Simple Steps for Global Success

1. Recognize the opportunity to be global from day one.
2. Use technology to simplify and extend operations.
3. Understand the value of early attention to regulatory compliance.
4. Engage professional advisors early in your small business journey.

ABOUT GIF

The Global Innovation Forum is a nonprofit effort to connect entrepreneur, small business, development, and university communities with policymakers and select corporations to explore the opportunities and challenges of engaging in the global marketplace. GIF serves as a hub for business, university and development communities around the world to communicate with officials and corporations, discover public and private resources to help them succeed, and improve the public policy landscape to enable global innovation. GIF is a project of the National Foreign Trade Council Foundation.

globalinnovationforum.com

Practical advice for taking your small business, startup or solopreneur venture global
Contents

PREFACE

INTRODUCTION

STEP 1: Recognize the Opportunity to Be Global from Day One.

STEP 2: Use Technology Simplify and Extend Operations.

STEP 3: Understand the Value of Early Attention to Compliance with Regulations.


LESSON 1: Anticipate the Challenges of Going Global.

LESSON 2: Talk to Governments About How They Can Help.

CREDITS
There are 50 million small businesses (those with fewer than 20 employees) and 750 million self-employed (those with no employees) around the world today. When they dare to dream, new jobs are created, innovative new products and services hit the market, and prosperity spreads in communities around the world.

At Intuit, we believe we are in a unique position to use technology to tip the odds in favor of these entrepreneurs. One specific area we believe we can help is with navigating global compliance requirements.

The data shows us that more and more small businesses are embracing global opportunities. According to the U.S. Small Business Administration, small business exports are increasing – from almost 29% of the total value of U.S. exports in 2006 to nearly 34% in 2013. Emergent Research predicts that small business exports will reach 48% of U.S. exports by 2026.

One major reason for this global growth is the rise of online marketplaces. These platforms have leveled the playing field for small businesses and the self-employed by democratizing access to information, customers, infrastructure, financing, and even education. A global pool of potential customers is immediately accessible on Etsy or eBay. Any startup can access business tools from UPS and Amazon Web Services. Small businesses can find financing via Intuit or Kickstarter. And they can learn new skills from Coursera and Khan Academy.

Consumer behavior is also evolving and increasing demand for small business products and services in new markets. Customers increasingly want unique experiences, local products, and handmade goods that small businesses are in a unique position to deliver.

At Intuit, we believe that technology providers coupled with trusted advisors like accountants, bookkeepers, legal professionals, and government partners can play a critical role in helping small businesses navigate all this opportunity. These advisors build a depth of experience that can create tested paths for success for small businesses to follow.

In summary, we see immense opportunity for small businesses to build global businesses, starting with their first sale. We know that hearing the stories and advice of other businesses can help build confidence for small businesses owners to enter into new markets. We’ve partnered with Global Innovation Forum to share stories of other small businesses and talk practical next steps about how to help your small business succeed globally.

Sasan Goodarzi
Executive Vice President, Small Business and Self-Employed Group
Intuit
This report is intended to help startups, small businesses and freelancers consider how engaging in global markets can increase their chances of building a stable, sustainable business.

It is informed by interviews and meetings with dozens of entrepreneurs, business leaders, advisory firms and government officials conducted by the Global Innovation Forum as well as lessons learned from a series of events organized at forums including South by Southwest (SXSW), the World Trade Organization, the Global Entrepreneurship Summit, and via a series of Startup Global workshops hosted in partnership with the U.S. Department of Commerce.

The goal of this report is to distill practical advice and best practices from entrepreneurs, business leaders and public and private sector advisors to help understand what it takes to go global. While the global marketplace is complex, startups, small businesses and solopreneurs can take a few simple steps to improve their chances of success:

1. Recognize the opportunity to be global from Day One;
2. Use technology to simplify and extend operations;
3. Understand the value of early attention to regulatory compliance;
4. Engage professional advisors early in your small business journey.

Jake Colvin  
Executive Director  
Claire Pillsbury  
Deputy Director

Kavita Shukla, Founder of Fenugreen, a Maryland-based social enterprise working to address food waste globally.
Your business is never too small or early-stage to be global.

Historically, large multinational corporations—from the Dutch East India Company to Standard Oil to General Electric—were best positioned to benefit from the promise of global markets.

