

**AN EXAMINATION OF  
THE INTERNATIONALISATION PROCESS OF  
THE SMALLER CRAFT FIRM IN  
THE UNITED KINGDOM AND THE REPUBLIC OF IRELAND**

**By  
Ian Ronald Fillis**

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## **ABSTRACT**

This thesis involves an examination of the internationalisation process of the smaller craft firm in the United Kingdom and the Republic of Ireland. Sectoral analysis was carried out in order to determine historical precedents as well as the identification of industry and firm level factors impinging upon domestic and export market behaviour. Key findings at this stage included the fact that the majority of craft firms could be classified as small and that they impact economically at both domestic and international level. The majority of existing craft sector research is practitioner specific, with little evidence of theoretical rigour. Following this, a range of internationalisation theories were discussed, from their historical provenance in economic trade theory to the more recent developments concerning the impact of technology and networking. It was concluded that the majority of these frameworks fail to readily explain smaller firm internationalisation behaviour.

The research methodology followed was pluralistic in nature, given that the majority of existing internationalisation studies follow the quantitative method and are generally replicative. It was believed that by adopting both quantitative and qualitative methods, a richer amount of data would be obtained in order to generate an improved understanding of smaller firm internationalisation. Research propositions centred on the belief that investigation of the sector would uncover a number of internal and external impinging factors which were specific to the craft firm. Future modelling of the internationalisation process would need to account for situation specific factors, instead of attempting to offer a generic interpretation of the process.

Quantitative results identified the majority of firms as microenterprises with trade fairs and networking shown to be the most effective forms of export marketing research and methods of entry into international markets. The main export markets were identified as other European Union countries and North America. The only significant differences among export groups from the five countries surveyed related to the Far East as an export market destination. Qualitative results generally supported the quantitative findings and, in addition, enabled profiling of craft firm types to be carried out. Four orientations were uncovered: the entrepreneur, the idealist, the lifestyler and the latecomer. Exporting behaviour was also found to be affected by the cultural background of the owner/manager. Comparison of the results with existing literature facilitated the construction of frameworks relating to smaller craft firm internationalisation behaviour, performance and success. Interpretation of these factors was found to vary depending on owner/manager orientation.

A number of theoretical implications were presented, including the promotion of the belief that the emerging marketing and entrepreneurship paradigm provides additional understanding to smaller craft firm internationalisation. A composite framework of the various factors uncovered in the analysis was constructed. Practical implications include the belief that, instead of support organisations offering generic exporting advice, sector specific information and support is more beneficial to encouraging future exporting success. It was recognised that future comparative research examining internationalisation behaviour of craft firms of various sizes, as well as assessing consumption issues relating to the craft product, would prove valuable in additional knowledge contribution.

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## INTRODUCTION

This thesis will examine the internationalisation process of the smaller craft firm in the United Kingdom and the Republic of Ireland. Analysis of the literature will show that previous internationalisation research originally focused on the international activities of the multinational enterprise before shifting attention to a certain extent to the behaviour of the small and medium sized enterprise (Johanson and Vahlne 1977, Bilkey 1985, Coviello and Munro 1995). One of the key issues dominating internationalisation research is the effect of firm size on internationalisation behaviour. A review of the literature indicates that perceptions among researchers vary as to what constitutes a small, medium or large firm. The majority of the literature is derived from studies in the United States of America, where perceptual and industry definitions of size differ from the United Kingdom and Europe (Walters and Samiee 1990, Eroglu 1992, Cavusgil and Zou 1994). The transferability of findings and replicability of studies is therefore difficult to achieve, given these differences. However, much of the existing theory today is still dominated by early conceptualisations, with many textbooks still promoting the use of these frameworks as an aid to understanding internationalisation of the firm some thirty five to forty years after the initial work was carried out (Czinkota and Ronkainen 1995, Doole and Lowe 1999), although Hollensen (1998) provides a useful comparison of several approaches developed over a number of years.

The researcher believes that in order to move theory forward, both testing of existing conceptualisations and forming of new frameworks based on industry specific studies is needed. Much of the theory developed so far has examined industries where firms can progress to carrying out mass production and mass

specialisation; the craft sector offers a chance to examine what actually happens when the product is produced on an individual or a small batch basis only. The thesis concentrates on the internationalisation process of the smaller craft firm which, the results will show, tends to be categorised as a microenterprise. This then will have particular implications for modelling internationalisation behaviour of the firm. Much of the conceptualisation, modelling and frameworks developed so far have tended to focus on the firm passing through a number of stages as it develops from the small domestic based firm to the multinational enterprise. Results will show that, at least for the craft sector in the countries surveyed, such progression is not observed and that attempts to apply existing theory to the smaller exporting craft firm tends to break down. In addition to adaptation of existing internationalisation frameworks, alternative visualisations are needed in order to portray the behaviour more accurately.

In order to reach an understanding of the particular internationalisation behaviour experienced in the craft sector, an analysis of the sector is firstly carried out in Chapter One. This will include a discussion of small firm characteristics in general before focussing on the specific nature of the craft firm itself. In order to impress upon the reader the impact which the smaller firm has, an appraisal of factors such as breakdown of businesses by employment numbers and average firm size is carried out before focusing on the particular characteristics of the smaller craft firm. This is followed by a discussion of the definition of the craft firm, indicating how the nature and impact of such a firm has varied over time. Given that the research concerns the internationalisation process of the smaller craft firm in the United Kingdom and the Republic of Ireland, existing published data is appraised relating

to factors such as turnover, employment numbers, economic impact, business start up dates and survival rates, craft business type, export market destinations and export revenue generated, and methods of marketing crafts in both domestic and export markets. Details are also obtained and discussed concerning this data in each of the five countries of Northern Ireland, the Republic of Ireland, Scotland, England and Wales. This appraisal will show that existing research concerning the craft sector in general, and smaller craft sector internationalisation in particular, is limited despite the fact that this sector experiences similar turnover and economic impact as several other more thoroughly researched sectors.

Chapter Two considers the development of internationalisation theory, from its origins in international trade theory, through more recent conceptualisations as the multinational corporation began to impact on global markets (Morgan and Katsikeas 1997), to contemporary thinking relating to the importance of the small and medium sized enterprise in international markets. Given that the thesis concentrates on the internationalisation process of the smaller firm, primary consideration will subsequently be given to internationalisation through exporting, the preferred mode for the SME. The smaller firm is much less likely to internationalise through strategies such as foreign direct investment, given the amount of resources required, although joint ventures and strategic alliances are sometimes possible.

Existing theories, frameworks and conceptualisations are discussed, including the stages approach to internationalisation, transaction cost analysis and the eclectic paradigm of international production. Given that existing theory tends to mainly

Western in origin, and that the nature of international markets is dynamic, it is argued that there is a need for an improved and cross-cultural understanding of how the smaller firm behaves in the global environment. This leads to a discussion of current thinking and future developments, based on the observation that use of internationalisation theory has recently widened beyond application in the manufacturing industries. Ultimately, the aim will be to analyse the internationalisation process of the craft firm and to compare and contrast the findings with existing theory. Deviations in craft firm internationalisation from recognised conceptualisations are expected, given the number of peculiarities found within the craft sector, both at firm and owner/manager level.

Chapter Three reviews the literature concerning SME export internationalisation behaviour. Miesenbock (1988) notes that international business literature in general can be divided into two areas - that concerning the international behaviour, structure and organisation of the multinational corporation (Buckley 1976, Brooke and Remmers 1979) and the internationalisation of the small and medium sized firm. This chapter discusses the key research issues relating to the exporting SME; the framework developed indicates how each of these factors interact to ultimately result in internationalisation behaviour. These areas include internationalisation via exporting (Johanson and Wiedersheim-Paul 1975, Johanson and Vahlne 1978), the role of the decision maker (Hunt et al 1967, Simmonds and Smith 1968), exporting stimuli (Lee and Brasch 1978, Johnston and Czinkota 1982), export barriers (Yaprak 1985, Kedia and Chhokar 1978), problems encountered when exporting (Czinkota and Johnston 1983, Pavord and Bogart 1975), the link between firm/managerial characteristics and exporting (Burton and Schlegelmilch 1987,



Piercy 1981) and export stimulation measures (Cunningham and Spiegel 1979, Rabino 1980). Other related areas of research identified include comparisons of non-exporters versus exporters (Bartels 1968, Burton and Schlegelmilch 1987), and networking and the entrepreneurial exporter (Coviello and Munro 1995), finally culminating in export behaviour and performance (Aaby and Slater 1989).

Chapter Four presents details of the methodology followed in order to appraise smaller craft firm internationalisation. Evaluation of the literature on internationalisation shows that the quantitative method dominates, with a relatively lesser number of conceptual works, literature reviews and discussions, case studies and qualitative studies. It is argued that, because of this dominance of the quantitative method and that much of the existing work is replicative in nature, a pluralistic approach to research is preferred. This is done in order to achieve more meaningful results than if one single approach had been taken (Arndt 1985). This chapter also discusses the processes of induction and deduction and the various paradigms found in marketing research, the related issues of objectivity and subjectivity, the role of truth in marketing theory and research, before concentrating on the issue of paradigmatic pluralism. Research bias is minimised by methodological triangulation (Smith 1975) where complementary data is acquired from different research techniques; in this instance quantitative data from a mail survey and qualitative data from in-depth interviewing are combined. This mixture of ideographic and nomothetic methodologies enables internal cross-checking to be carried out and increases the credibility of the work. The study involves assessing the beliefs, attitudes and behaviour of small craft business owners in the United

Kingdom and the Republic of Ireland. In particular, the research concentrates on the internationalisation via exporting of the smaller craft business.

Chapter five involves the presentation of the results by firstly examining the quantitative findings. Descriptive results such as frequencies, tabulations, means and standard deviations are shown before a more in-depth inferential analysis of the various influencing factors on smaller craft firm internationalisation behaviour is carried out. The results of the qualitative research are then presented in Chapter six, where the themes explored in the quantitative research are explored in more depth in order to compare and contrast and test for validity of the findings overall. Chapter seven involves an evaluation of the results by comparing with the original literature review and industry analysis. Existing conceptualisations, frameworks, models and other findings are examined in order to reach an improved understanding of smaller craft firm internationalisation in the United Kingdom and the Republic of Ireland. This will show that some of the existing research is supported to varying degrees while other work is not supported, indicating the need for the wider promotion of industry specific research in order to accommodate particular industry, firm and owner/manager characteristics in future research. Chapter eight presents a number of conclusions based on the preceding analysis, before making a number of recommendations for future work as well as discussing both theoretical and managerial implications.

## **CHAPTER ONE: THE CRAFT SECTOR IN THE UNITED KINGDOM AND THE REPUBLIC OF IRELAND – AN ANALYSIS**

### **1.0 Introduction.**

This thesis involves an examination of the internationalisation process of the smaller craft firm in the United Kingdom and the Republic of Ireland. To understand the importance of craft firms in both domestic and international markets, this section will firstly explore small firm characteristics in general, before concentrating on the definition and characteristics of the small craft business in particular. It is anticipated that the factors uncovered will have particular implications for modelling and understanding the internationalisation process of the smaller firm.

### **1.1 Small Firm Characteristics.**

This section concentrates on the particular characteristics of the smaller firm. Analysis of the internationalisation literature will identify an increasing trend for research relating to the smaller firm, across a number of countries. One of the main difficulties encountered when attempting to compare studies regarding the small firm from a number of countries is that there is no overall agreement regarding its definition. Opinion can also vary from industry to industry, not just from country to country. This lack of agreement, therefore, has implications for the development of internationalisation theory in a true cross-cultural and global sense; findings and

recommendations relating to the small exporting firm in one country do not necessarily transfer directly to another firm classified as small in another.

