

# Debunking Five Myths to Global Expansion

Christopher Columbus was wrong. The world is flat, not round. That scoop comes courtesy of highly regarded *New York Times* columnist Thomas L. Friedman. In his new book titled *The World Is Flat: A Brief History of the Twenty-First Century*, Friedman looks at the interconnectedness of the modern world and changes brought on by improvements in communication and technology. That interconnectedness, he argues, has leveled the economic playing field around the world, making the world flat.

Friedman asserts that globalization is here ... and it's good. Companies large and small now have the same opportunities and same target customer. One of his 10 "flatteners" is the rise of the Internet. Exhibit A: A small business that sells and trades baseball cards. Create a Web site that accepts and fulfills orders online from customers and *instantly* it's a global business. However, unlike Columbus, some small businesses prefer to remain on their familiar, well-trod soil rather than explore overseas opportunities.

The increasing trend of globalization opens up new markets for small businesses. The international market fuels the growth of many small and even home-based business; however, many small businesses are hesitant — even paralyzed — by the thought of going global. Some believe that it's too risky or complicated because of different languages, cultures, and business practices. However, small businesses should not be afraid. Below are five myths to going global that no small business should fear:

## **MYTH 1: "I Don't Have the Capital to Fund the Growth"**

Many small businesses believe they can't go global because they don't have access to the funds and resources larger companies possess. Just as Columbus was bold enough to push his notion that the world was round and ask for money to explore the seas, small businesses too must look around for these types of opportunities. If a small business has the capital to support its domestic business, this should give it the confidence to make the international leap.

If a small business is considering "going global," it doesn't need to do it alone. There are a number of options available, including the Export-Import Bank of the United States (Ex-Im Bank), the U.S. Small Business Administration (SBA), and the U.S. Department of Agriculture's (USDA) Business & Industry loan program.

Organizations like the SBA offer export information and development assistance to help small businesses take advantage of export markets, including trade counseling, training, legal assistance, and publications. The SBA's Office of International Trade works in cooperation with other federal agencies and public- and private-sector groups to encourage small business exports and to assist small businesses looking to export. The office actively markets SBA's loan guaranty programs, which reduce the risk that banks face when they extend a loan to a small business exporter. Did you know that the SBA is a very strong advocate for women entrepreneurs and offers many programs and services to help them succeed? Did you know that on average, 85 percent of Ex-Im Bank's transactions directly benefit U.S. small businesses?

### **MYTH 2: "It's Too Uncertain and Confusing"**

Many small businesses have the perception that conducting business with trading partners overseas can be risky. The high usage rate of stolen credit card numbers adds risk to international credit card payments. Therefore, credit insurance can help mitigate the risks by protecting the value of your receivables. By guarding the bottom line against nonpayment or slow payment of invoices, you can breathe easier about your decision to conduct cross-border trade.

Credit insurance can be used on a case-by-case basis; for example, used with new customers (as you do not have visibility into their payment histories) and then removed once more solid relationships with them are established. In addition, did you know that some businesses offer an international "Collect on Delivery" (COD) service that provides a fast, secure, simple payment alternative for international trade?

### **MYTH 3: "Shipping Across Borders Is Too Costly"**

Before small businesses sell abroad, they first need to determine how to get their goods from Point A to Point B. Today, shipping companies have become more creative, resourceful, and valuable by offering shipping software applications for customers with low- to high-volume shipping needs. Whether it's a single handcrafted piece of jewelry or 10,000

engine parts being shipped, there's a cost-effective solution. This allows businesses to accelerate, streamline, and enhance not only their shipping processes, but financial and customer service processes as well. In addition, shipping companies offer freight consolidation; air, ocean, and ground transportation; customs clearance; and direct delivery to multiple addresses within the destination country, all through a single source.

It's important for small businesses to take the time to research and understand the different shipping methods. The shipping process involves knowing the costs associated with how long the goods take to deliver, proper packaging, what international trade regulations apply, and what bottlenecks might impede timely delivery. It is important that every package goes insured and customers should know that, in addition to the shipping costs, there may be import duties or brokerage fees that are their responsibility. Planning ahead counts in the international arena.

#### **MYTH 4: "Start Local, Grow Global"**

This is no longer true. The Internet has become one of the greatest communication tools in history. The growth in the international Internet population means boundless potential business for U.S. companies, particularly from consumers who are eager to buy products they cannot obtain in their own countries. In some cases, going global via the Web is the antidote to going out of business.

However, there are some things small businesses should consider: Does your Web site need to be translated to open potential markets to you? Does your shipping table calculate international shipments? You may offer products that cannot be easily obtained in various parts of the world, so even if the shipping rates seem exorbitant to you, they may be acceptable to your customers.

#### **MYTH 5: "No One Pays Attention to Small Businesses"**

In 2003 there were approximately 5.6 million businesses (with 500 employees or less) in the United States, according to SBA Office of Advocacy estimates. Small businesses, indeed, are the engine of the U.S. economy. More and more you find large businesses catering to small and medium-size businesses.

According to the SBA, small firms represent 99.7 percent of all employers, generate 60 to 80 percent of net new jobs annually, and account for 97 percent of all U.S. exporters. As a result, small business success in international markets is extremely important to the welfare of the United States.

Going global doesn't have to be a foray into frightening, undiscovered territory. By banishing these five myths, your small business can realize the full potential of globalization and capture dramatic revenue growth.