

small to medium-sized

ENTERPRISES COMPETING IN THE GLOBAL ECONOMY

By the Hon. Neil F. Hartigan and Ambassador Allan N. Lever



(left to right) Martin McAleese; Mary McAleese, President of Ireland; and the Hon. Neil F. Hartigan, chairman of the World Trade Center Chicago at an international networking breakfast sponsored by WTCC.

The Hon. Neil F. Hartigan is the Chairman of the World Trade Center Chicago and is a prominent political and international figure in Chicago.

Ambassador Allan N. Lever, former ambassador to the Kingdom of Saudi Arabia from Canada among many other foreign posts, currently serves as President of the World Trade Center Chicago.

Both are key leaders for the growth of SMEs in the international sector of Chicago.

S MALL/MEDIUM-SIZED ENTERPRISES Small to medium-sized enterprises (SMEs) are a major percentage of the US market, and more specifically that of Chicago. Therefore, these entities have an enormous effect on the Chicago economy by engaging in international economic development. International development, though at first glance an almost impossible task from the point of view for the executive officer of a SME, is definitely a reality and quite nearly an undeniable necessity within such an emerging global market which the city of Chicago presents.

Chicago has a long and illustrious history of innovation and economic leadership. Ever since its

formation, it has been the stage from which many American business legends have launched their empires. Yet, as with all historical stages, Chicago too has been made witness to both the dramatic rise and the tragic fall of these entities. Thus, what happens in between the gaps which are left in the economy? People do not stop working, waiting around for the next best company to arise. Most definitely they do not, especially in such a hard working city as this crown of the Midwest. There have been numerous gaps left throughout its history by shifting of the business world, and small business growth is the key to filling the gap left when that shifting occurs.

Case in point: while the US economy was slowing down over the past several years and the unemployment levels were rising all over the country, that downturn in employment within Chicago actually remained relatively low due to the job creation instigated by SMEs. While most of Chicago's larger corporations were cutting positions and counting their losses, over the past several years most SMEs were actually doing quite the opposite. And it is equally evident then that while larger corporations were and currently are struggling, there is an even greater compulsion for the smaller and medium-sized companies to succeed and prevail. It is in times of seemingly economic instability when SMEs are revealed as the true lifeblood of the American economy.

According to the U.S. Small Business Administration, SMEs are a major component of employers within the US domestic economy, currently employing 53 percent of the domestic workforce.¹ There are close to 22.4 million SMEs currently operating as part of the US economy which account for at least 50 percent of the gross domes-

A RISING FORCE IN ECONOMIC DEVELOPMENT

There are many owners and CEOs of small or medium-sized companies who wonder how they can join an ever globalizing market. And what are the benefits of doing so? They have no departments for international market research like the big players; they do not have thousands of dollars at their disposal in their budgets. Yet in an increasingly international economy, in order to remain competitive it becomes necessary...or rather mandatory, for those business owners and their top executives to enter the world market. Will this help them? Most definitely. The World Trade Center Chicago is the primary facilitator of international economic development with small to medium-sized enterprises in the Chicago area and the greater Midwest region. Through its interaction with both inbound and outbound trade delegations, it continues in successfully building up the international economy of Chicago.

tic product. The majority are concentrated in the services and technology sectors, which is one of the fastest growing in the U.S. economy. Interestingly enough, most statistics agree that 55 percent of technological innovations are created by SMEs.

In regard to the international market, 96 percent of all U.S. exporters are classified within the SME qualification. To put this in perspective even more, only 1 percent of all U.S. SMEs is exporting. Current trends in outsourcing and globalizing markets practically require that SMEs must turn to the international economic sector in order to remain competitive. Imagine the markets that exist for those entrepreneurs who are willing to aid SMEs in their efforts at greater international economic development.

WHAT CLASSIFIES A SME?