Storey (1997) notes that around 95% of all firms in the European Union are thought of as being small, providing more than half of all jobs<sup>1</sup>. He remarks that it is the firm with more than 100 employees which is the exception rather than the rule in Europe; some firms are so small that government registration does not take place. It is therefore difficult to estimate the population of small firms within the United Kingdom and the Republic of Ireland and to also make meaningful comparisons with other countries. Bolton (1971) derived both an economic and a statistical definition of the small business; the economic impact of the smaller firm is such that overall market share is small, the firm tends to be controlled by the owner/manager in a highly personalised way and the business is usually independent of other organisations. The Bolton committee also endeavoured to quantify size in terms of statistical factors such as contribution to GNP, employment and export levels.

Criticisms of the Bolton findings include the belief that small firms cannot influence their environment to any great extent; also that many small firms occupy niche markets, offering a specialised service or product. As a result they can often charge higher prices than the industry average. Storey has identified three key areas where small firms differ from the large firm: 1. Uncertainty: the small firm tends to have a limited customer base and product line and there is a greater diversity of owner-objectives than in the larger firm. Many owner-managers only wish to obtain and maintain a minimum level of income, rather than endeavouring to maximise profits and sales. The motivation of the owner is a key influence on small firm

performance. It is believed that this wish to reach a certain level of development will be common within the craft sector, given that many owner/managers of smaller craft firms have a range of motivations; 2. Innovation: this originally relates to the niche role some small firms have acquired but it also refers to the extremely fast rate at which some firms can grow. It is also connected with the ability to produce something which varies from the standard product or service. Small firms tend to be more likely to introduce essentially new innovations and are less committed to existing practices and products; 3. Evolution: small firms are more likely to evolve and change than the large firm, perhaps due partly to the existence of a more flexible culture within the firm.

The European Union definition of the SME is based on the numbers employed in the business. It defines the micro-organisation as employing up to 9 workers, the small enterprise having between 10 and 99 employees and the medium-sized enterprise having 100-499 employees. One problem with the definition is that, for a number of countries, it is too broad: for example the majority of firms in Ireland, Greece, Spain and Portugal fall within it. Storey believes that a grounded definition (Strauss and Corbin 1997) may be the preferable alternative for those researching managerial and behavioural aspects of small firms. This would involve consultation with a number of key decision makers such as owner managers, representatives of the industry and trade associations so that a consensus is reached.

From a British perspective, there is no overall agreement concerning the total number of firms in existence, let alone the proportion which may be considered to be small. However, ten years ago 90% of all UK small businesses employing up to

24 workers fell into the construction or services categories. Table 1 indicates the number of businesses by legal status in Britain in 1986.

**Table 1: Number of businesses by legal status, 1986**

Legal status	VAT-registered firms	Unregistered	Total no.	%
Sole proprietorships	603	748	1351	54.7
Partnerships	398	235	633	25.6
Incorporated	459		459	18.6
Other	28		28	1.1
Total	1488		2471	100

*source: Graham Bannock and Partners (1989), in Storey, p19.*

Well over half of all VAT registered firms exist as sole proprietorships, with the owner also tending to act as the manager of the business. The relationship between firm size and the percentage of the total workforce employed in each size band can be seen in Table 2:

**Table 2: Breakdown of businesses by employment band:**

Employment size band	Numbers ('000) 1991	Share of total (%) Businesses 1991	Share of total (%) Employment 1991
1-2	1,735	64	11
3-5	565	21	10
6-10	196	7	7
11-19	97	4	6
20-49	65	2	9
50-99	20	1	7
100-199	10	1	8
200-499	6	-	9
500-999	2	-	6
1,000+	1	-	27
Total	2,697	100	100

source: adapted from D.J. Storey (1997), p21.

In 1991, almost two thirds of all businesses in the UK had two employees or less but that those companies employing at least 1000 people accounted for more than one quarter of the total number of people employed. In addition, using the EU definition of the micro-business, 92% of all firms fit into this category. It is be assumed that there has been an increase in the number of businesses in the UK since the 1980s, with the majority falling into the category of the micro-organisation. It should also be noted that, even though this size of firm dominates, it accounts for only 28% of those in employment. International comparisons can be made by examining employment in member European Union countries (Table 3):

**Table 3: Number of enterprises by country:**

Country	Number of enterprises (x 1,000)	Average firm size	Employment share
Belgium	530	5	28
Denmark	180	9	22
France	2,040	7	28
Germany*	2,160	9	17
Greece	670	3	59
Ireland	130	6	34
Italy	3,170	4	48
Luxembourg	20	9	23
Netherlands	420	10	28
Portugal	640	4	36
Spain	2,020	4	36
United Kingdom	2,630	8	26
Total EU	14,600	6	30

Source: adapted from D.J Storey (1997), p22.

\* Former Federal Republic of Germany only

Some European Union countries have a much higher proportion of micro firms than others. This may be linked to the state of economic development of the country - e.g. the Netherlands has twice the average number of employees than Spain and Portugal. Therefore cross-cultural internationalisation theory must consider economic variations in order to be able to offer meaningful conceptualisations of the process.

This overview of the impact of the smaller firm has shown that many economies are dominated by the smaller firm, both in terms of the number of firms and also in employment numbers. Therefore, this thesis promotes the view that the smaller firm has an equally valid research focus as the larger corporation and that enterprises such as those found in the craft sector exert meaningful economic impact. As such, a study of the internationalisation of the craft firm should prove useful in determining the particular behaviour of, and understanding the needs of the smaller firm in both domestic and international markets. Before discussing the contemporary impact of the craft firm the following section traces its historical development and examines several definitions.

## **1.2 Defining the Craft Firm.**

Historically, the craft firm can be traced at least to the Medieval period (Heslop 1997), through the Italian Renaissance (Greenhalgh 1997, Welch 1997), reaching a peak of popularity during the Arts and Crafts period (Naylor 1971). However, 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



recognised industry is that, when examining historical documents there does not appear to be a consensus of opinion regarding its definition (Dormer 1997). Even within the last three hundred years there has been a change in the etymology of craft, from describing political acumen and shrewdness in the eighteenth century to the current understanding of its meaning, which has its origins in the Arts and Crafts Movement (Greenhalgh 1997). It was not until the eighteenth century that a system of fine arts was formulated in Britain, in which the crafts could be placed aesthetically (Kristeller 1951):

It is known that the very term 'aesthetics' was coined at that time...it is generally agreed that such dominating concepts of modern aesthetics as taste and sentiment, genius, originality and creative imagination did not assume their definitive modern meaning before the eighteenth century...scholars have noticed that the term 'Art' with a capital 'A' and in its modern sense, the related term 'Fine Arts' (beaux Arts) originated in all probability in the eighteenth century (p510).

Greenhalgh (1997) notes that it was not until the latter part of the nineteenth century that the words 'craft' and craftsman' were in popular usage, derived mainly from discussion in the visual arts at that time. Metcalf (1997) remarks that those currently working in the craft industry look back to writers such as Ruskin and his *Nature of Gothic* (1853) in order to promote the idea of craft as art. Metcalf claims that:

To assert that craft is art assumes that the two are comparable, and implies that the conceptual tools and vocabulary of the fine arts can be applied to any craft object, and vice versa. ....both craft and art are visual, and thus subject to the same formalist visual analysis. However, an examination limited to the formal aspects of craft overlooks the way craft objects are made and used, resulting in a highly distorted view (p67).

Its present connotation encapsulates a number of ideas drawn from philosophy, aesthetics and technology. This contrasts to the way in which commentators viewed how art and craftwork was produced as early as the fourteenth century in Italy, an

example being those involved in making frescoes being called mastercraftsmen. In other craft-related industries at that time such as weaving, it was the capitalist entrepreneur who developed the business, not the craftsman (Antal 1948).

Metcalf (1997) makes the distinction between contemporary craft and art in a scientific sense, indicating that he believes that there are inherent biological and social differences between them. Dormer (1997) indicates that current thinking in the crafts has resulted in two schools of thought about its definition:

Either craft means 'studio crafts' covering everyone working with a craft medium. This includes producers of functional ware as well as abstractionist sculptors working in textiles, clay or glass. Or craft means a process over which a person has detailed control, control that is the consequence of craft knowledge (p7).

Any school of thought must have agreement among a recognised community of informed commentators: Danto (1964) applied this practice to the arts and crafts movements. Metcalf makes the distinction between craft as skilful labour and craft as a class of objects. Concentrating on the latter category, he sees this as embracing the idea that the object must have a high degree of hand-made input, either by using the hand itself, handtools and even hand-held power tools. Further more, the craft object does not necessarily have to be produced using traditional materials, only that traditional/conventional methods have been used as part of the production process. Metcalf differs from Danto in making the following distinction between the artist and craftsman in terms of the methods used in the manufacturing of the work:

While an artist might freely choose any form for his or her artwork, the craftsman must make an object, must make it substantially by hand, and must utilise to some extent the traditional materials and usage of craft (p71).

Developing this argument, those makers of objects who consider themselves to be artists rather than craftspeople but who fall into Danto's categorisation cannot then be artists in the strictest sense. However, organisations such as the Crafts Councils appear not to make this distinction and continue to promote contemporary craft as art. Metcalf goes further and believes that there are inherent biological differences in the makers of craft and art:

...craft grows directly from the human cognitive potential for fine motor control, and that this potential is actualised as a cultural response to late industrial conditions. While the artworld places its highest values on verbal and logical cognitive abilities, the craftworld places its value elsewhere (p72).

Furthermore, he believes that the current craft culture in Western society does not have any meaningful relationship with the past but that it is mainly a development of twentieth century phenomena. He interprets its occurrence scientifically:

It is rooted, initially, in the biology of the brain. People use craft to exercise a gifted bodily intelligence, partly because Western society provides few other vehicles for self-determined and dignified handwork. Having made a choice about their life's work, people then seek out others who share the same experiences, ultimately inventing an adaptive culture based on the value of handwork (p79).

Although many craft businesses promote their products as being hand made, there may be some elements of the production process which require mechanical assistance. The weaving and mass production process has its origins in the industrial revolution where inventors such as Cartwright and Crompton developed equipment which enabled the process to be greatly enhanced in terms of increasing the number of units being produced and the number of people employed in the industry (Berg 1994, Floud and McCloskey 1994). Now, in the post industrialisation era, the craftsman 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. This threat from advancing technology may mean that, although the craftsperson is endeavouring to sell the work as a one-off or as small batch runs, he/she will now have to differentiate the work even more from mass produced pieces.

This problem of defining craft as art is not a modern phenomenon but appears to have been a popular topic of discussion in the nineteenth century. One commentator in 1846 remarked that the term art was not discipline specific but could be applied to any object. Rather, it was the ideas and conception behind the creation of the object which tended to denote the object's particular status as art<sup>1</sup>. If the crafts are to be considered as art, then the most popular period for this notion in society appears to have already passed. Around the turn of the century, some types of craft were considered as decorative art which Ruskin (1859) placed above all other types of art at that time:

There is no existing highest-order art but that it is decorative.....Get rid...of any idea of decorative art being a degraded or a separate kind of art.

Building on this concept of the decorative arts ascribing a certain type of craft linked to the arts, two other typologies can be used to express certain craft types. Vernacular crafts derive from the culture of the society in which they have developed and tend to be linked to the traditional view of the crafts, based in rural communities (Dean 1994):

the work of country craftsmen was believed to have evolved 'naturally' as the direct and honest expression of simple functional requirements and solid virtues. This vernacular tradition was construed as something static and timeless, in contrast to the dynamic and progressive modern world (p153).

Other commentators have sought to explain the place or role of the crafts in society by adopting a Marxist perspective (the politics of work) where the maker of the craft is not the key decision maker, but only a worker. Ultimately it is the capitalist industrialists who control the system, not the craftsperson (Morris 1889). This idea has its roots in fourteenth century Italy, where the mastercraftsmen worked under the control of the rich merchant families. Twentieth century movements in design such as the Bauhaus (Bayer et al 1938) drew on the influences and thinking of William Morris and the Arts and Crafts Movement at the turn of the century. They believed that progress could only be made if there was a realisation that there should be little distinction made between what was considered to be art, and what constituted a craft:

Architects, sculptors, painters, we must all turn to the crafts.... There is no essential difference between the artist and the craftsman....Let us create a new guild of craftsmen, without the class distinctions which raise an arrogant barrier between craftsman and artist.

