10.9%). This result highlights the importance of the internationally traded service sector to the New York City economy and to the vitality of its small business population. It is also consistent with national export statistics which show that wholesalers and other non-manufacturing firms make up the majority of SME exporters and generate the majority of total SME exports (see p. 4 above).

In the business services sector, respondents make up a diverse group, including information technology, entertainment, publishing, the arts, architectural design and management consulting firms. Clearly, New York City's small businesses are taking advantage of opportunities offered by new and cost effective communication technologies to expand into international markets.<sup>14</sup>

Responses show that even micro firms with fewer than 20 employees are successfully navigating international markets. Of the 62 survey respondents who indicated they were doing business internationally, 71% had fewer than 20 employees. This was nearly identical to the percentage of firms with fewer than 20 employees overall (70%). Interestingly, although micro firms are very small in terms of the number of employees, more than 60% of this group generated \$1-10 million in annual revenue.

Survey responses indicate that small businesses must carefully align their financial, management, marketing, legal and product development resources and capabilities in order to successfully enter global markets. Governments, legislators, chambers of commerce, trade associations, and business-focused nonprofit institutions, as well as libraries and universities, have an important role to play in helping small businesses bridge the gap to international success.

Survey responses show that small businesses going global most highly value programs that:

- Provide access to working capital to finance the internationalization process
- Offer targeted technical assistance
- Facilitate access to experts and overseas contacts

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<sup>13</sup> [http://www.ita.doc.gov/TD/Industry/OTEA/sme\\_2004/SME\\_index\\_2004.htm#Part1](http://www.ita.doc.gov/TD/Industry/OTEA/sme_2004/SME_index_2004.htm#Part1)

<sup>14</sup>For a discussion of how small businesses are using information technology to increase their global reach, see Rudolf R. Sinkovics and Jim Bell, eds. "Special Issue on International Entrepreneurship and the Internet," *Journal of International Entrepreneurship* 3, no. 4 (2005).

- Provide targeted training and up-to-date international market information

The findings of this survey project are consistent with other recent international small business research conducted in the U.S. and abroad.<sup>15</sup>

## A Closer Look at What Small Businesses are Saying about Going Global

The following discussion is divided into two main parts. The first looks at survey responses provided by New York City’s small firms with international experience. The second looks at survey responses from firms not currently engaged in international business.

### Part One.

#### *Small Firms with International Experience – Reasons for Going Global*

The survey asked those firms currently engaged internationally about the major drivers of their activities overseas. Respondents indicated that increased sales, leveraging information assets (direct overseas contacts and market knowledge) and asset augmentation (acquisition of new knowledge and experience) were the most important factors motivating them to conduct business internationally. The least important factor was cost reduction (Table A).

Table A. Small Firms with International Experience	
Most important factors driving small firms to develop business globally	Average Score <sup>#</sup>
Opportunity to increase sales (larger market size)	5.69*
Direct overseas contacts	4.82*
New knowledge & experience enhances domestic competitiveness	4.61
Brand development potential	4.24
Greater profit potential than the domestic market	4.07
Unsolicited opportunity-respond to demand from overseas market	4.03
Market diversification to reduce risk	3.75
Lower costs of production/labor	3.55

*#Scale: 7.0 = Very Important . . . 1.0 = Least Important*

*\* Significantly different from the mean at the .05 level.*

<sup>15</sup>For further reading see: Poul Houman Anderson, “Listening to the Global Grapevine: SME Export Managers’ Personal Contacts as a Vehicle for Export Information Generation,” *Journal of World Business* 41(2006) 81-96; John D. Daniels, Lee H. Radebaugh and Daniel P. Sullivan, *International Business*, (Pearson Prentiss Hall, 2007); European Commission Report, “2003/4 Internationalisation of SMEs,” Enterprise Publications; Edmund Prater and Soumen Ghosh “Current Operational Practices of U.S. Small and Medium-Sized Enterprises in Europe,” *Journal of Small Business Management* 43 (2005) 155-169; Presentation delivered by Marie-Florence Estimé of the OECD Secretariat and Professor Lester Lloyd-Reason, Professor of International Enterprise Strategy, Ashcroft International Business School at the OECD-APEC Global Conference on SME Internationalization, November 2006. The presentation is available from the Weissman Center for International Business, Baruch College/CUNY.