Today, technology and an open internet have democratized access to the global marketplace and make it possible for startups and small businesses to be global from Day One.

Many startups and small business owners are focused on building their businesses locally and may not take the time to contemplate the value of global markets—or may think their company will be too small or inexperienced to succeed globally.

For example:

**LONDON, ENGLAND** — Bethany Koby founded Technology Will Save Us, a startup in East London whose do-it-yourself builder kits are meant to instigate learning around science and technology, with a focus on serving the United Kingdom. While she had her head down and was focused on developing relationships in the UK, early media attention led to interest from the American maker community and her company soon began exporting direct to consumers around the world.

“E-commerce enabled us to be an instant global business,” said Koby. “We’ve shipped our product to over 80 countries.”

**MELBOURNE, AUSTRALIA** — Abigail Forsyth, owner of several coffee shops in Melbourne, Australia, sought to create an alternative to the disposable coffee cup. Forsyth invented KeepCup, a reusable cup that fits neatly under espresso machines. Initially, she wasn’t confident about engaging globally, but to date KeepCups have been sold in more than 60 countries worldwide thanks to online word-of-mouth.

“One of the people who bought one [of our cups] runs a blog called Apartment Therapy in Los Angeles,” said Forsyth. “She wrote about KeepCup in her blog and that weekend seven people ordered cups from the United States.”

Other small businesses are more focused on global markets from the start:

**HO CHI MINH CITY, VIETNAM** — In Vietnam, Ha Lam and Ho Hai founded Triip.me, an online platform that connects local experts with tourists looking for a unique travel experience. Triip.me offers tours in over 90 countries and has offices in Vietnam, Singapore and Germany.

“When you have a company that’s starting out from a very small country like Vietnam, you have to start targeting customers outside your market from the start,” Lam observed.

**Global markets boost local bottom lines.**

Globally-engaged entrepreneurs regularly emphasize how international markets have strengthened their business by boosting their sales, diversifying their risk, increasing brand recognition, and exposing them to new partners, media and other stakeholders:

**KUALA LUMPUR, MALAYSIA** — Amy Blair founded Batik Boutique, a Malaysia-based company selling handmade Batik-printed textiles. She noted that her international success boosted the company’s reputation and brand recognition in the local community.
“To really get respect, you need to make it internationally first and then locals will take note,” Blair advised. Half of the company’s profits come from international sales, and their home market is quickly growing as a result of their global reputation.

LONDON, ENGLAND – Koby of Technology Will Save Us observed that going online and getting media attention resulted in notice by the Museum of Modern Art in New York City; that relationship now connects the company with thousands of museum-goers from across the Atlantic. She emphasized that “to be a seriously-scalable business we needed to tap into larger markets than just the UK.”

LANSING, NEW YORK, USA – Alex Deyhim is the Founder and CEO of Advanced Design Consulting (ADC), a New York-based firm that designs, manufactures and installs research equipment for use in labs and factories. Deyhim said that access to global markets “allows small businesses to ride the wave of an economy more easily.” Foreign sales account for roughly 50% of ADC’s overall revenue.

“Some of our competitors closed down in the United States because they were so focused on the domestic market,” he noted, adding, “international markets allowed us to survive.”

Data confirm that globally-engaged businesses are more likely to succeed.

Research shows that startups and small businesses that take advantage of global export opportunities grow faster, are more upbeat about their performance and prospects, and operate more sustainable businesses.

- Exporters experience higher overall growth, according to a UPS survey of EU based SMEs. “Almost half (49%) of SME exporters saw turnover grow over the last three years, compared to only 29% of non-exporters.”

- Small businesses that trade internationally are more positive about their future prospects and more likely to increase jobs: A survey by Facebook, the OECD and World Bank note that globally-engaged small businesses express more confidence in their business and were more likely to have added jobs in the last six months than those who operate in only their home market. A separate report by FedEx found that small businesses that export “are typically more positive about
• **Globally-active startups and SMEs create more sustainable businesses.** They employ up to 56% more staff on average than non-exporters, and tend to grow an average of 7% per year versus 3% for non-exporters.12

• **Globally-engaged small businesses tend to be more productive and pay higher wages.** Based on surveys of American small businesses, the U.S. International Trade Commission concluded that, exporting small businesses “tend to be larger and more productive, use relatively more capital-intensive and skilled-worker-intensive production processes, and pay higher wages” compared to non-exporting small businesses.13

**The bottom line? Think big.**

“Don't think you're small,” advised Katie Cannon, Retail and Export Manager for Sugru, a British-based innovator that makes a unique moldable putty popular in the maker movement. Cannon observed that a small business can be important to suppliers, partners, and communities. Projecting confidence can help develop the right relationships.