Other commentators do not take this view and believe that a distinction should always be made between what constitutes art and what comprises craft. Collingwood (1945) believed that art manifests itself in an intellectual plane whereas craft can be used to produce the art, but it is essentially only a physical process.

A different perspective is developed by Heslop (1997) where he examines the arts and crafts in the medieval period in order to draw comparisons in today's marketplace. He argues that the renaissance in the arts and crafts during the influential period of William Morris was due to some extent to the interest at that time in the study of crafts in the Middle Ages. One of the main issues discussed at

the time was medieval craft production methods and their relevance in current thinking as regards training and design. Heslop also remarks that the 12<sup>th</sup> century marked a departure from the traditional crafts of smithing to an increasing interest in the fine arts. The interest in crafts at that time outstripped that of painting, partly due to the strong religiosity of the period (for example, the high value placed on crafting intricate altarpieces).

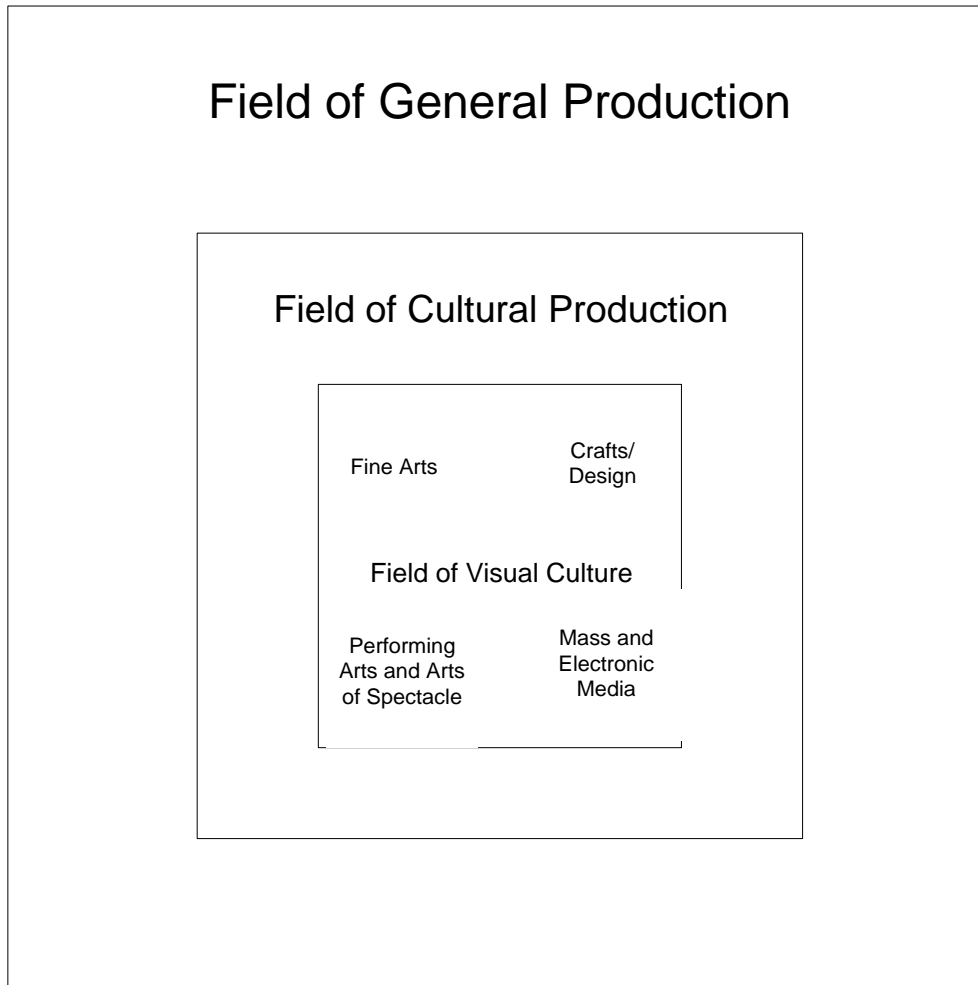
Due to the effects of the 12<sup>th</sup> century Renaissance the interest in crafts was complimented by heightened awareness of the visual arts and other types of 'luxury production'. Actual consumption and patronage of crafted products and art shifted from the high church to rural community churches and the lords of the manor. So, in marketing terms, there was a change in the 'customer base', from the wealthy religious establishment (few 'buyers') to the less rich landowner (greater number of 'buyers'). This can not, however, be described as early mass consumption since the greatest part of the population were required to work for their landowner (serf versus master). In fact, this situation can be compared to the Marxist reading of the craft industry where the only person who benefits from the process is the capitalist buyer. Heslop believes that the effect of the Renaissance of the Middle Ages was to shift the economy from a command orientation towards a consumer driven society. This resulted in a decrease in the status of the craftsman, since he was no longer necessarily associated with an influential patron, but relied on a wider section of the market for business.

With regards to contemporary thinking relating to the distinction between art and craft, Heslop makes the following observation:

As generally understood within Western culture over the last two centuries or so, art has tended to mean painting on certain kinds of support (not glass, not ceramic) and sculpture in certain media (not precious metal; that would be jewellery). The categories of applied art and craft are more fluid and vary rather more from country to country for micro-cultural and economic reasons; however they can be regarded as those elements of traditional material culture which are not art (p56).

This fluidity may help to explain possible variations in perception regarding the values and beliefs held by potential buyers, with implications for example, for domestic and export pricing of the craft object and any variations in the demand experienced by the firm. Contemporary literature suggests that the crafts industry be viewed as part of the greater cultural industry, 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 sources do not view them as part of the core cultural industries. Walker and Chaplin (1997) position the crafts in the field of visual culture, linking them with the discipline of design (Figure 1).

**Figure 1. The Field of Visual Culture:**



*(source: Walker and Chaplin 1997, p33).*

There is no overall agreed definition of the composition of the cultural industries but Myerscough (1988) viewed them as commercial providers of goods and services which convey to the public cultural ideas and experiences. Coopers and Lybrand (1994) identified cultural industries as embracing heritage and tradition, contemporary entertainment and art and innovation or experiment. Their report notes that cultural industries are a source of economic activity, employment and value added but that due to problems concerning a precise industry definition, data



collection and analysis can be problematic. Girard (1982) does not specifically define crafts as part of cultural industries; the closest area that can be identified being art reproductions. He categorised the cultural industry sector into: those industries involving an original small scale creative activity which can then be reproduced *en masse* through some sort of industrial process (books, art reproductions, records); other areas incorporating considerable industrial input (cinema, television), called programme industries; and photography.

When examining craft businesses in Scotland, England and Wales, the definitions used by the relevant support organisations vary - the crafts section of the Small Business Division of the Scottish Development Agency (SDA, now defunct) viewed crafts in a wider sense than the Crafts Council of England and Wales. 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, involving individuals to firms making or manufacturing a functional or decorative product which has a handmade element at some stage in its production. Hillman-Chartrand (1988) defines crafts as:

embracing individual craftspersons, their co-operatives and collectives engaged in the production of and distribution networks for hand-made articles, generally of a utilitarian nature embodying varying degrees of artistry (p39).

Neapolitan (1985) makes the distinction between industrial crafts, which were of paramount importance during the era of the industrial revolution, and the handicrafts which involve production of utilitarian household goods sold to individual consumers. Coopers and Lybrand (1994) distinguishes between the production of hand craft and craft-based industries involved in larger scale

manufacturing practices. Craft production involves a single person completing the entire process, from conceptualisation 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. The Crafts Report (1984) distinguishes between unique craft work and production craft work and, as a consequence, Neapolitan (1985) subdivides craft producers into four groups - unique and art, unique and craft, multiple and art and multiple and craft.

### **1.3 Impact of the Craft Firm.**

The majority of studies involving the internationalisation process have tended to centre on the larger manufacturing firm<sup>ii</sup>, although there has been an inclination recently to also focus on the smaller manufacturing firm as well as examining the services sector (Ortiz-Buonafina 1985, Aaby and Slater 1989, Eramilli and Rao 1993, Evangelista 1994). As far as manufacturing is concerned, the business types range from engineering companies, wine exporters (Morgan and Sarris 1991), to forestry products (Hunt et al 1967, Sullivan and Bauerschmidt 1987). From the review of the literature, it will be demonstrated that the craft sector of industry has not been examined to any great extent, although it will be shown that it does contribute to the economy both in domestic market and exporting terms. Dickie and Frank (1996), for example, note that production of crafts can be found in all sectors of the global economy. In a study of American craft businesses, for example, Neapolitan (1985) noted that:

sales of craft objects have become a multi-billion dollar business and large numbers of people use income from craft sales as a significant source of income (p313).

The impact of arts and crafts is becoming increasingly significant as far as the performance of national economies is concerned (Radich 1987). The author remarks that, due to the subjective nature of the arts generally, it can be very difficult to try to measure quantitative relationships and contributions concerning the economy. The majority of studies assessing economic impact of the arts have tended to take a microeconomic stance, either examining the economic behaviour of consumers or looking at economic contribution at firm level. Most studies have been concerned with the implications surrounding employment and/or associated expenditure in the arts. Economic contribution can be seen in international or even global terms (Royal Commission on the Economic Union and Development Prospect for Canada 1985):

There is another aspect to culture, namely good taste, good design and creative innovation, that should enable smaller industrial economies to compete effectively in the world economy. Higher quality implies an organic relationship between business and engineering, on the one hand, and design and craftsmanship, on the other (p115-116).

Hillman-Chartrand (1988) remarks that crafts have a significant role to play in what he refers to the post-modern economy, an economy which no longer relies on manufacturing as the main industry in the Western world. Other factors have now become influential, including the high technology markets and the gradual transferring of manufacturing to low wage Third World countries. Hillman-Chartrand sees this new economy as one in which the traditional economic weaknesses of the arts and crafts are becoming strengths.

The craftsman he also views as a *risk taking entrepreneur*, where risks are taken in terms of time and talent. The craft industry is compared similarly to high technology industries where both are characterised by small entrepreneurial

businesses operating in an economic environment where technological change occurs quickly. Historically, the industrialisation of the crafts had considerable consequences for the craftsperson since much larger numbers of machine-produced goods could now be manufactured, resulting in a fall in employment in the crafts, together with a resultant loss of craft skills (Young 1994).

Changes in population demographics have implications for the crafts today: increasing levels of education, more women in the workplace and the gradual ageing of the population all have some impact. The reasoning behind relating the first change to the crafts is that research has shown that audiences for the fine arts can be correlated with high levels of education. Secondly, more women are now working, and there tends to be a higher than average proportion of women than men working in the arts generally. Age is also correlated with participation in the arts - the older the population, the more likely they are to take part in arts related activities. Hillman-Chartrand sees the arts in the Post-Modern Economy as no longer just a symbol but also as a source of national wealth. He also remarks that since the recession of 1981 in Canada, growth in employment has only really been seen in small entrepreneurial firms such as craft businesses. The implications of the Re-decade for the craft industry, where consumers now have almost complete access to fashions and styles of previous historical times, is that demand has risen for reproductions of many types of craft. Demand has also increased for non-massed produced goods generally since consumers tend to be influenced increasingly by design and aesthetic appearance (O'Brien and Feist 1995). The whole issue of the economics of art and the associated supply and demand factors (Frey 1994) can also be applied to the crafts.

Viewing crafts as part of the cultural industries, their impact in economic terms is not a recent phenomenon (UNESCO 1982). In fact modern culture as such was defined in the 1940s by two proponents of the Frankfurt school of philosophy (Horkheimer and Adorno 1972):

The stronger the position of the culture industry, the more summarily it can deal with consumers' needs, producing them, controlling them, disciplining them, and even withdrawing amusement: no limits are set to cultural progress of this kind (p144).