According to the Small Business Act passed by the U.S. government in 2004, a small business is one that "is independently owned and operated and which is not dominant in its field of operation." To determine this despite the immense variety of SMEs, the U.S. Small Business Administration² adheres to size standards that vary from industry to industry. These standards are listed by NAICS number and, depending on the industry, size standards are determined by several factors. For most industries there are two chief factors that are taken into consideration: number of employees and amount of annual receipts; though for some more unique industries, factors such as total electrical output, percent of volume dredged with own equipment, type of research performed, and methods used to fight and prevent forest fires are taken into consideration. This list is by no means exhaustive but it does serve to illustrate the variety of SMEs in our country as well as the intrinsic difficulty in defining and classifying them. This being the case, there are some general guidelines that can give some idea of what is meant by a SME. For most of the manufacturing businesses, a business must have less than 500 employees to be considered small or medium, and for the service sector, a business must have average annual receipts less than \$6 million.

WORLD TRADE CENTER CHICAGO

The World Trade Center Chicago (WTCC), led by the Hon. Neil F. Hartigan, chairman, and Amb. Allan N. Lever, president, is the primary facilitator of international economic development with SMEs in the Chicago area and the greater Midwest region. Through its interaction with both inbound and outbound trade delegations, it continues in successfully building up the international economy of Chicago. The success of the WTCC is also very contingent upon the support of its partners such as the Chicagoland Chamber of Commerce, the city of Chicago, World Business Chicago & Chicago Sister Cities International Program, the state of Illinois,

the International Visitors Center of Chicago, Chicago – Cook County, and the U.S. Department of Commerce among others and its many corporate partners such as the Boeing Company and Motorola, Inc.

The WTCC provides a unique business match-making program which offers Midwest companies the chance to meet and explore partnership possibilities with members of visiting trade delegations. In 2004 it received delegations from Ireland, South Africa, and Tibet, among many others. During the visits of these delegations, individual appointments are made for each company with a researched potential business partner. The WTCC researches and puts companies in touch with each other in a mutually agreeable manner. It thus grows the international development of SMEs by often acting as their own tailored international department. In 2004 the WTCC successfully completed an ongoing matchmaking program for South African, Hungarian, and Irish companies among others.

On the other hand, in order to establish business contacts and sales leads in other countries it is often necessary to visit those countries. The WTCC works with many Midwest companies to form trade missions to other countries of interest. Several past examples include trade missions to Sardinia, Italy, and Riyadh, Saudi Arabia. With its global network comprised of more than 300 World Trade Centers spread throughout the world, the WTCC possesses unique global expertise. Having partners who already have experience and knowledge of their respective regions and countries spread throughout the world is an invaluable tool for any investor or entrepreneur looking to the international market.

However, in some cases, especially in the case of SMEs, it is not possible for a company to travel in order to establish international contacts. This could be due to an SME owner having limited time and money. In addition, most if not all SMEs have no international departments through which they can provide their own research and subsequent knowledge. This is where the WTCC steps in to eliminate



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these shortcomings. It offers its members a virtual staff of international trade and research specialists to answer all of their questions related to international trade and access to the same in over 300 cities globally.

H₂O+

One example from the Chicago area that the World Trade Center Chicago has worked with is a company which began as a SME and through help and international expertise has grown into quite a noteworthy example: WTCC Member, H₂O Plus. H₂O Plus is the first company in the world that focused solely on the benefits of water-based, oil-free skincare. The company currently designs, formulates, and manufactures all of its products to maintain its high standards of quality. With H₂O Plus' exclusive laboratory and state-of-the-art facility, the company remains at the forefront of product innovation. It began as a small company until it was introduced to the international sphere. In 2004, the World Trade Center Chicago hosted a luncheon featuring His Excellency Mikhail Khvostov, Ambassador of Belarus to the United States and Mexico. While inviting members of the Chicago business community to this event, H₂O Plus caught the WTCC's attention. The organization contacted the company and arranged for Roger Marks, president - international of H₂O Plus, to meet with the Ambassador from Belarus. Marks explained the interests of H₂O Plus in the region of Belarus to Amb. Khvostov.

