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The Internationalizing Smaller Craft Firm

Insights from the Marketing/Entrepreneurship Interface

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Craft sector analysis was carried out in order to determine the range of factors impinging upon domestic and export market behaviour. Existing craft sector research is practitioner specific, with little evidence of theoretical rigour. Internationalization theories are discussed, and the conclusion made that the majority of these frameworks fail to readily explain smaller firm internationalization behaviour generally and craft firm behaviour in particular. A pluralistic research methodology was followed. Quantitative results identified the majority of firms as micro-enterprises with those firms exhibiting entrepreneurial flair achieving significant amounts of turnover, despite severe resource constraints. The main export markets were European Union countries and North America. Combining the qualitative and quantitative results enabled profiling of craft firm types. Four orientations were uncovered: the entrepreneur, the idealist, the 'lifestyler' and the latecomer. Implications include promotion of the belief that the Marketing/Entrepreneurship interface paradigm provides additional understanding of smaller firm internationalization.

KEYWORDS: craft; creativity; entrepreneurship; internationalization; marketing; micro-enterprise

Introduction

The aim of this article is to examine, using the craft sector as a data source, the factors behind smaller firm internationalization. Early internationalization theory focused mainly on the international activities of the multinational enterprise (Ayal and Zif, 1979). Internationalization is the outward movement in an individual firm's or larger grouping's international operations (Johanson and Vahlne, 1977). Johanson and Wiedersheim-Paul (1975) noted that although the majority of research tends to centre on the multinational firm, a large number of smaller firms are involved in international activities and continue to grow over time in stages or phases. Their research centred on a longitudinal case study of

four large Swedish firms involved in international operations, with over two-thirds of their turnover coming from overseas markets. The authors noted that studies of international firms at that time tended to focus on those businesses already established abroad, while ignoring those firms new to international activities. They also discuss the true meaning of the international firm in that international can refer to an *attitude* of the firm relating to overseas activities or the actual *process* by which the firm carries out these activities. International experience affects the attitudes of the key decision makers involved; it is the lack of knowledge and limitation of resources which tend to prevent the firm from growing. Uncertainty about foreign markets is also linked to the incremental process of internationalization.

As experience and knowledge increase, culturally distant export markets will then be selected. Johanson and Wiedersheim-Paul accept that there are limitations to their framework: the overseas market may not be large enough to merit the large resource commitments linked to foreign direct investment and some firms may be able to jump several of the stages due to their experience gained in other markets. However the firm behaves, one of the main factors is the decision-making abilities of the key personnel involved in the firm. Several alternative approaches have been developed in order to understand and explain internationalization behaviour; for example, transaction costs analysis (Anderson and Gatignon, 1986) and the eclectic paradigm (Dunning, 1994). Anderson and Gatignon investigate the hypothesis that the choice of particular mode of entry is related to the degree of control available and the costs of the particular resources involved, which are in turn connected with varying degrees of risk and uncertainty. Examples of transaction-specific assets include specialized physical and human investments, peculiar to a limited number of users. External uncertainty relates to the dynamic nature of the external environment, while internal uncertainty centres on measurability problems in assessing observable output performance by the various agents. Free-riding potential is determined by the agents' ability to acquire benefits without incurring associated costs.

Whitelock and Munday (1993: 19) promote the use of the eclectic paradigm as an alternative method of understanding internationalization behaviour. SME behaviour is mostly described using process/stage theory and, although its validity is continually being questioned, it is currently perceived to be the most dominant paradigm of internationalization. Vahlne and Nordstrom acknowledge the inadequacies of process theory in explaining internationalization behaviour in today's markets:

> Although most empirical studies seem to have validated the process theory of internationalization, some results also contradict the generally accepted description of this process. Some reports indicate an increased tendency on the part of firms to leap-frog low-commitment modes or jump immediately to psychically distant markets. (Vahlne and Nordstrom, 1993: 530)

Additional factors that impact on the process include the industry type, product type and the particular cultural characteristics of the domestic and foreign country. Buckley and Chapman (1997) believe that the Uppsala stages

model was never intended to be applied in the broadest sense. Piercy (1981) also recognized the limitations of internationalization stages theory. What is needed is an understanding that process should be viewed as change, and that it should also be recognized that not all firms are, or indeed want to be, internationally oriented. The major tenets of stages theory are derived from only two main empirical studies (Turnbull, 1987). Young and Hood (1976) reveal that firms can achieve considerable sales levels abroad without embarking on manufacturing activities. Passive exporting firms may once have been actively involved internationally and modelling of the process does not account for those firms that omit certain stages in their development (Cannon and Willis, 1981). In addition markets in some countries may be mutually dependent on each other (Johanson and Mattsson, 1986).

Research by the author (Fillis, 1999, 2000a,b,c, 2001, 2002a) examines marketing and entrepreneurship interface issues (Hills, 1987; Hulbert et al., 1998), with particular emphasis on creativity of the owner-manager of the smaller exporting craft firm in Britain and Ireland (Greenhalgh, 1997; Knott, 1994). Work on profiling of the craft firm and its subsequent positioning within marketing and entrepreneurship serves as an aid to understanding the behaviour of the micro-enterprise owner-manager. This has been accompanied by conceptualizing creativity at the marketing and entrepreneurship interface, which enables the smaller firm with limited resources to gain competitive advantage in the marketplace (Carson et al., 1995; Fillis, 2002a, 2002b; Fillis and McAuley, 2000). This is of particular relevance in the craft sector, given the impact that creativity, design and culture have with regard to the craft product (Metcalf, 1997).

