Opportunities in Foreign Trade

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THE PENNSYLVANIA TECHNICAL ASSISTANCE PROGRAM (PENNTAP), A PUBLIC SERVICE OF THE PENNSYLVANIA STATE UNIVERSITY AND THE COMMONWEALTH OF PENNSYLVANIA, UNDER A CONTRACT FROM THE U.S. SMALL BUSINESS ADMINISTRATION'S OFFICE OF ADVOCACY, HAS MANAGED THIS ECONOMIC PROJECT TO ANALYZE THE PAST AND CURRENT STATUS OF AND TO MAKE RECOMMENDATIONS FOR THE FUTURE WELFARE OF SMALL BUSINESSES IN REGION III.
ABOUT THE AUTHOR

"The Status and Opportunities for Small Business in Foreign Trade"

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He has had numerous awards and appointments, including the first Fellowship to serve one year as a special assistant to the administrator of the Small Business Administration. Prior to entering academia, he was a Naval officer, vice president and director of Kuhn, Smith, and Harris, Inc. in New York, and vice president and general manager of Advanced Computer Techniques, Inc. in Washington. He also was regional marketing manager for the IBM Service Bureau Corporation.
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ABSTRACT

The United States urgently needs an effective approach to provide export assistance to small business concerns.

Despite past rhetoric, government efforts have lacked a commitment to the problem. One of the major reasons for previous lack of success is that programs have been formulated with insufficient resources and purpose. If the government is serious about increasing small business exports, a correspondingly serious effort must be made.

The proposed approach is developed by attempting to meet the export assistance needs of individual small business firms rather than by the present method of direct government assistance and promotion. From an analysis of the needs of potential small business exporters, it is apparent that the export assistance must be provided to individual companies. The purpose of the proposed approach is to help resolve the major obstacles to foreign trade so small companies can enter the international marketplace with a reasonable chance of success.

To provide this effective export assistance to small business, it will be necessary to establish an intermediate organization that will operate between the government and the potential small business exporters. The function of the intermediate organization -- called an International Marketing Consultant (IMC) in this discussion -- is to provide international market research, in-depth counseling, and training to individual companies for an extended period of time.

A recommendation that is similar to the proposed approach came recently from Robert Strauss, special trade representative for the President, in his testimony before Congress on April 3, 1979:

"....for small business to take advantage of foreign markets, a mechanism must be established to translate opportunities, publish them, and distribute them. We've got between now and 1981 to develop the mechanism."

In the proposed approach, the efforts of the government will be directed by the Small Business Administration (SBA). SBA will select the IMC on a competitive basis and provide the initial capital to establish the organization. The amount of capital funding will decrease each year and
phase out after the fifth year. The IMC will be a privately owned company and its ability to operate profitably will depend on its contribution to increasing the exports of its small business clients.

To provide effective export assistance -- of the type that will cause results -- the IMC must direct its efforts to the small business firms with the best export potential. It is assumed that manufacturing companies with 100-499 employees would offer this potential. With average sales of around $10 million, the majority of these firms are substantial, well-managed enterprises with competitive marketing programs. They appear to be an excellent target for export assistance since almost 70 percent of these companies do not export.

To gain a better understanding of the proposed export assistance program with a reasonable commitment, it is recommended that a pilot project be implemented in Region III, where a variety of major air and water terminals exist. As unforeseen factors develop and as SBA gains experience in managing the program, the design of the program can be adjusted accordingly. If the approach is successful in increasing exports, it can be expanded to other regions and states.
SECTION I

THE PROBLEM

An analysis of the status and opportunities for small business in foreign trade will focus rather quickly and clearly on an obvious conclusion.

The United States must make a determined effort to increase small business exports and there are at least four dominating reasons for the priority attention:

First, our nation is experiencing an enormous and persistent trade deficit. If the American people want to maintain, or improve, their standard of living, this trade deficit will have to be reversed. Additional exports by small business concerns could make a positive contribution to improving the trade position.

Second, the large multinational corporations are squeezing smaller companies out of the export market. If this economic concentration continues at the same rate, all U.S. exports will be by the large corporations in twenty-five years. Small business is too vital to the American economy to allow this to happen.

Third, areas such as Region III are rapidly losing their proportionate share of U.S. exports. If the present trend continues, there will be no exports from Region III in twenty-five years. Additional exports by small business firms in this area could help to reverse this situation.

And fourth, most of the primary trading partners of the United States do considerably more to provide export assistance for their smaller companies. If American small business is to increase, or even maintain, its present share of the world market, a comparable export assistance commitment will have to be made in the United States.

ATTEMPTS TO RESOLVE THE PROBLEM

The federal government has implemented a number of programs to provide various forms of export assistance. Many of the states also have developed, or are considering, programs to spur export activity. Unfortunately, the evidence clearly indicates these programs have not been successful. Perhaps the most obvious indication of their ineffectiveness is that the problems described in previous paragraphs have become more serious.
Examination of the previous attempts to resolve the problem reveals some common deficiencies. First, most of the current programs are based on providing broad, general solutions to the problem, whereas, an analysis of the needs of small business shows that broad, general solutions are not sufficient. Second, some of the programs are not consistent with American business philosophy. Successful export assistance requires a framework that is acceptable and workable to all concerned parties. Thus, a framework that is counter to the operating philosophy of either the government or the private sector will have little chance of success.

Third, all attempts to provide export assistance to small business have had extremely low priority in the responsible government agency, either federal or state. The corollary to this is that none of these attempts have been allocated sufficient resources. In turn, the lack of resources is most probably related to general dissatisfaction with the structure and effectiveness of the various assistance programs.

And fourth, in all but one case, none of the export assistance programs is directed specifically to the needs of small business. This has to be viewed as lack of concern for the small business portion of the overall problem.

In perspective, however, it is difficult for the government to design and operate an effective export assistance program in the United States. Quite simply, American companies have had less motivation to seek foreign markets for their products because of the large domestic market. Also, people in government and private industry have considerably different perspectives and are usually suspicious of each other's motives. On top of this, government funding of assistance programs is in conflict with the basic concept of free competitive enterprise. Many of these difficulties are not present to the same degree in other countries because of a closer relationship between government and industry. Regardless, the extent of the problem is such that the United States must make a serious attempt to resolve it.

OBSTACLES TO INTERNATIONAL MARKETING FOR SMALL BUSINESS

A small business concern must have the potential to compete in the foreign markets before it can be considered for export assistance. This means the firm must have the capability to develop a competitive marketing program, and the management of the firm must be seriously interested in pursuing foreign markets.
A study of potential small business exporters identifies three critical obstacles that these firms face when they consider entering international markets: In order of importance, a lack of market information, a lack of experienced marketing people, and a lack of capital.

