

A SURVEY OF ENTRY AND PARTICIPATION OF NORTHWESTERN U.S. SMALL AND MIDSIZED ENTERPRISES IN INTERNATIONAL MARKETS

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ABSTRACT

The backbone of the national economy is the small to midsize enterprise (SME) with 500 or fewer employees. These firms are entrepreneurial and innovative and are an engine for job growth in the United States. Of the net new jobs created in the U.S. from 2000 to 2017, almost 66% were created by SMEs (U.S.SBA Office of Advocacy FAQ 2018). Participation of small to midsize enterprises in the global economy has become important to the health of these companies. This paper reports on a regional survey of such firms in Montana, Idaho, Oregon and Washington regarding their international activities and involvement. The survey results generally indicate that small and mid-sized enterprises are increasingly aware of international business opportunities and many take advantage of them proactively or on an ad hoc basis. However, despite technological advances and the ubiquitous presence of the Internet and electronic commerce, many SMEs continue to be hampered by limited resources and structural impediments that have affected their ability to engage in international business over the years. Indeed, many such challenges continue to persist and new private and public initiatives may be needed to bolster SME participation in international business beyond the current levels.

INTRODUCTION

International business has long been considered the domain of large multinational corporations. Small and mid-sized companies (herein after referred to collectively or individually as SME), however, have a potentially important role to play in the global economy. It is well known that SMEs are a major source of growth in individual national economies as these firms quickly adapt to changing conditions, take on more risks, generate more innovations and create more jobs than their larger counterparts. Thus, encouraging additional growth via international participation provides a means of promoting greater economic growth.

Generally, SMEs are credited with possessing the more flexible, quick response and risk taking entrepreneurial spirit components of the marketplace. The role of small and medium enterprises in international business has been growing and becoming more important (Torres-Ortega, Rialp-Criado, Rialp-Griado, & Stojan, 2015). However, earlier studies such as Barrett (1992) note that at the time few SMEs had any export sales. Although international activities of both small and

large firms has grown over time, the domestic success of the SME is not necessarily translating into participation in the global marketplace. Managerial attitudes about international markets, international marketing ability and a global orientation all impact the degree and the success of internationalization at small firms. A rather extensive literature review and summary of the successes and impediments of internationalization and the linkage to entrepreneurialism and firm strategy is available in Shooshtari, Manuel and Reece (2017). The aforementioned piece discusses important findings on SME internationalization efforts and challenges by Knight and Kim (2008), Game and Apfelthaler (2016), Wood, Logar and Riley (2015), Delehanty (2015), Brouthers, Nakos, Hadjimarcou and Brouthers (2009), Rundh (2015), Hollender, Zapkau and Schwens (2017), Drzeniek-Hanouz and Doherty (2013), Olejnik and Swoboda (2012), Carlsson and Dale (2011) and Love and Roper (2015) among others.

From 2006 to 2013 export by SMEs in terms of both number of firms exporting and the value of exports grew faster than for large firms. Delehanty (2015) and Wood, Logar and Riley (2015) indicate that SMEs that export tend to have faster growth, higher employment growth and pay than similar SMEs that do not export. Shooshtari, Manuel and Reece (2017) and others indicate that many additional export and import opportunities for SMEs remain untapped.

Exporting is a primary entry method in international markets for many SMEs. Drzeniek-Hanouz and Doherty (2013) suggest that reductions in transportation and information costs are particularly important for SMEs to succeed in internationalization as many are too small to gain cost efficiencies available to large firms who export in higher volumes. SMEs also typically have only a few staff who can be dedicated to exporting. U.S. SMEs' exports are primarily to Canada, Mexico, Great Britain, China and Germany, while imports are mostly from China, Taiwan, Italy, Germany and India (Baresse, Shelak, Pineda and Ewing 2016).

In the discussion of a 2015 survey of small businesses conducted by Wells Fargo International indicated that about half of small and about 60 percent of large companies believed it was important to expand internationally. U.S. businesses in general indicated that desirable characteristics of a foreign market included political stability, a base level of infrastructure development, favorable tariff and trade laws, the ability to enforce contracts in a timely fashion, low labor costs and access to credit.