Sullivan and Bauerschmidt (1990) applied Johanson and Vahlne's thesis and found that there was little evidence to support their incremental conceptualization. The authors accept that existing theory has been carefully constructed but that there are inherent dangers in accepting the reliability of such theory, since it has been derived mainly from research of Scandinavian companies alone. They question the representativeness of the samples when applying the conceptualizations internationally. Vahlne and Nordstrom (1993) note that early internationalization theory developed in Sweden centred on analysing businesses with relatively little international competition. This lack of competitiveness may explain why the company is modelled as developing slowly along a path. American-based internationalization theory also has a number of shortcomings, which can be traced to the lack of urgency placed by the US firm on international activities (Norvell et al., 1995). The firm has an underdeveloped sense of the international marketplace and, due to the large size of the domestic market, has always tended to concentrate its marketing efforts on this alone. Poor performance in international markets may be partly due to lack of planning, inadequate implementation of international marketing programmes and attitudes towards risk and market uncertainty (Norvell et al., 1988).

Recent Developments in Internationalization Research

More recently, the nature of international markets has changed, with globalization and easier access to existing and new markets being major factors (Whitelock and Munday, 1993). Bell (1994, 1995) investigates the phenomenon of instant internationals in the Scandinavian and Irish computer software industries. While some firms do exhibit a step-wise progression, many others display a mixture of behaviours. Although internationalization may follow a set of sequences, the organizational requirements may not develop in the same way. Market selection or choice is dependent on factors such as market attractiveness in terms of potential for growth and level of competition, psychic distance and accessibility to the market.

The Diverse Nature of Internationalization Research

Although early internationalization research tended to focus on engineering and manufacturing industries (Hunt et al., 1967), there has been an increasing trend in investigating a wider range of industry sectors. One application of internationalization theory relates to the retail sector (Burt, 1991; Muniz-Martinez, 1998). The bulk of existing internationalization frameworks do not readily explain how the service firm develops overseas (Buckley et al., 1992). Service internationalization is becoming more widespread as the service company follows producers into the global marketplace (Vandermerwe and Chadwick, 1989). The growth in global consumer homogeneity has meant that retailing and business services have become increasingly internationalized. The growth in technology and the associated increase in technological literacy has also contributed towards this increase in the importance of international services. Other contributing factors include improved communications (linked to technology) and increasing mobility of the workforce (O'Farrell et al., 1996).

Overcoming Barriers to Internationalization

Linking the increasing impact of technology to contemporary internationalization behaviour, Hamill and Gregory (1997) investigate the use of the Internet by SMEs as they internationalize. Various barriers to internationalization can be overcome by utilizing the Internet: increased awareness of global issues can offset any negative psychological orientation; the necessary export documentation can be simplified; easy low cost access to market research and less dependence on agents and distributors can stimulate the firm to internationalize; overall cost savings and improved communications can improve profitability levels. International marketing theory may have to be reconsidered in order to embrace Internet strategy. Internationalization through networking can be achieved by establishing and building new relationships in new markets and also by connecting to existing networks in other countries. Johanson and Mattsson (1988) adopt a matrix approach to understanding market and firm internationalization, and identify several types of internationalizing firm including the early and late starter and the loner international. They discuss the usefulness of a network model of internationalization by examining exchange relationships between firms

and analysing existing internationalization paradigms. The network approach has been derived from Swedish research concerning industrial internationalization processes, distribution systems and behavioural interaction between firms. Bodur and Madsen (1993) also comment on the impact of networking on internationalization theory as applied to industrial markets, believing that there has recently been a degree of integration between the eclectic paradigm and the process approaches.

Given that the craft sector has particular peculiarities in that the majority of firms appear not to follow such a pattern of growth, the author argues that there are merits for the application of the marketing/entrepreneurship interface research paradigm as an explanation for craft business behaviour (Day, 1998; McCartan-Quinn and Carson, 1998). The article will take the following path: initially an overview and definition of the craft industry is presented, before details are given of some key findings from a quantitative survey of firms from England, Scotland, Wales, Northern Ireland and the Republic of Ireland. Qualitative results from a series of in-depth interviews are then combined in order to develop a profile of craft firms and their owner-managers focusing specifically on the motivations behind micro-enterprise owner-manager behaviour. The article then concentrates on key Marketing/Entrepreneurship interface factors such as creativity, networking and informal mechanisms of business development and how these impact upon export market choice, product design and managerial philosophy. Creativity as a concept is socially embedded in a country's culture (Amabile, 1983). There are differences in the way in which firms from each of the five countries surveyed behave; the marketing/entrepreneurship interface research paradigm helps to explain their behaviour.

The Craft Firm

Craft is taken to mean an object which must have a high degree of handmade input, but not necessarily having been produced or designed using traditional materials, produced as a one-off or as part of a small batch, the design of which may or may not be culturally embedded in the country of production, and which is sold for profit.[1]

Historically, the craft firm can be traced to the Medieval period (Heslop, 1997), the Italian Renaissance (Welch, 1997), the Arts and Crafts period (Naylor, 1971) and finally to the current day (Fillis, 2000b; Knott, 1994). The nature and meaning of craft has altered during these periods, from the early vernacular status to the more recent aesthetic appreciation of the craft product (Aslin, 1981). A major problem relating to tracing the development of the crafts as a recognized industry is that there is a lack of a consensus of opinion regarding its definition (Dormer, 1997). Metcalf (1997) makes the distinction between craft as 'skilful labour' and craft as a 'class of objects' which embraces the idea that the object must have a high degree of handmade input, either by using the hand itself, hand tools and, to some extent, hand-held power tools. Furthermore, the craft object does not necessarily have to be produced using traditional materials, only that traditional/conventional methods should have been used as part of the production

process. Now, in the post-industrialization era, the craftsperson has to compete with both domestic and foreign competition where many products appear hand-crafted even though they are mass produced via advanced technological processes.

