



Small but Mighty: Cases of Small Business Foreign Direct Investment

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EXECUTIVE SUMMARY

Greenfield foreign direct investment (FDI) projects from small businesses often encounter different challenges and circumstances than FDI projects from large multinational enterprises. However, there is little research examining these unique obstacles and experiences faced by small businesses. For SelectUSA to better understand how to assist small companies in their investment endeavors, this report seeks to fill this research gap by highlighting the cases of small companies that recently established business operations in the United States.

This report employs qualitative analysis to explore the experiences of five small foreign-owned companies that recently invested in the United States. It highlights the advantages and barriers to investing in the United States as a small business, compiling the key trends and lessons learned by each company. This case study is designed to inform small business investors looking to establish future business operations in the United States as well as policymakers and economic development organizations (EDOs) seeking to attract FDI from small businesses.

OVERVIEW OF CASES

STAR Water Solutions, a water supply and irrigation system company from Australia, employs a localized production chain and research and development centers for city and municipal water contracts around the United States.

RTsafe, a medical technology company from Greece with a U.S. office in San Antonio, Texas, works with hospitals and universities across the United States to employ its radiotherapy technology.

RelateCare, a joint venture between the Cleveland Clinic and Irish company Rigneydolfin, performs contact center consultancy services for the healthcare industry in several states.

Stelog Limited, a Nigerian oil and gas services company, invested in waste disposal operations for oil fields in Midland, Texas.

Sinter Metal Technologies, a metal parts manufacturer based in Turkey and Liechtenstein, established a factory to fuse metal powders in Slidell, Louisiana.

KEY FINDINGS

Drivers and Benefits of Investment

The major motives for case study participants to invest in the United States were access to the large consumer market, safety and security, university and incubator programs, geographic diversification, reputational advantages after products are used in the United States, and a focus on innovation.

Challenges of Investment

Each company interviewed for this case study confronted a unique set of challenges when investing in the United States. As small foreign-owned businesses, they encountered challenges including navigating the large U.S. market; understanding policies and regulations; making connections; and accessing information. They traversed these challenges with limited resources while facing high costs and difficulties raising capital and hiring workers.

Community Impact

The main impacts that these small foreign-owned businesses have had on their local communities were establishing training programs and partnerships, introducing innovative technology, and supporting employment. Most of the businesses profiled in this report collaborated with local universities for workforce recruitment and research and development, and most also partnered with local businesses or municipalities to provide innovative technology to the area. In addition to directly hiring local staff, these small businesses also contracted with local manufacturers, distributors, and service providers, thereby supporting indirect job opportunities and business for local companies.

LESSONS FOR POLICYMAKERS AND EDOs

As evidenced by the five cases in this report, small businesses often benefit from external assistance with networking; sustained and successful partnerships with these institutions were the linchpin of success in four out of five cases. More accessible programs and events can help small businesses connect and foster beneficial relationships with community partners. The cases also uncovered a desire among small foreign-owned businesses for assistance in building comprehensive cost frameworks to more accurately predict and prepare for expenditures.



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INTRODUCTION

This is the second report of a two-part series from SelectUSA on foreign-owned small businesses investing in the United States. While the first part ([*FDI from Small Businesses: Understanding the Behavior and Impact of Foreign-Owned SMEs in the U.S. Economy*](#)) focuses on the literature and a quantitative analysis of economic data surrounding foreign direct investment (FDI) from small businesses into the United States, this report analyzes the experiences of five individual small businesses. This case study explores the successes, challenges, and opportunities that these foreign-owned small businesses faced when investing in the United States.

Small businesses are critically important to the U.S. economy, with companies under 500 employees accounting for 99.9 percent of all U.S. companies, according to the U.S. Small Business Administration (SBA). SelectUSA's work with foreign companies investing in the United States has uncovered a need for a deeper comprehension of the small business investment process. Though each small business profiled in this report had a unique experience in establishing their business presence in the United States, clear trends emerge. In sharing these stories, this report is intended to provide a broader understanding of the needs of small businesses investing in the United States.

METHODOLOGY

A case study model was employed as the research method for this study. The list of potential companies was developed utilizing a variety of sources, including open-source and subscription resources, internal databases, staff at U.S. Export Assistance Centers (USEACs), and SelectUSA specialists and contacts based domestically and abroad.

Following the creation of the initial list of potential participants, companies were evaluated based on specific criteria. For all cases, the investment must have occurred within the last five years; the company or ultimate parent must be headquartered outside the United States; and the companies must qualify as "small"

under the [SBA's industry-specific definitions of small businesses](#).

To provide diversity among cases, particular attention was paid throughout the selection and invitation process to factors such as geographic location of the investment, industry, and the international location of the parent company. Figure 1 presents an overview of the five companies ultimately selected and profiled in this report.

Data collection for the cases consisted of multiple rounds of interviews, conducted by both email and telephone, to discuss the details of each investment. The interviews were held with the primary directors of the investment at each company, such as company leadership and business development managers.