Consistent with other studies of both large and small firms, increasing sales is listed as the most important factor. International business activities not only have financial benefits for the small firm, however. Respondents also point to benefits such as greater use of human capital and increased knowledge. Small business owners often leverage information assets to create their businesses around their ownership advantage of pre-existing direct overseas contacts and market knowledge. Asset augmentation demonstrates the importance to small businesses of gaining new knowledge and experiences from overseas to enhance the competitiveness of their businesses. Traditional international business theory for large multinational enterprises usually focuses on the desire to diversify markets in order to reduce risk and to lower costs of production as some of the main drivers for international expansion. The low value of market diversification and cost reduction among respondents to the survey seems to indicate that small businesses are mainly driven by other factors than large businesses when it comes to internationalization.

### *Small Firms with International Experience – Assistance They Value Most*

The critical assistance areas for those respondents already engaged in international business were identification of global market contacts, foreign markets and distributors. All three areas of assistance highlight the need for help in finding a suitable partner in a foreign market that a small business person can educate on the benefits of the firm’s products and services to drive sales in the foreign market (Table B).

Table B. Small Firms with International Experience	
<b>Most useful programs for helping small firms develop business globally</b>	<b>Average Score<sup>#</sup></b>
Help in finding direct global business contacts	5.01*
Foreign market information/assistance in identifying overseas markets	5.00*
Help in finding distributors and agents	4.75
Assistance in creating international business development plan	4.50
Financial support information	4.38
Trade show/exhibitions information	3.88
Foreign investment information	3.79
Advice on import/export regulations	3.78
Language training/translation services	3.55
Advice on product standards	3.53

*#Scale: 7.0 = Most Useful . . . 1.0 = Least Useful*

*\* Significantly different from the mean at the .05 level.*

Small business owners have limited time and financial resources, both of which could be rapidly depleted if they were to enter into a troublesome international relationship. Since trust and personal relationships are critical, small businesses may not be able to mitigate information disconnects to overseas markets by relying on electronic means alone. Advice on product standards for established small businesses does not appear to be a critical area for respondents already involved in international business. Also, experienced firms appear to be comfortable with their products and services and with their ability to market them.

## Part Two.

### *Small Firms Not Doing Business Internationally – Barriers They Face*

For companies that are not currently engaged internationally, the top three impediments were limited financial resources for product development, lack of working capital and market information. These responses indicate that small businesses are strapped for cash, time and relevant information. They highlight the importance of opportunity costs involved in developing international markets (Table C).

<b>Barriers to internationalization of most concern to small firms</b>	<b>Average Score<sup>#</sup></b>
Limited financial resources to invest in product/service development	4.23
Lack of working capital for production	4.22
Lack of market information	4.22
Legal complexities	3.82
Cost of market entry	3.80
Lack of trained staff to manage international business activities	3.70
Language/cultural barriers	3.60
Slow payment, payment defaults, bad debts	3.56
Government regulation	3.53
Lack of competitive prices/products/services	3.24*
Taxation complexities	3.17*
Quality control complexities	3.13*
Exchange rates	3.09*
Visa issues	3.04*
Tariff/customs complexities	2.95*
Paperwork burden (import/export documentation)	2.72*
Export/import controls	2.55*
Packaging/shipping/containerization barriers	2.48*

*#Scale: 7.0 = Major Concern . . . 1.0 = No Concern*

*\* Significantly different from the mean at the .05 level.*

Capital to develop products and services for international markets seems to be an acute concern. Working capital is limited and uncertain. Even with marketable products and services, developing overseas markets takes time. The fact that small businesses in general are faced with a lack of working capital translates into a lack of staying power in the market development phase. Obtaining traditional bank loan financing can be difficult, since lenders perceive new markets as highly risky. Lengthy payment cycles and the risks of currency conversion associated with international transactions, compound the problem. In addition, many New York City companies, particularly those in the service sector, lack assets that can be used for collateral. Resources available for product development must compete against the cost of acquiring information about new markets. Executives of large companies do not face the same challenges. They have access to a company network of overseas affiliates, associates and business partners for product and market development information and resources.