Contemporary literature suggests that the crafts industry be viewed as part of the greater cultural industry (Gray and McGuigan, 1993), comprising designer trades, book publishing, the music industry, television and radio broadcasting, independent film and video, the art trade and cinema (Myerscough, 1996), although some do not view them as part of the core cultural industries (Hesmondhalgh, 2002). Heartfield (2002) distinguishes between mass civilization businesses, such as the music industry and film, and minority culture goods and services such as art and designer fashion. Walker and Chaplin (1997) position the crafts in the field of visual culture, linking them with the discipline of design. When examining craft businesses in Scotland, England and Wales, the definitions used by the relevant support organizations vary: the crafts section of the Small Business Division of the Scottish Development Agency (SDA) viewed crafts in a wider sense than the Crafts Council of England and Wales (Forbes and Munro, 1988). The SDA saw crafts as covering factory-based batch production as well as workshop production of one-off designs. The Craftworks survey (Leeke, 1994) chose to define crafts in the widest possible sense, ranging from individuals to firms making or manufacturing a functional or decorative product that has a handmade element at some stage in its production. Coopers and Lybrand (1994) distinguish between the production of handcraft and craft-based industries involved in larger scale manufacturing practices. Craft production involves a single person completing the entire process, from conceptualization to fabrication. The craft product itself must exhibit aesthetic appeal, be of individual design and contain a large degree of manual skill in its production.

It is the Metcalf (1997) definition that I adopt, but with the additions that the product is sold for profit and that it may or may not be culturally embedded in the country of production. In other words, some craft producers will deliberately incorporate elements of local and national culture in the design of the craft product, while others will not do so and instead include more contemporary, and sometimes personal creative inputs. In surveying craft firms in the UK and the Republic of Ireland, the author has identified those crafts that involve a high degree of manual input, either manufactured as one-off items or in small batches but not mass produced. The craft business grows via the use of design and business competencies that have overriding knowledge-based foundations (Fillis, 2000b). Healy (2002) discusses the new economic era where knowledge and innovation is often more important than the ability to engage in mass production. Individual skills and creativity are now viewed as drivers of globalization. This may explain the instant internationalization behaviour of craft firms identified by McAuley (1999) where creative resources are used instead of the very limited financial resources in order to gain competitive advantage. Healy notes that the notion of the creative sector or creative industries has evolved over the last 30 years from the work of Adorno and Horkheimer (1977). Creativity is not just applicable to the arts and the artistic product but should also be viewed in a wider

sense where it embraces entrepreneurship and innovation (Collaborative Economics, 2001). Caves (2000) constructs a definition of the sector:

> 'Creative' industries supply goods and services that we broadly associate with cultural, artistic or simply entertainment value. They include book and magazine publishing, the visual arts . . . the performing arts . . . sound recordings, cinema and TV films, even fashion and toys and games. (Caves, 2000: 1)

The UK Creative Industries Task Force (CITF, 1998) was formed to identify activities that impinge on wealth and job creation and which are grounded in individual talent, skill and creativity. The basis for success is the generation and exploitation of intellectual property within areas such as advertising, architecture, the art and antiques market, crafts, design, film and the performing arts (Cunningham, 2002). Jeffcutt et al. (2000) note that the creative industry sector encapsulates all sizes of business, from the micro-organization, to the small and medium-sized enterprise, through to the transnational corporation. In Australia, the creative industries were recently estimated to be generating Australian $13m per year and employing 336,000 people (Creative Nation, 1994; Caust, 2002). In the UK, recent figures suggest that 1.4m people are employed in the industry and that the economic contribution is more than £90bn per year (Smith, 2001).

The Marketing/Entrepreneurship Interface

The application of the emerging marketing and entrepreneurship interface paradigm of research (Carson et al., 1995) will enhance understanding of the internationalization process of the smaller craft firm by both building upon existing frameworks and offering additional perspectives based around the prevalent informal and creative mechanisms of securing business growth. There has been developing research interest in the link between entrepreneurship and small business since the start of the 1980s. The link between marketing competencies, organizational performance and entrepreneurial orientation was found to be positively linked by Smart and Conant (1994). Many firms carry out business via highly informal, unstructured, reactive mechanisms while others develop, over time, a proactive and skilled approach where innovation and identification of opportunities give the firm a competitive edge. At the two ends of the continuum, formal marketing involves highly structured, sequential decision making while entrepreneurial decisions tend to be haphazard and opportunistic. The marketing/entrepreneurship interface deals with the overlap, or areas of commonality, such as analytical skills, judgement, positive thinking, innovation and creativity (Carson, 1995). Day and Reynolds (1998) argue for the promotion and acceptance of the marketing/entrepreneurship interface as a recognized paradigm of research, tracing its origins to Hills (1987):

> In this approach we have not only the transmutation of marketing and entrepreneurship into something more than their original components but also the promise that the approach is innovative. This could be in any, or all, of the research methodologies used, the models developed or the practical lessons to be drawn out for SMEs. (Day and Reynolds, 1998)

In following the Marketing/Entrepreneurship paradigm of research, a more creative approach to both the entire research process and subsections of it should result in an enriched understanding of key issues. The issue of creativity is especially relevant here, given the specific nature of the arts and crafts sector, where innovative product design and originality in business approach gives the firm a competitive advantage both in domestic and overseas markets. Hackley and Mumby-Croft (1998) echo this by noting that:

> marketing and entrepreneurship share common conceptual and practical ground and that this commonality can be made sense of in the context of a conceptual framework which emphasises the applied creative problem solving dimension of each field. Thus to the extent that creative (or innovative) behaviour is a significant feature of radical marketing success, it might also be said to lie at the heart of much successful entrepreneurial endeavour. (Hackley and Mumby-Croft, 1998: 505)

Morris and Lewis (1995) note the increasing interest and application of the Marketing/Entrepreneurship interface, with the establishment of a special interest group by the American Marketing Association and the Academy of Marketing tackling both theoretical and practical perspectives. The authors identify the three key characteristics of entrepreneurial activity that can also be regarded as integral to the successful marketing oriented firm: innovation, risk-taking and proactiveness. I believe that these skills can be found in many craft firms engaged in both exporting and domestic market activity where the characteristics can be linked to creative behaviour in both business practice and in the design and production of craft objects sold for profit.

Research Propositions

Following the review of the literature on internationalization, the craft sector and the wider creative industries, a number of propositions have been formed. These are subsequently evaluated using a combination of qualitative and quantitative approaches.