Kavita Shukla, founder of Maryland-based Fenugreen, which makes a spice-infused insert to keep fruits and vegetables fresh, credits her initial success selling directly to consumers in global markets with showing that there was a market for her product, which helped to convince larger distributors to work with her company.
Technology enables small businesses to scale, reach new markets, and run their operations on a global basis.

Technology tools are becoming table stakes for small business management. Research from Intuit shows that 63% of the small businesses surveyed operated their business in the cloud and 66% use mobile phones to run their business. A separate report by MGI found that small businesses that rely on the Internet to run their businesses grew twice as fast as those that do not.

Companies can leverage a suite of tech tools to operate their business on a global basis and unlock customers, suppliers, and partners in new markets:

- **Productivity tools:** Cloud-based services and applications are accessible to companies of all sizes and help to increase both business and user productivity, mitigate risk and reduce server and infrastructure costs.

  Shain Shapiro, a founder of the European creative startup Sound Diplomacy, emphasized the importance of platforms to their operations: “We are completely cloud-based. We have a [customer relationship management] system called Insightly that we use. We use QuickBooks. Our entire company operates on Google Drive. We work so much together on the same projects. Without that ability to collaborate in real-time, we couldn’t succeed.”

  The revenue gains from cloud-based tools can be significant. According to Amazon Web Services (AWS), “five surveyed organizations attributed revenue gains ranging from $100,000 to $10 million per year to their use of AWS.”

- **E-commerce and app platforms,** such as Amazon, Etsy, MercadoLibre and the Apple and Android marketplaces, provide opportunities for global customers to discover and purchase products and services from small and micro businesses. eBay has observed that new businesses on its platform grow faster than new offline firms. According to the company, “after five years, newcomers on eBay have a much higher combined market share (22%) than do new offline firms (13%).”

  “We really encourage companies to take advantage of e-commerce platforms who are out there – Amazon, eBay, Alibaba, etcetera,” Teren Taniuchi, Director of International Trade Services at the World Trade Center in Salt Lake City, Utah, told the Global Innovation Forum.

- **Financing platforms:** Global crowd funding platforms such as Kickstarter can help to provide early stage financing for businesses while enabling small businesses to learn more about their prospective customers.

  Seattle, Washington-based brothers Bill and Jim Mitchell were able to raise funds and expanded their customer base for a new home-brewing process called PicoBrew through the platform. “We honestly had no idea what the demand would be like. That’s why Kickstarter was so great. You learn a lot about how much and where your demand is. Our first product raised $670,000 in pre-orders on Kickstarter from around the world, and we learned where our customers truly were.”
• **Payments services:** Digital payment services provide companies of all sizes an easy solution to sell their goods and services online to customers around the world. Small businesses regularly point to online payments solutions such as PayPal and Stripe as critical to their online success. These payment tools can also encourage faster payment, which can help with critical cash flow issues. For instance, Intuit and PayPal found in a survey that Australian businesses were owed $13,000 on average as a result of unpaid invoices at any given time.\(^2\) The companies also found that their online services can enable customers to get paid twice as fast than through offline tools.\(^2\)

Kathryn Jackson, founder of Milwaukee, Wisconsin-based Protect Your Pumps, a micro-business focused on helping keep fancy shoes looking great, offers Stripe, PayPal and Amazon Pay. She noted that, "having that variety of payment gateways has been good for consumers" because "not everyone wants to put their credit card in."\(^2\)

• **Shipping and customs services:** Attracting international customers is not the only hurdle, as Shukla, of Fenugreen, quickly discovered. Once word of mouth spread abroad about her spice-infused paper that keeps fruits and vegetables fresh for a longer period of time, she had to manage shipments to different countries. She found a better internet-enabled service to streamline the process.