This paper reports on a regional survey of small to mid-sized enterprises in Montana, Idaho, Oregon and Washington regarding their international activities and involvement. An earlier survey of the literature and a pilot study of SMEs in the Northwest by Shooshtari, Manuel and Reece (2017) found that many SMEs were still struggling with resource constraints, transportation costs, perceived riskiness of international markets and difficulty obtaining assistance and information on foreign markets. This study updates the results for Northwest SMEs. We find that many of the same resource issues remain a limiting factor in exporting and other international activities for SMEs. The results also indicate that firms are increasingly using the Internet and social and business networks to find trade opportunities. This is important because many SMEs have stated the lack of market information and trade leads are major limiting factors in their exporting activities. The results also indicate that many SMEs believe that traditional government assistance programs such as trade missions are not effective and suggestions for other programs that may augment existing activities are suggested.

BACKGROUND ON SME INVOLVEMENT IN INTERNATIONAL BUSINESS

There is extensive literature on SME involvement in international business. Many of the findings are summarized in Shooshtari, Manuel and Reece (2017). Briefly, exporting can be a means to generate better growth and improve productivity, although Rundh (2015) and Brush (1996) have shown that industry specific factors also impact performance. Managerial skills in both production and marketing play a key role in international success. Firms that engage in more capital investment and R&D are more likely to have export success, although it is hard to determine the direction of causality as firms that invest more and are more involved in international markets tend to be more successful (Love and Roper 2015).

Another promising development over the last several years has been the increased successful entry of entrepreneurial firms who have leveraged networks to successfully engage in international markets. Acosta, Crespo and Collado (2018) studied 161 Mexican SMEs and found that their performance in international markets was positively related to their network capability and international entrepreneurial orientation. Additionally, Kim, Park and Paik (2018) found that top management leadership and external networking positively influenced the SME's innovative capabilities and international business success. This is a promising development since SMEs are considered to be more entrepreneurial and innovative compared to larger firms and should bode well for greater SME success in international business.

SMEs face financial and logistical barriers that large firms do not such as higher bank financing costs and lower availability of financing to fund export activities. Marketing barriers, including problems in adapting the product or service to a foreign market, inability to price the product competitively, shipping problems, dealing with foreign distribution channels and a lack of control over foreign sales also hamper SMEs' ability to succeed internationally (Hilmersson and Johanson 2016, Love and Roper 2015).

Lack of information about markets and distributors is probably the most often cited constraint to SME internationalization. One purpose of trade fairs may be to develop social networks and allow SME managers to build contacts with other firms who are involved in international markets. However, many SMEs indicate that these activities are not good investments and they don't participate. Government assistance programs to help exporters can be beneficial when there are resource constraints. For instance, Kalafsky and Duggan (2016) report on SME exporters from Nova Scotia who succeeded despite limited resources by utilizing government trade assistance programs, maintaining face-to-face contacts and working with international partners.

SURVEY METHODOLOGY

For the current survey concerning internationalization activities, 2982 emails were sent via email to small and mid-sized Enterprises (SMEs) in Montana, Idaho, Oregon and Washington. We located the contact information for these companies using LexisNexis Uni, which purports to offer

“Unparalleled business information on more than 80 million U.S. and international companies and more than 75 million executives.” (LexisNexis 2017). Access to this service is available at over 18,000 libraries, including the one at our university.

After an initial email in January, three follow up emails were sent in the spring of 2018. One hundred four usable responses were returned yielding a 3.5% response rate. Although we would have preferred a larger response rate, given that we did not have a prior connection to these companies or sponsorship by an association or organization that represented them, a low response rate was not surprising. Unfortunately, we did not have the financial resources to offer a monetary incentive that some survey's offer in order to encourage greater response rate.

RESULTS

In our study, we were particularly interested in findings regarding the tangible and intangible resources needed by smaller firms to augment or adversely affect the firms' ability to export, import or trade in foreign ventures. Respondent demographics are provided in Table 1. Panel A of Table 1 shows that almost 20% of the respondents had 9 or fewer employees, and 38% had between 10 and 49 employees. Seventeen percent employed 50 to 100 personnel, 22% had between 100 and 500 employees while a few had over 500. Many respondents, (42%) had \$5 million dollars or less in annual sales while 52% had sales levels between \$5 million and \$250 million. The largest percentage of respondents were located in Montana (40% of respondents), followed by Washington, 22% and approximately equal percentages of the remaining respondents were from Idaho and Oregon.