Proposition 1 (P1): Existing internationalization constructs fail to adequately explain craft firm internationalization behaviour.

Proposition 2 (P2): Craft firm internationalization results from successful implementation of creative competencies and often informal methods of carrying out business.

Proposition 3 (P3): Given P2, alternative conceptualizations of craft firm internationalization should be developed using appropriate frameworks such as that of the Marketing/Entrepreneurship interface which take account of both formal and informal methods of growing the business.

Proposition 4 (P4): Since the dominant firm type in the craft sector is expected to be the micro-enterprise, owner-manager factors will impact directly on craft firm internationalization behaviour.

Proposition 5 (P5): Given P4, profiling of owner-manager and firm level factors will lead to heightened understanding of the central factors which impact on craft firm internationalization.

Proposition 6 (P6): Although there are some differences between craft micro-enterprises and similar sized firms in other sectors, relating to the impact of artistic ideology, a number of similarities are expected to be found in micro-enterprises across industry sectors relating to exploitation of entrepreneurial marketing competencies such as creativity, networking and word of mouth marketing.

Research Methodology

A pluralistic methodology was adopted, incorporating both qualitative and quantitative approaches, where research bias is minimized by methodological triangulation (Gill and Johnson, 1991). Complementary data was acquired from a postal survey and in-depth interviews. This mixture of ideographic and nomothetic methodologies enables internal cross-checking to be carried out and increases the credibility of the work. The study involved assessing the beliefs, attitudes and behaviour of small internationalizing craft business owners in the UK and the Republic of Ireland. The initial postal questionnaire took the form of a mail survey, using mostly structured and semi-structured questions, with a limited number of open-ended questions (Oppenheim, 1992) and various measurement scales (Kidder and Judd, 1986). This was pre-tested to ensure the structure, language and overall design was appropriate to the needs of the research. The follow-up in-depth interviews of those companies identified as exporters and non-exporters was unstructured and recorded. Once the data was collected, analysis took the form of both a statistical approach using descriptive and inferential techniques (Bryman and Cramer, 1997) and a more qualitative content analysis (Kolbe and Burnett, 1991).

Firm level factors investigated which impact upon export performance include: numbers employed in the business, length of time in exporting, exporting as an expansion strategy, the value of annual export sales and total annual sales and the current state of exporting (Styles and Ambler, 1994); owner-manager issues such as attitudes and motivation towards exporting (Norvell et al., 1995); and barriers to exporting (Leonidou, 1995).

The second stage involved follow-up interviews with 30 exporting and non-exporting craft business owner-managers in order to validate the initial findings and also to explore additional themes relating to initial business start-up and exporting; the problems encountered when selling in both domestic and overseas markets; the level of business and marketing skills acquired by the owner-manager; owner-manager attitudes towards carrying out business; the relevance of establishing networks and developing relationships; a discussion of the main markets served; the methods adopted in selling the craft product; and, an appraisal of the current state of business in general and exporting in particular. The interviews were drawn to a close with the respondent discussing the future direction of the business.

Sampling Approach

One of the main reasons for carrying out the quantitative study before any extensive qualitative data collection was that when data collection was taking place,

an all encompassing directory or database of craft firms in the UK and the Republic of Ireland did not exist from which to sample respondents. A further reason for carrying out the quantitative work initially was the desire to identify exporting and non-exporting craft firms from which a further sample would be taken for qualitative in-depth interviewing. A range of publications, organizations and individuals were consulted before sampling was carried out. Several of these sources proved to be of limited help in assembling lists of craft businesses. A related problem was the impact of the Data Protection Act; several organizations stated that they were unable to supply lists due to this regulation. The most useful compilations were those drawn up by the Crafts Council of Great Britain, Craftworks Northern Ireland Ltd, Made in Scotland, the Crafts Council of Ireland, the Welsh Crafts Council, and the Craft Vision database. These sources identified 3037 craft businesses in the UK and the Republic of Ireland, which compares to the 17,000 firms in the Knott survey of English, Scottish and Welsh craft businesses. A representative random sample (Bryman and Cramer, 1994) of 500 craft businesses was selected from the lists, with cross-checking carried out to ensure sample units were not repeated. The number of usable responses was 27%, comparable to exporting studies in other sectors (Bilkey, 1982; Hart et al., 1994).

Data Analysis

Initial descriptive statistical analysis was carried out on the postal questionnaire data, followed by various inferential procedures (Anderson et al., 1996) in order to examine the various factors involved in smaller craft firm internationalization. This was then followed by a qualitative analysis and interpretation of the in-depth interviews where the findings were compared and contrasted with the initial quantitative study (Bryman and Burgess, 1995). Triangulation of the quantitative and qualitative data facilitated the construction of owner-manager and craft business profiles.

Survey Results

This section of the article reports on the descriptive statistics calculated from the survey findings. Inferential testing is reported elsewhere (Fillis, 2002c). Almost one half of all respondents (47.5%) operate on an individual basis. This compares with recent statistics from the Department of Trade and Industry (1999, 2002), which identified 64% of all businesses in 1998 as sole operations, growing to 68.3% in 2001. Benchmarking the crafts with other industries, the divisions of 'other mining and quarrying', 'manufacture of food products and beverages', 'manufacture of leather and leather products' consist of lower percentages of self-employed owner-manager businesses, with 39%, 33% and 41% respectively. Industry divisions with higher percentages include 'manufacture of tobacco products' (60%), and 'manufacture of chemicals and chemical products' (64%). Although there are no Department of Trade and Industry statistics that directly relate to the craft sector, it is possible to deduce that divisions such as 'publishing, printing and reproduction of recorded media' (64%), 'manufacture of

wearing apparel' (63%) and 'manufacture of textiles' (67%) are craft and creative industries related fields. Examining the collective contribution of all firms employing less than 10 people, micro-enterprises account for over 82% of businesses in the private sector in the UK. Fielden et al. (2000: 296) note that small businesses 'have been the main source of new jobs in this country for many years, with enterprises consisting of fewer than 50 workers being responsible for 46% of all private sector employment in the UK'. Reaching a detailed understanding of the craft micro-enterprise has direct implications for other firms of a similar size across sectors. In the wider SME context, over 99% of the business population of 3.7 million firms in the UK comprise of 0–249 employees. This being the case, there is an increasing need for an improved understanding of the factors impacting on smaller firm internationalization, given that the majority of existing frameworks were constructed following investigation of larger firm behaviour.

