

AN EVALUATION OF GOVERNMENT ASSISTANCE
TO SMALL MANUFACTURING EXPORTERS

Gerald Albaun
University of Oregon

Less than 10 percent of gross national product in the United States is spent each year for exports and imports. In addition, it has been estimated that as few as 30,000 U. S. companies do any type of exporting and that there are about 20,000 additional companies that could sell successfully in foreign markets. It seems, therefore, that there is a great potential for business firms to tap overseas markets. Since such a large proportion of the larger firms already export, it can be argued that the potential for "new" firms to begin exporting is greatest for smaller companies.

Previous research has provided many reasons why business firms, particularly smaller-sized companies, have not been engaged more heavily in exporting than they have. In addition to the general and historical feeling of lack of concern and interest on the part of American business, specific reasons include: (1) difficulty of determining foreign opportunities, (2) difficulty of obtaining adequate representation in foreign markets, (3) difficulty in obtaining funds necessary to get started in exporting, (4) difficulty in understanding foreign business practices, (5) high cost of transport and distribution, (6) high tariffs and restrictions, (7) insufficient marketing information, and (8) difficulty in export mechanics.

External change agents can play a key role in the export performance of a firm. One major external change agent is government. Assistance is available through the various export promotion programs of the federal government (Department of Commerce, Small Business Administration, etc.) and individual state governments. Although the services provided by most government agencies are available to all companies regardless of size, it is small business that is most likely to need the assistance, particularly when first starting exporting. Unfortunately there is evidence that smaller companies are less likely to be aware of the availability of such assistance and less inclined to view it as being important than are larger firms.

This paper reports on a study which examined the level of awareness, extent of usage, and perceptions of value of government export assistance activities directed to smaller manufacturers. The stream of research to date on this all important issue can be characterized as fragmented in terms of samples and populations that have been limited in size, geographic coverage, and/or nature of industry. The present study is another fragment in that it deals with a geographic-based population that has not been studied.

The research was carried out in two phases. In the first phase semi-structured depth interviews were conducted with representatives of the U. S. Department of Commerce, U. S. Small Business Administration, and state government for the states of Oregon, Washington and Idaho.

The main study involved collecting data using mail survey techniques. Questionnaires were sent to a stratified systematic sample of 645 small business firms (less than 500 employees) in the states of Oregon, Washington and Idaho. Stratification was on the basis of whether or not a company was already engaged in exporting. The questionnaire used was designed to provide the following types of information: (1) characteristics of the firm; (2) characteristics of existing international activities; (3) perceived problems and obstacles affecting international operations; and (4) familiarity, usage, and perceptions of usefulness of selected organizations offering assistance. Results are reported for 129 manufacturing companies; of these, two-thirds operated some type of export activity and one-third did no exporting at all. On the basis of number of employees, the responding manufacturers tended to be relatively small as over 80 percent had less than 100 employees.

The results of this survey of manufacturers have distinct implications for policy, at both the state and federal levels. There seem to be wide differences in perceptions between government officials and small business as to the value of existing state and federal government programs. The personal interviews with government officials responsible for international programs indicated that such programs were being received favorably by business firms. The results of this survey did not support this, and, in fact seem to indicate that the opposite situation exists.

It might be concluded, therefore, that there is a lack of clear understanding between government and small business as to the nature and value of existing programs. Since government programs supposedly often are developed on the basis of perceived need, the results of this study might suggest that future services be developed with input from business firms. In short, it is suggested that business be asked what they need before a program is developed and not used nor perceived to have much value. Elaborate programs that are not used nor perceived to have much usefulness by potential users really have little value to anyone.