The least important impediments to international business are factors related to distribution (packaging, shipping), government trade barriers (import and export restrictions) and procedural barriers (paperwork burden, import/export documentation). Innovations in transportation such as containerization and the ability to outsource packaging, shipping and documentation requirements to freight forwarders and service providers such as UPS<sup>16</sup> and FedEx have reduced the difficulties connected with the international movement of goods. International trade negotiations have also successfully reduced the tariff and non-tariff barriers to trade.

### *Small Firms Not Doing Business Internationally – Reasons to Go Global*

Traditional international business theory for large multinational enterprises usually focuses on the desire to increase sales, lower costs of production and reduce risk as major reasons that companies expand globally. Survey responses indicate that the first of these motivations holds for small businesses, but that the other two are not as important (Table D).

<b>Most important factors driving small firms to develop business globally</b>	<b>Average Score<sup>#</sup></b>
Opportunity to increase sales (larger market size)	5.29*
Greater profit potential than the domestic market	5.04*
Direct overseas contacts	4.71*
New knowledge & experience enhances domestic competitiveness	4.44
Unsolicited opportunity-respond to demand from overseas market	4.22
Lower costs of production/labor	4.13
Brand development potential	4.11
Market diversification to reduce risk	3.87

*#Scale: 7.0 = Very Important . . . 1.0 = Least Important*

*\* Significantly different from the mean at the .05 level.*

The top reason cited by survey respondents who are not currently active in global markets for pursuing international business opportunities was to increase sales. To the extent that their activities are export related, increases in sales will usually lead to greater profits, business growth and market expansion. This is true for large and small firms alike. Survey responses indicate that the ability to gain access to international contacts and thus gain market information was, as might be expected, a key motivation for small businesses to expand globally.

Respondents indicate that the least important factors in accelerating their international business activities were lower production costs, brand development and market diversification. Because small businesses, almost by definition, have narrowly focused expertise, diversification and brand development are viewed as hard to reach and complex to manage within a growing firm. Administrative burdens associated with outsourcing to a lower cost area may in many cases outweigh their benefits reflecting also the opportunity costs involved.

<sup>16</sup> “UPS Unveils ‘What Can Brown Do for You?’ Ad Campaign,” *Atlanta Business Chronicle* (February 7, 2002).

## *Small Firms Not Doing Business Internationally – Assistance They Value Most*

Small business owners who are interested in entering foreign markets consider programs that focus on providing assistance in identifying global business contacts and information about foreign markets and financing to be most useful. They are also interested in obtaining assistance in developing an international business plan and in finding distributors and agents for their products and services overseas as well as advice about foreign product standards (Table E).

Table E. Small Firms Not Doing Business Internationally	
<b>Most useful programs for helping small firms develop business globally</b>	<b>Average Score<sup>#</sup></b>
Help in finding direct global business contacts	5.34*
Foreign market information/assistance in identifying overseas markets	5.14*
Financial support information	4.95*
Assistance in creating international business development plan	4.80*
Help in finding distributors and agents	4.72*
Advice on product standards	4.59*
Language training/translation services	4.25
Foreign investment information	4.21
Advice on import/export regulations	4.16
Trade show/exhibitions information	4.11

*#Scale: 7.0 = Most Useful . . . 1.0 = Least Useful*

*\*Significantly different from the mean at the .05 level.*

The least important factors were foreign investment information, information about import/export regulations and trade show assistance. Possible reasons for less interest in these areas may be that trade shows are seen as already international in scope, catering to more established international firms and costly to attend. Compliance issues can be outsourced at a relatively limited cost to a third party provider such as a freight forwarder. Foreign investment information is usually not a primary driver of initial international expansion, but rather takes place after some trade activity has occurred.