OVERVIEW OF EACH INVESTMENT

As presented in Figure 1, this report consists of five cases:

- STAR Water Solutions, a water supply and irrigation system company from Australia, employs a localized production chain and research and development centers for city and municipal water contracts.
- RTsafe, a medical technology company from Greece, has a U.S. base in San Antonio, Texas and works with hospitals and universities across the United States to employ its radiotherapy technology.
- RelateCare, a joint venture between the Cleveland Clinic and Irish company Rigneydolphins, performs contact center consultancy services for the healthcare industry in several states.
- Stelog Limited, a Nigerian oil and gas services company, invested in waste disposal operations for oil fields in Midland, Texas.
- Sinter Metal Technologies, a metal parts manufacturer based in Turkey and Liechtenstein, established a sintering facility in Slidell, Louisiana.



FIGURE 1: OVERVIEW OF CASES











COMPANY	SOURCE MARKET	DESTINATION MARKET	INDUSTRY	TYPE OF INVESTMENT
STAR WATER SOLUTIONS	AUSTRALIA 	CALIFORNIA, NEVADA, WISCONSIN 	WATER SUPPLY AND IRRIGATION SYSTEMS	U.S. COMPANY AND CONTRACTING LOCAL SERVICES
RTSAFE	GREECE 	TEXAS 	MEDICAL TECHNOLOGY	OFFICE AND PARTNERS
RELATECARE	IRELAND 	OHIO, MASSACHUSETTS, MISSOURI 	HEALTHCARE SERVICES	SALES OFFICE AND CALL CENTER
STELOG NIGERIA	NIGERIA 	TEXAS 	ENERGY SUPPORT SERVICES	CONTRACT TRANSPORTATION SERVICES
SINTER METAL	TURKEY 	LOUISIANA 	METAL FABRICATION	FACTORY



Figure 2 summarizes the various drivers of each company's decision to invest in the United States. A consistent driver among all case study participants was the proximity to the U.S. consumer market. Geographic diversification was also an important motivator for three

of the companies profiled. Two of the companies cited the presence of university and incubator programs and security of business operations as factors in their U.S. investment location selection.

FIGURE 2: OVERVIEW OF INVESTMENT DRIVERS

WHY CASE STUDY COMPANIES INVESTED IN THE UNITED STATES

	PROXIMITY TO CONSUMER MARKET	DIVERSIFICATION	UNIVERSITIES & INCUBATOR PROGRAMS	SAFETY AND SECURITY	REPUTATIONAL ADVANTAGE	FOCUS ON INNOVATION
<i>SINTER METAL</i>	✓	✓		✓	✓	
<i>RT SAFE</i>	✓		✓		✓	✓
<i>RELATECARE</i>	✓	✓				
<i>STAR WATER SOLUTIONS</i>	✓		✓			
<i>STELOG NIGERIA</i>	✓	✓		✓		



ACCELERATING LOCALIZED PRODUCTION: STAR WATER SOLUTIONS



SOURCE MARKET	AUSTRALIA
DESTINATION	CALIFORNIA, NEVADA, WISCONSIN
INDUSTRY	WATER SUPPLY & IRRIGATION SYSTEMS
TYPE OF INVESTMENT	COMPANY & LOCAL SERVICES

COMPANY BACKGROUND

STAR (Stormwater Treatment and Reuse) Water Solutions is an Australian company that produces and implements stormwater and wastewater treatment solutions with innovative technology for municipalities. Its business model is built on localization, using local materials and supply chains to produce its technology. The company also partners with local universities, research institutes, and university-affiliated commercial laboratories to test its products and protocols, which use computer modeling tools to analyze the materials and produce the ideal products for the local environment.

Additionally, the founders set up a resource recovery research center in Australia more than 20 years ago (the Center for Organic Research and Education, or CORE) that has grown to include members from around the world, which helped STAR Water Solutions use existing relationships for suppliers.

INVESTMENT IN THE UNITED STATES

DECISION MAKING AND DRIVERS

Before STAR Water Solutions created its U.S. company, it was exposed to the U.S. market through contracts with the city and county of Honolulu, Hawai'i. While this was a one-time sale, this transaction introduced the company to the U.S. market, policies, and regulations. According to Christopher Rochfort, the chief executive officer (CEO) of STAR Water Solutions, the company sought to invest in the United States because of the large U.S. market for STAR Water Solutions' technology. Additionally, the policy and regulatory alignment between Australia and the United States, especially at the state and county levels, allowed STAR Water Solutions to focus on establishing business operations and connections in the United States instead of learning and adapting to different country regulations.

In 2010 and 2011, STAR Water Solutions visited the United States under G'Day USA as one of 12 water technology companies under a U.S. Environmental Protection Agency (EPA)-Australia EPA memorandum of understanding on water issues. The G'Day USA program, an economic diplomacy program sponsored by the Australian Department of Foreign Affairs and Trade, Tourism Australia, Australian Trade and Investment Commission (Austrade), and Qantas Airways to bring Australian businesses to the United States, provided assistance with establishing a market strategy and market implementation plan to enter the United States. Through this program, the company also met with stakeholders such as U.S. government officials and companies, which helped STAR Water Solutions understand the business environment and market in the United States.