Therefore, it was no surprise when H₂O Plus announced its participation in the popular tradeshow InterCharm 2004, which took place in Moscow, Russia. The five-day tradeshow focused on cosmetics and perfumery. With a booth at this



With a booth at this tradeshow, H₂O Plus established long lasting relationships with the Russian consumers. Furthermore, H₂O Plus is very interested in establishing a presence in Russia and all of the former Soviet Republics. In 2003, the total attendees at this show numbered 73,000 of which 13,000 were attendees from all over the world. The company received unprecedented exposure at this event, the likes of which most SMEs only dream about.

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H₂O Plus manufactures its products in a facility here in Chicago and also one in Canada; all H₂O Plus stores are company-owned. Outside the U.S. and Canada, the company enters into exclusive distributor arrangements based on a business model which has proven to be very successful to both parties. Following the tradeshow, Marks and a member of the Illinois District Export Council were in Moscow for several days meeting with interested parties, both from Russia and neighboring countries, to provide a more in-depth presentation of the H₂O Plus brand and its success to date in other markets throughout Asia, Europe and Latin America. This is just one drop among the ocean of opportunities and success stories that are a part of the World Trade Center Chicago.

CASE STUDIES:

South Africa Inbound Trade Mission – June 2004 & Hungary Inbound Trade Mission – September 2003

On June 15, 2004, the United States hosted a delegation of South African business leaders scheduled to visit New York, Chicago, and Atlanta. After weeks of preparation and planning by WTCC and the former Consul General of South Africa, the Honorable Pateka Sonjani, the delegation arrived at Chicago's O'Hare International. The delegation attended a reception held at the Mid-America Club hosted by Motorola Inc. and its Director of Global Relations, Robert Langlois. Many of Chicago's top business leaders met with the South African delegates. The leader of the delegation, Wendy Luhabe, chairman, International Marketing Council (SA), spoke about the new image that South Africa is able to put forward ten years after apartheid. The following day the Chicago and South African business leaders participated in panel discussions, keynote speeches, and matchmaking processes.

On June 16 the South African Branding, Trade and Investment Conference began at the Chicago Club downtown on Van Buren Street. The African delegates and representatives of many Chicago and Midwestern businesses learned about South Africa's economic, industrial, and commercial potential. Moss Ngoasheng, chairman of COEGA Holdings (a South African firm), delivered the keynote address. He discussed the transition from apartheid to the current South African government and its impact on the economy, the GDP and other domestic fiscal



Business leaders devote their time and attention to members of a delegation discussing profitable ventures in South Africa.

trends, inflation and interest rates, and the South African trade deficit, debt, and budget. Three panel discussions followed on “Overview of Business Environment and Black Economic Empowerment,” “South African Perspective: Infrastructure & Industry,” and “US Perspective: Case Studies.”

The SA delegation and Chicago business leaders heard Executive Vice President of Motorola, Robert Barnett, discuss the history of the SA telecommunications industry and Motorola’s role in its substantial growth. He strongly endorsed international commerce and transaction. The delegation presented the Hon. John H. Stroger Jr., president of the Cook County Board of Commissioners, with a handcrafted ceramics piece featuring the Big Five, Africa’s greatest wild animals. Matchmaking and networking activities followed this. The SA delegates, South Africans, and Americans alike walked away from the meetings feeling confident that these were the first of many to come. The events of the day did not stop there though. The effects of the trade relationships which were formed on that day continue to play very actively into our economy today.

Another one of the numerous inbound trade delegations to Chicago visited in September 2003; the World Trade Center Chicago and the Hungarian Investment & Trade Development Agency (ITD Hungary) presented the Hungarian Matchmaking Program and Luncheon 2003. Businessmen and women from the Chicago-area joined a selected group of Hungarian entrepreneurs to exchange ideas and explore business opportunities. Tamas Deutsch, Trade Commissioner of ITD Hungary; Hon. Kaarina Koskenalusta, Honorary Consul General of Hungary; and Robert Knuepfer, senior partner, Baker & McKenzie, explained the advantages of doing business in Hungary. The political and economic stability, the superior quality of the local labor force and the proactive attitude towards foreign investment were named among the many positive features of the emerging Hungarian mar-

ket. And again, many valuable trade relationships began because of this inbound trade mission in which SMEs were given an unusual opportunity to meet possible partner companies from Hungary.