TABLE 1: RESPONDENT DEMOGRAPHICS

Panel A: Employees, Sales & State			
Employees	Percent	Sales	Percent
1-9	19	0 to 0.5 million	13
10-49	38	0.5 to 1 million	2
50-99	17	1 to 5 million	27
100-500	22	5 to 10 million	21
500+	6	10 to 25 million	18
		25 to 100 million	10
		100 million to 250 million	3
		> 250 million	5
State	Percent		
Idaho	14		
Montana	40		
Oregon	13		
Washington	22		
No Response	11		
Panel B: Industry			
Industry	Percent	Panel C: Participation in International Activities	
Agricultural Products	4	Yes	46
Manufacturing	25	No	54
Services	35		
Retail trade	6		
Wholesale trade	5		
Transportation & distribution	2		
Communications & utilities	4		
Construction & contracting	3		
Finance/Insurance/Real Estate	5		
Other (please specify)	12		

Panel B of Table 1 provides the breakdown of industries representing the respondents' primary line of business. Twenty-five percent were in manufacturing, 35% in services and an additional 11% were in either wholesale or retail trade. Forty-six percent of respondents indicated that their firms were currently involved in international business, which includes exporting, importing, joint ventures or investing either locally or overseas with a foreign company (Panel C). Conversely, 54% were not currently engaging in such activities.

Participation in trade missions, or similar organized activities, designed to generate trade leads can provide a valuable resource to SMEs who wish to engage in international activities. Table 2 contains data on participation in trade missions or in organized meetings with potential trade partners and reveals that only 25% had participated in these activities. This is the same percent found in the earlier survey by Shooshtari, Manuel and Reece (2017). The trade missions were reported to be primarily to Canada, China, Mexico, Germany and Japan. These countries are major

markets for Northwestern U.S. exports. Many SMEs, however, do not choose to participate in these activities. The survey asked respondents to indicate what prevented them from going on a trade mission or attending a trade show. About 26% of respondents indicated they did not participate because the cost was too high. Another 23% stated that these programs provided a bad return on investment. Time away from the office was mentioned by 9% of the respondents, and 28% said that these trade missions did not apply to their line of business. Thirteen percent stated other reasons for their lack of participation.

The survey also contained an open-ended question about why they did not participate. Responses varied from not interested in selling overseas to traveling abroad on their own to build business contacts and a reduced need for these activities with the ability to videoconference and electronically communicate directly with foreign entities. One respondent noted that trade missions tended to serve the interests of the organizers, and were not needed with the growth of ecommerce. These results imply that a restructuring of state and federal trade promotion efforts may be warranted to assist and encourage more SMEs to participate in global activities. Overall returns to trade promotion may be higher when focused on larger firms and it is possible that is why SMEs feel trade promotion activities are not particularly worthwhile for them. A paper by the International Trade Centre (2016) entitled “Investing in Trade Promotion Generates Revenue - A study of Trade Promotion Organizations” found that trade promotion efforts yield higher returns when they focus on larger firms and had more private sector governance. This still leaves a niche for promotion efforts aimed at SMEs. They will have to be cost effective, tailored to the SMEs business and probably tout the benefits of internationalization. They should be provided locally or online at a subsidized cost and should be designed generate specific trade leads, assistance in shipping and in locating foreign distributors for a targeted set of SMEs.

TABLE 2: HAS YOUR FIRM PARTICIPATED IN TRADEMISSIONS, MEETINGS WITH POTENTIAL TRADING PARTNERS, FROM ANOTHER COUNTRY (E.G. CANADA, MEXICO, CHINA, ETC.)?

Panel A	Percent	
Yes	25	
No	75	

Panel B: If so, which countries?					
	# times mentioned		# times mentioned		# times mentioned
Canada	13	Norway	2	Australia	1
China	7	Korea	1	Poland	1
Mexico	7	UAE	1	Saudi Arabia	1
Germany	6	Netherlands	1	Singapore	1
Japan	5	Switzerland	1	Greece	1
UK	3	Sweden	1	Belgium	1
Italy	3	Peru	1	Finland	1
France	3	India	1	Brazil	1
Everywhere	2	Spain	1	Chile	1
Russia	2				

Panel C: What discourages you or keeps your firm from going on a trade mission or attending a trade show?