They believed that culture has an industrial dimension, as well as feeding into political and economic dimensions. Even though it may originate in a relatively small number of industrialised countries, it does eventually have global impact. The way in which culture is expressed is determined by the processes or systems of production and the dissemination of cultural messages in the form of products or services. Before the impact of the industrial revolution, the essence of culture within a country could be seen in the hand made craft products within that nation. Today, almost three hundred years later in the post-industrialisation era, craft products are still a signifier of a country's culture. The following section focuses on the impact of the craft business in Scotland, England, Wales, Northern Ireland and the Republic of Ireland.

#### **1.4 The Craft Firm in the United Kingdom and the Republic of Ireland.**

Some methods of measuring the impact of the arts in general have been criticised for encompassing too broad an economic catchment area: for example, assessing their impact on tourism and studies which make the distinction between amateurs and professionals (Brosio 1994). This study involves an examination of the latter

category where craft is seen as both a business and as a way of life, and not a pastime. During the 1980s there was an overall growth in the domestic market for crafts, and an associated increase in the number of craft fairs and specialist shops, and more recently a heightened interest in selling overseas (Knott 1994). Craft businesses, when compared to other firm types of a comparable size tend to be exposed to similar barriers to entry into international markets, such as lack of financial resources and marketing expertise, availability of a skilled workforce, while also experiencing external assistance problems (Leeke 1994). In addition it is anticipated that analysis of the results of this research will also uncover additional barriers which are specific to the craft industry.

Employment in the cultural sector in Britain as a whole accounts for some 664,400 jobs or 2.4 percent of the workforce (O'Brien and Feist 1995). Of these, some 15,500 are self employed craftspeople. In his study of the economic importance of the arts in Britain, Myerscough (1988) indicated that cultural products as a whole accounted for a turnover of £3,674m with value-added of £1,687m (Table 4):

**Table 4. Arts sector: turnover and value added, 1985:**

	Turnover (£m)	Value-added (£m)
Events and attractions	846	464
Mechanical performance	2,824	1,370
Cultural products	3,674	1,687
Ancillary spending	2,621	471
Total	9,976	3,992

*(source: J Myerscough (1988). The Economic Importance of the Arts in Britain, p35. Note: mechanical performance covers all aspects of broadcasting, film, video productions and cinemas).*

The value-added dimension is accounted for by secondary expenditure in relation to purchasing and consuming the product, such as transport, accommodation and food. This accounted for 1.28 percent of gross domestic product for that year, comparable to the motor vehicles and parts industry sector. O'Brien and Feist (1995) carried out an analysis of employment in the arts and cultural industries where crafts were seen to be part of the art and design sector (Table 5):

**Table 5. Employment in Art and Design in Britain:**

Country	Employment Numbers
Scotland	27600
Wales	13900
England	111100
Total	152600

*(adapted from O'Brien and Feist 1995)*

Figures for the economic impact of the cultural industries in both Northern Ireland and the Republic of Ireland are also available (Table 6):

**Table 6. Economic significance of the Cultural Industries in Northern Ireland and the Republic of Ireland, 1994:**

	Jobs (%)	Gross Value (%)
Northern Ireland	0.72	1.04 (GDP)
Republic of Ireland	0.82	0.86 (GNP)

*(source: Myerscough 1996 and Coopers and Lybrand 1994)*

Myerscough constructed a comparison of economic activity in the arts in three regions of Britain, Glasgow, Merseyside and Ipswich, examining arts organisations, customer spending and cultural industries (Table 7). Economic contribution was

assessed: this involved measuring direct income, indirect income and induced income.

**Table 7. Economic impact of cultural industries in Glasgow, Merseyside and Ipswich, 1985:**

	Spending (£m)	Jobs (No)
Glasgow	193.2	7,930
Merseyside	15.8	1,544
Ipswich	6.4	654
Total	215.4	10,128

*(source: adapted from Myerscough 1988, p98)*

A major difficulty in assessing the economic impact of the cultural industries is the lack of availability of relevant data (O'Brien and Feist 1995). Many craft producers cannot be identified from Census data using the Standard Industrial Classifications system adopted in other industry surveys<sup>iii</sup>. The validity of the available data can be questioned in terms of accuracy and reliability; many of the conclusions made tend to be derived from postulations and extrapolations. Taking Northern Ireland as an example, there are a limited number of available reports concerning the economic contribution of the craft industry (for example, the Craftworks trade survey 1993-94 and Myerscough's report on the economic impact of the arts, 1996). Other relevant articles remain unpublished or out of print and data collected in these previous studies has been destroyed because of the data protection act (Leeke 1994).

Total annual turnover in the arts sector in Britain in 1985 of almost £10 billion compares equally to the motor vehicle market and to the value of fuel and power consumed for that period and comprises 2.5 percent of all spending on goods and



services in 1985 in the UK. Examining the case of craftspeople working in Northern Ireland, and using the criterion of firms employing ten people or less (the EU definition of a micro-organisation), in 1994 there were 433 companies employing 1,010 people with a turnover of £14.5m (Myerscough 1996). Craft producers fall within the designer trade category in Table 8. It should be noted that these figures may only be a representation of the actual numbers involved; a number of businesses are so small that they may not be registered for tax purposes.

**Table 8. Cultural Industries in Northern Ireland, 1994:**

	Companies (No)	Turnover (£m)	Jobs (No)
Designer Trades	433	14.5	1,010
Book Publishing	10	1.4	35
Music Industry	27	2.1	70
Broadcasting	6	64.0	990
Independent Film/Video	40	8.0	380
Art Trade	19	2.8	50
Cinema	24	14.2	555
Total	559	107.0	3,090

*(source: J Myerscough (1996). The Arts and the Northern Ireland Economy, p 129)*

Leeke (1994) categorised turnover in the craft sector in Northern Ireland (Table 9).

It should be noted that almost one third of businesses experience turnover of less than £5,000 per annum:

**Table 9. Turnover in Northern Ireland Craft Sector.**

Turnover	No of businesses	%
less than £5,000	135	31
£5,000 - £10,000	61	14
£10,000 - £20,000	63	15
£20,000 - £50,000	67	16
£50,000 - £150,000	41	9
over £150,000	22	5
turnover undisclosed	44	10
<b>Total</b>	<b>433</b>	<b>100</b>

*(source- Leeke 1994: Audit of the Craft sector in Northern Ireland, p14)*

These figures can be compared to turnover identified by Knott (1994) of craft businesses in England, Wales and Scotland, grouped by gender (Table 10):

**Table 10. Turnover of Full-time Craftspeople for 1992:**

Business sales (£)	% Female	% Male
1 - 1000	4.4	2.5
1,001 - 2,000	5.6	1.9
2,001 - 5,000	14.2	7.2
5,001 - 10,000	18.2	12.6
Sub-total 1 - 10,000	42.4	24.3
10,001 - 15,000	12.4	13.3
15,001 - 20,000	6.5	9.0
20,001 - 30,000	7.5	13.9
30,001 - 50,000	6.8	8.2
Sub-total 10,001 - 50,000	33.2	44.4
50,001 - 100,000	3.1	5.9
100,001 - 250,000	0.5	6.2
over 250,000	0.3	1.1
Sub-total over 250,000	3.9	13.2

*(source - adapted from Knott 1994: Crafts in the 1990s, p275)*

Comparison of the two sets of figures shows that those experiencing a turnover of less than £10,000 in Northern Ireland (45% of the total surveyed) can be contrasted with an average figure of around 33% for those working in mainland Britain. This difference may be partly explained by the characteristics of the domestic markets; Northern Ireland has a much smaller domestic market compared to mainland Britain and therefore business opportunities and expansion tends to be limited at the local level.

A survey carried out by Craft Forum Wales (1995) on its membership indicated that in the year 1994/95 there were 600 members/craft businesses represented by the organisation. This compares to the survey carried out in 1992/93 by the Crafts Council (Knott 1994) which identified 16,892 craftspeople in Britain, with 1,700 resident in Wales. Knott's survey involved analysing data from craftspeople working individually to workshops employing up to ten people in England, Scotland and Wales. This survey base differs from an earlier study (Bruce and Filmer 1983) which covered England and Wales alone. They remarked that estimations of total numbers of craftspeople ranged from 10,000 to 30,000 but that a midpoint estimation would be a better representation of actual figures. Of those makers identified, 7,000 could be categorised as full time, 8,000 as part time and 5,000 as semi-professional. As part of their 1983 survey, Bruce and Filmer noted the age of each business (Table 11) - over one half of all full time craftspeople had begun working in the 10 years prior to the survey:

**Table 11. Craft business starting dates:**

	% Male	% Female
Before 1940	2	1
1940 - 1949	2	1
1950 - 1959	9	4
1960 - 1969	17	12
1970 - 1974	24	22
1975 - 1979	33	44
Since 1980	12	16

*(source: adapted from Bruce and Filmer (1983) - Working in Crafts, Table 1.11, p36)*

Also, it can be seen that that the majority of businesses are operated on an individual basis (Table 12):

**Table 12. Employment by gender in the crafts.**

No of people	% Male	% Female
single person	62	73
2	21	17
3	6	3
4	5	2
5- 11	6	3
more than 11		2

*(source: adapted from Bruce and Filmer (1983) - Working in Crafts, Table 2.2, p46)*

Bruce and Filmer found that 16 percent of full time craftspeople were earning more than £6,000 in profit, with the average being £3,200 - this can be compared to average income in all industry categories at that time<sup>iv</sup>. Bruce and Filmer (1983) predicted that by 1992 there would be around 9,100 full time craftspeople in England and Wales, while Knott (1994) estimated the craft population in mainland Britain to be around 16,000. The Welsh Craft Forum survey results in 1995 can be divided into full time and part time categories. In terms of job numbers, there were

877 full time workers, 337 part timers and 100 people employed on a casual basis. Average turnover for a full time member was £38,790 while part time members averaged £3,517.

In a geographical sense, craftspeople are not distributed evenly throughout Britain - there are regional variations: in Scotland and Wales, for example, there tends to be a denser overall crafts population than in England. Although three quarters of all craftspeople in Britain live in England, a third of these operate in Greater London, the Southern region or the South West (Knott 1994). The legal status of the business was assessed by Knott (Table 13), the most prevalent type being the sole trader:

**Table 13. Craft business type:**

Type of Craft business	Percentage
Sole-trader	76.2
Partnership	14.8
Limited company	1.4
Registered co-op	0.3
No response	7.3

*(source - adapted from Knott: Crafts in the 1990s, p132)*

Knott (1994) investigated business survival rates, the results showing that over half of all craft businesses surveyed began in the years 1983-1992 (Table 14). This compares to the 60% of businesses initiated up to 8 years preceding Bruce and Filmer's survey in 1983, indicating the impact of changing economic conditions.