Over one third of craft business owner-managers employ between 2 and 5 people, indicating that the vast majority of respondents operate in a micro-enterprise environment. Well over half of respondents (58.8%) recorded total annual sales of less than £30,000. More than 10% experience sales of between £30,001 and £50,000, while over 13% have sales of between £50,001 and £100,000. At the other end of the scale, 6.7% of respondents have secured sales of over £500,000. Respondents were asked to indicate the level of annual sales generated through exporting. Well over half of exporters achieved export sales of less than £10,000, with over one fifth achieving sales of between £10,001 and £25,000. At the other end of the range, 5 exporters achieved sales of over £100,001, with three reaching in excess of £250,000. Exports, on average, accounted for just over 38% of total sales. These figures compare favourably with previous surveys by Bruce and Filmer (1983), Knott (1994), Leeke (1994), Coopers and Lybrand (1994) and Myerscough (1996).

Respondents were asked to identify the markets to which they were currently exporting. General geographical areas were selected, rather than specific countries. The most popular export destinations were EU Europe and North America, although several emerging markets included Japan, Korea and Singapore. Analysis of export destination by country of origin of the exporter shows differences in the markets chosen (Table 1). Exporters from Northern Ireland and the Republic of Ireland tend to concentrate on exporting within Europe and North America. Export market choice is in part determined by the 'Celtic factor', where culturally close export markets are chosen (O'Grady and Lane, 1996). Those owner-managers from a non-Irish background must export to a wider selection of markets; for example English craftspeople export to destinations such as Japan, Singapore, the Middle East and South Africa in addition to Europe and North America. Knott (1994) estimated that the economic contribution of the sector in England, Scotland and Wales was £400m. Assuming slow but steady growth as the results indicate, the craft sector in the UK and the Republic of Ireland is now comparable to the forestry and logging division (£596m), the manufacture of wood and wood products (SIC [standard industrial classification] 020; £478m), the manufacture of motorcycles and bicycles (SIC 354; £470m) and the manufacture of sports goods (SIC 364; £574m).

Table 1. Export Destination by Country of Origin of the Exporter

Export Destination	*EU Europe*	*Other Europe*	*North America*	*Australasia*	*Far East*	*Other*
Country of origin						
Northern Ireland	X	X	X			
Republic of Ireland	X	X	X		X	
England	X	X	X	X	X	X
Scotland	X		X	X	X	
Wales	X	X	X	X	X	X

So it is clear that the economic contribution of the craft sector is sizeable and yet still does not attract the attention of support agencies to the same degree as other similar sized sectors. In addition, the sector continues to grow despite the difficulties some craft producers have with business orientation as they often view themselves as artists, designers or makers, rather than business people. Creativity is used to overcome the conventional barriers of limited resources as found in small firms across all sectors. The following section draws on the qualitative results in conjunction with the quantitative survey findings in order to construct a profile of craft firm owner-managers. The triangulation process allows for a deeper interpretation of the data than if a single methodological approach had been used.

Qualitative Results and Construction of the Owner-manager Typology

Motivation for Exporting

Since a large percentage of the craft firms identified in this research consist solely of a single worker/manager, motivational problems can play a significant role in the development of the craft business as the following interview extract illustrates:

> Sometimes I think it's so bad, I'm going to give up and do a different job – other times I think I'm definitely going to carry on but change everything.

Craftspeople can overcome motivational problems by creating a workshop or cooperative environment. Small numbers of craftspeople producing together, but not necessarily manufacturing the same type of work, can stimulate each other in terms of both creative and business ideas. Given the limited resources of the typical craft firm, costs of promoting the work when travelling to and from international trade fairs can be shared; for example one owner-manager:

> . . . did a joint mailing with a friend – she gives me a lot of leads and contacts and I do vice versa – we share things about buyers that are really useful.

Philosophical Clashes – Product versus Market Orientation

The belief that the craft is produced for its own sake, without any market influence, is held by a number of owner-managers. They tend to view themselves more

as artists or designers than craftspeople. This type of producer does not feel comfortable with the word 'product' and tends to instead believe in making objects that he/she has 'feelings' for. By following their own creative instincts and by not responding to market demand they will not 'lose touch with the product' through their refusal to compromise, as one individual comments:

> I wouldn't really call it a product because people usually associate that with a function. It would be one-off pieces, one-off works. I try not to use the word.

Those owner-managers with negative attitudes towards business and marketing concepts tend to construct barriers against any attempts to move them towards customer orientation. As one respondent remarks:

> I don't really like selling, basically. I can't stand standing on a trade stand and selling to people.

Another owner-manager demonstrates the dichotomy that exists:

> The marketing is the difficult bit. There are two ways of approaching this sort of thing – the first is to produce what the market wants, the other is to produce what you want to do. In many respects the doing what you want to do is the prima donna approach, but in many respects that's the gamble you've got to take.

This viewpoint can be found in many firms in the wider creative industries where belief in the value of the product and the impact of creativity are often much greater influencing factors than customer demand. There are risks associated with this approach; many owner-managers are prepared to take risks mainly associated with the product, while others combine both product and market risks. One maker explains his philosophy:

> I wouldn't go into a production idea with it at all. I think you've got to take risks. I can't compromise the creative/artistic position with what the public wants.