	Percent
Not applicable	28
Cost	26
Time away from office	9
Bad ROI*	23
Other	13

*due to various problems with trade missions/shows and other impediments to exporting

Table 3 contains data on SME usage of assistance programs. The data show that only 21% of respondents had utilized any federal or state trade assistance programs while 79% had not. The most commonly used program was either federal or state department of commerce grants. Of those who responded to the question as to why they did not use any programs, 26% of respondents said they were not aware of any programs available to them, and 25% indicated that the programs were either not available for their line of business or not useful to them. Over one-fifth indicated they were simply not interested in using any assistance programs.

TABLE 3: HAVE YOU USED ANY FEDERAL OR STATE INTERNATIONAL TRADE ASSISTANCE PROGRAMS?

	Percent of respondents
Yes	21
No	79
Number of No Responses	
	34
If yes, what services did you use	
	# Times mentioned
State Department of Commerce grants to fund international sales	3
US Department of Commerce grants	2
Western United States Agricultural Trade Association assistance	1
SBA loans	1
State grants to defer costs of trade mission and trade show costs	1
Other	1
	# Times Mentioned & Percent of this category
If no, please briefly indicate why not	
Not aware of any programs	6 (26%)
Not applicable to our business	5 (22%)
Not interested or not needed	5 (22%)
Not useful	3 (13%)
Other	4 (17%)

The survey asked what forms of trade-related assistance they would like to receive. Market research and help in finding foreign distributors were often cited as desirable. The survey results are presented in Table 4. Forty-eight percent of respondents indicated either a high or a moderate interest in receiving assistance in the form of international market research. Sixty-six percent had high or moderate interest in assistance in promoting their product or service and 58% wanted to know about trade related events in their area. About half of respondents wanted information about websites that provided trade information and events as well. Slightly fewer than 50% of respondents had high or moderate interest in obtaining contacts with those individuals or firms that might have trade leads or who are agents/distributors doing business overseas. There was much less interest in receiving other types of services such as cultural or foreign language training, translation services, legal training, strategic planning and payment risk evaluation. Earlier literature had cited these as concerns, but they appear to be less important today. Other assistance suggested included trade funding sources, staffing help, export subsidies to offset high U.S. labor costs and information on low cost shipping options. Time and transportation costs are still a concern for some.

TABLE 4: PLEASE INDICATE YOUR INTEREST IN RECEIVING ASSISTANCE IN EACH OF THE FOLLOWING TYPES OF TRADE RELATED SERVICES IF THEY WERE SPECIFICALLY RELATED TO YOUR PRODUCT OR LINE OF BUSINESS WITH “H” INDICATING HIGH INTEREST, “M” INDICATING MODERATE INTEREST AND “L” INDICATING LOW OR NO INTEREST

Types of Assistance	% Responses		
	H	M	L
International market research	25	23	52
Promotion of your products or services	36	30	34
Trade related events in your area	19	39	42
Website providing trade information and events	13	38	50
Contact with individuals or firms having trade leads or who are agents/distributors doing business overseas	17	30	53
Cultural/foreign language training	9	20	71
Translation services	8	19	73
International law/legal system training	6	27	67
International trade strategic planning	11	25	64
Payment risk evaluation and trade financing	9	28	63

With the growth of the Internet and the availability and use of social media, SMEs have new methods to generate trade leads and business deals that were not as readily available 10-20 years ago. Table 5 contains data on SME usage of online sources and social networks to promote trade. According to data in Table 5 almost half (46%) of respondents use social media or other online business networks to find international market opportunities. Seventeen respondents indicated they used Facebook, 12 indicated using industry websites, 11 used Linked-In and 6 and 5 used Instagram and Twitter, respectively. Only 2 cited using Amazon. This suggests that trade promotion aimed at SMEs might be successfully conducted using the Internet and social media. Linked-In or Facebook might be used by state trade promotion agencies as a low-cost method to more systematically facilitate contacts between local producers and foreign buyers or distributors for SMEs.

TABLE 5: DO YOU OR YOUR FIRM USE SOCIAL MEDIA OR OTHER ONLINE BUSINESS NETWORKS TO FIND INTERNATIONAL MARKET OPPORTUNITIES?