• **Search, advertising and marketing:** Small businesses can gather information about new markets and customers around the world with a few simple clicks. The
husband and wife team of Antoine and Taline Assi, founders of Mosaic Marble in Lebanon, used Google AdWords to identify international markets for their hand cut decorative tiles as well as to target customers within their desired markets. They built a number of AdWords campaigns targeting different locations, in their local language, and used the results to measure sales and website traffic. From there, the company was able to analyze the results and determine where to focus time and investment.24

- **Language translation:** Machine-aided translation technology has reduced language frictions significantly over the past decade. Translation technology allowed the Assis to publish campaigns in the languages of the various host countries, increasing their reach and success. According to a separate report released by eBay, “the development of machine translation technology has resulted in language as a barrier to trade over eBay being lowered by 66% since 2004.”25

**Businesses can benefit most from tapping a full suite of online technologies.**

The ability of small businesses to participate effectively in the global economy requires access to an entire ecosystem of online services.

Shukla of Fenugreen noted that, over time, she found a suite of tools that enabled her to run her small business efficiently and on a global basis: “PayPal could enable us to collect foreign payments and convert currencies...Intuit QuickBooks could help us keep track of our earnings and...UPS Mail Innovations simplified the customs process. FreshPaper became the first product ever to be launched globally by Amazon as part of Amazon Launchpad, a program designed for startups, making our simple idea available in 180 countries overnight.”26

**In an online environment, technology fosters trust.**

Technology platforms also foster trust and verify commitment between two parties that may never see each other. Obinna Ekezie, the founder and CEO of Wakanow.com, a Nigerian online travel site, discussed how a venture capitalist saw him speak on CNBC and was able to research his Nigeria-based company online. Thanks to online platforms including LinkedIn, he was able to conduct initial due diligence efficiently, and eventually invested in Obinna’s company.27

Other companies like Trustpilot and Yelp help to bridge the physical divide between buyers and sellers around the world. A survey by Nielson indicates that 66% of consumers trust consumer opinions posted online, and a similar percentage said they would act on those views.28
**STEP 3:** Understand the value of early attention to compliance with regulations

Compliance with regulations and local customs is an important step small businesses must take as they engage globally.

**Basic due diligence and advice on the front end can lead to stronger businesses and better outcomes.**

“An ounce of prevention is worth a pound of cure,” advised Daniel Glazer, an attorney with Wilson Sonsini Goodrich & Rosati. He has observed companies that “get into trouble when they take a shoot first and ask questions later approach.”

He added, “While it’s true that early stage companies need to move quickly, it is also important to understand the risk profile of the country they are entering” and the importance of taking basic precautions to shore up a business as it goes global.

These precautions include:

- **Protecting your intellectual assets:** Jeremy Snodgrass, an Intellectual Property Attorney at Microsoft, counsels that taking necessary steps to protect your innovations abroad can pay dividends for companies. “Even writing the words ‘CONFIDENTIAL: TRADE SECRETS’ on your sensitive documents can go a long way” towards protecting your innovations, he said, while reliance on more formal registration of patents and copyrights can preserve a company’s equities as it grows into overseas markets. He also highlighted that “you can show patents on your books as an asset, and IP can be used to offset newer metrics like average monthly users or your growth in subscribers.”

- **Managing global tax and financial compliance:** Handling taxes and financial filings right from the start can allow your business to ascend from the beginning. One of the best ways to keep everything
in order from Day One is to put standard processes and systems in place to create “a financial hub where everything comes together,” according to Deborah Defer, Managing Director of Business Services & Outsourcing (BSO) and Co-Lead on the Technology Practice within BSO at BDO, a global accounting and tax consultancy. Having robust global financial systems in place can help translate your business financials across geographies and will make filings easier and more efficient, she added.

**Compliance with foreign regulations can foster small businesses success.**

Small businesses need to consider the inbound regulations and requirements of the countries in which they seek to do business:

- **Trade and Customs Compliance:** Exporting and importing goods internationally requires accurately classifying them on customs forms by country of origin, valuation and tariff code. Mislabling can lead to fines, delays, rejections at the border, and unneeded expense. Analyzing tariff schedules of foreign markets can help inform whether it makes more sense to manufacture locally or to ship components or final products.