**Table 14. Numbers of years craft businesses have been established:**

Years	Percentage
1-2	11.0
3-5	17.4
6-10	20.2
11-15	17.9
16-20	10.7
21-25	8.1
26-30	2.3
31-35	3.0
36-40	1.5
more than 40	1.3

*(source: source - adapted from Knott 1994: Crafts in the 1990s, p153)*

Figures have also been obtained for Scotland alone and a comparison can be made in terms of business age in 1981 and 1992 (Table 15):

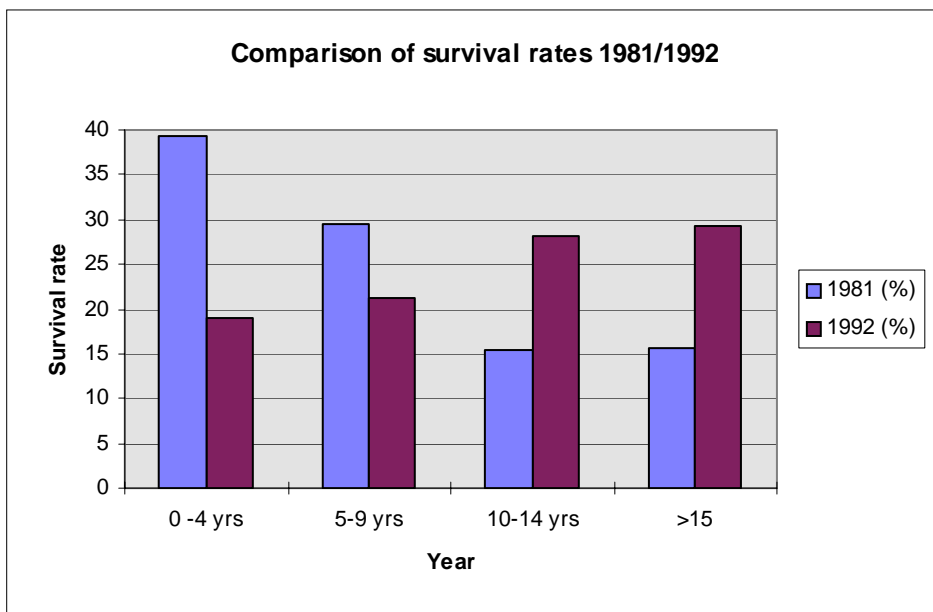
**Table 15. Comparison of business survival rates:**

Age of business (years)	1981 (%)	1992 (%)
0-4	39.4	19.0
5-9	29.6	21.3
10-14	15.4	28.2
15 or more	15.6	29.2
no year given	0.0	2.3

*(source - Knott 1994: Crafts in the 1990s, p155)*

The start-up rate of craft businesses in the early 1990s is much lower than the previous decade. This may be partly due to differences in economic conditions and resultant variations in business confidence levels (Figure 2).

**Figure 2. Business survival rates 1981/1992:**



*(source: derived from Knott 1994, p155)*

It appears that a greater percentage of those businesses surveyed in 1992 have survived relatively longer than those surveyed in 1981 (around 27% compared to 15%, with survival rates of more than 10 years ). Comparable figures are also available for Welsh craft businesses (Knott 1994, Table 16). It can be seen that over one quarter of all Welsh craft businesses have survived for at least 8 years.

**Table 16. Craft businesses survival rate in Wales:**

Number of years established	(%)
less than a year	9.5
1-2	13.1
3-7	20.7
8-15	27.6
more than 15	28.0
no year given	1.1

*(source: Knott 1994: Crafts in the 1990s, p156)*

In 1984, craft business turnover in Scotland accounted for £39m, with 3,000 related firms and craftspeople. This can be compared to the 1981 Crafts Council survey (Bruce and Filmer 1983) for England and Wales which found that there were 7,000 full time craft workers with an associated turnover of £83m. Taking Scotland, England and Wales together, the combined turnover at that time was £122m. Table 17 contrasts turnover of craft businesses in Glasgow and Ipswich in 1985:

**Table 17. Craft business turnover in Glasgow and Ipswich, 1985:**

<b>Total</b>	Glasgow	Ipswich
Number of Firms	166	35
Turnover (£ thousand)	3,500	413
Jobs (number)	985	73
Value-added (£ thousand)	1,800	207
<b>Per firm</b>		
Turnover (£)	21,084	11,800
Jobs (number)	5.9	2.1
Value-added (£)	10,843	5,914
Value-added per job (£)	1,838	2,816

*(source: Myerscough 1988, p46)*

These figures can be compared to the Northern Ireland data (Leeke 1994) where the average number of employees per firm was 2.4, with an associated average turnover of £33,485 per business. Other figures are available concerning the total sales from the craft sector in Britain in 1992 where products worth £400m were sold (Knott 1994).



In order to stimulate development of the crafts industry in Northern Ireland, Craftworks (a joint public and privately funded organisation) was formed in the 1980s. Its mission is:

*to develop the market for crafts at home and abroad, while improving business skills and encouraging standards of excellence within the industry<sup>v</sup>.*

According to the organisation, there has been an increase of 10 percent in the number of craft businesses in Northern Ireland from 1989 to 1994, with the Republic of Ireland being the best market prospect for expansion of sales. Around 88 percent of these craft businesses were founded between 1979 and 1994.

There is a lack of information concerning the craft market in the Republic of Ireland, but a comparison of job numbers can be made with those working in Northern Ireland and Glasgow by combining the results of Myerscough's work and the audit by Coopers and Lybrand (1994) of employment in the cultural industries in Ireland (Table 18):

**Table 18. Comparison of craft employment numbers:**

	Northern Ireland	Republic of Ireland	Glasgow
Design Trades	1,010	1,269	979

*(source: derived from Myerscough 1996, p158)*

The population of Glasgow is around half the size of that in Northern Ireland and less than one quarter of the population of the Republic of Ireland but has a higher proportion per head of population working in the crafts. Employment in the cultural industries in general in the Republic of Ireland in 1981 was estimated at 32,800 or over 7 percent of the total employed in the arts.

The Coopers and Lybrand survey involved questionnaire analysis of 374 organisations and agencies in the Republic of Ireland working in the cultural industries in 1993, the findings being extrapolated in order to represent the total population. There were a total of 67 craft studios represented in the survey. A craft studio is defined by the Irish Crafts Council to be a small firm of professional craftworkers engaged in a listed craft for at least one year. In July 1994, there were 780 registered studios in Ireland, with an average workforce of three, including the owner-manager. The value of the crafts industry in the Republic of Ireland is shown in Table 19:

**Table 19. Value of the crafts in the Republic of Ireland:**

	Total employed	Full-time equivalents	Gross aggregate value IR£m	Grants IR£m	Net value IR£m
Craft	1,523	1,269	8.65	0.22	8.43

*(source - adapted from Coopers and Lybrand 1994, p1.5)*

There are around 550-600 craft based manufacturing businesses in the Republic of Ireland, which tend to be larger organisations with a bias towards automated production processes. Turnover is estimated to be in the region of IR£90 - 100m, employing between 5,500 - 6,500 people. Turnover in the 62 Irish craft studios surveyed is shown in Table 20:

**Table 20. Turnover of Irish craft studios:**

Turnover (IR£)	No. of Studios	%
less than 10,000	13	21
10,001 - 50,000	26	42
50,001 - 100,000	10	16
100,001 - 200,00	6	10
200,001 - 300,000	5	8
300,001 - 400,000	1	1.5
400,001 - 500,000	1	1.5
	62	100

*(source - Coopers and Lybrand 1994, p10.6)*

Two fifths of the craft studios have a turnover of between IR£10,001 and IR£50,000.

The report notes that a low level of marketing is practised within the craft studios, together with limited help from support agencies in terms of information and assistance relating to accessing overseas markets. A survey carried out by the Irish Crafts Council (1996) provides more recent details: there are 820 small manufacturers registered with the Crafts Council, with three people on average in each business. The total number of craft related jobs is estimated at around 10,000.

### **1.5 International Impact of the Craft Sector.**

Examining the contribution that the crafts industry in Britain makes to overseas trade, it can be seen that it contributed around £43m in overseas earnings in 1985 (Table 21):

**Table 21. Overseas earnings of the crafts industry, when combined with related industries:**

	Goods (£m)	Invisible earnings (£m)	Total (£m)
Art trade, visual arts and crafts	43	743	786
sale of craft items alone			43

(source: adapted from Myerscough 1988, pp 47-48)

Leeke (1994) found that 33 percent of craft sales from Northern Ireland are exported, with the majority of sales to the Republic of Ireland. The estimated value of total exports in 1994 was £4.8m or approximately one third of total turnover for the industry sector. Table 22 identifies percentage of sales by export market:

**Table 22. Export market destinations of Northern Ireland Craft producers:**

Market	Less than 10 percent of sales No of businesses (% of total)	11 - 60 percent of sales No of businesses (% of total)
Republic of Ireland	195 (66%)	90 (32%)
Great Britain	242 (82%)	34 (12%)
Rest of Europe	274 (93%)	11 (4%)
America	267 (91%)	16 (5%)
Other	282 (96%)	3 (1%)

(source - Leeke 1994: *Audit of the Craft sector in Northern Ireland*, p20)

The breakdown indicates that mainland Britain and the Republic of Ireland are the major export market destinations. Table 23 presents a breakdown of sales in the domestic and export markets:

**Table 23. Breakdown of sales by market destination:**

Market	Sales (£)	Percentage of overall sales
Northern Ireland	11,122,000	76.7
Republic of Ireland	1,770,000	12.2
Great Britain	891,000	6.1
Rest of EC	232,000	1.6
USA	360,000	2.4
Other	125,000	1.0
Total	14,500,000	100.0

(source - *Leeke 1994: Audit of the Craft sector in Northern Ireland, appendix*)

A breakdown of sales revenue in terms of domestic and export sales in the Republic of Ireland craft sector can also be made (Table 24):

**Table 24. Sales Revenue by Market Destination:**

	IR£000	%
Domestic Sales	2,696	68
Foreign Sales:		
(I) Direct Exports	712	18
(ii) Sales to Tourists	573	14
	3,981	100

(source: *Coopers and Lybrand 1994, p10.7*)

The survey notes that exporting is of great economic importance - during the annual “Showcase Ireland” trade fair in January 1996, over half of the IR£17.2m orders taken were for export. Also, exports to Europe were seen to be increasing at a faster rate than those to the more traditional markets such as North America. Table 25 outlines the growing trend in exporting Irish crafts:

**Table 25. Showcase Ireland - craft export sales 1977-1996:**

Year	Sales (£)	Export (%)	No of exhibitors
1977	50,000		35
1978	153,000		67
1979	373,000		110
1980	625,000		164
1981	905,000	25	170
1982	1,600,000	30	175
1983	2,100,000	30	205
1984	3,300,000	50	246
1985	5,600,000	50	300
1986	7,700,000	54	350
1987	8,000,000	56	400
1988	7,500,000	54	420
1989	11,000,000	56	430
1990	13,400,000	48	430
1991	9,000,000	39	450
1992	13,200,000	49	462
1993	15,000,000	46	480
1994	18,000,000	45	510
1995	23,400,000	45	530
1996	17,200,000	47	570

*(source - Crafts Council of Ireland (1996): Irish Craft Industry Survey)*

Exports appear to have peaked but Showcase Ireland remains the most important annual event in Ireland, both North and South, for generating domestic and overseas craft sales. North America and Britain are the dominant markets for Irish crafts, followed by France, Germany, Australia and Italy. Figures for the 1997 Showcase indicate immediate orders in the region of £12m, with substantial follow-up business during the rest of the year. This trade fair is promoted heavily abroad by the Irish Trade Board<sup>vi</sup> (An Bord Trachtala) by means of its network of overseas offices. Foreign buyers come from Britain, Germany, France, Italy, Spain, the Benelux countries, Scandinavia, USA, Canada and Japan, as well as Northern Ireland.

## 1.6 Methods of Marketing Crafts.

The preceding section has sought to describe the increasing importance of the craft sector as a growing international market. This section describes some of the methods used by craft businesses in selling their products in both domestic and overseas markets. Neapolitan (1985) provides details of how crafts are sold in the American market, breaking down the market distribution by style of product (Table 26):

**Table 26. Distribution of Markets according to style of object created:**

Markets	Unique Art (%)	Unique Craft (%)	Multiple Art (%)	Multiple Craft (%)	Combined Average (%)
Fairs	49.6	56.6	72.3	75.9	63.4
Own Shop	53.0	50.6	55.9	50.1	52.4
Craft Shops	32.9	30.0	53.0	50.6	41.6
Retail Stores	13.6	15.6	33.7	30.8	23.4
Commissioned Word	51.2	48.9	47.5	35.8	45.9
Galleries	54.8	37.9	51.0	27.0	42.3
Sales Representatives	14.6	8.1	11.9	8.8	10.9

*(source - adapted from Neapolitan 1985)*

The most popular methods of selling involve attendance at craft fairs and retailing either via the studio shop or craft shop. Word of mouth recommendation appears to be important and, depending on the type of craft, the gallery is also used frequently.