	% Response
Yes	46%
No	54%
No response	34
If yes, please indicate methods such as Facebook, Linked-In, industry website, etc.	
Facebook	17
Industry websites	12
Linked-In	11
Instagram	6
Twitter	5
Amazon	2
Google	2
Shopify	1
Financial Times	1
Construct Connect	1
YouTube	1
Pinterest	1
eBay	1
Vimeo	1
Other	5

Many potential barriers to internationalization exist for SMEs. Some are financial, some are other types of resource constraints, some are knowledge related and some are psychological. The survey asked respondents to consider barriers that seriously, moderately or not at all, limit their ability to engage in international activity. The survey results are presented in Table 6. Forty-six percent of respondents believe that international activities are a poor return on investment, so just under half of respondents believe it is not worthwhile to pursue international activities. Given the large and growing market potential outside the U.S. coupled with the decline in trade barriers, transportation and information costs, this perception is unlikely to be true for most firms. While 55% of respondents indicated that transportation costs and risks were not a limiting factor, approximately 45% listed these as either serious or moderate concerns. Almost half of respondents still indicate a lack of international knowledge and experience are either serious or moderate concerns that limit the firm's ability to engage in international activities. Prior literature indicates that many SMEs have difficulty locating foreign distributors or sales reps. Thirty-eight percent of respondents indicated this was a serious or moderate limitation, but 62% indicated it was not a limiting factor at all. It is possible that the growth of globalization, the Internet and reduced communication costs are reducing the impact of this often-cited limitation. About half of respondents listed concerns about legal issues as a serious or moderately limiting factor. Similarly, 55% of respondents listed foreign government regulations as a serious or moderately limiting factor. Fewer respondents in general were concerned that foreign markets were too risky to enter, or that supply chain concerns,

cultural differences, pricing concerns and exchange rate fluctuations were limiting factors to internationalization.

TABLE 6: PLEASE INDICATE THE EXTENT THAT EACH OF THE FOLLOWING CONCERNS ADVERSELY AFFECTS YOUR ABILITY TO EXPORT, IMPORT OR ENGAGE IN FOREIGN VENTURES. PLEASE MARK EACH ITEM WITH AN S IF IT IS A SERIOUS CONCERN, M IF IT IS A MODERATE CONCERN AND N IF IT IS NOT A CONCERN.

	S	M	N
	%	%	%
Cannot obtain financing needed	8	19	73
Believe it is a poor return on investment	23	23	55
Transportation costs and risks	22	23	55
Lack of international knowledge & experience	20	28	52
Concerns about receiving payment for product	17	30	53
Unable to find foreign distributor or sales representative	20	18	62
Concerns about legal issues	18	30	52
Believe that foreign markets are too risky	13	23	63
Do not know appropriate price point	13	18	68
Concerns about supply chain	12	18	70
Lack of market research	18	28	53
Nature of my product (perishable, culturally unique, etc.)	17	14	69
US government regulations	18	23	58
Foreign government regulations	22	33	45
Cultural differences	10	27	63
Exchange rate fluctuations	15	25	60
Too small to do business internationally	21	18	61

Lack of knowledge is still cited as a barrier to successful internationalization. Emulating the efforts of large firms is not likely to work for many SMEs that are resource constrained. Training designed to promulgate best practices based on prior successes would seem to be a valuable resource for many SMEs. Zarei, et al. (2011) has developed a business plan designed to capture and facilitate the dissemination of best practices for SMEs to globalize their efforts. Table 7 contains the results of a question which asked respondents to indicate their willingness to attend a training session that was targeted to their industry and showcased best practices in international trade for similar size firms. About 61% of respondents who answered this question were not interested in attending this type of seminar or conference. Most respondents who indicated why they were not interested felt the best practices idea was not applicable to their enterprise and some were concerned the activity would not yield a good return on investment. The survey asked what they would consider to be a

reasonable cost to attend such a seminar or conference. Twenty-three percent of respondents indicated the cost should be less than \$200, another 19% stated it should cost between \$200 and \$500 and 23% said it should cost between \$500 and \$1000. Another nineteen percent indicated they either had no idea or that the price would depend on what was offered. It appears that a cost of \$500 is an appropriate price points for such seminars, though some firms indicated they would not attend at any cost. SMEs do not seem willing to invest a lot of resources on training or participating in trade promotion, perhaps because they don't see the value of these efforts. If undertaken, the cost will probably have to be subsidized, at least initially until participants are convinced such seminars are worthwhile.

TABLE 7: WOULD YOU BE INTERESTED IN ATTENDING A SEMINAR OR CONFERENCE DESIGNED TO SHOWCASE BEST PRACTICES IN INTERNAIONAL TRADE OF SIMILAR SIZE SUCCESSFUL FIRMS IF IT WERE TARGETED TO YOUR INDUSTRY?