- **Compliance with foreign privacy and security regulations:** Laws and regulations around privacy and security are constantly evolving and can vary widely by country. It is incumbent upon small businesses operating in foreign countries to be aware of the regulations, which may dictate what information can be shared between a company’s subsidiaries or partners, what type of advertising users can be shown online, and where data may be stored.

- **Industry-specific regulation:** “Certain industries, like health care, are regulated more heavily than others,” observed Glazer of Wilson Sonsini. “In the United States,” he notes that “insurance and financial services are regulated at the 50-state level and the national level. In the UK, it’s solely at the national level. Their standards and compliance requirements are very different from what compliance looks like in the United States. You can’t just start with compliance in one geography and assume it’s the same in others.”

- **Export Controls:** Governments impose restrictions on the export of certain types of specialized goods, software and technology, particularly those with military applications. For example, in the United States, restricted items include munitions, firearms, biological organisms and toxins, high-end information and communications technology, machine tools, and nuclear equipment and materials. Exporters should find out from the appropriate regulator if their good or service is regulated.

Startups, small businesses and freelancers must also focus on “outbound” regulations that their home government may impose as they venture into other countries:
technology is subject to control and, if so, submit a license request to that agency. In the United States, export control violations have resulted in fines of up to millions of dollars and in some cases jail time.

- **Anti-bribery and corruption requirements:** Many countries, including most members of the OECD, maintain laws prohibiting bribery and corruption in the course of doing business. In the United States, the Foreign Corrupt Practices Act (FCPA) makes it unlawful for American citizens and businesses to bribe foreign government officials to assist in obtaining or retaining business in that country. Corrupt practices include actions such as evading taxes, obtaining exceptions to regulations, and influencing the procurement process.\textsuperscript{32} The Act also requires keeping accurate books and records. American businesses are subject to both U.S. law and the laws of the other countries in which they operate, and there can be significant differences between the laws.

- **Sanctions and anti-boycott compliance:** Various countries maintain more wide-ranging sanctions on doing business with particular countries as a matter of policy. The United States has maintained sanctions against Cuba for decades and, while economic ties have improved over the past several years, the rules that govern trade and investment between Cuban and American entities remain complicated. Separately, countries may impose other rules that may impact global companies. For example, U.S. law prohibits compliance with the Arab boycott of Israel. Companies doing business in the Middle East should familiarize themselves with the boycott regulations maintained by the U.S. Commerce Department.

- **Domestic tax implications of international business:** Companies must make sure that they treat foreign income properly when it comes time to file their taxes. For example, U.S. domiciled businesses are required to pay an effective 35% federal corporate tax rate on all income regardless of whether it’s earned at home or abroad.

For companies that are considering global expansion, even when it is merely aspirational, there is value in planning ahead to manage regulatory compliance. A thorough compliance plan can help head off surprises, save money, and reassure investors, whereas a lack of adequate planning could potentially result in legal issues or other complications.
STEP 4: Engage professional advisors early in your small business journey

Businesses may think they are too small to hire an accountant or other professional advisor, but quite often building a team of advisors can help “improve their bottom line,” says Defer of BDO. “Small businesses come in with a passion for their business. [Advisors] can help with the rest.”

“As the business team is thinking commercially in how a product or service can fit in a new market, there really ought to be another part of the business that is speaking with experienced advisors — and potentially peer companies with experience expanding into that market — to understand logistics, best practices, and legal, regulatory and tax requirements,” added Glazer of Wilson Sonsini.

Advisors, including those in both the public and private sectors, can be instrumental to much time or resources as one might expect.

Public sector advisors can provide expertise and help navigate regulations.

Advisors from the public sector are often experts on their country’s laws and regulations and can be a valuable resource when taking a small business global.

For American companies, U.S. Export Assistance Centers (USEAC) in major metropolitan areas are equipped with resources to help small businesses interested in entering the global marketplace. Other countries have similar export assistance resources through vehicles such as Austrade and AusIndustry in Australia, ProColombia and the UK Department of Trade, which assist companies looking to export from their home market.

Dr. Christopher Jacobs, founder of American medical device startup Genteel, said he “just can’t speak highly enough” of the advice he received from the USEAC in Portland, Oregon.33 He credits their “Gold Key Program” with helping his business establish ties in key foreign markets and navigate overseas regulatory approval processes for its lancing device.