Due to the critical nature of market information, it is necessary to analyze this subject in more detail. It is first recognized that market information can be considered as general or specific. Specific market information refers to the future demand for a certain product by a particular customer, and all of the specific questions relating to that transaction. General market information, however, refers to the business and financial conditions in general in a certain market. Market information can also be classified by the way in which the information is acquired. One type, objective information, can be taught (or learned from others); and the other type, experiential information, can only be learned through experience. Of the four kinds of market information, experiential and specific information are much more critical to the marketing firm than general and objective information. This explains one of the major shortcomings of many export assistance programs.

For a more complete understanding of the problems facing potential small business exporters, the study analyzes the relation of the lack of various kinds of market information to the risk of international marketing. The analysis explains the additional risk incurred due to the lack of experienced marketing people, and it is expanded to describe the increased risk to a small company entering international markets because of its significantly smaller capital resources.

The purpose of the analysis is to first understand the obstacles facing small business more completely, and then to structure an approach to export assistance that will help to overcome these obstacles.

POTENTIAL BENEFITS OF THE PROPOSED APPROACH

There could be substantial benefits to the nation and to Region III if the concept is successful. For example, the average manufacturing company with 100-499 employees, that has exported in the past, has realized exports in excess of $1 million annually. If each of the ten client companies in the pilot program realized this level, it would result in about $30 million of additional exports (assuming no displacement). This would not only mean
additional income but additional employment. Furthermore, the exports would hopefully continue and expand in the following years.

If the export assistance is of value, the client companies will continue to retain the IMC. The IMC can prosper and service additional clients with relatively little government support after the initial five year period. The pilot program can then be expanded to other regions and states.

While the analysis supporting the approach is logical, there are too many unknowns to predict success for the approach before it is tried. One unknown is the reaction of potential small business exporters to the concept. Although indications show a strong interest at this time, the willingness to participate in the program is the only true measure of small business support. Thus, the critical element of the concept is that the continuation of the program depends upon the performance of the IMC and the market for its services.

While many government programs continue "forever", even though they are unsuccessful, the proposed approach will cease after five years if the clients believe that the export assistance is not worth their time and money. Thus, the total cost of the program in the worst case can be calculated beforehand. The potential benefits of the proposed approach far exceed these total costs in the worst case. Therefore, it makes sense to try the proposed program as a pilot project in Region III as soon as possible.
SECTION II
TECHNICAL DISCUSSION
THE PROBLEM

Foreign Trade and the United States--
The U.S. overall balance of trade has moved from a surplus of $10.7 billion in 1975 to a deficit of $34.2 billion in 1978. While the higher price and volume of imported oil has had a significant impact on this balance, it is not the sole cause of the increasing trade deficits. The manufacturing balance of trade has slipped roughly $16 billion during the last three years. The U.S. share in the world exports of manufactured goods has also decreased 1.4 percent during the same period. The supporting statistics for these statements are included in table 1.

The increasingly large trade deficit and deteriorating manufacturing balance have been major reasons for the continuing devaluation of the U.S. dollar. While the increasing trade deficit has been partially caused by rising costs, the deficit and the devaluation of the dollar have also contributed to inflation in the United States.

Small Manufacturing Companies and Exports--
Economic concentration is continuing at a rapid rate as fewer large companies are gaining a larger share of the market. Table 2 shows 2,354 large companies had 74.0% of all manufacturing sales in 1967. Five years later, only 2,293 large companies had 76.4% of all manufacturing sales. It is estimated that the number of small manufacturing firms that export their products decreased by 4.1% during this same period, and that the small manufacturing share of all U.S. exports decreased from 8.5% in 1967 to 7.4% in 1972.

Region III Manufacturing Companies and Exports--
The dollar volume of export sales by manufacturing concerns in the Region have increased substantially, as shown in table 3. Unfortunately, most of the large increase in the last few years has been due to higher prices. The continuing decline of the Region's share of all U.S. manufacturing exports is of particular concern. This share has slipped steadily from 12.3% in 1963 to 9.1% in 1976. Table 4 provides an estimate of the exports by manufacturing companies in the Region, by the size of the firms, and table 5 shows the number of manufacturing concerns in each size category in the Region.
Rationale for Increasing Small Business Exports--

If economic concentration continues at the same rate, all manufacturing exports from the United States will be by large companies in twenty-five years. The case has been made for small business in numerous other studies, so it should not be necessary to repeat those conclusions. It can be accepted that the reduction of small business exports will have an adverse impact on the development of small business and the competitive nature of U.S. markets. If small business manufacturing firms could increase their exports, the resulting increased sales should strengthen these firms. The increased sales levels could lower the unit costs of these companies, which would make them more competitive in the U.S. market, and the increased profits from exports would build their net worth.

It would appear that the manufacturing industries in the United States have not reached their export potential. Based on the results of a recent survey, the Department of Commerce estimates there are roughly 18,000 manufacturing firms that are capable of but have not exported in the past. It is also estimated that approximately 60 percent of these companies are interested in exporting their products overseas.

Another reason for attempting to increase small business exports in Region III specifically is the decreasing proportion of exports from the Region relative to the national export effort. While it is unlikely, a continuation of the trend from 1963 to 1976 would result in the elimination of manufacture exports by Region III in twenty-five years.

Another factor in this argument is the export assistance offered by other nations to their business enterprises. According to a study by the Congressional Research Service of the Library of Congress, the United States is providing less export assistance than a number of its trading partners, as shown below:

<table>
<thead>
<tr>
<th></th>
<th>value of exports (millions)</th>
<th>government spending (millions)</th>
<th>spending per $1000 exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Kingdom</td>
<td>$46,042</td>
<td>$95.7</td>
<td>$2.08</td>
</tr>
<tr>
<td>Italy</td>
<td>36,170</td>
<td>59.8</td>
<td>1.65</td>
</tr>
<tr>
<td>France</td>
<td>56,607</td>
<td>80.7</td>
<td>1.43</td>
</tr>
<tr>
<td>Japan</td>
<td>67,710</td>
<td>60.7</td>
<td>.90</td>
</tr>
<tr>
<td>United States</td>
<td>114,887</td>
<td>64.4</td>
<td>.56</td>
</tr>
<tr>
<td>West Germany</td>
<td>103,560</td>
<td>15.5</td>
<td>.15</td>
</tr>
</tbody>
</table>
The various types of foreign government assistance are also of interest. For example, the French government studies the export potential of selected French firms, and develops and subsidizes the market research for the companies considered to have export potential. The Italian government subsidizes the market research for Italian joint export associations. The Japanese government provides market research at no cost to small and medium-size Japanese firms. From this perspective, the United States must improve its export assistance to small business if these firms are to increase, or even maintain, their share of the world market.