Panel A:	% Response	
Yes	39	
No	61	
# of Responses		
69		
If No, please indicate why not:		
Reason	# Times Mentioned	
Poor return on investment	3	
Lack of resources	2	
Already know what to do/have a network	2	
Not applicable to us	10	
Not interested	3	
Panel B: What would you consider a reasonable cost to attend the type of seminar or conference mentioned in the prior question if it were targeted to your industry?		
	#	Percent
≤ \$200	6	23
> \$200 to < \$500	5	19
\$500 to < \$1000	6	23
> \$1000	4	15
No idea or it depends	5	19
Total	26	100

The second part of the survey was aimed at SMEs that were currently engaged in international business of some kind. As shown in Panel A of Table 8, 47 respondents indicated they were currently involved in international business. Of those respondents, twenty-six were involved in

exporting, 12 in importing, 5 had formed a strategic alliance with a foreign partner and 4 provided no response.

TABLE 8: WHICH OF THE FOLLOWING ACTIVITIES DOES YOUR FIRM ENGAGE IN ? (PLEASE CHECK ALL THAT APPLY)

Panel A: Activity	Number	Percent of Respondents
Exporting	26	60
Importing	12	28
Strategic Alliance with a foreign partner	5	12
No Response	4	

Panel B: Approximately what percentage of your total dollar volume of annual sales is foreign?

Foreign sales percent of total sales	Percent of respondents
< 10%	23%
10%-30%	41%
> 30%	23%
Unusable responses	14%
Total number of responses	22

Panel C: What are the top three foreign countries by total dollar volume of annual sales where you do business or make investments?

Country	# of times mentioned
Canada	12
China	7
Japan	6
Mexico	6
UK	6
France	4
Australia	3
Germany	2
Korea	2
Sweden	2
Brazil	2
Chile	1
Denmark	1
Ireland	1
Netherlands	1
Russian Fed	1
Saudi Arabia	1
Spain	1
Viet Nam	1

The survey asked this subgroup of firms that were engaged in international business, what percentage of the dollar value of their sales was foreign (Panel B). The most common response indicated that between 10 and 30% of sales were foreign. The data in Panel C show that foreign sales and/or investments involved 19 different countries, but the most often cited were Canada, China, Japan, Mexico, the UK, France, Australia and Germany.

We asked respondents in this group to identify what challenges they faced in their international activities. Of the 60 responses, 28% were related to exporting, including obtaining information about exporting, finding trade leads and locating foreign distributors for their product or service. Only 5% of respondents indicated export financing, product or packaging issues or translation services were a challenge. Eight percent of respondents indicated that managing shipping was a challenge. Trade documentation and dealing with trade regulations were cited as challenges by more than 10% of respondents. Less commonly cited issues were problems with customs, currency issues, different product requirements outside North America and transportation costs.

TABLE 9: WHICH OF THE FOLLOWING PRESENT CHALLENGES FOR YOUR FIRM IN DOING BUSINESS ABROAD? (PLEASE CHECK ALL THAT APPLY.)

	Percent	Change from old
Obtaining information about exporting	8	Down
Finding trade leads	17	Down
Searching for distributor/agent abroad	13	Down
Locating export financing	5	Down
Managing shipping operations	8	Down
Redesigning product or packaging	5	Down
Translation services	5	Down
Trade documentation	12	n/a
requirements		
Dealing with trade regulations	15	
Other (please specify)	12	
Total Number of Responses	60	

The SMEs were asked how they obtained information about international markets or new trade leads. A total of 78 responses to this question were received (see Panel A of Table 10). By far the largest source of information was in-house research with 31% of respondents indicating this choice. About 17% indicated they used industry associations and 13% use trade agents or brokers. Only 8% used government assistance to locate potential leads or new market opportunities. About 9% of respondents indicated they used informal business networks such as personal contacts, and over 6% used social media such as Facebook. Only a few respondents used Linked-In to make business contacts. Other choices included Chambers of Commerce, paid consultants, and educational associations, but very few respondents indicated using any of these. A few respondents indicated they relied on customers finding them online or via email.