Table 27 examines the average income associated with each method of selling:

**Table 27. Income versus selling method:**

Markets	Annual (\$)	Hourly (\$)
Fairs	4364	2.05
Own Shop	5413	2.38
Craft Shops	7873	3.18
Retail Stores	5658	2.46
Commissioned Work	5153	2.34
Galleries	6330	2.59
Use Sales Representatives	8498	3.75

*(source - Neapolitan 1985)*

The highest levels of income generated were through the use of sales representatives and craft shops; the preceding table shows, however, that use of sales representatives is infrequent. This compares to the situation in the craft sector in Britain (Table 28):

**Table 28. Ways in which craftspeople sold work in Britain during 1992:**

In the U.K.	Percentage
Commissions	70.3
Direct to public from own workshop	49.6
Craft fairs/markets	41.6
Direct to retailers	39.3
Through trade fairs	11.5
Through exhibitions	40.9
Overseas	
Direct to retailers	8.6
Other overseas sales	10.7
	3.1
Other ways	10.2

*(source - adapted from Knott 1994: Crafts in the 1990s, p206)*

Knott found that the most popular methods of selling craftwork in Britain are through commissions (this ranks third in the favoured methods of selling in the USA), selling directly to the public and attendance at craft fairs. Comparing these



figures to Bruce and Filmer’s 1983 study, craft businesses appear to be making more use of targeting specific outlets and customers and building up successful business relationships, indicating a possible growth in entrepreneurial behaviour. In Northern Ireland 13 percent of craft business is carried out through trade events and only 4 percent of businesses use some form of representative to sell their products outside the country (Leeke 1994). Table 29 indicates the degree of participation in trade shows by turnover category, with roughly one third of all firms using trade shows to secure future business:

**Table 29. Numbers of full time businesses participating in trade shows:**

Turnover	Yes	No
less than £5,000	10	30
£5,000 - £10,000	18	25
£10,000 - £20,000	18	40
£20,000 - £50,000	27	38
£50,000 - £150,000	13	8
turnover undisclosed	8	18
Percentage	35%	65%

*(source - Leeke 1994: Audit of the Craft sector in Northern Ireland, p22)*

Neapolitan noted several marketing factors in connection with successful sales: where the craft was sold (the location); how often this was done and the time spent doing this; the number of marketing outlets and whether market demand was noted.

## **1.7 Summary.**

In order to establish the relevance of internationalisation research of the smaller craft firm, this chapter has sought to promote the importance of the craft sector in the United Kingdom and the Republic of Ireland by placing the craft enterprise within the small firm industry sector. It was demonstrated that the smaller firm in general has impact both domestically and internationally and that little meaningful research relating to the exporting behaviour of the craft firm has been carried out. It is anticipated that the subsequent analysis of craft firm internationalisation will provide some contrasting findings compared to previous studies relating to internationalisation of the firm in other sectors. The definition of craft firm was also analysed, from medieval times to the present. An early example of entrepreneurial behaviour was traced to the Italian Renaissance, demonstrating that such behaviour is not a recent phenomenon. Following this overview of the craft industry, Chapter Two concentrates on internationalisation theories and related issues, before focusing on internationalisation through exporting. Subsequent analysis will compare and contrast craft firm internationalising behaviour with the existing literature in order to identify any knowledge gaps and to generate a more meaningful interpretation of smaller firm internationalising behaviour.

## **CHAPTER TWO: THE INTERNATIONALISATION PROCESS: CONSIDERATION OF INTERNATIONALISATION THEORIES**

### **2.0 Introduction:**

Following a discussion of the properties of the smaller firm, Chapter One presented the various background characteristics of the craft sector needed in order to understand its particular internationalisation behaviour. Chapter Two considers the development of internationalisation theory, from its origins in international trade theory (Hollander 1979, Smith 1993), through more recent conceptualisations as the multinational corporation begins to impact on global markets (Morgan and Katsikeas 1997), to contemporary thinking relating to the importance of the small and medium sized enterprise in international markets (Johanson and Mattson 1988, Coviello and Munro 1995). Given that the thesis concentrates on the internationalisation process of the smaller firm, primary consideration will subsequently be given to internationalisation through exporting (Barker and Kaynak 1992, Beamish et al 1993). Existing theories, frameworks and conceptualisations are discussed, including the stages approach to internationalisation (Cavusgil 1982, Ortiz-Buonafina 1991), transaction cost analysis (Reid 1983, Belich and Dubinsky 1995) and the eclectic paradigm of international production (Dunning 1988). Given that existing theory tends to mainly Western in origin, and that the nature of international markets is dynamic, it is argued that there is a need for an improved and cross-cultural understanding of how the smaller firm behaves in the global environment. This leads to a discussion of current thinking and future developments, based on the observation that use of internationalisation theory has recently widened beyond application in the manufacturing industries. Subsequently

the aim will then be to analyse the internationalisation process of the craft firm and to compare and contrast the findings with existing theory. Deviations in craft firm internationalisation from recognised conceptualisations are expected, given the number of peculiarities found within the craft sector, both at firm and owner/manager level.

## **2.1 The origins of internationalisation theory: Smith and Ricardo on international trade**

Historically, discussion on internationalisation can be traced to economic commentators such as Adam Smith (Sutherland 1993) and David Ricardo (Sraffa 1951). Smith remarked on the importance of recognising the scarcity of resources and subsequently endeavouring to implement a distribution system which involved *transporting either the rude or manufactured product from the places they abound to where they are wanted (p128)*. A number of issues discussed by Smith are still deemed relevant: employment and circulation of capital, division of labour and international trade. He noted that the place of production and consumption are not necessarily the same as that where the raw materials are found:

The capital of the manufacturer must no doubt reside where the manufacture is carried on; but where this shall be is not always necessarily determined. It may frequently be at a great distance both from the place where the materials grow, and from that where the complete manufacture is consumed.....The people of fashion in Sicily are clothed in silks made in other countries, from the materials which their own produces. Part of the wool of Spain is manufactured in Great Britain, and some part of that cloth is afterwards sent back to Spain (Smith, p218).

The process described is comparable to the activities found in many firms today, some of which give the main reason for exporting as an opportunity to divest the

business of excess goods not sold in the domestic market. Smith remarks that the sale of exported goods serves to compensate for the cost of labour incurred in producing it in the domestic market. Had it not been sold or exchanged overseas, the labour costs would never have been recovered. Ricardo (Hollander 1979) sought to explain the mechanisms of international trade by means of viewing it as *competitive resource allocation in an international context*, both in terms of barter and in the presence of a monetary medium of exchange. Haberler (1933) notes that the contributions made by Smith, Ricardo and also David Hume formed the basis of what became known as classical theory of international trade. These approaches are economic in nature whereas many of the more recent conceptualisations of the internationalisation process centre on the behavioural theory of the firm (Reid 1980, Leonidou 1989).

Aijo (1977) comments that current models and theories of international business can be thought of as either macro or micro in dimension. The author reasoned that there was no meaningful existing theory at the micro-level, only models and frameworks. The majority of these frameworks do not explain internationalisation at all levels: they tend to focus on single or, at best, several levels and do not take into account both micro and macro dimensions. The macro theories can be traced to economists such as Smith but tend to examine only those forces which initiate the birth of the company and not the organisational structure and progression of the business in the longer term. Barrett and Wilkinson (1986) concur by remarking that there is no comprehensive theory which has been broadly accepted which describes and explains how the firm develops internationally. Existing theories of internationalisation tend to be normative or prescriptive in their approach (Turnbull

1987) and also tend to concentrate on exporting, rather than taking a wider look at the other strategies available to the firm.

International marketing theory in general tends to be underdeveloped (Wind 1979) and there are inherent dangers in relying on approaches with theoretical and methodological deficiencies (Ford and Leonidou 1991). With the globalisation of markets, and the increasing speed with which industry and product life cycles occur, various methods may be needed in order to understand contemporary behaviour of the internationalising firm.

## **2.2 Development of Internationalisation Theories: Comparing Approaches**

Internationalisation is a continuous process of choice between policies which differ maybe only marginally from the status quo. It is perhaps best conceptualised in terms of the learning curve theory. Certain stimuli induce a firm to move to a higher export stage, the experience (or learning) that is gained then alters the firm's perceptions, expectations and indeed managerial capacity and competence; and new stimuli then induce the firm to move to the next higher export stage, and so on (Cunningham and Homse 1982, pp328 – 345).

This definition of internationalisation concerns the exporting firm but early internationalisation theory focused mainly on the international activities of the multinational enterprise or corporation (Brooke and Remmers 1978, Ayal and Zif 1979, Beamish and Banks 1987). Internationalisation has been used to describe the outward movement in an individual firm's or larger grouping's international operations (Johanson and Vahlne 1977, Piercy 1981). Welch and Luostarinen (1988) interpret it as *the process of increasing involvement in international operations* while Steinmann et al (1980) note that existing frameworks describe the process as *scaling up the strategy-ladder of internationalisation*. In researching

medium-sized firms, the authors view internationalisation as involving only the last phase of the progression: *foreign direct investment in own production facilities*. 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. They remark that:

...we have several observations indicating that this gradual internationalization, rather than large, spectacular foreign investments, is characteristic of the internationalization process of most Swedish firms. It seems reasonable to believe that the same holds true for many firms from other countries with small domestic markets (p305).

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 internationalisation:

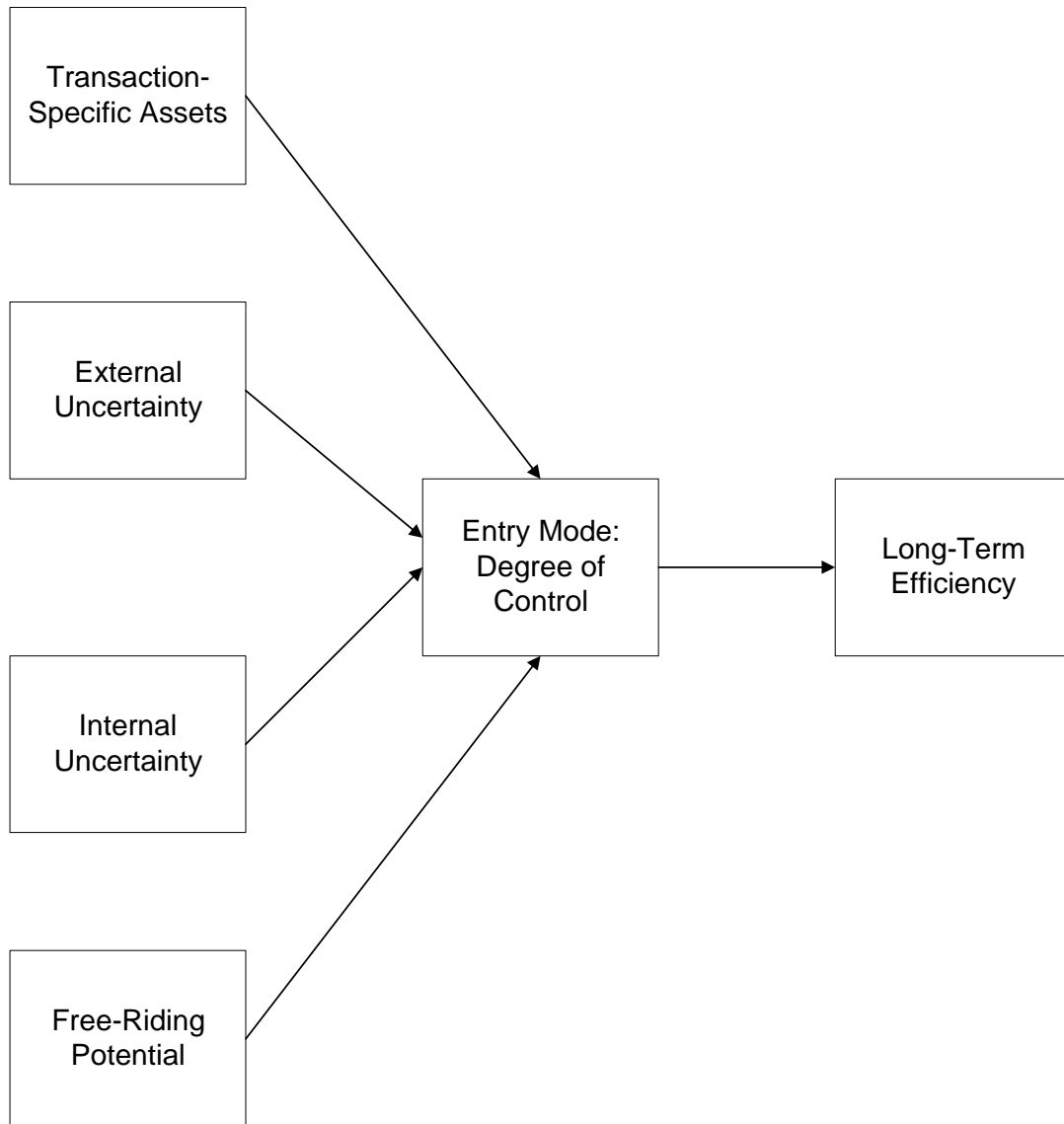
We are not trying to explain why firms start exporting but assume that, because of lack of knowledge about foreign countries and a propensity to avoid uncertainty, the firm starts exporting to neighbouring countries or countries that are comparatively well-known and similar with regard to business practices (Johanson and Wiedersheim-Paul 1975, p306).