It must be kept in mind, however, that having additional small manufacturing companies involved in overseas markets will not necessarily result in a proportionate increase in exports, because of the possibility of displacement. Displacement would occur if the exports of the assisted firms reduced the market share of the present exporters. While some displacement will probably develop, a successful export assistance program should result in a net increase in exports, income, and employment for the United States.

PREVIOUS ATTEMPTS TO RESOLVE THE PROBLEM

Webb-Pomerene Export Trade Associations (WPETA)––

In 1916, Congress passed the Webb-Pomerene Act with the purpose of exempting export associations from the antitrust laws in order to help small firms increase their exports. The basic premise is that the export association could perform the overseas marketing for its members more efficiently than if each member operated independently.

Although the concept of export associations has some merit, it has not been accepted by American industry. At present there are only thirty-four export associations representing about 300 member companies, and the exports of these companies are a very small percentage of U.S. exports.

One of the reasons for this lack of acceptance is that few small companies have profited from WPETA. The concept of a common marketing organization lends itself to standardized products that are common to all of the member firms. Most small companies with export potential, however, have highly differentiated products. Another reason is that the WPETA's have a difficult time getting established due to the lack of international experience and overseas contacts. The few relatively successful associations have had one or more large firms as members. The extent of the assistance
provided by the relatively successful WPETA's to their smaller member firms also has been questioned.

The Trading Company Concept--

Much of the Japanese export success in recent years had been attributed to the Japanese trading companies. For this reason, it frequently has been proposed that American small business should be organized along this line. The implied premise, apparently, is that the government should take the lead in this organization.

The trading company concept does not appear to be a panacea for small business in the United States, however. The first problem is it is doubtful if American business would allow itself to be organized by the government. Another problem in trying to copy the concept is the environmental difference between the two countries. Also, the Japanese trading companies are very large companies, whose market power is largely due to their size, political support, and the other companies in their zaibatsus. A zaibatsu is roughly comparable to the American conglomerate, but the ties among the member companies are based more on traditional relationships rather than control of common stock. The zaibatsu organizational structure has evolved over a number of centuries and is in consonance with the Japanese culture. This type of industry structure and operation is largely antithetical to the American concept of free competitive enterprise. Furthermore, it would be extremely difficult for American firms to operate under a double antitrust standard; that is, the same approach to a given situation would be illegal in the United States, but legal overseas. This difficulty also partially explains the lack of acceptance of the Webb-Pomerene Export Trade Association concept.

Joint-Government - Academic Efforts--

The Small Business Administration is presently in the pilot stage of the Small Business Development Center Program. The principal idea of the program is that the universities will direct and coordinate the available resources to counsel and train the owners and managers of small business firms.

The program appears to have some potential, but the experience to date does not offer much encouragement for small business export assistance. The main drawback is the lack of sufficient motivation for the participants to
provide export assistance. Also, the program is not structured to encourage participation of experienced people in international business or to provide the necessary in-depth support for this type of activity. Another limitation is that the program gives little priority to export assistance.

Rutgers University and the State of New Jersey are presently attempting an interesting export assistance venture. Each participating small business firm contributes $500 (matched by the State) to fund an international marketing consultant. The consultant provides the marketing assistance and counseling to the thirty-four companies in the program. Although all of the companies are in the same industry and have similar problems, chances are the effort will be diluted due to insufficient resources spread over too many companies.

**State Export Assistance Programs**

Export assistance for small business concerns is non-existent in most states. Of the states that do provide this service, most of the programs operate with very limited resources that are spread over both large and small business.

Region III is probably representative of the export assistance efforts of most state governments. Delaware, Maryland, and West Virginia do not have export assistance programs, although all three states are considering programs along this line. Virginia and Pennsylvania do provide export counseling assistance to small and large companies, however, these efforts are limited to one and three professionals respectively.

**Federal Government Export Assistance Programs**

Contrary to the rhetoric, the federal government provides very little export assistance to small business concerns. An example of this contradiction is the Overseas Private Investment Corporation (OPIC). The government is conducting a series of conferences on small business export and investment in most of the major cities. But foreign business investment is rarely of interest to small business concerns, and particularly small concerns with little or no experience in international markets. The Export/Import Bank is another case in point. The Bank provides credit to foreign buyers of U.S. exports and credit insurance to U.S. exporters. Although this agency is also included in the above conferences on small business, it has historically been involved in only large transactions. It is generally accepted that neither of these services are available to small business.
The major export assistance provided by the Department of Commerce is international market information. However, most of this market information is of a general nature. In the cases where the Department has attempted to provide specific market information, it has encountered the problems of timing or qualification. These limitations to export assistance are substantiated by a recent survey conducted by the Department of Commerce. The major finding of the survey is that private industry wants specific sales leads and hard market intelligence, and business does not perceive this need as being met by the government.

The only government program that provides export assistance directed specifically to small business is undertaken by the Small Business Administration. Unfortunately, this effort suffers from insufficient priority and severely limited resources. In fact, the entire national program is staffed with only three people.

However, it should be recognized that it is difficult for government to design and implement an effective export assistance program. U.S. companies are relatively less motivated to seek international markets for their products because of the large domestic market. It is also difficult to assist private enterprise in the U.S. with government funds because of the inherent conflict with the American philosophy of competitive free enterprise. Furthermore, people in government and private enterprise in the United States have different perspectives and are generally suspicious of each other's motives.

This discussion of the efforts to resolve the problem of export assistance is not intended to be inclusive. However, it is representative of the different approaches to export assistance. The first purpose for briefly describing these efforts is to make the point that the government has not been successful in assisting small business in this activity. If the government is serious about resolving the U.S. export problem, it should attempt to develop a more effective approach to export assistance. The second purpose for describing previous attempts is to gain an understanding of the problem in a negative sense. Knowing what has not worked in the past contributes to the development of a new approach.
OBSTACLES TO INTERNATIONAL MARKETING FOR SMALL BUSINESS

Export Potential--

The primary prerequisite for a small firm to enter international markets is a competitive marketing program. A company must have a competitive product and the capability to promote and distribute the product effectively, at a competitive price.

Equally as important is committed management. The critical nature of interested management is substantiated by numerous research studies, which can be summarized by the following conclusion from the work of W.C. Favord and B.G. Bogart:

"It takes a definite impetus to lead to a consideration of the export market. That impetus typically is the interest and personality of a key executive . . . (conversely) The barriers that prevent a firm from entering the export market often lie within he executives of these firms rather than in the firms' resources or in the environment. Too many unknowns associated with export activity increase the executive's reluctance to enter the export market."

Major Obstacles to Small Business Exporting--

A survey of small business firms in a previous study conducted by R. L. Seely and this author identified the major reasons why many small firms do not attempt to market their products overseas. These reasons are listed below in the order of frequency of response:

* Lack of Market Information
* Lack of Qualified Marketing People
* Lack of Resources (Capital)

In order to relate these reasons to the problems facing small business firms in the international market, it is necessary to analyze market information in some detail.