TABLE 10: WHAT INFORMATION SOURCES DO YOU RELY ON FOR INTERNAIONAL TRADE MARKET RESEARCH, INFORMATION ON TRADE LEADS OR POTENRIAL NEW MARKETS? (PLEASE CHECK ALL THAT APPLY)

Panel A: Information Sources	Percent
In-house research	31
Paid consultants	1
Government assistance organizations	8
Industry associations	17
Educational associations	1
Chamber of Commerce	3
Social media	6
Informal business network	9
Formal business network such as Linked-In	3
Trade agents/brokers	13
None	3
Other, please specify	6
Total Number of Responses	78

Panel B: Would you say your internationalization efforts occur primarily:	
	Percent of Respondents
as an opportunity arises	61
as part of your strategy	39
Total Number of Responses	17

Prior literature indicates that many SMEs pursue international opportunities opportunistically as leads emerge or as problems in the domestic market develop. More entrepreneurial firms proactively and strategically seek out opportunities to grow internationally. The latter are more likely to persist in international activities and to grow more quickly than the prior group. The survey asked respondents to indicate whether they had a deliberate internationalization strategy or whether their efforts occurred as an opportunity arose. As indicated in Panel B of Table 10, only 17 respondents answered this question, but 61% of those who did indicated their international activities arose in opportunistic fashion, whereas 39% indicated their activities were an intentional part of their strategy. It is encouraging that 39% did include international activities as part of their strategy, but a large percentage of SMEs do not appear to consider global market activity in a strategic fashion.¹ While for some firms it may not make sense to incorporate globalization as part of their strategy, this likely represents missed opportunities for growth for many SMEs.

¹ Only 17 firms (22%) responded to this question. We think it is likely that those who did not respond probably do not seek out international opportunities as a part of their strategic plan.

We asked respondents who currently engaged in global activities how they believed their level of international involvement would change over the next 3 to 5 years. Responses are found in Table 11. Twenty-six respondents answered this question, with 88% indicating they expected to see their involvement increase. Approximately 12% said it would stay the same, and none indicated it would decrease. Respondents who are already engaged clearly believe that they will continue to be involved in international markets and most expect their international activities to increase. Twenty respondents elaborated on why they thought their international presence would change. Of those, sixty percent indicated they believed that foreign markets would grow in the future. Ten percent indicated that more foreign partners, such as distributors, would grow and become available. One respondent had recently merged with another company which had a global presence. Three respondents (15%) indicated that they were increasing their focus on international markets as a part of their strategy.

TABLE 11: BASED ON YOUR EXPERIENCE, DO YOU EXPECT THE LEVEL OF INVOLVEMENT OF YOUR COMPANY IN FOREGIN TRADE OVER THE NEXT 3 TO 5 YEARS TO:

	Percent of responses
Increase	88
stay the same	12
Decrease	0
Number of responses	26

In a sentence or two please elaborate on the reasons for your particular response to the previous question.

	Percent of responses
Growth in foreign markets	60
Growth in foreign partners/ merging with them	15
Increased focus on internationalization	15
Other	10

The third and final part of the survey was aimed at respondents who were not currently engaged in international activity. The survey asked this subgroup if they had previously been involved in global activities. Panel A of Table 12 shows that 24 percent of this group had been involved at some point in the past. As to why they were no longer involved, the most frequent response was that it was too risky (27%) as shown in Panel B. About 18% of respondents noted an inability to find a strategic partner or a trustworthy distributor led to ending their involvement. Other responses indicated they were too busy with the domestic market, it was a poor return on investment, or currency fluctuations were too high. As a follow-up the survey asked respondents to identify what it would take to for them to become involved in exporting or invest in international trade. A summary of results is found in Panel C. There were only 16 responses to this question.

Some firms believed they needed more knowledge of foreign markets and regulations. Several indicated international activities did not fit their business model. Other requirements mentioned included help with regulations and legal advice, greater knowledge of customs rules and cheaper shipping. Two firms indicated the need to be able to communicate and work through the Internet while remaining in the U.S. The largest group of responses indicated they were not interested or international activity was not applicable to their business. Prior literature has indicated that lack of knowledge about foreign markets and the inability to find trade partners limits internationalization for small firms. The survey results are consistent with this finding.

TABLE 12: IN THE PAST, HAVE YOU EVER BEEN INVOLVED IN A FOREIGN VENTURE OR EXPORTED YOUR PRODUCT OR SERVICE ABROAD?

