

## **Reaching Out: Exploring SME Exporting Opportunities and Challenges**

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### **Executive Summary**

This study by the Western Centre for Economic Research (WCER) examines small business exports to US and other international markets based on a 2007 survey of 387 manufacturing firms with less than 100 employees. Most firms were in the manufacturing sector, supplemented by a few firms in professional and technical services. All participants were existing or past exporters and apart from a sprinkling of start-ups, most firms in the survey were well established.

Our research was organized around four themes: the role of exports in growth strategies; the marketing chain and how firms find export markets; perceived barriers to exporting (including the thickening Canada-US border since 9/11); and indirect exporting and the role of foreign suppliers. Most of our findings did not differ by province; but where they did, the differences are noted. For interested readers, findings for each province are presented in the appendices of the full report.

Our findings suggest that there is a strong role for public policy in improving Western Canada's export performance and in addressing some of the particular challenges and barriers identified by respondents. Following is a summary of the key findings and policy recommendations presented according to our four research themes. Please refer to Chapter 7 of the full report for a complete explanation of findings and policy recommendations.

### **The Role of Exports in Growth Strategies**

#### **Findings**

- Having a business plan that includes the intent to export is an important determinant of export success in both US and other international markets, although a third of the exporting firms we surveyed did not have a business plan.
- Exporting firms are less inclined to focus on a single market opportunity and more inclined to embrace a variety of opportunities.
- Firms in which the owner either had prior export experience or work experiences in a foreign country were more successful exporters.
- Respondents who included export intentions in their business plans were more likely to also include the requirement for additional capital – especially for entering non-US markets.

#### **Policy Recommendations**

- Continue to promote the necessity of a business plan for exporting success and ensure that business planning assistance is available.
- When developing export assistance programs, recognize that most firms depend on a balance of revenues from domestic and foreign customers.
- Offer incentives for business graduates to work with exporting firms, for business graduates to obtain foreign work experience, and for business people with foreign work experience to consider export opportunities.
- Ensure firms have access to affordable sources of financing for export development.

### **The Marketing Chain: How Firms Find Markets**

#### **Findings**

- Personal connections are the most important way of entering foreign markets. Agents or distributors were the second most prominent method, and the internet was the third most popular method (especially for non-US markets).

#### **Policy Recommendations**

- Develop and implement opportunities to establish personal contacts and promote the use of personal contacts in trade planning seminars and promotional materials; encourage the use of agents and distributors, and ensure that resources exist on the internet to help exporters make connections, particularly in non-US markets.

### **Challenges and Barriers to Exporting**

#### **Findings**

- Finding qualified labour is the most prominent barrier for both US and non-US markets.
- Finding market information, the right contacts, financial resources, the right expertise, as well as coping with risk and uncertainty were much stronger barriers to non-US markets than to US markets.
- Problems with customs authorities and obtaining adequate customs information applied to the US market to a much higher degree than to non-US markets.
- Increased Canada-US border security measures are penalizing Canadian firms heavily and firms across the Western provinces experience varying degrees of Canada-US border difficulties.

#### **Policy Recommendations**

- Help firms find the labour required for exporting endeavours. Options could include matchmaking services or financial incentives for either firms or potential employees.
- Recognize in trade education and promotional efforts that it is more difficult to begin exporting to non-US markets than to the US market.
- Create mentoring programs or opportunities for experienced exporters to share their skills and experiences with others.

- Work with all trading partners, but especially those in the US, to improve the speed and ease with which Canadian exports enter foreign markets and to provide up to date, accurate, easily accessible customs information.
- Address the inconsistencies in border crossing procedures across the Western provinces.

### **Indirect Exporting and Foreign Suppliers**

#### **Findings**

- Western participation in international trade cannot be judged solely by considering exports and the share of revenues derived from exports. Firms play an important role in supplying other exporters, but they also rely extensively on foreign suppliers as part of Western Canada's exporting value added chain.

#### **Policy Recommendations**

- More research should be undertaken to gain a better understanding of the role Western Canadian firms play in supplying other exporters. A key area to explore is the potential size of the market for supplying exporters, and how much of that market is being served by foreign firms as opposed to Western Canadian firms.
- More research should be undertaken to gain a better understanding of how international trends in value added chains are affecting Western Canadian firms.

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