Following this creative position can be beneficial but there may also be some problems; a number of owner-managers remarked that the creative 'spark' is not a constant element and that their business does pass through various phases of inactivity as they 'run out of steam'. In common with many other small firms, the typical craft business is limited in what it can achieve due to the nature of its size. Many respondents remarked that time and cost constraints meant that they were limited in what they could attain.

Marketing/Entrepreneurship Interface Competencies

Advertising was not an option for many craft firms; instead they use a combination of lower cost approaches such as word of mouth and trade show attendance in order to construct a reputation over time:

> [The main method of selling is] through word of mouth or people seeing it at the exhibitions. Exhibitions are very important. Advertising is extremely costly and you've to keep up the momentum with that. I think exhibitions are the best . . . And it's really just building up the value of your name. Sometimes it's not just a piece of work they buy, it's because it's by so and so.

Word of mouth marketing and networking in the craft sector is illustrative of the widespread adoption of informal methods of securing business in the SME community. Many respondents perceive that exporting is a secondary activity and are much more reliant on domestic sales, while others become almost immediately involved in international activity. The main selling methods used are craft fair attendance and selling via retailers. The trade fair tends to be used both by those embarking on a business career in the crafts and also by those who have been working in the sector for some time. Benefits include the ability to make contact with other makers and buyers from both the domestic and overseas markets. One craftsperson believes that:

> I think the formation of relationships/networking is really important – you meet a lot of people at craft fairs who turn into good friends or good contacts.

This can lead to adopting a networking approach to carrying out business and can be useful in the early stages of development in terms of gaining access to information on selling in the domestic market and also with gaining access to export markets. Several comments from owner-managers adopting this approach demonstrate its benefits at a major international fair:

> I did Chelsea for the first time and this American buyer came along and ordered quite a lot of work from me. And it's just built up from there . . .

> Once I got into Chelsea, that's when all the offers came up for me to go to San Francisco and New York.

The results have uncovered a range of owner-manager attitudes with implications for smaller craft firm behaviour in both domestic and export markets. Differences in orientation have direct consequences for issues relating to export decision-making, with owner-manager philosophy often dominating over external influences.

Deriving the Owner-manager Typology

The qualitative and quantitative data have shown that there is a variety of beliefs, attitudes, behaviour and orientations being exhibited across the sector (Table 2). Triangulation of the results has resulted in the interpretative construction of four types of craft firm owner-managers (Brown et al. 1998; Silverman 1994). Previous profiling attempts in other industry sectors have tended to result in the production of an either/or scenario with little effort to go beyond the proactive/reactive or aggressive/passive level of understanding of firm and owner-manager orientation (Cavusgil, 1984). Within the wider creative industries, Rentschler (2002) develops a four cell typology of entrepreneurial arts leadership. Excerpts from the qualitative interviews are used here to illustrate each orientation. There are those who have chosen to work in the industry because of the importance of the lifestyle quality involved and are unwilling to sacrifice this in order to expand the business (the 'lifestyler'). Growth beyond a certain point means unwanted additional commitments:

> If we were to move on, it would be by substantially changing the products, but adhering to the same sort of market and at the same sort of level. And the possibility if we

> bumped into the right sort of person, employing somebody who fitted in precisely with what we did. Then we could clearly double our throughput possibly, which would be a big boost to the business, if looked upon as a business. We tend not to look upon it as a business – it's a way of life and it is a business because that's the best way to fit in with income tax and all the rest.

Another type of craft owner-manager is the business-oriented entrepreneur who is willing to take risks and recognizes the importance of developing a customer base (the 'entrepreneur'). Networking and relationship building are deemed very important for business success. The craft object tends not to be viewed as art but as a commercial product. The entrepreneurial craft firm owner-manager exhibits ambition for growth and, although sometimes views marketing in a negative sense, does embrace it in order to generate profits:

> I'd like very much to go abroad. Marketing you're stuck with. I don't like anything to do with marketing – it's an absolute pain but it is unavoidable and it does have to be addressed. And that's why, when I moved from being a sole trader, and quite purposefully one of the three of us spends the entire time marketing and I spend maybe 20% of my entire time marketing, maybe more. That's a big investment. And we have to do it. I specifically got involved with other people in order that I didn't have to do it myself, because I don't like it, I'm not good at it. I'm very cynical about it. What we do is craft in that it contains that ethos but it's not craft like what most people regard craft as – we make practical things for private people, we produce furniture for local authorities, we furnish auditoriums. The reference points are very, very close to craft but in many respects it's a product.

The third type can be described as an artist/designer who is unwilling to view the craft as a product but rather as a creative piece (the 'idealist'). Their stance is uncompromising when producing the work; they do not tend to take note of customer demand but instead make art/craft that they feel has artistic integrity. In other words, they embrace an 'Art for Art's sake' philosophy, rather than 'Art for Business sake' (Harrison et al., 1998). This is not to say that they do not exhibit certain recognized entrepreneurial characteristics in that they do take risks as far as the work is concerned in order to break new ground; they can be innovative and certainly creative:

> Convincing people of the worth of it, the value of it . . . [is] the main issue, because it falls between the arts and a craft. I started off as a craftsperson, making quilts. As I became more involved in my work the quilters wouldn't accept them. Because I went beyond the boundaries of what was acceptable within the craft. So I only exhibit now in art galleries and do commissions as works of art. I don't do any utilitarian things now.

There is a fourth type who may enter the industry much later than the other groups; they tend to have gained previous work experience in unrelated areas and have decided to make a career change (the 'late developer'). Depending on their background, a number of key skills can be brought into the new venture but the importance of lifestyle quality appears to be significant here too. This has relevance as far as expansion in terms of sales, markets and numbers being employed in the business are concerned:

> I was in the building and civil engineering business . . . which sort of took a downturn. So I thankfully looked at something else. It was a part-time business that me and my wife dabbled in. And in 1988 I set it up as a full-time occupation. [Exporting] I basically got into the car and went over to the areas that I could cover, which was Scotland. My main areas would be Scotland, some down in London and a little bit over to the States as well. But direct selling . . . I could quite readily define my customers because it was a tourist based product. So basically what I did was, I covered the tourist routes initially, to start off with, to actually see what was on the ground, to see what the tourists were buying. And they were the areas I covered . . . I spent a long time in technical sales before that, in commercial building products. I've done a lot of direct selling. I think a selling background. Personally, I'm a great believer in it, but I think the only way you'll do it is to actually go out on the road and partake of it. I have done sales courses and marketing courses two years ago. They're great, but not to get overly sidetracked by them.