Companies looking to expand operations abroad can also seek out governments in their destination countries, which often have programs to help navigate local regulations, find local partners and, in some cases, finance transitions.

Jon Roskill is the CEO of Acumatica, an enterprise resource planning software provider with a worldwide presence that was founded to help small businesses be more productive. He highlighted that “it’s really good to look at the partnerships you could find in other countries. They can bring ways to land in those countries and can bring additional resources around your business.” He noted that the Government of Singapore helped open doors with local partners through their Soft-Landing Program.34

Matt Oppenheimer, Co-Founder and CEO of Remitly, an online money transfer service, added that “The UK does a phenomenal job of helping companies understand how to get licenses and operate – the [government] even has an innovation department.”35

Overseas embassies can also be great resources to help explore foreign markets. Chilean businesses, for example, can take advantage of ProChile staff in embassies around the world, who stand ready to help their small businesses get to know particular markets.
Bringing in professional advisors when you need them can help avoid costly mistakes down the road.

Glazer of Wilson Sonsini advises hiring a professional advisor when confronted with tricky legal, tax, immigration, insurance, and human resources questions, “which are among the main areas that tend to vary wildly across jurisdictions.”

Accounting advisors can “help small businesses navigate global tax situations. If they are dealing in other countries where they may be withholding taxes, I can use my tax experience to help them navigate what taxes to handle before bringing money back to the UK,” says Charlie Carne, a chartered accountant and owner of Charlie Carne & Co. “I can help them mitigate currency risk, navigate global tax legislation, and I can use my network of contacts around the world to get country-specific advice, if necessary.”

Once you’ve established basic compliance practices, “an experienced advisor can help grow a small business and provide a sounding board to bounce ideas off,” says Carne. Having an outside advisor with whom to strategize can improve decision-making.

In Australia, small businesses that use a trusted advisor are more confident of success. Only 18% of Australian survey respondents volunteered that they were struggling, versus 38% of those businesses who did not utilize an accountant.36

Startups and small businesses often see professional advisors as too costly and not worth the expense, especially in the early stages. Jamian Ronca Spadavecchia of Oxbow Advisory suggests that recognizing the need for advice at the front end will mitigate larger costs down the road. He also points out that “some advisors are just as entrepreneurial as clients,” and don’t require the sizable retainer of an institutional law or advisory firm.

Good advisors can help make local connections for small businesses. Defer of BDO highlighted a service-based startup that was focused on making travel arrangements around the world for clients. The company began expanding rapidly, opening offices internationally. In addition to their traditional advisory services, her company was able to help them connect with local advisors and resources in those locations. “They were able to open up new offices and find on-site bookkeepers with our help,” she said.

Professional advisors can assist on many different fronts, from working through client’s goals in a market to determining how they best fit into that space and finally ensuring successful entry into the foreign market.

Small businesses can benefit from the experience of their peers and larger players.

Glazer advises that entrepreneurs should seek out “companies who have done it before and done it successfully. You can often get a company who has been there before to give you some do’s and don’ts.”

John Rowe, Founder of Island Abbey Foods, a Prince Edward Island-based innovative specialty food and health product company, tells entrepreneurs that, “it’s better to ask for help and learn from other people’s mistakes than making them yourself.”37

Another potential avenue is to seek out advice from larger companies who are in the business of assisting small businesses to go global.

Kevin Zalewski, Co-Founder of LoveBook, a Rochester, Michigan-based small business that helps customers design custom, bound books for loved ones, highlighted the support that larger companies provided in going global.38 He met with Facebook and Google, who provided insights to help his business succeed globally.