Most SMEs generally discount the international market because at first it appears that the costs will outweigh the benefits. The enormity of tackling the international market without any leads is often the single most discouraging factor. Thus, when the ‘where’ and ‘how’ are provided for the SMEs, breaking into the global sector seems much more manageable. And subsequently, when there are trade delegations, both inbound and outbound, the SMEs establish the contacts to form business relationships. In both the South African and Hungarian examples, the WTCC is still following up with Chicago companies that began business relationships during those visits.

CHICAGO CONSULAR CORPS

The WTCC realizes that there are many ways to help Chicago companies expand globally, besides the hands-on business provided by the matchmaking program. Establishing close relationships with the international representatives in Chicago is key. The WTCC works very closely with the Chicago Consular Corps (CCC). The CCC is represented by over 70 Consuls General as well as the Chicago International Trade Commissioners Association (CITCA) which is represented by nearly 30 trade officers. These relationships are the impetus of a number of programs in the Chicago area which facilitate trade by utilizing more concentrated international expertise. The CCC is the collection of foreign diplomats stationed in the Chicago area. A consulate is a level beneath that of a foreign embassy, and is strategically placed in a certain part of the target country in which international trade and tourism are major components for their nationals. A trade commissioner is the officer (usually within the consulate) who is responsible for increasing the trade between companies in his or her region and Chicago area companies.

The WTCC is also responsible for organizing periodic meetings of the Chicago Consular Corps, serving as its secretariat. As former Consul General to Chicago from Canada, Ambassador Allan N. Lever retains an honorary membership of the Corps, allowing him to work very closely with them to facilitate their goals for international trade and commerce, especially with regard to SMEs. At each of these meetings of the Corps, members of multinational corporations along with senior economic and government officials of Chicago are invited to make a presentation to the Corps. The

presentation is generally followed by a reception for the international business community where networking often occurs. Recent participants in this program include Diane Swonk, chief financial officer for Mesirow Financial, and various officials from such companies as Motorola Inc., General Motors, Citibank, the Boeing Co., Abbott Labs, Sara Lee Corp. and the Chicago Mercantile Exchange. These meetings provide excellent opportunities for increasing the commerce between Chicago and the countries of the different foreign diplomats.



(right to left) The Honorable Borys Bazylevskyi, Consul General of the Ukraine and elected Dean of the Chicago Consular Corps Ball, accompanied by his wife Yulia Bazylevskyi; Peggy Parfenoff, executive director of the International Visitors Center Chicago; and Ambassador Allan N. Lever, president of the World Trade Center Chicago at the CCC Ball to honor foreign diplomats. The WTCC and International Visitors Center Chicago sponsor the event.

TRADE AND INVESTMENT SEMINARS

Working through the membership of the CCC, the WTCC also sponsors Trade & Investment Seminars, offering Consuls General the occasion to showcase their foreign dignitaries at events which feature and include many members from Chicago's International Business Community as well as those companies eager to gain access to it. This program has evolved into a series of networking seminars which in the past year alone have hosted such dignitaries as the Emir of Qatar; the Presidents of Ireland, Romania, the Dominican Republic, and of the Republic of Lithuania; several Canadian Premiers; as well as Ambassadors of Indonesia, Australia, Belarus, and Venezuela - just to name a few. These heads of state and foreign officials come to Chicago looking for ways to involve more U.S. companies in trading and active business with their own countries.

More often than not, they are specifically seeking U.S. SMEs to connect with their own companies of the same level. In promoting such relationships they hope not to stifle the growth of their own SMEs, which often inadvertently occurs in the

instance of large multinational conglomerates. Many of the foreign consulates in Chicago are also the base for trade officers appointed specifically to work with local organizations such as the WTCC, to promote international commerce through SMEs.