Several characteristics can be found in more than one group: for instance, both the entrepreneur and the idealist are prepared to take risks. However, it is the nature of the risk that is inherently different. The former is prepared to indulge in risk taking at the business and product level, while the latter is really only concerned with artistic risk. These factors must then be taken into account when considering the internationalization behaviour of the craft firm and are presented as reasons as to why such firms appear not to conform to the various stages of export progression identified in studies from other industry sectors (Crick, 1995).

Creativity as a Factor In Internationalization Behaviour

Frisch (1998) notes that being creative is not sufficient on its own but that strong leadership skills and visionary competencies are also essential to success. Frisch

Table 2. Craft Business Owner/Manager Characteristics

The Lifestyler • expansion of business not important • unwilling to take many risks • importance of quality of life • may or may not export; generally reactive • unwilling to follow business and marketing philosophy/skills	The Entrepreneur • risk taker (in terms of carrying out business and with the craft product itself) • may or may not export – proactive • willing to accept business and marketing philosophy (to varying degrees) • realization of importance of customer relationships/networking
The Idealist • risk taker (with the craft product) • unwilling to accept business and marketing philosophy • dominance of 'Art for Art's sake' beliefs • may or may not export • realization of importance of establishing and building relationships and generating reputation • views self as artist rather than craftsperson	The Late Developer • tends to come from non-creative background • less motivated to expand business; less likely to export • unlikely to accept 'new' ideas; believes in valuing own experience of business and life • able to bring 'outside skills' to the business • lifestyle also important

visualizes creativity as feeding into a structured planning process, but Carson (1990) makes it clear that formal business methods must be adjusted to suit the needs of the SME manager. It is not debated that creativity impinges on marketing and business strategy; it is the degree of formality and the extent of the process, however, which varies depending on the size of the firm and the characteristics of the key decision makers (Wolff and Pett, 2000). Factors such as risk-taking behaviour, being able to control rather than be controlled, being independent, not being afraid to fail and having the perseverance to succeed all feed into some sort of creative output. These factors are central to success in the craft sector and are also found across the smaller firm environment where owner-managers have set up businesses to serve an inner need to succeed on their own terms. Creativity has been identified as a competitive strength (Kao, 1989), a key competency (Carson et al., 1995) and an entrepreneurial attribute (Bridge et al., 1998).

Evidence of successful creative practice has been uncovered in the smaller internationalizing craft firm (Fillis, 2000c; McAuley, 1999) where severe resource constraints are overcome by the owner-manager in developing and exploiting sets of product and business-related competencies grounded in creativity and innovation. Such a firm can enter international markets much quicker than previously modelled (Bell, 1995; Knight and Cavusgil, 1996), using creativity as a driver of competitive advantage. Such firms have developed a key set of creativity-related competencies, linked to networking, relationship building, opportunity recognition and exploitation (Shaw 1998; Hulbert and Brown, 1998). Those working in the craft sector can be viewed as a metaphor for successful marketing and entrepreneurial practice, where many firms operate within very limited budgets but are able to differentiate themselves from other firms through application of creativity of both thought and practice. This is in line with other firms in the creative industries. If creativity is viewed as rejection of established modes of practice in favour of alternative methods, then the lifestyler owner-manager has been creative in following a philosophy where quality of existence is much more important than business expansion and profit making. The entrepreneurial owner-manager embraces creativity in the approach to business and in the design of the product. The idealist follows creative artistic practice in the selling of the craft object, relying on reputation rather than business and marketing skills. The late developer has been creative in terms of making the decision to switch vocations and in the ability to apply experience gained in other industry sectors.

Conclusions and Recommendations

Revisiting the research propositions, it is clear that existing internationalization constructs largely fail to explain craft firm internationalization behaviour (P1). Implementation of creative competencies has resulted in successful business development (P2). The marketing and entrepreneurship interface paradigm of research has been used to increase the understanding of craft business behaviour in particular, and the smaller firm in general (P3). Survey results have revealed that many craft practitioners follow manual methods of production, either

working alone or employing only very small numbers of personnel and experiencing limited sales. This then means that testing of existing theories of internationalization and export stage development based on the 'traditional firm' is inherently problematic, since progression through stages is not normally seen. Nevertheless, those craft firms exhibiting strong entrepreneurial characteristics progress rapidly into international markets, bypassing the traditionally modelled stages. Crucial factors have been identified from profiling owner-managers (P4 and P5). The particular philosophy followed by the key decision maker affects future business growth. There is a dichotomy of 'art for art's sake' versus 'art for business sake' beliefs. Those following the former approach have no particular wish to embrace marketing in case their artistic standpoint is compromised. Conversely, a number of entrepreneurial marketers have been identified where they have used their creative strength to achieve both domestic and export market sales. Creative use of cultural background has resulted in the production and marketing of culture-related products, as well as in the identification and development of culture-related export markets such as North America. A number of owner-managers have refused to exploit their cultural background as an aid to business growth but have instead focused on their individual creative design strengths in order to achieve sales. Creative use of limited resources can break down barriers to growth.

There are wider implications for the smaller firm in general. Faced with sometimes severe resource limitations, any such firm which is prepared to challenge conventional methods of 'doing business' and instead exploit sets of creative entrepreneurial marketing competencies can gain competitive advantage (P6). Future research should examine the phenomenon of creativity as a strategic weapon across a range of industry sectors. A pluralistic approach is encouraged, where data triangulation and interpretative approaches result in a deeper understanding of the issues than if a quantitative approach alone had been adopted.