Conceptual Kinds of Market Information--

S. Carlson defines three kinds of business information or knowledge. Product knowledge relates to the firm's output and influences the financial results through its effect on the quantity of goods a firm can sell and the prices of those goods. This is usually referred to as technical knowledge and is the outcome of research and development activities. Process knowledge is the manufacturing, marketing, and management know-how which is required for the production and selling of the firm's output. This affects the financial results mainly through its influence on the inputs and thereby
on the unit cost. Market knowledge or information relates to the present and future demand and supply, to competition and channels of distribution, to payment conditions and transferabilities, etc., in a certain market. This may influence both the quantities and the prices of the goods to be sold.

Carlson further differentiates between specific and general market information by their relevance to a particular marketing decision. Specific market information refers to the future demand for a certain product from a particular customer, and all of the specific questions relating to that transaction. General market information, however, refers to the business and financial conditions in general in a certain market. The total information about a market could then be expressed as:

\[
I_m = I_{gm} + I_{sm}
\]

where

- \( I_m \) = marketing information about a particular market segment
- \( I_{gm} \) = general market information about that segment
- \( I_{sm} \) = specific market information about the particular marketing situations in that segment

E. Penrose suggests that knowledge or information can be classified by the way in which the knowledge is acquired. One type, objective knowledge, can be taught (or learned); while the other type, experiential knowledge, can only be learned through experience. Experiential knowledge or information cannot be transmitted from one to another since it produces a change in the individual and cannot be separated from that individual. For example, the experience of a businessman in a certain market is of value only to that businessman in that market.

J. Johanson and J. E. Vahlne expand on this concept. They contend that experiential marketing information is the critical kind of knowledge in international marketing, because it is more difficult to acquire than objective information. When a firm is marketing its products domestically, it can rely on lifelong basic experiential knowledge. The firm can only acquire this market information by actually marketing its products in the foreign market. Of the two types, Johanson and Vahlne believe experiential market information is more valuable, because it provides the framework for
perceiving and formulating opportunities. Based on the classification of information by the way it is acquired, the total information about a market can also be expressed as:

\[
I_m = I_{om} + I_{em}
\]

where \(I_{om}\) = objective market information

\(I_{em}\) = experiential market information

By combining these two concepts, the total information about a market can then be expressed as:

\[
I_m = I_{ogm} + I_{egm} + I_{osm} + I_{esm}
\]

where

\(I_{ogm}\) = objective, general market information

\(I_{egm}\) = experiential, general market information

\(I_{osm}\) = objective, specific market information

\(I_{esm}\) = experiential, specific market information

The following subjective values are assigned to the four different kinds of market information in order to indicate their relative importance to the marketing company:

\[
I_m = I_{ogm} + I_{egm} + I_{osm} + I_{esm} + U
\]

1.0 = 0.1 + 0.2 + 0.2 + 0.3 + 0.2

The letter "U" in the equation represents the uncertainty that will still be present after all available market information is acquired. The point to be made is that experiential and specific information are considerably more critical to the marketing firm than general and objective information. This explains one of the major short-comings of the export assistance program of the Department of Commerce.

Market Information and Business Risk--

The concepts of market information and business risk can be combined to define the business risk that a smaller firm faces due to the lack of specific market information. It is assumed that \(I_{ogm}\) can easily be obtained by the company considering a new international market segment, and \(I_{osm}\) represents the specific, objective market knowledge which can be obtained by the company's conducting an extensive research study of that market. \(I_{egm}\) and \(I_{esm}\) can only be acquired by effective marketing in the particular international market. Therefore, the additional risk incurred
by a company that does not conduct the marketing research study before begin-
ning marketing operations internationally can be graphically shown:

![Graph showing probability of success](image)

In this example, the company that enters the international market without an extensive study (case 1) is facing a 20 percent less chance of success, *et ceteris paribus*, than the company that conducts an extensive market study (case 2). Thus, the lack of objective, specific market information is a strong inhibiting factor to the international venture by a small company.

In addition, if the venture fails -- and it has a 20 percent less chance of success -- the entire small business may collapse along with the international marketing effort. The reason for this is that the cost of an international marketing project for a small company would usually represent a significant portion of the total available resources (TAR) of the company. However, this would typically be a small fraction of the TAR of a large multinational corporation. Obviously, the higher the percentage of resources committed to a single project, the higher the risk facing the company. For example, assume $TC_{im} = \text{total cost of international marketing effort}$.

For the small firm: $TC_{im}/\text{TAR} = \$50,000/\$100,000 = 0.5$

For the large MNC: $TC_{im}/\text{TAR} = \$5 \text{ million}/\$5 \text{ billion} = .001$

In this example, the international venture is 500 times more risky for the smaller firm than for the large MNC, *et ceteris paribus*, even though the MNC is committing 100 times more capital.

**Other Problems**--

Another obstacle is the cost of doing the market study ($C_{osm}$) rela-
tive to the TAR of the firm. An extensive study of an international market will typically cost $30,000 or more. While this would exceed the TAR of many small companies, the ratio of CI /TAR may be in the order of .0001 or less for the large MNC's. Therefore, the smaller company often does not have the available resources to conduct an extensive international market study. The third reason (lack of resources) given by the small U.S. companies that responded to the survey in the previous study tends to support this argument as well as the previous argument on higher risk.

Another problem is dramatized by the critical nature of experiential market information. As previously defined, experiential information produces a change in the individual and cannot be separated from him. Thus, it would follow that the more capable the individual, the more the individual could use that change in himself to the benefit of his company. It could also be assumed that the large MNC has a higher probability of having capable people for an international effort because it has many more people from whom to choose as well as considerably greater resources to attract and retain these people. Thus, the smaller company is at a distinct disadvantage in international marketing, vis-a-vis the large MNC, because of insufficient capable people. The second reason (lack of qualified marketing people) given by the respondents to the survey in the previous study tends to support this argument as well.

These arguments are obviously interrelated. The lack of objective, specific market information and the accompanying greater risk becomes even more critical with the lack of competent and experienced people in smaller companies. Also, the smaller companies are reluctant to commit scarce resources because of the greater risk involved and their acute lack of resources. This lack of resources often precludes hiring capable individuals, and not hiring capable people prohibits the acquisition of the experiential information that these people possess about the international market. And so on.

**Definitive Elements of Market Information**

In order to relate the analysis to the practical aspects of international marketing, the definitive elements of market information are identified. Each of these elements is categorized into one of the four principal kinds of market information. This subjective categorization is based on the predominant kind of information in the definitive element.