As experience and knowledge increases, 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. Similarly, Aijo (1977) views internationalisation as either an open-ended process or developing from operating in the domestic market into an international/multinational context.

Several alternative approaches have been developed in order to understand and explain internationalisation behaviour; for example, transaction costs analysis (Anderson and Gatignon 1986) and the eclectic paradigm (Dunning 1988, 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. The authors construct a transaction cost framework to assess market entry mode efficiency incorporating dimensions including uncertainty and transaction-specific assets (Figure 3):



**Figure 3. A Transaction Cost Framework for Analysing the Efficiency of Entry Modes.**



*(source: adapted from Anderson and Gatignon 1986, p7)*

Examples of transaction-specific assets include specialised 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) promote the use of the eclectic paradigm as an alternative method of understanding internationalisation behaviour, given the limitations of process/stage theory:

This approach emphasises the role of ownership advantages in the form of intellectual property rights and proprietary know-how, the ability of the multinationals to exploit location advantages to gain lowest-cost production, and the benefits of using the internal market by operating through foreign subsidiaries (p19).

However, given that the majority of firms are small (Storey 1997) , this approach in its present form (biased towards MNE behaviour) is not best suited to explaining small firm internationalisation behaviour. Conversely, 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 internationalisation (Vahlne and Nordstrom 1993). Vahlne and Nordstrom acknowledge the inadequacies of process theory in explaining internationalisation 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 (p530).

Additional factors which impact on the process include the industry type, product type and the particular cultural characteristics of the domestic and foreign country. Rao and Naidu (1992) remark that the issue of internationalisation has tended to be dealt with at the conceptual/theoretical level much more than on an empirical basis.

Young (1986) believes that although internationalisation theory can be applied to the small and medium sized company, the issue of globalisation is really the domain of the much larger company. However, the two issues are inextricably linked, since the large multinational is usually historically derived from the smaller firm. One criticism levelled at the process theory is that those companies with existing international experience tend to operate and make decisions much faster than those businesses new to the international arena: so progression through the various phases does not necessarily take equal amounts of time. Bell and Young (1994) promote the case for methodological pluralism in order to reach a more progressive understanding of the issues:

....these myopic approaches - in terms of method, focus and location - failed to broaden our understanding of the complex nature of internationalisation. On the contrary, they probably hindered its development. However, just as it is evident that there are various paths to internationalisation, so too is it obvious that there are diverse - yet complementary - approaches to gaining a much greater understanding of the process. Therefore, the need for methodological and focal pluralism is manifest (p142).

A further interpretation of existing internationalisation theories is offered by Buckley and Chapman (1997): they believe that the Uppsala stages model was never intended to be applied in the broadest sense:

...there has been cross-fertilization, debate and conflict between.... approaches to internationalisation. In particular, there has been a concern about the true nature of "stages" internationalisation and a questioning of how determinate these are...It was never the intention of the Uppsala School to suggest that there was any unique way of internationalising, even an optimal way. Much less was their intention to be prescriptive in suggestion that firms must (or even should) follow a particular pattern. Unfortunately, many less subtle observers have suggested that internationalisation is somehow deviant when it does not follow a sequential orderly, stages pattern. In the real business world many experiments are carried out and a single, optimum path of internationalisation is unlikely to survive the myriad conflicting pressures on firms (p46).

Piercy (1982) also recognised the limitations of existing internationalisation stages theory. The author believes that what is needed is an understanding that process should be viewed as change, and that it should also be recognised that not all firms are, or indeed want to be, internationally oriented. Turnbull (1987) found from his internationalisation research on three industry sectors that:

The results ...refute current explanations of firm foreign involvement and cast considerable doubt on the usefulness of such approaches for understanding the process through which foreign market expansion takes place (p21)

The author also notes that 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 which 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).

The act of internationalisation may depend on many factors and any attempt to model the behaviour tends to result in an understanding which is less than ideal (Bell and Young 1995):

The problem with many of these conceptualisations is that attempts to simplify complexity often result in oversimplified perspectives which are subsequently accepted without question - as 'tablets of stone'(p132).

In their study of European forest products, Sullivan and Bauerschmidt (1990) applied Johanson and Vahlne's thesis and found that there was little evidence to support their incremental conceptualisation. 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 conceptualisations internationally. Vahlne and Nordstrom (1993) note that early internationalisation 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.

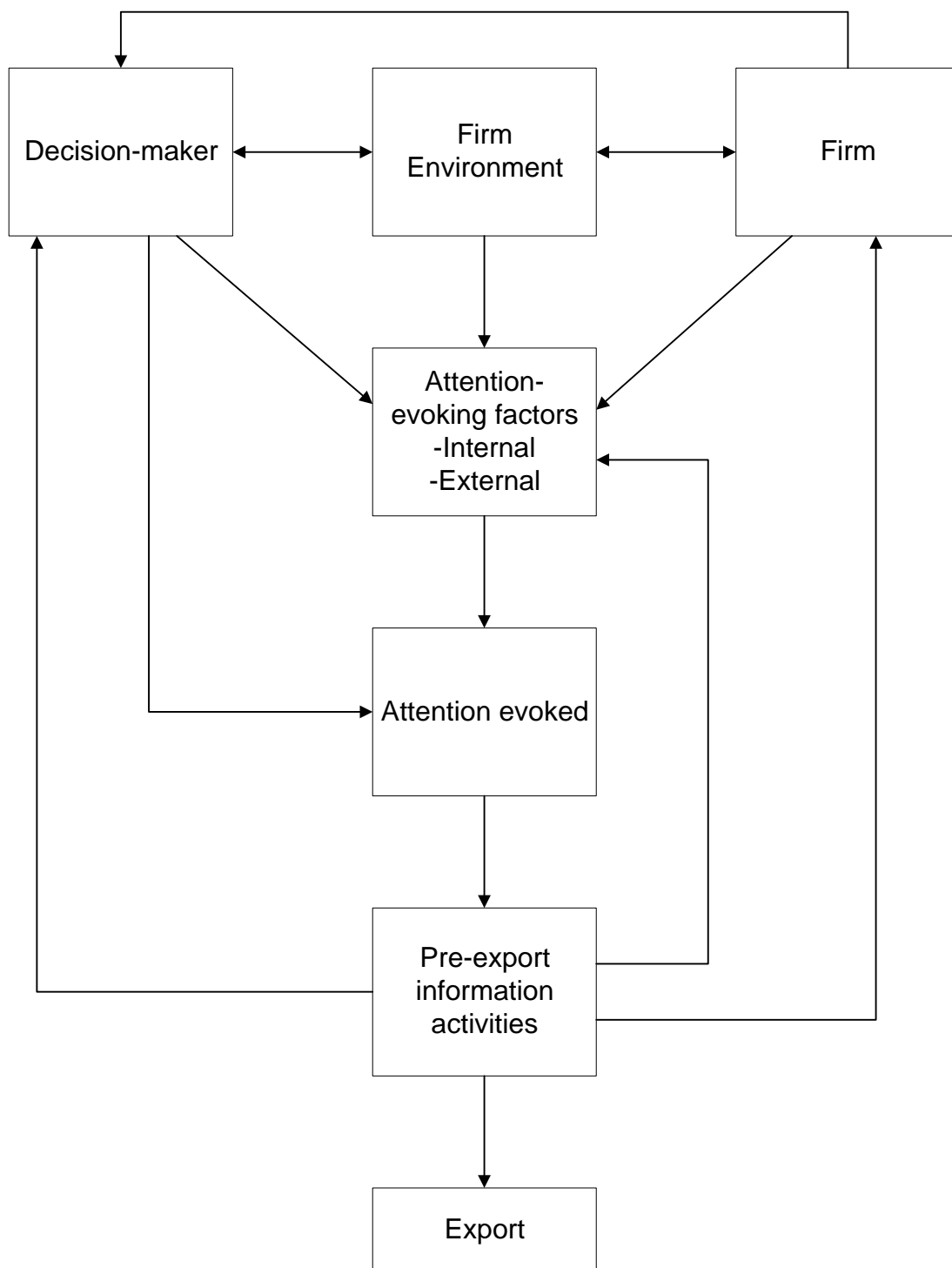
American-based internationalisation theory also has a number of shortcomings, which can be traced to the lack of urgency placed by the U.S. firm on international activities (Norvell 1995). The firm has an underdeveloped sense of the international marketplace and, due to the large size of the domestic 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). More recently, the nature of international markets has changed, with globalisation and easier access to existing and new markets being major factors (Whitelock and Munday 1993). The authors note that experience tends to be one of the main influences motivating the company to extend its international operations. Ideally, this acquired experience should be accompanied by success, usually achieved through constructing a stronger package of advantages than the competition (Johanson and Vahlne 1990).

### **2.3 Discussion of the models of internationalisation:**

Tookey (1969) developed an early example of modelling progression through various steps, pre-dating the Uppsalla model; this involved the advancement of the firm from exporting, to international marketing and finally international business. The process or stages theory postulates that, in order to develop their international operations, firms use a stepwise approach along an organisational continuum (Turnbull 1987). The behavioural approach of the Uppsala School views internationalisation as having four stages (Johanson and Wiedersheim-Paul 1975, Johanson and Vahlne 1977) while Bilkey and Tesar (1977) identify six steps, Aijo (1977), Cavusgil (1980) and Reid (1981) identify five, while Czinkota (1982) identifies six. However, they all tend to agree that, with each subsequent step comes increasing involvement in international operations.

Wiedersheim-Paul et al (1978) modelled the pre-export stage alone, in terms of attention evoking factors both internal and external to the firm (Figure 4). The authors concur with Bilkey (1978) that meaningful conceptualisation of this initial stage of internationalisation is lacking .

**Figure 4. Factors affecting the Pre-Export Activities of the Firm:**



*(source: Wiedersheim-Paul et al 1978, p48)*

Several assumptions of this model are that all companies are non-exporters in the initial start up phase, that the majority of firms are small in the initial stages of

development and that there is only one key decision maker involved in making the decision to go international. The model describes a two-way process by which the decision maker is influenced by the environment and conversely how they can influence the environment. Depending on firm size, the industry sector and the products/services being marketed, the degree of influence of the firm on the environment will vary. The model takes into account the importance of the value system and associated set of beliefs of the decision maker. It also draws on Connor and Baker's (1975) value profile which determines the variations in decision maker characteristics. In a similar vein Gould and White (1974) adopt the concept of the *mental map* of the manager towards perception of the environment, from the local level to a worldview.