Note

1. Along with a colleague, the author has recently carried out an in-depth study of the economic importance of the crafts sector in Scotland. Assuming that there are around 3000 craft firms, it is estimated that the collective turnover for the sector in Scotland is projected to fall within the range of £95m and £151m. The project was funded jointly by Scottish Enterprise and the Scottish Arts Council. The research team are currently carrying out a similar project in England and Wales, funded by the Arts Council of England. The definition of craft was originally used by the author in his doctoral research and has subsequently been adopted by the aforementioned funding bodies. In terms of visualizing the crafts in a wider industry context, Scottish Enterprise and other industry support bodies are developing the concept of strategic industry clusters as targets for future business development (Flew, 2002). The crafts are now seen as part of the creative industries cluster in Scotland.

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La petite entreprise artisanale en cours d'internationalisation

Aperçus de l'interface marketing/esprit d'entreprise – Ian Fillis

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Une analyse du secteur de l'artisanat a été réalisée pour déterminer la gamme des facteurs empiétant sur le comportement vis-à-vis du marché national et à l'exportation. Les recherches existantes sur le secteur de l'artisanat sont spécifiques aux praticiens, et ne témoignent pas beaucoup d'une rigueur théorique. Des théories d'internationalisation sont discutées, et il est conclu que la majorité de ces cadres ne parviennent pas à expliquer facilement le comportement des petites entreprises en matière d'internationalisation en général et le comportement des entreprises artisanales en particulier. Une méthodologie de recherche pluraliste a été suivie. Des résultats quantitatifs ont identifié la majorité des entreprises comme étant des microentreprises, les entreprises faisant preuve de perspicacité animée de l'esprit d'entreprise réalisant des chiffres d'affaires importants, malgré des contraintes sévères en matière de ressources. Les principaux marchés à l'exportation étaient les pays de l'Union Européenne et l'Amérique du Nord. La combinaison des résultats qualitatifs et des résultats quantitatifs a permis de dresser le profil des types d'entreprises artisanales. On a découvert quatre orientations: l'entrepreneur, l'idéaliste, le 'styleur de vie' et le tard-venu. Parmi les implications, on compte la conviction de plus en plus grande que le paradigme de l'interface marketing/esprit d'entreprise aide à mieux comprendre l'internationalisation des petites entreprises.

Mots clés: artisanat; créativité; esprit d'entreprise; internationalisation; marketing; microentreprise

Internacionalización de la industria artesanal más pequeña

Nuevas percepciones de la interrelación entre marketing/iniciativa empresarial – Ian Fillis

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Se llevó a cabo un análisis del sector artesanal para determinar la variedad de factores que afectan al comportamiento del mercado nacional y de exportación. La investigación del sector artesanal disponible es específica para los profesionales, con pocos indicios de rigor teórico. Se discuten las teorías de internacionalización y se saca la conclusión de que la mayoría de estos marcos no explican satisfactoriamente el comportamiento de internacionalización de las empresas más pequeñas en general y de las industria artesanales en particular. Se siguió una metodología de investigación pluralista. Los resultados cuantitativos identificaron la mayoría de las firmas como microempresas. Las firmas que demostraron más iniciativa empresarial fueron las que obtuvieron un buen volumen de negocios, a pesar de las rigurosas restricciones de recursos. Los principales mercados de exportación fueron los países de la Unión Europea y Norteamérica. Al combinar los resultados cualitativos y cuantitativos se obtuvo un perfil de los tipos de industrias artesanales. Se descubrieron cuatro orientaciones: el empresario, el idealista, el orientado al estilo de vida y el recién llegado. Las deducciones incluyen la promoción de la creencia de que el paradigma de la interrelación entre marketing/iniciativa empresarial ofrece un mejor entendimiento de la internacionalización de las empresas más pequeñas.

Palabras claves: artesanía; creatividad; iniciativa empresarial; internacionalización; marketing; microempresa

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Die Internationalisierung kleinerer Kunsthandwerksfirmen
Einblicke aus der Schnittstelle Marketing/Unternehmergeist – Ian Fillis

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Es wurde eine Analyse des Kunsthandwerkssektors ausgeführt, um das Spektrum an Faktoren zu bestimmen, die das inländische und das Export-Marktverhalten beeinflussen. Vorliegende Forschungsstudien zum Kunsthandwerkssektor sind praktikerspezifisch mit wenig Beweis theoretischer Exaktheit. Es werden hier Internationalisierungstheorien besprochen und die Schlussfolgerung gezogen, dass die Mehrzahl dieser Rahmenstrukturen nicht in der Lage ist, das Internationalisierungsverhalten kleiner Firmen generell und das Verhalten von Kunsthandwerksfirmen insbesondere zu erklären. Für die vorliegende Studie wurde eine pluralistische Forschungsmethodologie angewandt. Quantitative Ergebnise identifizierten den Großteil der Firmen als Mikro- bzw. Kleinstunternehmen, wobei die Firmen, die ein Flair für Unternehmergeist aufweisen, trotz scharfer Einschränkungen der zur Verfügung stehenden Mittel einen nicht unbedeutenden Umsatz erzielen konnten. Bei den Exportmärkten handelte es sich in der Hauptsache um Länder der EU und Nordamerika. Durch ein Kombinieren der qualitativen und quantitativen Ergebnisse war es möglich, das Profil verschiedener Kunsthandwerksfirmentypen zu erstellen. Dabei wurden vier Orientierungen festgestellt: der Entrepreneur, der Idealist, der ‘Lifestyler’ und der Spätzünder. Zu den Konsequenzen zählt u.a. die Förderung der Überzeugung, dass das Paradigma der Schnittstelle Marketing-/Unternehmensleitung zusätzliches Verständnis über die Internationalisierung kleinerer Firmen verschafft.

Schlagwörter: Kunsthandwerk; Kreativität; Unternehmergeist; Internationalisierung; Marketing; Mikrounternehmen