## Recommendations

The economic development effort of the U.S. has traditionally been focused on the manufacturing sector. Responses to the *New York City Small Business Global Survey* point to the need to expand this focus to include internationally traded service industries.

For owners of small businesses, the decision to expand into foreign markets is one of the most difficult choices to make. Such a move involves substantial operating risks. It stretches limited firm resources in terms of time and personnel and may divert management attention away from other priorities. Yet, staying at home does not mean that New York City's small firms will be immunized or isolated from the challenges of global competition.

There are numerous small business success stories to inspire us. Microsoft, Motorola, Google – these world renowned multinational companies – started as small businesses based on the founders' extraordinary vision of the contribution of their services/products to the marketplace. As these and other successful small businesses expand worldwide, they create jobs, generate taxable income and contribute to the international economy. Their success stories serve as inspiration to other small business entrepreneurs.

The findings of the *New York City Small Business Global Survey* indicate that the following areas of support are critical in helping New York City's small businesses enter international markets and bridge the gap to global success. Governments, legislators, chambers of commerce, trade associations, universities, and business focused nonprofit organizations each have a role to play in developing, coordinating and communicating a full range of appropriate initiatives and programs, including:

### Capacity Building

- Survey results show that one of the main barriers to overseas expansion is the lack of working capital available to help small businesses grow and sustain their global activities. Targeted financial programs should be extended to help small businesses develop their services and products for overseas markets.

### Train the Trainers

- Survey responses also show that small businesses going global highly value programs that offer targeted technical assistance; facilitate access to experts and overseas business contacts and provide specialized training as well as up-to-date international market information. These results suggest the need to increase training of trade promotion officers and small business counselors at the federal, state and local level to provide them with the knowledge and skills they need to:
  1. guide small businesses through the myriad services provided or endorsed at the federal, state and local levels

2. provide straight forward, effective and user friendly trade information
3. assist in connecting small businesses to relevant overseas business contacts
4. provide technical assistance in developing international marketing plans and access to finance

## **Trade Promotion Programs**

- The findings of this survey highlight the concentration of New York City small businesses in service producing sectors that have a strong international component. The importance of the service sector suggests that trade promotion programs that focus on the internationally traded service sector should be encouraged. Customized strategies should be targeted to the specific needs of the diverse types of businesses that make up this sector, e.g., technology, entertainment, publishing, the arts, architectural design and management consulting. One size does not fit all. A first step could be establishing a taskforce to explore how a strategy on internationally traded services as a source of new jobs for New York City could be developed. The task force should include representatives of government, chambers of commerce, trade associations, nonprofits and business experts. Such a task force should consider ways to review international best practices.

## **Policy**

- The survey's findings on the importance of the service sector to the New York City economy also suggest that at the state level, policies should be updated and expanded to encourage businesses in the service industries to benefit from export finance programs to the same degree as manufacturers.

## **Research**

- The survey's findings on the importance of the service sector to the New York City economy suggest the need to establish a system to capture data related to international trade in services at the New York City level, by service industry sector and by firm size. There are limited equivalent statistics at the state or local level currently available. More relevant, detailed and internationally comparable statistics on international trade in services would provide a coherent conceptual framework within which the region could utilize statistics to structure relevant support programs. In addition, business owners would be able to utilize the data to develop business plans, define their markets and assess their competitive advantage. This work could be done with the assistance of local libraries, universities, chambers of commerce and business associations that have a global focus.