PROCESS

The company's first major successes in the United States were established through accelerators specifically focused on water technology. The company was invited to apply to and then was accepted into both the WaterStart Program in Nevada and the Global Water Center in Wisconsin (an initiative led by the Water Council). According to STAR Water Solutions, participation in the accelerators provides reputational advantages when the company networks with local governments because it assures potential clients that the company is robust, with a product that is both innovative and fills a need. For some local contracts, participation in accelerators also provided a preselected status to bypass the normal bidding process.

Since graduating from the accelerators, STAR Water Solutions is also securing contracts with cities within Los Angeles County as part of a local water initiative, the Safe Clean Water Program. STAR Water Solutions hires



individuals in Nevada and California to investigate, produce, and test the materials and final products as part of the supply chain.

BARRIERS AND CHALLENGES

Raising Capital

The biggest challenge for STAR Water Solutions was finding distributor partners with good capital adequacy. Through networking with potential distributors, however, the company was able to build a connection with a sales associate of one of the distributors. This U.S. representative is now the firm's primary contact in the United States and its first and currently only direct U.S. representative. The company also confronted large upfront costs, especially in commercialization, bidding, and the patent process.

The Commercialization Stage

In STAR Water Solutions' experience, innovative small businesses often spend a significant amount of capital on research and development. Most of the company's investment has gone to local laboratories and institutes for testing and research and development, leaving fewer financial resources for distribution or finding new customers and platforms. STAR Water Solutions also acknowledged that assistance in connecting innovation platforms to customers, as well as piloting and testing the product, would have been beneficial for the company as well as other small businesses.

Bidding Processes

With the finite resources of a small business, STAR Water Solutions also exerted a large portion of time and resources in bidding processes for contracts and grants. Additionally, the patent process required large upfront costs, including legal fees to prove the company had prior art during the discovery phase.

COMMUNITY IMPACTS

"We localize every market that we work in around the world."

-Christopher Rochfort, CEO, STAR Water Solutions

As a small business with a lean operating budget, STAR Water Solutions creates indirect jobs by locally contracting for resources and research. According to STAR Water Solutions' calculations, each project creates seven categories of skilled, semi-skilled, and unskilled workers, with between 80 to 90 percent of jobs locally generated. This operation style allows the company to remain small and flexible while employing the local workforce and utilizing local resources.

LESSONS LEARNED

"As a small [company], the more time you can work in the business rather than on the business, then the more chance you've got of raising revenue."

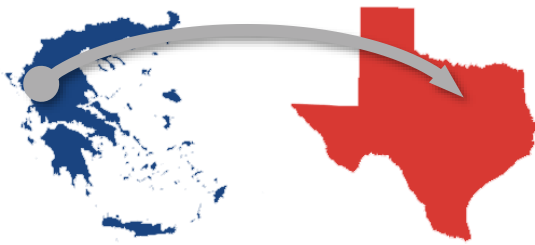
-Christopher Rochfort, CEO, STAR Water Solutions

The main lesson that STAR Water Solutions learned from being a small foreign-owned business is that it takes more time and funding than anticipated to scale up. According to the company, for an innovative small business, the biggest hurdle for growth is the commercialization phase. Additionally, Mr. Rochfort suggested that companies who participate in government-supported trade and investment programs must be prepared for the possibility that program offerings may change.

STAR Water Solutions also found the business opportunities resulting from the accelerator programs to be invaluable since the accelerators assisted with fundraising and making connections, allowing the company to focus on developing, producing, and implementing the product with its clients.



HIGH-TECH IN THE MEDICAL SECTOR: RTSAFE



SOURCE MARKET	GREECE
DESTINATION	TEXAS
INDUSTRY	MEDICAL TECHNOLOGY
TYPE OF INVESTMENT	COMPANY & PARTNERS

COMPANY BACKGROUND

RTsafe is a Greek medical device company founded in 2014. The company created a product that increases the safety of patients undergoing radiotherapy. A series of awards propelled the company to expansion in the United States. First, in 2015, the company won the Hellenic Award from the Hellenic Initiative, a group of Greek Americans that donated funds to support Greece and Greek companies during the economic crisis. Then, in 2015, RTsafe won first prize at the Massachusetts Institute of Technology (MIT) Enterprise Forum Greece Startup Competition, a competition designed to accelerate Greek technology startups. The Hellenic Award provided early-stage funding, while the latter award launched the company's work with MIT and other U.S. partners.

INVESTMENT IN THE UNITED STATES

DECISION MAKING AND DRIVERS

The MIT award created the first opportunities for RTsafe to connect with U.S. investors. The firm prioritized the U.S. market because of the well-developed high-tech aspects of the medical sector, especially in radiotherapy. For RTsafe, the U.S. market was home to companies and organizations with large budgets and early adopters that could evaluate RTsafe's medical devices. Being in the U.S. market and U.S. hospitals also enhanced the attractiveness of RTsafe's product in foreign markets and across the United States.

