

## Small Business Watch

By Matthew Bandyk

### Now Even Small Firms Can Go Global

**F**our years ago, Houston-based SolArc was making plenty of dough selling its energy management software and services to big corporations like ConocoPhillips and Southwest Airlines. All the company's clients, though, were domestic. With new airlines and energy companies popping up throughout Europe and Asia, company execs just knew there were great opportunities to be had if they were able to expand internationally, says Tim Smith, the company's controller.

So SolArc set up offices overseas, later enlisting a consulting firm to help with the regulatory complexities. "We found it was too much to handle," Smith says. The result: It won new clients like Singapore Airlines. Smith says SolArc, with 135 employees, made about \$10 million last year from foreign clients in nine countries, compared with "only a few hundred thousand" dollars from a single international deal in 2003.

Like SolArc, many small businesses are trying to go global. By 2018, half of U.S. small businesses will be involved in international trade, according to a report by the California think tank Institute for the Future and the software company Intuit. A third of such businesses are already doing business abroad, according to a 2007 survey by UPS.

And as the global economy continues to expand, there's even reason to think that small businesses may have some competitive advantages. A growing global middle class will demand more and more specialized products that are not mass produced. Consumers in China and India will be willing to pay a premium for authentic niche goods that small businesses can provide.

Here are some tips to help your small company find international customers or run operations overseas:

**Try social networking.** If a business is too small to send its own people around the globe, it doesn't necessarily have to. Some websites let potential international employees and U.S. firms find each other. Elance.com is one site where for a subscription fee buyers and sellers of services can meet up, and it has become a popular way for foreign workers to sell their services to Americans, according to Steve King of the Institute for the Future.

**Use affordable communication tools.** While instant messaging is used mainly for family and friends to connect, global small businesses now have this cheap means of instant communication to direct their employees operating abroad. Pauline Lewis runs Oovoo Design, an Alexandria, Va., company that sells handbags sewn by over 600 workers in women's cooperatives in Vietnam. Customers are mainly in the United States and Canada. Lewis says

her business couldn't survive unless she could speak on a regular basis with her overseas manager. Fortunately, Yahoo Chat and Skype, the service that lets users make free calls over the Internet, allow her to communicate with her employee as cheaply and easily as if they were in the same office.

**Budget for the barriers.** Larry Harding of High Street Partners, which advises SolArc, says one of the most common mistakes businesses make is getting into a foreign market too quickly, before working around all the rules and regulations. "It's all well and good to think you can enter China and India—but you can't do it in a month," Harding says. Setting up an overseas office requires small businesses to overcome not only language and cultural barriers but also sometimes arcane labor and business registration laws. "It can be challenging to operate in another location and not have someone on the team who has spent serious time there," Harding says.

**Get help from Uncle Sam.** The U.S. Export-Import Bank offers insurance policies to protect small businesses against the risks that accompany dealing with foreign buyers, such as nonpayment for commercial reasons or civil war breaking out. To qualify, a company has to fit the Small Business Administration definition of a small business, but it has to meet other requirements as well, such as exporting only goods that are at least 51 percent produced in the United States. ●

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