The definitive elements of market information (or knowledge) are structured to form the basis of the marketing strategy of the small business firm.
### DEFINITIVE ELEMENTS OF \( I_m \)

<table>
<thead>
<tr>
<th>Market Structure</th>
<th>( I_{ogm} )</th>
<th>( I_{osm} )</th>
<th>( I_{egm} )</th>
<th>( I_{esm} )</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) target market definition</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>2) estimate of magnitude and trend of market</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3) factors affecting market</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4) Understanding of legal, economic, and political systems</td>
<td></td>
<td>( x )</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5) understanding of national culture</td>
<td></td>
<td></td>
<td></td>
<td>( x )</td>
</tr>
<tr>
<td>6) identification of specific customers, their needs, and buying behavior</td>
<td></td>
<td></td>
<td></td>
<td>( x )</td>
</tr>
<tr>
<td>7) determination of major sellers and buyers and their respective market shares</td>
<td></td>
<td></td>
<td></td>
<td>( x )</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Market Conduct</th>
<th>( I_{ogm} )</th>
<th>( I_{osm} )</th>
<th>( I_{egm} )</th>
<th>( I_{esm} )</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) understanding of competitors' marketing programs (product differentiation,</td>
<td></td>
<td></td>
<td></td>
<td>( x )</td>
</tr>
<tr>
<td>channels, methods of promotion, pricing policies)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2) evaluation of effectiveness of competitors' marketing programs</td>
<td></td>
<td>( x )</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3) estimate of all costs associated with competitors' marketing programs</td>
<td></td>
<td></td>
<td></td>
<td>( x )</td>
</tr>
<tr>
<td>4) degree of competition (rate of product development, aggressive pricing,</td>
<td></td>
<td></td>
<td></td>
<td>( x )</td>
</tr>
<tr>
<td>extensive promotion)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5) in-depth understanding of market conduct of buyers and sellers</td>
<td></td>
<td></td>
<td></td>
<td>( x )</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Market Entry</th>
<th>( I_{ogm} )</th>
<th>( I_{osm} )</th>
<th>( I_{egm} )</th>
<th>( I_{esm} )</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) determination of all conditions of market entry (capital, technology, time,</td>
<td></td>
<td></td>
<td></td>
<td>( x )</td>
</tr>
<tr>
<td>environmental constraints)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2) understanding of all costs associated with each condition</td>
<td></td>
<td>( x )</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3) evaluation of alternative ways to enter market within firm's resources</td>
<td></td>
<td></td>
<td></td>
<td>( x )</td>
</tr>
</tbody>
</table>
The relationship between the definitive elements and the kinds of market information supports the relative importance of experiential and specific kinds of market information. By gaining a better understanding of the problems caused by the lack of market information, it is possible to develop an approach to assist small business firms with the interest and potential to compete in international markets.

**PROPOSED APPROACH TO THE PROBLEM**

**International Marketing Consultant**

The analysis of the obstacles facing small companies with interest and potential to export their products forms the basis for the proposed approach to the problem. One of the common deficiencies of some of the other programs is that they attempt to deal with the problem in a general manner. Perhaps the nature of government is such that this is the only way government can provide direct assistance.

Based on this conclusion, it would logically follow that there must be an intermediate organization between the government and the potential small business exporter. It also becomes apparent that this intermediate organization, which is called an International Marketing Consultant (IMC) in this discussion, must meet the specific needs of individual companies.

The function of the IMC will be to provide international market research, in-depth counseling, and training to potential small business exporters on an individual basis for an extended period of time. The government through the Small Business Administration, would select the IMC and provide initial funding to the IMC. An important condition of this approach is that the IMC must be a privately owned enterprise that operates for profit. Its ability to operate profitably will depend on its being retained by small business exporters. This retention will depend on its contribution to increasing the exports of the small business clients. SBA will audit the IMC annually to insure that it is operating within the scope of the intended purpose. The private enterprise nature of the IMC should circumvent the problems caused by the different orientations of private industry and government.
Operation of the IMC--

The proposed approach to effective export assistance must be designed and implemented to meet the specific needs of individual firms. To do this, the IMC must direct its efforts to the small business firms with the best export potential. A realistic assumption is that manufacturing companies with 100-499 employees offer this potential. With average sales of around $10 million, the majority of these firms are substantial, well-managed enterprises with competitive marketing programs. They also appear to be an excellent target for export assistance since almost 70 percent of these companies do not export.

To acquire a better understanding of the proposed export assistance program with a reasonable commitment, it is recommended that a pilot project be operated in Region III. This region offers a number of small manufacturing concerns with export potential as well as a variety of major air and water terminals and associated facilities. As unforeseen factors develop and as SBA gains experience in managing the program, the design of the program can be adjusted accordingly. If the approach is successful in increasing exports, it can be expanded to other regions and states.

The first step is to identify the manufacturing firms in this size range in the region. The Economic Development Commissions in the five states can be of considerable assistance in this task. The Field Offices of the Small Business Administration can also help to identify these companies since about one hundred manufacturing firms in Region III, with 100-499 employees, are presently SBA loan clients.

One of the major difficulties encountered in other programs is making the eligible companies aware of the export assistance program. To overcome this difficulty in the proposed approach, it will be the responsibility of the IMC to contact the potential exporters in the region.

The IMC will analyze and evaluate the export potential and management interest of the most promising companies. The evaluation will be based on:

- the technical advantages of the firm's products
- the price advantage in the market
- the coverage in the U.S. market
- the present sales volume and potential capacity
- the profit aspirations of management
- other qualitative considerations
Initially, the IMC will select one or two firms with the best export potential and interest in participating in the program.

Based on analysis of the client company, the IMC will study the international market opportunities for this firm. The initial phase of the study will be based on secondary data \((I_{ogm})\). The second phase will be in-depth research of specific markets of interest \((I_{osm})\). The IMC will then develop detailed marketing strategies for the client firm for the selected international market. This strategy should include a longer-term perspective so that there is realistic path for the client to proceed from overseas selling to an international marketing strategy.

The IMC will assist each client company by means of in-depth counseling and training during the implementation of the marketing strategy. That is, the IMC will work with the client company during the acquisition of experiential market information \((I_{egm} \text{ and } I_{esm})\). The client and the IMC will evaluate the market opportunity, the marketing strategy, and the client's export potential as the strategy is implemented. Based upon the findings of the periodic evaluations, the IMC may recommend a continuation, a change, or a cessation of the international marketing effort. All decisions, however, will be made by the client company.