PROCESS

After entering the U.S. market through the aforementioned awards, from 2016 to 2017, RTsafe began the process of physically establishing the company in San Antonio, Texas. The company decided on San Antonio because the CEO of RTsafe, a professor in

medical physics, already had an existing collaboration with a professor from the University of Texas at San Antonio (UTSA). RTsafe also took part in SelectUSA's European Healthcare Startup Investment Mission, which traveled to Austin, Texas. As a result of the Investment Mission, the company brought back additional industry contacts. After the completion of a successful second round of funding, RTsafe was able to incorporate its U.S. office less than six months later. In terms of direct employment, the company employs a chief operations officer and a business development director in the United States. RTsafe also worked with a salesperson for less than a year.

After landing in San Antonio, RTsafe established scientific partnerships with UTSA and the Health Science Center in San Antonio, as well as end-users across the United States such as the University of California, Los Angeles (UCLA), the Mayo Clinic in Arizona, and the New York Presbyterian Hospital. According to RTsafe, working with clients in the United States can be easier, faster, and more direct than in other countries because the chief physicians or chief medical physicists in hospitals are able to make direct decisions relating to the budget.

RTsafe eventually wants a major part of the company, including the production side, to be based in the United States. As of January 2021, the company was in the third round of funding for the capital to hire more U.S. workers. In the meantime, RTsafe is deciding whether to directly sell its products in the U.S. market or focus on distribution networks.

BARRIERS AND CHALLENGES

Regulatory Process

One of the biggest challenges that RTsafe faced in establishing its U.S. operations was navigating the regulatory process and reimbursement schemes. In



terms of the regulatory process timeline, RTsafe's primary product, the Personalized PseudoPatient PV (which prints a 3D copy of a patient's CT scan), has been approved by the Food and Drug Administration (FDA) while the insurance reimbursement scheme is pending approval. According to Dimitris Makris, chief business operator for RTsafe, the regulatory process in the United States is "very well-organized [and] product-focused." He also noted that medical device legislation in the United States and Europe is very similar, making the investment process smoother. However, the company found that the reimbursement scheme is more difficult to navigate in the United States, including discerning the proper pathways and various codes for the process. As a result, RTsafe is working with JALEX Medical, a consulting firm based near Cleveland, Ohio, which the company found through another SelectUSA mission focused on service providers.

Making Connections

In order to find university and clinic partners, RTsafe faced a challenge relating to the upfront costs needed to participate in conferences. Additionally, the company had to expand beyond conferences to make connections with distributors and service providers, such as experts in U.S. legislation on regulatory and reimbursement issues. Once the company found the connections, it was easy to present to and work with partners, however, making those initial connections was difficult and resource intensive.

The company also encountered upfront costs related to the commercialization of its product. While the large size of the U.S. market presented many opportunities, RTsafe had limited funds for the market research and brand awareness activities that could connect the company with clients.

BENEFITS OF BEING A SMALL BUSINESS IN THE UNITED STATES

"Sometimes when you are a small business, especially in a high-tech domain such as radiotherapy, they might not give you sufficient attention in other countries... But in the U.S., things are different. They evaluate the product, they evaluate the person, so it doesn't really matter whether you are a small business or not."

-Dimitris Makris, Chief Business Officer, RTsafe

According to RTsafe, the biggest advantage to being a small business is flexibility. When situations change, it is easier to adjust as a small business. RTsafe views its successful U.S. operations as having helped resolve customs issues and improved its trustworthiness in the eyes of potential customers, both in the United States and around the world. According to the company, the investment in the United States has also minimized lead time for U.S. clients, which is especially important in a time-sensitive sector such as the health industry.

LESSONS LEARNED

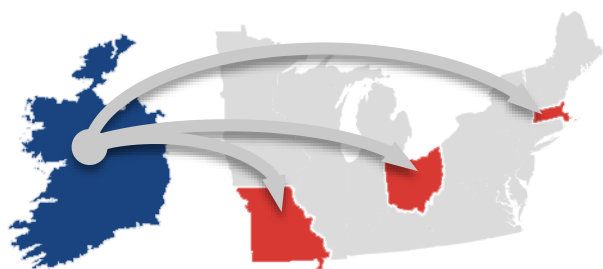
"I would say that something that we should do different [in the beginning] would be to hugely focus on the U.S. market... The U.S. should be the major, number one goal for everyone."

-Dimitris Makris, Chief Business Officer, RTsafe

The open-mindedness of the U.S. market is important to RTsafe, especially the focus on innovation. In the company's experience, small businesses are given equal opportunities in the United States because the clients' focus is on the product, not the size of the business providing the product. Despite the intensive time and capital requirements, investing in the United States has been a worthwhile process for RTsafe because it allows the company to be close to its consumer base. With the United States' focus on innovation; large consumer market; and reputation for high quality in the medical device sector that highlights the attributes of its products, RTsafe is currently focusing on expansion in the United States.