Shukla of Fenugreen observed that “often, big companies have the bandwidth to deal with small inquiries.” She added that it didn’t occur to her that large companies would be willing to assist but, “more often than, not we’ve found them to be very helpful.”39
Small businesses, startups and solopreneurs highlight a series of challenges going global. Some of the most common challenges that businesses have cited in surveys and forums conducted by the Global Innovation Forum include:

**Customs, shipping and tariffs**

“Navigating customs is a minefield of complexity,” shared Koby of UK-based Technology Will Save Us, whose first major shipment to the United States became stuck in customs due to a glitch in customs classification.40

Properly classifying goods for customs clearance is important, as Dr. Che Fai Yeong, Founder of Malaysia based DF Automation, found out. “Sometimes we put a robot in the wrong [customs] category and the customer was taxed a lot.”41

Tariffs can also complicate global business plans. Missouri Star Quilt Co-founder Al Doan notes that “when the tariff on cotton goes up, our costs go up.” Tariffs also affect his ability to sell his products abroad. “We will sell our customers whatever they want to buy, but when they get dinged with a $40 tariff when they receive the product, they’re never coming back, there’s nothing that I can do about it,” he noted.42

**Foreign regulatory requirements**

“Getting the legal side right is complicated,” said Johanna Pangestian Harahap, Co-Founder of Indonesia-based platform Sobha.43

LESSON 1: Anticipate the challenges of going global
of Germany-based e-commerce company Nauli. “We think that laws were generally made for big companies, not small ones like ours,” she added.43

Deyhim of New York-based Advanced Design Consulting highlighted the challenges of navigating the nuances of international regulations. In Spain, he recalled certain projects requiring more than a dozen signatures while in Japan his business had to go through a locally-established company to do business. He added, however, that successfully navigating those challenges has strengthened his bottom line.44

Regulatory requirements can be particularly challenging for certain industries. Co-founder and CEO of Japanese-headquartered WHILL wheelchairs Satoshi Sugie first looked to expand in the United States, but regulatory requirements made him think twice. “The FDA required so much documentation, even for very small things. That was a big surprise,” said Sugie.

Payments and currency

While online payment processes have come a long way, small businesses regularly cite issues with payments and banking as complicating their ability to do business globally.

For example, e-Commerce businesses may not be able to utilize payments platforms to the fullest extent in cash-based communities or where foreign banking or payments platforms are inhibited or blocked.

Currency fluctuations can also affect profitability. Nashville-based Pasta Shoppe ships 10-15% percent of its family-friendly and fun-shaped pasta overseas. Founder and CEO John Aron says that currency fluctuations test the company and can impact his bottom line. “With the dollar at a 14 year high, my margins are going to be squeezed, he said, adding, “You can’t sell a 30% higher price for pasta to cover the currency failure.”45

Shapiro, Co-Founder of London and Barcelona-based Sound Diplomacy, emphasized the challenges he has simply banking and meeting payroll for his Europe-wide staff. “We get paid in 5 different currencies every month,” said Shapiro, whose team has to convert and redistribute that money to his employees.46

Access to an open, global internet and online technologies

Impediments to global internet access require companies to find workarounds, which can be costly and time-consuming, or to abandon certain markets altogether.

Sofia Pessanha, Co-Founder of Portugal-based Unbabel highlighted the challenges of accessing global websites in China: “Most native speakers who translate Mandarin for us don’t live in China. This has a huge impact on our ability to staff and meet demand for our services...It’s really important for the Internet to be open to everyone and accessible at the same speed, regardless of where our servers are.”47

Cody Broderick, CEO and founder of Utah-based translation company inWhatLanguage, added, “We are cloud based. Our technology is not a software that is downloaded onto your machine, so it only works where the internet is available.”48

Understanding where to look for help

While governments and the private sector offer programs to help small businesses succeed globally, entrepreneurs are not always clear about where to turn for help.

Koby of Technology Will Save Us explained that it took her personally several days to deal with U.S. customs issues because the company didn’t have dedicated staff for export compliance and her team did not know where in the U.S. or UK Governments to turn for help.

Zalewski of LoveBook noted that “it would be nice to know what [government programs exist] and I don’t know how to find that. The communication to the small businesses is broken a bit.”49
LESSON 2: Talk to governments about how they can help

Small businesses, startups and solopreneurs play a critical role in the economic success of countries around the world.

In Australia, they make up 96% of all businesses, employ 47% of the workforce, and produce 35% of economic production, according to Australian Bureau of Statistics.50

In the United States, small businesses make up 97% of U.S. exporters.51

While large corporations historically occupied the seats at the table to influence the direction of public policies, governments are increasingly looking to understand the impact of their actions on the startups and small businesses that power their economies.