CASE STUDIES:

Ireland Trade and Investment Program, March 2005

Pakistani Trade and Investment Seminar

One such program occurred in 2005, when the WTCC cooperated with the Irish Consulate, the Chicagoland Chamber of Commerce, and Motorola Inc. to host the second Chicago St. Patrick's Day Economic Forum. The Forum featured Ireland's Minister of State for Finance H.E. Tom Parlon, T.D. as guest speaker and Andrew J. McKenna, chairman of McDonald's Corp. and Schwarz Paper, as the event chair. Among the many distinguished guests, the three panelists included Stan McCarthy, president of Kerry Ingredients Americas and executive director of the Kerry Group; Martin Swarbrick, vice president and director, Office of Business Excellence Government and Enterprise Mobility Solutions, Motorola, Inc.; and Anthony Coughlan, controller & chief accounting officer, Accenture.

Minister Parlon spoke primarily on Ireland's fiscal policies. Ireland's economy is currently among the fastest growing in the world. Most economists agree that Ireland has the potential for sustaining this economic growth for the rest of the decade. Ireland is the U.S.'s fourth most popular site for overseas investment. Ireland's government efficiently uses its public resources for education and national development and supports the country's high productivity rate and research. Tourism is also highly encouraged. The forum illustrated that there is a high interdependency between the U.S. and the European economy. It underlined economic ties between Ireland and Chicago and pointed out many business opportunities which SMEs could and should take advantage of. At the end of the meeting, Consul General of Ireland, Hon. Charles Sheehan, stressed that this forum has substantially served to benefit both countries in the past. He emphasized the continuity of the tight economic bond between the United States and Ireland.

Another example of a seminar for SMEs occurred when the WTCC welcomed Ambassador Jehangir Karamat as the featured speaker for a program on Trade & Investment in Pakistan. Ambassador Karamat stressed that enormous potential for trade opportunities existed and were increasing in number for all businesses interested in Pakistan. In the last five years the Pakistan economy has grown considerably. Large-scale reforms were made in the political, financial and macro-economic sectors. Growth in the economy was at 6.4 percent and

institutional reforms were and still are transforming Pakistan. Textiles are the mainstay of exports.

As a whole, Pakistan today is looking to expand trade into Asia as well as forming bilateral trade agreements with the US that will eventually lead to free-trade status. Ambassador Karamat also stated that security is better in Pakistan than in other parts of the world, urging all the companies present to seriously consider it as a viable option.

By promoting programs which highlight specific countries and their target industries, Trade and Investment seminars like these create awareness among SMEs of international development opportunities. These trade seminars provide the opportunity for each country to point out their most successful market sectors; those which would be most beneficial for investment and business ventures. This saves both time and money for SMEs that are no longer compelled to fund comprehensive research and investigation into foreign economies. By eliminating this step, international economic development for SMEs becomes that much easier and no longer an impossible reality for them to pursue those global partnerships.

HOW DOES THE SME GROWTH AFFECT THE ECONOMY?

With over \$8 billion in industrial machinery exports alone for 2004, and over \$20 billion in total exports, Chicago is very closely intertwined with the global economy. As stated earlier in the article, SMEs comprise about 90-95 percent of the US economy. Yet again, only 1 percent of those enterprises are exporting. If only 1 percent of SMEs are exporting and the value of Chicago's top four export commodities is over \$20 billion and growing per year, the opportunities are unlimited for SMEs to increase their share of the global market.

Our economy has been witnessing a tremendous change. Exporting is no longer "the job" of large corporations. SMEs are increasingly taking a role in the international trade arena. The Chicago area customs district hit \$25.9 billion in exports in 2004, experiencing an almost \$5 billion increase from 2003 and \$6 billion from 2002.

In the time of downsizing corporations, SMEs must realize the importance of international trade. Their ability to adapt structures to changing needs of global markets and flexibility to develop multinational strategies to overcome the problems of local markets now make SMEs another big player in our economy.

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