A HIGH GROWTH STORY: RELATECARE



SOURCE MARKET	IRELAND
DESTINATIONS	OHIO, MASSACHUSETTS, MISSOURI
INDUSTRY	HEALTHCARE SERVICES
TYPE OF INVESTMENT	OFFICE & CALL CENTER

COMPANY BACKGROUND

Rigneydolphin, a contact center company based in Waterford, Ireland, was founded by husband-and-wife team Frank and Adrienne Dolphin. Rigneydolphin performs a variety of telecommunication contract services in Ireland, including staffing services, training, monitoring, administrative support, and data analytics.

In 2009, Rigneydolphin was engaged by the leadership of Cleveland Clinic to consult on, design, and lead the creation of Cleveland Clinic's new Access to Care center. The success of this project led to the formation of a partnership for contact center consultancy services between Rigneydolphin and the Cleveland Innovation Center, the company's first official international presence. Rigneydolphin and the Cleveland Clinic then formed a joint venture known as RelateCare, which became a wholly independent company in 2016.

INVESTMENT IN THE UNITED STATES

DECISION MAKING AND DRIVERS

The main driver behind Rigneydolphin's investment was the opportunity to enter the healthcare contact center service market in the United States by combining its contact center experience with the Cleveland Clinic's brand recognition and healthcare excellence. Cleveland's status as a global center for healthcare and technology was the deciding factor of Rigneydolphin's site selection.

During the preliminary funding phase, RelateCare was introduced to JobsOhio and worked closely with its economic development team throughout the investment process. Initially, Rigneydolphin managed the investment from Ireland, with the development team frequently traveling back and forth. As the company expanded, a number of team members relocated to work

full-time in Cleveland, and the company began hiring locally. Since 2013, RelateCare has experienced exponential growth, growing from just 5 employees in 2013, to over 800 in 2021, with further workforce expansion projected for 2021. Despite this employment growth, RelateCare is still considered a small business under the SBA's industry definition.

BARRIERS AND CHALLENGES

Navigating the Market

While the connection to the Cleveland Clinic was advantageous in launching RelateCare, the firm still lacked the necessary business connections and resources in the initial phases. Ensuring the company developed relationships with contacts familiar with both international investment and the healthcare field was an elaborate process, requiring some assistance from JobsOhio.

Workforce

The RelateCare management team had to be cognizant of cultural differences between the U.S. and Irish workforce, such as different communication styles, values, and expectations. Despite the use of English as the official language in both locations, there were variations in slang and legal language between the United States and Ireland. As a result, RelateCare's

"It's true that RelateCare itself was a small business when it began, but we had the support from two established organizations to help get us set up and running."

-Mark Owens, Director of Marketing & Public Affairs, RelateCare

employment engagement team identified systems, such as team events, to connect employees in both countries and foster a transnational team culture.



BENEFITS OF INVESTING IN THE UNITED STATES

While RelateCare started as a small business, the support from established organizations like Rigneydolphin and the Cleveland Clinic insulated it from some of the barriers commonly faced by other small businesses. Further, the technological foundation of the U.S. healthcare system made it especially conducive to RelateCare's business model. The ability to access patient and hospital records through Electronic Health Records allows RelateCare to manage the patient journey from the point of hospital entry to discharge and even further into the recovery period. Establishing an initial base of operations in Cleveland provided the company numerous opportunities to expand into more locations, such as Boston, Massachusetts and St. Louis, Missouri.

"Don't chase opportunities without doing the research first."

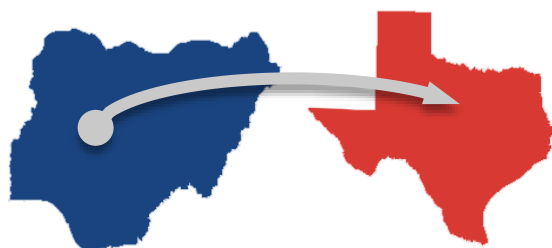
-Conor O'Byrne, CEO RelateCare

LESSONS LEARNED

RelateCare emphasized how important it is to approach opportunities slowly and thoroughly as well as conduct proactive market research. Even with the guidance of two well-established companies, RelateCare still learned through experience that it was important to broaden its network of relationships and understanding of the U.S. market. For RelateCare, this involved utilizing data (such as real estate prices and wage costs) to inform decisions and trusting EDOs to help establish new connections. The company underscored how EDOs, as liaisons, accelerate investment and expansion processes by maintaining relationships within the industry.