**Estimated Cost for Pilot Project**

It is anticipated that the IMC will have a technical staff with international marketing, marketing research, and engineering expertise. The funding of the pilot project is predicated on a staff capacity to identify, select, and work with about ten client companies. Additional consultants can be added from the proceeds of the firm if the demand for the services of the IMC increases. Based upon these assumptions, the estimated annual costs of the IMC are:

<table>
<thead>
<tr>
<th>ESTIMATED ANNUAL OPERATING STATEMENT OF IMC (initial period)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Director and International Business Consultant ($50,000)</td>
</tr>
<tr>
<td>Two International Marketing Consultants (70,000)</td>
</tr>
<tr>
<td>Technical (Engineer) Consultant (40,000)</td>
</tr>
<tr>
<td>Administrative and Operating Expenses (40,000)</td>
</tr>
<tr>
<td><strong>Total Estimated Annual Costs</strong> (200,000)</td>
</tr>
<tr>
<td>Retained Earnings (40,000)</td>
</tr>
<tr>
<td>Annual Revenue (initial capital and retainers; assumes (I_{osm}) studies contracted out) ($240,000)</td>
</tr>
</tbody>
</table>
## Estimated Funding Pattern of IMC

**Government (SBA)**

<table>
<thead>
<tr>
<th>Initial Capital</th>
<th>1st year</th>
<th>2nd year</th>
<th>3rd year</th>
<th>4th year</th>
<th>5th year</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>initial capital</td>
<td>$200</td>
<td>160</td>
<td>120</td>
<td>80</td>
<td>40</td>
<td>$600</td>
</tr>
<tr>
<td>I osm</td>
<td>$40</td>
<td>40</td>
<td>40</td>
<td>40</td>
<td>40</td>
<td>$200</td>
</tr>
<tr>
<td>annual retainer</td>
<td>$20</td>
<td>40</td>
<td>60</td>
<td>80</td>
<td>100</td>
<td>$300</td>
</tr>
<tr>
<td>cum.no.of clients</td>
<td>2</td>
<td>4</td>
<td>6</td>
<td>8</td>
<td>10</td>
<td>10</td>
</tr>
</tbody>
</table>

**Client Companies**

<table>
<thead>
<tr>
<th>1st year</th>
<th>2nd year</th>
<th>3rd year</th>
<th>4th year</th>
<th>5th year</th>
<th>6th year</th>
</tr>
</thead>
<tbody>
<tr>
<td>I osm</td>
<td>$20</td>
<td>$20</td>
<td>$20</td>
<td>$20</td>
<td>$20</td>
</tr>
<tr>
<td>retainer</td>
<td>$20</td>
<td>$40</td>
<td>$60</td>
<td>$80</td>
<td>$100</td>
</tr>
<tr>
<td>cum.no.of clients</td>
<td>2</td>
<td>4</td>
<td>6</td>
<td>8</td>
<td>10</td>
</tr>
</tbody>
</table>

### Notes:

- **a** The government will provide the initial capitalization of the IMC. This capitalization will decrease each year until it is phased out after the fifth year. Should the IMC decide to pursue another line of business, it would have to repay a defined portion of the initial funding.

- **b** The government will reimburse the IMC for two-thirds the cost of the international market research (Iosm) performed by the IMC, not to exceed $20,000 per client company. The client company will pay the balance of the cost to the IMC. The maximum government payments, and the matching client payments, are used in the above funding estimate.

- **c** The client company can retain the services of the IMC for an annual fee of $10,000, if the client is convinced that the IMC can provide significant export assistance. This must be a free market decision on the part of the client. The government will also provide an annual retainer of $10,000 to the IMC for each client of the IMC, on the condition that the client has paid its retainer to the IMC.

- **d** The estimated funding pattern is based on the assumption that the IMC adds two client companies each year and that all client companies remain as clients for the five year period. This assumption is only for purpose of illustration, and the actual growth rate of the IMC will depend on its performance.

The government participation in the funding of the International Marketing Consultant firm is an essential part of this approach to export assistance for small business. The principal idea of the concept is that an intermediate organization of this nature must be established in order to serve small business in this activity. Apparently, a major reason why about 70 percent of U. S. Firms of this size do not export is that they cannot afford the necessary consulting services. Therefore, consulting companies with the capabilities of an IMC have had to serve larger organizations in order to survive. The design of this approach will establish the IMC so that it can
provide the necessary consulting services specifically to small business. This will enable these small firms to overcome the lack of market information and experienced marketing people. The capital required to implement the international marketing strategies of the client companies can be obtained, with the assistance of the IMC, from the existing SBA business loan program. Potential exporters should not have any difficulty in obtaining SBA export loans since the President has stated that $100 million has been set aside by SBA specifically for this purpose.

**Potential Benefits of the Proposed Approach—**

There could be substantial benefits to the nation and to Region III if the concept is successful. For example, the average manufacturing company with 100-499 employees that presently exports has exports in excess of one million dollars annually. If each of the ten client companies in the pilot program realized this level, it would result in about $30 million of additional exports (assuming no displacement). This would not only mean additional income but additional employment. Furthermore, the exports would hopefully continue, and might possibly expand in the following years.

If the export assistance is of value, the client companies will continue to retain the IMC. The IMC can prosper and service additional clients with relatively little government support after the initial five year period. The pilot program can then be expanded.

While the analysis supporting the approach is logical, there are too many unknowns to predict success for the approach before it is tried. The critical element of this concept is that the continuation of the program depends upon the performance of the IMC and the market for its services.

All too frequently a government program continues in perpetuity, even though it may be unsuccessful. In the proposed approach, the program will cease after five years if the clients believe that the export assistance is not worth their time and money. In other words, the proposed approach will be self-liquidating if it is not successful.

Therefore, the potential benefits of the pilot project could far exceed the total costs. Even if the concept did not meet expectations, the total costs in the worst case are relatively small in comparison to the severity of the overall problem. Thus, the proposed approach should be implemented as a pilot project in Region III as soon as possible.
SECTION III
THE DATA BASE

TABLE 1
U.S. OVERALL AND MANUFACTURING TRADE DATA (billions)