Small businesses, startups and solopreneurs should not be shy about encouraging policymakers to write legislation and regulation with them in mind.

They should consider emphasizing directly to policymakers the importance of crafting policies to help them succeed globally, including the need to:

1. Foster an open, transparent, rules-based trading system that reduces friction and confusion for globally-minded small businesses

Ensuring the right public policies and international agreements can maximize access to the global marketplace for small businesses by removing red tape, tariffs and
other barriers and increasing transparency.

It is particularly important for countries to craft the right rules for global small businesses and the underlying digital technologies they rely on to operate as they seek to conclude large regional trade agreements such as the Transpacific Partnership (potentially without the United States) and the EU-Japan Economic Partnership Agreement, and where geopolitical developments like Brexit will force trade partners to rewrite their rules.

2. Prioritize the availability of global data flows and internet-based technologies

Given the increasingly digital nature of global commerce and the opportunity that the internet provides small businesses, policymakers should foster cross-border access to online data flows between countries and promote an environment that allows internet-enabled technologies to flourish.

Small businesses should make clear that data policies that require localized servers impede their access to global markets, inhibit data analytics, impact sales and support for the shipment of physical goods, and limit the tools that allow them to run their businesses on a global basis.

3. Create simple and fair tax and regulatory structures for small businesses

Small business interests should be taken into account in tax conversations. For example, as lawmakers in the United States get to work on corporate and individual tax reform, policymakers should consider the positive impact of reducing tax and regulatory burdens on small businesses and seek to create clear, simple tax structures. Policymakers should, at a minimum, provide straightforward guidance to assist compliance, which can be particularly challenging for small companies doing business on a global basis.

4. Consider how technology can assist compliance for global small businesses and reduce risk

Policymakers should regularly update the guidance and forms that small businesses receive to appropriately incorporate the latest technologies and ensure less confusion and more compliance. Such advancements may include the ability to connect via Application Programming Interfaces (APIs) to software platforms (for example to e-file documents), creating allowances for electronic receipt capture tools for recordkeeping, or the creation of secure methods to permit electronic signatures to apply for loans or submit required compliance paperwork.

5. Maximize the transparency of government regulations and the availability advisory services, and international trade promotion programs and partnerships for small businesses, startups and solopreneurs

Policymakers should ensure that regulations are accessible online and that potential changes to existing policies follow a transparent process that includes the active solicitation of input from small businesses. Establishing single points of contact for small businesses and maximizing the online availability and visibility of government resources and regulations can help lessen confusion for small businesses and improve compliance on a global basis.

Governments should also incorporate best practices for highlighting the resources that they provide to startups and small businesses to succeed globally. In Australia, Austrade maintains an online portal that highlights federal and state resources available to businesses looking to expand globally, including free Grants and Assistance Finder and links to export courses offered by the Australian Institute of Export.

One way for governments to maximize the visibility of their programs is to establish partnerships with the private sector. In the United States, the Global Innovation Forum partners with the Department of Commerce to emphasize the public and private resources available to small businesses looking overseas through the Startup Global initiative.


3. Id. page 51.

4. Ibid.

5. Global from the Get-Go, supra note 2, at 20.


16. Global from the Get-Go, supra note 2, at 18


19. The New Faces of Transpacific Trade, supra note 3, at 42.


23. The New Faces of Transpacific Trade, supra note 3, at 40, 43.


22 | Global Innovation Forum

34. See generally *Startup Global Seattle*, *Global Innovation Forum*, supra note 29.
35. Ibid.
36. Research conducted by Galaxy Research for Intuit in 2014 with 500 small business owners across Australia who employ 20 people or less, generate annual turnovers of $2 million or less, and who have been in business for less than five years.
45. *New Faces of American Trade*, supra note 33. at 35
47. Ibid.
48. *New Faces of American Trade*, supra note 33. at 38

**Acknowledgements**

The Global Innovation Forum is grateful to Veronica Berkshire, Caroline Bisk and Kaveri Marathe for their assistance in the preparation of this report.

This report was made possible thanks to the financial support of Intuit.
Global Innovation Forum @NFTC
Connecting globally-minded, policy-aware entrepreneurs, innovators and officials.

Join the conversation @GlobaliForum
1625 K Street NW, Suite 200
Washington, DC 20006