THE IMPORTANCE OF ORGANIZATIONAL STRUCTURE: STELOG LIMITED



SOURCE MARKET	NIGERIA
DESTINATION	TEXAS
INDUSTRY	ENERGY SUPPORT SERVICES
TYPE OF INVESTMENT	CONTRACT SERVICES

COMPANY BACKGROUND

Stella Okene developed an interest in investing in the oil and gas industry while attending the Offshore Technology Conference in Houston, Texas in 2014. Through the conference, Ms. Okene engaged in a dialogue with International Logging, a Houston-based company, about potentially collaborating and utilizing its equipment. After procuring mud logging equipment for use in Nigeria, Ms. Okene launched her first company: Stelog Limited. Stelog currently performs a variety of drilling and mud logging services in Lagos, Nigeria. Stelog incorporated as SSNERG LLG in Houston Texas in 2018 but shuttered operations in 2019.”

INVESTMENT IN THE UNITED STATES

DECISION MAKING AND DRIVERS

Once Stelog was well established in Nigeria, Ms. Okene turned her attention to expansion. The familiarity of the U.S. market from years of attending conferences, as well as the proximity to Stelog’s supplier and client bases, made it an attractive investment location. The high quality of U.S. products was a further incentive to locate in the United States.

Within the United States, Stelog focused on Texas as the destination of its investment given the concentration of oil-related services located in the state. In 2018, Stelog incorporated as SSNERG LLC in Houston, Texas. After signing a contract with GM Oilfield and Trucking Services in Midland, Texas, Stelog purchased trucks and vacuum trailers and employed contractors to perform mud waste management and disposal on oil fields.

BARRIERS AND CHALLENGES

Ms. Okene expressed how challenging it was to expand in the United States while she was still based in Nigeria. She found it particularly difficult to establish a strong

U.S.-based leadership structure. To keep costs low, Stelog chose to contract truck drivers instead of directly hiring employees, but was unable to find either a reliable company or drivers. Further challenges arose from partnerships with other companies, as Ms. Okene felt there was a lack of honesty and transparency in some of her business dealings. Unlike the other companies profiled in this report, Stelog did not have the assistance of community partners, such as EDOs or universities, to navigate these barriers.

The obstacles prompted the company to reevaluate its investment decision and ultimately put a hold on the U.S. subsidiary in 2019. While Ms. Okene expressed interest in investing in the United States again, she stated that intricacies of the logistics industry were too challenging for her small foreign-owned business to successfully undertake.

BENEFITS OF INVESTING IN THE UNITED STATES

“The U.S. is actually my preferred country to invest because I see that the environment is very conducive for investment.”

-Stella Okene, Founder of Stelog Limited

Despite the obstacles encountered, Ms. Okene found the business environment in the United States favorable to investment. The stability and reliability of business operations were advantages of investing in the United States compared to other locations. In particular, Ms. Okene appreciated the efficiency of contracts and service delivery. As a small business, the guarantee of being compensated for services delivered was critically important for Stelog to maintain sufficient liquidity.



LESSONS LEARNED

“Business always has a down time, it’s not rosy all the time. But it was good for me that I had the experience.”

-Stella Okene, Founder of Stelog Limited

Ms. Okene emphasized the need for strong guidance as a small business investing in the United States. In Stelog’s experience, a stronger organizational structure would

have increased the company’s resiliency while navigating the investment challenges.

Stelog felt that an EDO or community partner could have potentially helped develop a suitable business structure, find reliable contractors, and navigate relationships with the company’s partners. However, despite the challenges faced by SSNERG, Ms. Okene considers it a positive learning experience and will use the lessons learned to improve her next investment project in the United States.



PEOPLE ARE KEY TO THE INVESTMENT: SINTER METAL TECHNOLOGIES



SOURCE MARKET	TURKEY
DESTINATION	LOUISIANA
INDUSTRY	METAL FABRICATION
TYPE OF INVESTMENT	FACTORY

COMPANY BACKGROUND

A family-owned engineering group founded by Olgun Tanberk in 1967 in Istanbul, Turkey, Sinter Metal Technologies is a global manufacturer of primary metal parts with a strong emphasis on research and development. With 11 subsidiaries across Turkey in the metal industry, Sinter manufactures parts used in numerous sectors, from automotive to medical devices. Despite its success in establishing multiple subsidiaries, Sinter remains a small, family-owned business with fewer than 100 employees.

The company opened its current metal powder production facility in 1978 in the Dudullu Organized Industrial Zone in Istanbul and started exporting in 1990. Mr. Tanberk's daughter, Tilsim Tanberk von Liechtenstein, and her husband, Prince Rudolf of Liechtenstein, began the company's first effort to expand internationally with a new sintering facility to bond powder-based metals.

INVESTMENT IN THE UNITED STATES

DECISION-MAKING AND DRIVERS

The primary drivers behind Sinter's expansion to a new location were increased proximity to its customer base and geographic diversification.

Sinter considered the United States and Mexico for its new operations, but ultimately chose the United States for security and safety reasons. Personal connection to the United States also played a role in the location selection: Ms. Tanberk had received her undergraduate and graduate education in the United States.

The company's site selection decisions within the United States were based on certain key factors, such as convenient logistics and transportation access, favorable tax policies, and skilled labor force availability. After a positive experience working with Greater New Orleans (a

local EDO), Sinter Metal Technologies announced in 2019 that it would establish its new sintering facility in Slidell, Louisiana.