<table>
<thead>
<tr>
<th>Year</th>
<th>mfg. exports</th>
<th>mfg. imports</th>
<th>mfg. balance</th>
<th>mfg. exports</th>
<th>mfg. imports</th>
<th>overall bal. of trade</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>$29.7</td>
<td>$25.9</td>
<td>+$3.8</td>
<td>21.3%</td>
<td>$43.2</td>
<td>$40.0</td>
</tr>
<tr>
<td>1971</td>
<td>30.8</td>
<td>30.4</td>
<td>+0.4</td>
<td>20.1</td>
<td>44.1</td>
<td>45.6</td>
</tr>
<tr>
<td>1972</td>
<td>34.3</td>
<td>37.4</td>
<td>-3.1</td>
<td>19.1</td>
<td>49.8</td>
<td>55.6</td>
</tr>
<tr>
<td>1973</td>
<td>45.6</td>
<td>45.0</td>
<td>+0.6</td>
<td>19.5</td>
<td>71.3</td>
<td>69.5</td>
</tr>
<tr>
<td>1974</td>
<td>64.6</td>
<td>55.2</td>
<td>+9.4</td>
<td>20.2</td>
<td>98.5</td>
<td>101.0</td>
</tr>
<tr>
<td>1975</td>
<td>72.1</td>
<td>51.1</td>
<td>+21.0</td>
<td>21.2</td>
<td>107.6</td>
<td>96.9</td>
</tr>
<tr>
<td>1976</td>
<td>78.5</td>
<td>64.8</td>
<td>+13.7</td>
<td>20.5</td>
<td>115.0</td>
<td>120.7</td>
</tr>
<tr>
<td>1977</td>
<td>82.0</td>
<td>77.2</td>
<td>+4.8</td>
<td>19.8</td>
<td>120.2</td>
<td>146.8</td>
</tr>
<tr>
<td>1978</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>141.8p</td>
<td>176.0p</td>
</tr>
</tbody>
</table>

TABLE 3
MANUFACTURING EXPORTS - REGION III (millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Delaware</td>
<td>$27</td>
<td>$33</td>
<td>$58</td>
<td>$124</td>
<td>$128</td>
<td>$188</td>
</tr>
<tr>
<td>Maryland</td>
<td>204</td>
<td>215</td>
<td>236</td>
<td>362</td>
<td>314</td>
<td>641</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>1,083</td>
<td>1,224</td>
<td>1,542</td>
<td>2,902</td>
<td>3,251</td>
<td>4,706</td>
</tr>
<tr>
<td>Virginia</td>
<td>368</td>
<td>403</td>
<td>499</td>
<td>581</td>
<td>716</td>
<td>1,545</td>
</tr>
<tr>
<td>West Virginia</td>
<td>136</td>
<td>152</td>
<td>206</td>
<td>235</td>
<td>295</td>
<td>447</td>
</tr>
<tr>
<td>Total</td>
<td>$1,818</td>
<td>$2,027</td>
<td>$2,541</td>
<td>$3,204</td>
<td>$3,804</td>
<td>$7,527</td>
</tr>
<tr>
<td>U.S. Total</td>
<td>N/A</td>
<td>$16,473</td>
<td>$21,299</td>
<td>$29,210</td>
<td>$36,608</td>
<td>$83,098</td>
</tr>
<tr>
<td>Reg. III/U.S.</td>
<td>N/A</td>
<td>12.3%</td>
<td>11.9%</td>
<td>11.0%</td>
<td>10.4%</td>
<td>9.1%</td>
</tr>
</tbody>
</table>

P27
### TABLE 2

**U.S. MANUFACTURING COMPANIES, BY SIZE**

1967

<table>
<thead>
<tr>
<th>size by no. of employees</th>
<th>no. of firms&lt;sup&gt;a&lt;/sup&gt;</th>
<th>percent export&lt;sup&gt;b&lt;/sup&gt;</th>
<th>no. of firms export&lt;sup&gt;c&lt;/sup&gt;</th>
<th>total sales&lt;sup&gt;a&lt;/sup&gt; (bil)</th>
<th>sales of exporters&lt;sup&gt;d&lt;/sup&gt; (bil)</th>
<th>exports&lt;sup&gt;e&lt;/sup&gt; (bil)</th>
<th>average sales&lt;sup&gt;f&lt;/sup&gt; (bil)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-19</td>
<td>159,569</td>
<td>2.7%</td>
<td>5,118</td>
<td>$ 22.4</td>
<td>$ 0.6</td>
<td>*   $ 0.1</td>
<td>$ 18.9</td>
</tr>
<tr>
<td>20-99</td>
<td>58,841</td>
<td>12.1</td>
<td>7,120</td>
<td>54.1</td>
<td>6.5</td>
<td>$ 0.4</td>
<td>0.9</td>
</tr>
<tr>
<td>100-499</td>
<td>15,069</td>
<td>31.4</td>
<td>4,732</td>
<td>68.7</td>
<td>21.6</td>
<td>1.4</td>
<td>4.6</td>
</tr>
<tr>
<td>small cos.&lt;sup&gt;g&lt;/sup&gt;</td>
<td>263,479</td>
<td>6.4</td>
<td>16,970</td>
<td>145.2</td>
<td>28.7</td>
<td>1.8</td>
<td>-</td>
</tr>
<tr>
<td>500-999</td>
<td>1,627</td>
<td>56.2</td>
<td>913</td>
<td>27.3</td>
<td>15.3</td>
<td>0.9</td>
<td>16.8</td>
</tr>
<tr>
<td>1000 +</td>
<td>1,881</td>
<td>76.6</td>
<td>1,441</td>
<td>385.6</td>
<td>295.4</td>
<td>18.4</td>
<td>205.0</td>
</tr>
<tr>
<td>large cos.</td>
<td>3,506</td>
<td>67.1</td>
<td>2,354</td>
<td>412.9</td>
<td>310.7</td>
<td>19.3</td>
<td>-</td>
</tr>
<tr>
<td>totals</td>
<td>266,985</td>
<td>7.2%</td>
<td>19,324</td>
<td>$ 558.1</td>
<td>$ 339.4</td>
<td>$ 21.1</td>
<td>-</td>
</tr>
</tbody>
</table>

*less than $50 million

1972

<table>
<thead>
<tr>
<th>size by no. of employees</th>
<th>no. of firms&lt;sup&gt;a&lt;/sup&gt;</th>
<th>percent export&lt;sup&gt;b&lt;/sup&gt;</th>
<th>no. of firms export&lt;sup&gt;c&lt;/sup&gt;</th>
<th>total sales&lt;sup&gt;a&lt;/sup&gt; (bil)</th>
<th>sales of exporters&lt;sup&gt;d&lt;/sup&gt; (bil)</th>
<th>exports&lt;sup&gt;e&lt;/sup&gt; (bil)</th>
<th>average sales&lt;sup&gt;f&lt;/sup&gt; (bil)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-19</td>
<td>191,266</td>
<td>2.7%</td>
<td>5,164</td>
<td>$ 32.0</td>
<td>$ 0.9</td>
<td>$ 0.1</td>
<td>$ 18.9</td>
</tr>
<tr>
<td>20-99</td>
<td>56,942</td>
<td>12.1</td>
<td>6,890</td>
<td>70.9</td>
<td>8.6</td>
<td>0.6</td>
<td>1.2</td>
</tr>
<tr>
<td>100-499</td>
<td>13,443</td>
<td>31.4</td>
<td>4,221</td>
<td>89.4</td>
<td>28.1</td>
<td>1.9</td>
<td>6.6</td>
</tr>
<tr>
<td>small cos.&lt;sup&gt;g&lt;/sup&gt;</td>
<td>261,651</td>
<td>6.2</td>
<td>16,275</td>
<td>192.3</td>
<td>37.6</td>
<td>2.6</td>
<td>-</td>
</tr>
<tr>
<td>500-999</td>
<td>1,551</td>
<td>56.2</td>
<td>872</td>
<td>37.6</td>
<td>21.1</td>
<td>1.5</td>
<td>24.2</td>
</tr>
<tr>
<td>1000 +</td>
<td>1,855</td>
<td>76.6</td>
<td>1,421</td>
<td>585.4</td>
<td>448.4</td>
<td>30.3</td>
<td>315.5</td>
</tr>
<tr>
<td>large cos.</td>
<td>3,406</td>
<td>67.3</td>
<td>2,293</td>
<td>623.0</td>
<td>469.5</td>
<td>31.8</td>
<td>-</td>
</tr>
<tr>
<td>totals</td>
<td>265,057</td>
<td>7.0%</td>
<td>18,568</td>
<td>$ 815.3</td>
<td>$ 507.1</td>
<td>$ 34.3</td>
<td>-</td>
</tr>
</tbody>
</table>