Panel A:	Percent of Respondents
Yes	24
No	76
Number of respondents	49
Panel B: If you answered yes, please indicate why you stopped (Please check all that apply.)	
	Percent of Respondents
Too risky	27
Inability to find a strategic partner or trustworthy distributor	18
Too busy with domestic market	14
Poor return on investment	14
Exchange rate fluctuations too large	14
Shipping costs and losses too high	0
Other, please specify	14
Panel C: If you answered no please indicate what you would require to export or invest in international trade	
	Percent of Respondents
Knowledge of foreign markets & regulations	19
Need to grow first	13
Change in business model	13
Better communications without traveling	13
Not applicable or not interested	38
Other	6
Number of responses	16

We wanted to know if SMES who were not engaged internationally were interested in a mentor providing assistance and advice to help find global opportunities. The survey asked the group who are not currently engaged in international activities if they would be interested in having a business person who has successfully engaged in international trade in a similar industry serve as a mentor

to their firm if they were not a direct competitor. The results are presented in Table 13. Eighteen firms or 37% of this subgroup indicated they would be interested in a mentor. The survey asked this subgroup how they would want the mentoring relationship to be established. The most common response was by email (47%), although a one-on-one meeting was chosen by 33% of respondents. About 13% indicated Linked-In, but only 7% said by attending a conference.

TABLE 13: WOULD YOU BE INTERESTED IN HAVING A BUSINESS PERSON WHO HAS SUCCESSFULLY ENGAGED IN INTERNATIONAL TRADE IN A SIMILAR INDUSTRY SERVE AS A MENTOR TO YOUR FIRM IF THEY WERE NOT A DIRECT COMPETITOR OF YOUR FIRM?

Panel A:	Percent of Responses
Yes	38
No	62
Number of respondents	48

Panel B: If you answered yes how would you like the mentoring relationship to be established? Please indicate the most preferable and the least preferable method

	Most Preferable (Percent)	Least Preferable (Percent)
by email	47	7
by social media such as Facebook	0	27
by Linked-In	13	7
by attending a conference that promotes contacts	7	0
by phone	0	33
meeting one-on-one	33	27

CONCLUSION

The current survey results indicate that lack of interest and knowledge about international opportunities remain the primary barriers to increased participation by Northwest U.S. SMEs in international activities. Many consider the effort to be a poor return on investment (ROI). Poor ROI is also often cited as a reason for not participating in trade missions, or in seeking out trade related government assistance. If state and federal programs wish to generate greater participation by SMES, they may have to change their focus and their approach. The growth of the Internet and social media indicates that assistance programs may wish to focus on delivering market and legal knowledge, assisting in trade leads, etc. via these media rather than by holding trade promotion events aimed at SMEs.

A majority of the SMEs surveyed that are engaged in international activities see their involvement increasing over time, so many see the opportunity and the need to grow internationally. Programs that encourage mentoring of SMEs interested in international business by those already engaged successfully in international activities may provide benefits that generic programs offered by federal, state or local do not offer. States in particular may wish to make available local mentors to SMEs to help overcome perceived barriers due to lack of knowledge, exaggerated belief in the risk of doing business internationally, or perceived poor ROI from such activities. SMEs should be encouraged to network with other firms, engage in entrepreneurial internationalization and make globalization a part of their strategy. The findings of Acosta, Crespo and Collado (2018) and Kim, Park and Paik (2018) indicate these characteristics lead to a higher degree of success and growth in SMEs. As indicated before, SME growth is a catalyst for economic growth, more jobs and income growth.

Many SMEs still cite many of the same barriers to internationalization that existed many years ago, including lack of market knowledge, difficulty in locating foreign distributors, too much risk and an insufficient ROI. Many such limitations, including resource constraints and lack of sufficient experience may be inherent to some SMEs. A different approach to educate and assist this latter group, therefore, may be warranted. Governments have a role to assist these SMEs. The Kalafsky and Duggan (2016) results that led to improved international involvement of Canadian SMEs are encouraging. Government assistance efforts should be focused at the local level, cost-effective for resource constrained SMEs, targeted to specific groups that can grow, and should include the opportunity to establish mentoring relationships. Augmenting existing trade fairs, etc., with these efforts could offer effective solutions to greater SME involvement in international markets. Increasing SME participation in global markets will continue to be challenging, but the survey and literature results indicate that new and innovative methods may be needed to increase the number of firms who attempt to grow internationally.

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