BARRIERS AND CHALLENGES

Interactions with Economic Development Organizations
Before deciding to invest in Louisiana, Sinter experienced challenges in engaging with some other state and local EDOs as a small business. The company felt that some states and localities were not prioritizing the small business, as it was often challenging for Sinter to receive information or set up meetings with EDOs. Sinter also felt that the development offices often did not understand the specific problems faced by small businesses.

Navigating the Market

A key obstacle for Sinter was in navigating the complexities of the U.S. market, specifically surrounding the different levels of governance. As a small, foreign-owned business, Sinter did not understand the interaction of local, county/parish, state, and federal government relating to a new facility, let alone how that interaction might differ in various U.S. locations. These differences also made it difficult for Sinter to compare policies across states. Furthermore, as Sinter progressed with the investment project, it encountered challenges in addressing problems to the appropriate officials. While Sinter worked closely with local officials, they were often unable to assist with issues governed by the federal government, such as certain regulations.

Cost

Sinter maintains that one of the primary difficulties for small businesses investing in the United States is the high cost of establishing and operating a business, especially compared to other countries. The company found insurance, liability, and healthcare to be burdensome for small businesses. In addition to these high fixed costs at the outset of investment, variable costs often exceeded



expectations, specifically those related to transportation delays and purchasing tailored capital assets. According to Ms. Tanberk, a small business needs to anticipate costs being a minimum of 30 percent higher than expected.

Visas

Potentially due to external issues in U.S.-Turkish relations, obtaining visas for employees presented a considerable barrier to Sinter's investment. Despite employing qualified immigration lawyers, a visa application for the company's operations manager was denied, causing delays to key strategic stages in establishing the company. As the company's future projects necessitate an internationally mobile staff, the inability to obtain visas has also halted Sinter's plans for further expansion.

Logistics

Logistics and transportation presented significant challenges to Sinter's budget and timeline. Sinter found a lack of reliable information on logistics companies, which not only resulted in time spent researching companies but also later led to delays and overcharging. The majority of Sinter's materials and machinery had to be imported from Germany, which took several weeks longer than anticipated.

BENEFITS OF INVESTING IN THE UNITED STATES

"Each international site is a diversification and a benefit. [We] need to be close to customers and to be regional."

- Tilsim Tanberk von Liechtenstein, Co-Owner of Sinter Metal Technologies

Community Support

The community support of Slidell, Louisiana has been a positive aspect of Sinter's investment. Not only were the individuals at Greater New Orleans instrumental in Sinter's investment process, but the company's plans also gained the support of the head of the industrial board in New Orleans. Furthermore, then-New Orleans Mayor Mitch Landrieu and Louisiana Governor John Bel

Edwards also encouraged Sinter's project by voicing public support for the facility.

Sinter's investment and creation of metal production jobs has also prompted Nunez Community College to develop industry training programs, creating a mutually beneficial pipeline of potential future employees for Sinter and other manufacturers.

Diversification and Reputation

Sinter's location in the United States affords it both closer proximity to its existing customer base as well as avenues to attract new ones. The expansion also reflects an important step in the growth of the small business. The company finds that its presence in the United States enhances its reputation with both local and international clients. Moreover, Sinter noted that establishing itself in a new market is important in order to diversify operations and ensure the stability of the company's services.

LESSONS LEARNED

"Think of triple the time and double the budget."

-Tilsim Tanberk von Liechtenstein, Co-Owner of Sinter Metal Technologies

According to Sinter, establishing a U.S. location involved a steep learning curve of how to successfully implement an investment. Operations Manager Musa Kancal recommended that companies planning an international expansion "always plan for failure. [...] If you don't have the right equipment or people on site, it's hard to manage a crisis."

The company had to allow for flexibility in its project plan, as unexpected delays and budget issues threatened to derail the project. However, in Sinter's experience, the company was able to mitigate key challenges due to support from Greater New Orleans.

Sinter considers its U.S. operations to be a success. The company is considering applying these lessons learned to an additional expansion of its business operations in the United States, pending the resolution of its visa issues.



CASE STUDY TRENDS

The five small businesses profiled in this report faced unique circumstances as they established operations in the United States, but certain key patterns emerged.

ADVANTAGES FOR A SMALL FOREIGN COMPANY INVESTING IN THE UNITED STATES

Welcoming Business Environment

A majority of the case study participants emphasized that the United States was a top destination for investment in part due to its welcoming business environment. The companies indicated that they were able to save valuable time and money early in the investment process due to the clarity of U.S. business incorporation procedures.

Diversification and Reputation

Geographic diversification was a key factor in the decision-making process for three of the case study companies, as establishing U.S. operations allowed the companies to access new consumer markets, decreased operational risk, and enhanced credibility. In the experiences of the case study participants, being present in the United States and working with U.S. partners boosted the reputation of the companies and their products on the global market. Moreover, for several companies profiled, establishing an initial base of operations in the United States opened the door for further expansion across the market.