---

<sup>a</sup> Census of Manufactures, Department of Commerce, 1967 and 1972.
<sup>b</sup> 22nd Annual Report of Senate Small Business Committee, 1972.
<sup>c</sup> column 2 x column 3.
<sup>d</sup> column 3 x column 5.
<sup>e</sup> Totals from Statistical Abstract of United States, Exports by size category estimated by ratio of sales of exporters in each size category to total sales of exporters.
<sup>f</sup> column 5 ÷ column 2.
<sup>g</sup> Small business is considered as firm with less than 500 employees.
### TABLE 4
MANUFACTURING EXPORTS - REGION III, BY COMPANY SIZE
1972

<table>
<thead>
<tr>
<th>No. of Employees</th>
<th>No. of firms&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Total sales&lt;sup&gt;b&lt;/sup&gt; (bil)</th>
<th>Percent export&lt;sup&gt;c&lt;/sup&gt;</th>
<th>No. of firms exporters&lt;sup&gt;e&lt;/sup&gt;</th>
<th>Sales of exporters (bil)</th>
<th>Exports&lt;sup&gt;f&lt;/sup&gt; (bil)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-19</td>
<td>17,423</td>
<td>$3.1</td>
<td>2.7%</td>
<td>470</td>
<td>$0.1</td>
<td>*</td>
</tr>
<tr>
<td>20-99</td>
<td>7,987</td>
<td>7.0</td>
<td>12.1</td>
<td>966</td>
<td>0.8</td>
<td>$0.1</td>
</tr>
<tr>
<td>100-499</td>
<td>3,506</td>
<td>8.8</td>
<td>31.4</td>
<td>1,101</td>
<td>2.8</td>
<td>0.2</td>
</tr>
<tr>
<td>small cos.</td>
<td>28,916</td>
<td>18.9</td>
<td>8.8</td>
<td>2,537</td>
<td>3.7</td>
<td>0.3</td>
</tr>
<tr>
<td>500-999</td>
<td>446</td>
<td>3.7</td>
<td>56.2</td>
<td>251</td>
<td>2.1</td>
<td>0.2</td>
</tr>
<tr>
<td>1000 +</td>
<td>305</td>
<td>57.5</td>
<td>76.6</td>
<td>234</td>
<td>44.0</td>
<td>3.3</td>
</tr>
<tr>
<td>large cos.</td>
<td>751</td>
<td>61.2</td>
<td>64.6</td>
<td>485</td>
<td>46.1</td>
<td>3.5</td>
</tr>
<tr>
<td>totals</td>
<td>29,667</td>
<td>$80.1</td>
<td>10.2%</td>
<td>3,022</td>
<td>$49.8</td>
<td>$3.8</td>
</tr>
</tbody>
</table>

* less than $50 million

<sup>a</sup> County Business Patterns, Department of Commerce, 1972

<sup>b</sup> Total sales statistics from County Business Patterns, Department of Commerce. Sales by size category estimated using national averages.

<sup>c</sup> Assumed that national export percentages approximate the regional export percentages.

<sup>d</sup> Column 2 x column 4.

<sup>e</sup> Column 3 x column 4.

<sup>f</sup> Total manufacture exports from State Export Series, Department of Commerce. Exports by size category estimated by ratio of sales of exporters in each size category to total sales of exporters.

<sup>g</sup> Small business is considered as firm with less than 500 employees.

### TABLE 5
MANUFACTURING COMPANIES - REGION III, BY SIZE
1972

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>0-19</td>
<td>324</td>
<td>430</td>
<td>2,144</td>
<td>10,327</td>
<td>3,071</td>
<td>1,127</td>
<td>17,423</td>
<td>58.7%</td>
</tr>
<tr>
<td>20-99</td>
<td>147</td>
<td>107</td>
<td>959</td>
<td>5,347</td>
<td>1,045</td>
<td>382</td>
<td>7,987</td>
<td>26.9</td>
</tr>
<tr>
<td>100-499</td>
<td>70</td>
<td>22</td>
<td>400</td>
<td>2,251</td>
<td>588</td>
<td>175</td>
<td>3,506</td>
<td>11.9</td>
</tr>
<tr>
<td>small cos.</td>
<td>541</td>
<td>559</td>
<td>3,503</td>
<td>17,925</td>
<td>4,704</td>
<td>1,685</td>
<td>28,916</td>
<td>97.5</td>
</tr>
<tr>
<td>500-999</td>
<td>12</td>
<td>3</td>
<td>41</td>
<td>285</td>
<td>77</td>
<td>28</td>
<td>446</td>
<td>1.5</td>
</tr>
<tr>
<td>1000 +</td>
<td>14</td>
<td>2</td>
<td>36</td>
<td>186</td>
<td>46</td>
<td>21</td>
<td>305</td>
<td>1.0</td>
</tr>
<tr>
<td>large cos.</td>
<td>26</td>
<td>5</td>
<td>77</td>
<td>471</td>
<td>123</td>
<td>49</td>
<td>751</td>
<td>2.5</td>
</tr>
<tr>
<td>totals</td>
<td>567</td>
<td>564</td>
<td>3,580</td>
<td>18,396</td>
<td>4,827</td>
<td>1,733</td>
<td>29,667</td>
<td>100.0</td>
</tr>
</tbody>
</table>

shipments $3.4 $0.6 $9.9 $48.3 $12.8 $5.0 $80.1 (billions)
SECTION IV

BIBLIOGRAPHY


_____. The Small Business Market is the World. (brochure describes the international trade services available from the Department of Commerce, the Small Business Administration, the Export-Import Bank of the U.S., and the Overseas Private Investment Corporation). Washington, D.C.: GPO.