## **Acknowledgments**

### **Research Project Supporting Organizations**

#### *Manhattan Chamber of Commerce*

<http://www.manhattancc.org>

(212) 479-7772

The Manhattan Chamber of Commerce was started by eleven prominent business owners in the Yorkville section of Manhattan in 1920. Today, MCC represents the voice of over 100,000 companies in Manhattan and partners with over 300 diverse business organizations in the City. MCC members are part of one of the largest business constituencies in the country, representing approximately 1.6 million U.S. employees as well as approximately 4.5 million employees globally. Locally, MCC member companies have over 165,000 employees. Collectively, MCC member companies account for over \$630 billion in annual revenues. MCC advocates for positive business legislation, sponsors educational seminars and networking events, markets member companies and encourages global business. The Chamber also organizes street fairs, volunteer expos and supports the nonprofit community in its quest to improve the quality of life in local neighborhoods. The MCC mission is to create a positive business environment to foster job development and promote business growth

#### *Weissman Center for International Business, Baruch College/CUNY*

<http://zicklin.baruch.cuny.edu/centers/weissman>

(646) 312-2070

Founded in 1994, the Weissman Center for International Business is designed to enable Baruch College to respond to the global economy with programs appropriate to a preeminent school of business. Guided by an advisory council of distinguished executives, the Center's activities enrich the preparation of Baruch students for careers in the global workplace by building bridges between the worlds of academia and international business. The Weissman Center for International Business sponsors numerous programs for students, faculty, and business professionals that enrich their understanding of critical issues in international business and the global economy.

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Special appreciation for valuable research assistance provided by the following Baruch College students: Ruthy Gascot, Barbara Geyer and Nicolas Gomez.

## Appendix

## New York City Employment and Size of Firm by Industry Sector: Third Quarter 2006

Source: New York State Department of Labor Data, April 2007

Service Providing Industries				
Industry	Total Number of Firms	Total Number Employed	Total Firms <100 Employees	Total Employed in Firms <100 Employees
Wholesale trade	15,978	138,486	15,804	104,919
Retail trade	28,182	281,851	27,835	192,766
Transportation and warehousing	4,347	104,823	4,169	37,130
Information	5,315	153,306	5,058	47,388
Finance and insurance	11,125	334,066	10,661	103,688
Real estate and rental and leasing	19,700	116,688	19,607	95,669
Professional, scientific and technical services	24,314	307,659	23,827	146,909
Management of companies and enterprises	1,101	56,284	980	14,545
Administrative and support and waste management	7,924	185,744	7,558	64,254
Educational services	2,816	120,617	2,651	36,475
Health care and social assistance	18,810	535,070	18,156	148,483
Arts, entertainment and recreation	4,505	61,406	4,413	25,945
Accommodation and food services	14,838	221,270	14,529	151,365
Other services (except public administration)	28,158	137,350	28,019	108,404
Unclassified	18,752	26,796	18,752	26,796
<b>Subtotal</b>	<b>205,865</b>	<b>2,781,416</b>	<b>202,019</b>	<b>1,304,736</b>

% = Total Service Firms/Total Firms **91.41%**

% = Total Employed in Services/Total Employed **92.07%**

% = Total Service Firms < 100 Employees/Total Firms **89.70%**

% = Total Service Firms < 100 Employees/Total Firms < 100 Employees **91.41%**

% = Total Employed in Services < 100 Employees/Total Employed **43.19%**

% = Total Employed in Services < 100 Employees/Total Employed < 100 Employees **89.05%**

Tangible Goods Providing Industries				
Industry	Total Number of Firms	Total Number Employed	Total Firms <100 Employees	Total Employed in Firms <100 Employees
Agriculture, forestry, fishing and hunting	47	195	-	-
Mining	14	50	14	50
Utilities	48	15,082	37	579
Construction	12,321	118,992	12,157	84,067
Manufacturing	6,922	105,142	6,780	75,716
<b>Subtotal</b>	<b>19,352</b>	<b>239,461</b>	<b>18,988</b>	<b>160,412</b>

Total: Service & Tangible Goods Providing Industries	225,217	3,020,877	221,007	1,465,148
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% = Total Firms < 100 Employees/Total Firms **98.13%**

% = Total Employed < 100 Employees/Total Employed **48.50%**