Access to Opportunities

According to two of the companies profiled, the primary advantage of being a small company involved in foreign direct investment into the United States is the ability to be flexible and adapt to different challenges and opportunities. For them, the U.S. market's openness to innovation and new ideas allows small businesses to compete with larger businesses based on the product and not the company size.

BARRIERS AND CHALLENGES

Navigating the Levels of Governance

Most case study participants mentioned that the size and diversity of the United States was an attractive feature as well as a challenge. As the companies profiled originate from smaller countries, the intricacies of the federal, state, and local levels of government in the United States were difficult for them to navigate.

The companies in this report faced challenges traversing the various regulatory and policy systems. The costs and time required to work with various levels of government also posed a significant hurdle, which was compounded by the lack of accessible financing for small businesses. While community partners mitigated many of these obstacles, even companies with solid partners and resources had difficulties understanding the pertinent regulations at the state and federal level.

High Costs of Doing Business

There were two main upfront cost barriers encountered by the companies profiled: costs associated with heavy and physical assets for the small businesses operating in capital-intensive industries, and research and development costs for the small businesses operating in the technology sphere. These initial expenditures posed an outsized challenge to the case study participants with leaner budgets and less liquidity.

The Impact of Changes to Cost and Schedule

While small businesses tend to be flexible, they are not immune to the high costs associated with unexpected changes. Fluctuations in schedule and cost threatened to unravel two of the investment projects in this report and posed a significant challenge for the businesses with lean budgets.

LESSONS LEARNED

The Importance of the Network

The cases in this report indicate that strong community partners are crucial to the success of small businesses. Interactions with programs from universities, domestic companies, accelerator programs, and EDOs were a key impetus for U.S. investment for each of the companies in this report. Sustained and successful partnerships with these institutions were the linchpin of success in four out of five cases.

Most of the companies interviewed for this report emphasized the importance of events and conferences in providing critical opportunities for small businesses to network and build relationships but mentioned that the travel and registration expenses associated with them can often be limiting or prohibitive.

Remaining Flexible

Case study participants also stressed that a major benefit of being a small business is the ability to remain flexible. With limited resources and unexpected challenges, these firms were able to adapt and change their strategies or



business models to both respond to challenges and embrace new opportunities for funding, resources, and distribution of their products and services.

SUGGESTIONS FOR THE U.S. GOVERNMENT AND EDOs ON HOW TO ASSIST SMALL BUSINESSES

Suggestions for the U.S. Government

Many companies interviewed expressed a lack of awareness and difficulty in accessing resources from the federal and state governments that would have connected them to key partners. While programs like SelectUSA and local EDOs can provide support, the companies were often not aware of such programs and their services.

Expanding resources for small businesses to understand the operating costs, such as the development of a comprehensive cost framework for operations in the United States, would help prospective investors more accurately assess and plan their capital expenditure.

Small businesses benefit from extra support in aftercare and matchmaking outside of flagship events like the SelectUSA Investment Summit and Investment Missions. One suggestion raised during a case study interview was that event hosts could help EDOs and companies take advantage of connections by assisting with FDI project lead management and matchmaking frameworks after large events.

Suggestions for EDOs

The interviewed companies mentioned that, due to limited funds and high international travel fees, hosting virtual events would allow international small businesses to foster contacts around the world despite their limited budgets.

While companies emphasized the importance of EDOs in fostering connections and finding available local resources, some companies reported a lack of understanding regarding the specific needs of foreign-owned small businesses in some EDOs. Bolstering organizational knowledge about this specific international investor profile will enable EDOs to attract

and retain small business investment from foreign sources more effectively.

Further, several of the companies expressed difficulty finding contractors or service providers on their own. External assistance connecting to service providers and other business-to-business resources would expedite the investment process and remove a substantial burden from the small businesses.

CONCLUSION

While each small business in this report faced a unique set of investment circumstances and obstacles, their stories uncovered several overarching trends of the small business FDI experience. Understanding the key themes that emerged in this report can help provide a deeper understanding of the needs of future small businesses seeking to invest the United States. Recognizing the advantages and limitations of operating as a small business is crucial for U.S. government and economic development partners to maximize the support they provide potential investors. The experiences of the small businesses profiled in this report have illuminated several potential avenues that EDOs, government agencies, and other community partners can explore to further assist prospective small business investors.

Most case study participants concluded that the benefits of investing in the United States outweighed the challenges faced. Community partners, including EDOs, universities, and accelerator programs, were instrumental in ensuring the success of multiple participants' investment endeavors. The companies underscored that the United States was an attractive investment location due to its open business climate, large and diverse market opportunities, and proximity to existing and new consumer bases. The companies also found that their U.S. presence enhanced their reputation around the globe.

ABOUT SELECTUSA

SelectUSA is a U.S. government-wide program housed in the International Trade Administration at the United States Department of Commerce. Our mission is to facilitate job-creating business investment into the United States and raise awareness of the critical role that economic development plays in the U.S. economy.



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