Wiedersheim-Paul et al (1978) assess the international outlook of the decision maker; any differences found may explain variations in firm behaviour (Simmonds and Smith 1968). Examples of internal attention evoking factors or stimuli are key managerial competencies and the possession of excess capacity in terms of production, management, marketing and finance which then drives the firm to look outside the domestic market for sales generation. External stimuli include unsolicited orders from overseas, market opportunities, the effect of competition and government export stimulation measures. Wiedersheim-Paul et al focused particularly on export information collecting activities of the firm. They distinguish between three groups of firms; the active, the passive and domestic market-oriented company, and relate these to attitudes towards exporting and the acquisition and dissemination of export related information (Table 30):



**Table 30. Groups of Pre-Export Activity**

Group	Dimensions	Willingness to start exporting	Information collection activity	Information transmission activity
Domestic		None to low	None to low	None to low
Passive		Low to medium	Low to medium	Low
Active		Medium to high	Medium to high	Low to high

*(source: Wiedersheim-Paul et al 1978, p53)*

Andersen (1993) carried out a critical analysis of the Uppsala model and the subsequently derived innovation-related internationalisation models (where internationalisation is viewed as an innovative strategy by the firm) in which he examined conceptual weaknesses. The models developed by Bilkey and Tesar and Cavusgil include a ‘push’ mechanism or set of external factors which move the firm towards international involvement while the approaches developed by Czinkota and Reid incorporate a ‘pull’ mechanism or internal set of factors. These push and pull factors, or change agents, act to motivate the firm towards internationalisation (Table 31):

**Table 31. The Innovation-Related Internationalization Models:**

Bilkey and Tesar (1977)	Cavusgil (1980)	Czinkota (1982)	Reid (1981)
Stage 1 Management not interested in exporting	Stage 1 Firm sells only in domestic market	Stage 1 The completely uninterested firm	Stage 1 Export awareness: : problem of opportunity recognition and arousal of need
Stage 2 Management willing to fill unsolicited orders but no effort made to explore feasibility of actively exporting	Stage 2 Pre-export phase: the firm searches for information and evaluates feasibility of starting to export	Stage 2 The partially interested firm	Stage 2 Export intention: Motivation, attitude, beliefs and exporting about exporting
Stage 3 Management actively explores feasibility of active exporting	Stage 3 Experimental involvement: firm begins exporting to psychologically close country	Stage 4 The experimental firm	Stage 3 Export trial: Personal experience from limited exporting
Stage 4 Firm exports experimentally to psychologically close country	Stage 4 Active involvement: exporting to more new countries, direct exporting and increase in sales volume	Stage 5 The experienced small exporter	Stage 4 Export evaluation: Results from engaging in exporting
Stage 5 Firm is now an experienced exporter	Stage 5 Committed involvement: Management continually making choices relating to allocation of limited resources between domestic and foreign markets	Stage 6 The experienced large exporter	Stage 5 Export acceptance: Adoption of exporting/rejection of exporting
Stage 6 Management explore feasibility of exporting to psychologically distant countries			

(Anderson 1993, p213)

Although the number of stages may differ, the overall concept of progression is essentially identical. The above models concern the internationalisation behaviour of the exporting firm; progression to other strategies such as foreign direct investment have not been considered. Aijo (1977) identified five stages of the internationalisation process, relating each to the areas of management orientation,

expansion strategy, organisational structure and operations type (Table 32). The model accounts for the passive exporter and, ultimately, to the global enterprise and seeks to describe how management orientation changes as the firm progresses.

**Table 32. Company factors at each Internationalisation stage:**

Stage of Internationalisation	Management orientation	Expansion strategy	Organisational structure	Type of operations
1. Passive Exporter	domestic orientation surplus production sold overseas	little attempt at product modification	entrepreneur-centred	indirect and direct exporting and licensing
2. International Marketing Enterprise	still domestically oriented as exports grow, foreign orientation develops	new product development/modification	establishment of separate unit for international marketing	exporting and importing expansion of activities to include international transfer of know how and capital
3. Internationally operating enterprise	still home-country oriented accumulation of international skills building confidence	market segmentation product differentiation dependent on nature of product and technology	foreign operating units allowed unlimited autonomy international division still main unit in charge of operations	entire range of operations is used additional profits realised via establishment of foreign sales and manufacturing units
4. International business enterprise	new skills and controls developed management attitudes changing	global strategy either wide diversity in products or narrow line with maximum geographical spread	integration of closely-related domestic and foreign units	widespread international investment and diversification of activities
5. Global enterprise	total multinationalisation local and universal standards	business carried out regardless of boundaries	combination of product group and geographical structure	all available modes of operation are used

*(adapted from Aijo 1977, p384-388)*

Continuing the theme of considering internal and external factors, Cavusgil (1980) identifies a number of variables linked to critical activities in the various stages of export internationalisation (Table 33):

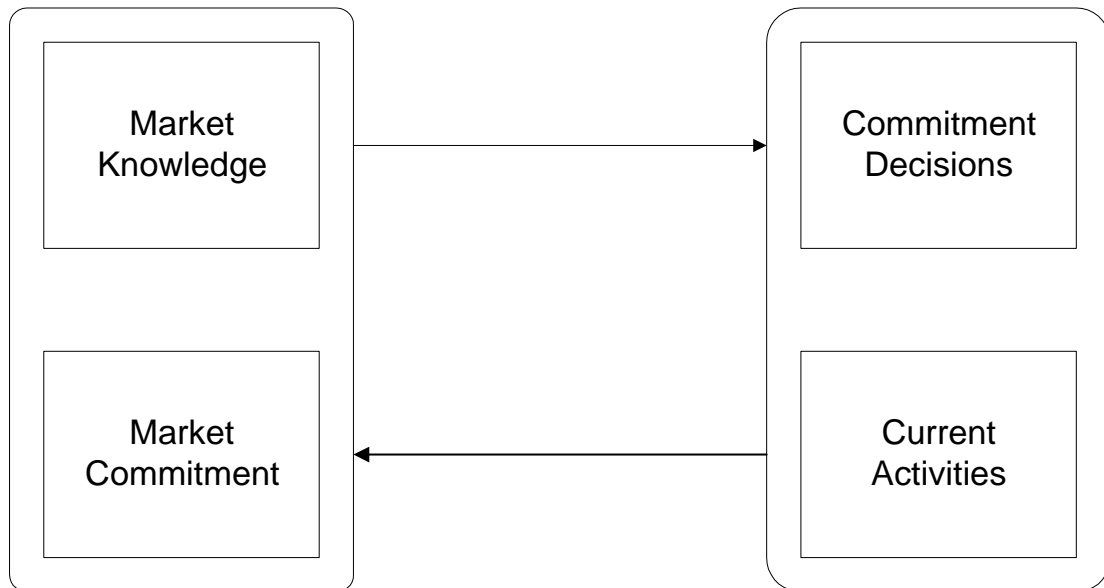
**Table 33. Factors associated with Stages in the Internationalisation Process of the firm:**

<i>Stages</i>	<i>Internal and External variables</i>	<i>Critical Activity</i>
Domestic Marketing	inhibiting firm characteristics	preoccupation with the home market
Pre-export stage	External stimuli: unsolicited orders, change agents Internal stimuli: differential advantages and conducive characteristics, decision-maker characteristics, international orientation	deliberate search for information and preliminary evaluation of the feasibility of undertaking international marketing activity
Experimental involvement	perceptions regarding attractiveness of international marketing activity	initiation of limited international marketing activity
Active involvement	experience-based expectations availability of key resources willingness to commit resources	systematic exploration of expanding international marketing activity
Committed involvement	Marketing performance performance in overcoming barriers	resource allocation based on international opportunities

(source: Cavusgil 1980)

The above explanation of internationalisation progression does not readily explain how some companies begin exporting sooner rather than later. Due to the nature of particular industry and product life cycles, it may be preferable to enter international markets immediately in order to gain competitive advantage. Johanson and Vahlne (1978) constructed a dynamic model of the internationalisation process, incorporating both state and change variables (Figure 5). The current condition of internationalisation is seen as a function of both state and change aspects.

**Figure 5. The Basic Mechanism of Internationalisation - State and Change Aspects:**



*(source: Johanson and Vahlne 1990, p12)*

State aspects relate to the amount of resources being committed to the overseas markets (market commitment) together with knowledge of foreign markets and operations (market knowledge). Change aspects refer to the actual decisions made to commit resources (commitment decisions) and the performance of present business activities (current activities). This is a cyclical process in which the state aspects affect the change factors and vice versa. The model assumes that the firm is motivated in the longer term by achieving higher levels of profit, which in turn relate to growth of the firm. Not all industry sectors operate on this principle; other factors may be deemed more important, such as lifestyle and moral issues. Andersen (1993) notes that there are several exceptions to any incremental progression; for example those firms with large resources at their disposal are able to make bigger steps than the firm with less resources. Under relatively stable market conditions,

knowledge can be obtained in other ways than through experience. Once the firm has acquired a considerable degree of experience of markets with similar characteristics, it should be able to apply this experience to other markets.

Andersen (1993) believes that there is little meaningful difference between each existing 'stage' model of internationalisation. Variations can be explained semantically, with the only real discrepancies involving the initiating mechanism. Whitelock and Munday (1993) contrast the behavioural theories of the Uppsala school (Cyert and March 1963, Penrose 1959) and the innovation-related internationalisation models with the rational-economic approach of Dunning's eclectic paradigm, derived from transaction costs analysis. The main tenet is that if the company believes that lower costs will be incurred by utilising the internal market rather than the external market (for example production instead of licensing) the firm will then internalise the transaction.

Reid (1983) adopts a transaction costs approach to understanding how the organisational structure of the firm changes as exporting develops. The author notes that the incremental approach to internationalisation:

ignores the crucial issue of how market characteristics and firm resources co-determine choices and changes in particular export structures. Furthermore no valid justification is presented as to why mere level of export sales should be a determinant of export structure (p44)

Reid also remarks that internationalisation frameworks must consider the *situation specific* when modelling export decision making. The costs involved in operating in markets with heterogeneous customer behaviour are inherently higher than homogeneous markets. Other factors which need to be considered are the spatial

distribution of the customer base and purchasing regularity. Standardisation of market exchanges drives the incurred costs downward.

Bell and Young (1995) identify several behavioural models, in addition to the Uppsala school of thought. They comment that Lee and Brasch (1978) interpreted the growth of exporting as an innovation-adaptation cycle (derived from diffusion of innovation theory developed by Rogers 1962). Other developing internationalisation paradigms include contingency theory (Reid 1986) where behaviour depends on the particular circumstances and availability of resources at that time and the IPM (International Marketing and Purchasing) interaction approaches (Hakansson 1982, Turnbull and Valla 1986) which revolve around considering the various exchange relationships which occur between the actors in international markets which ultimately lead to the internationalisation network approach (Johanson and Gunnar-Mattsson 1986).

Buckley and Chapman (1997) identify three main 'schools' of internationalisation: the stages or Uppsala approach, the market servicing strategy approach and the behavioural and, more recently, the longitudinal approach. In their study of the explosives industry, Whitelock and Munday (1993) believe that the Uppsala Model does not take into account the effect of technology; some industries are more reliant on technology acquisition than others and this will play a part in how the firm grows in the long term as it endeavours to compete in the marketplace. Casson (1994) has endeavoured to model the differences in behaviour of the firm which adopts a sequential progression in international markets and the firm which experiences a "big bang" effect to obtain an instantaneous global position. The author favours the

sequential approach due to the inherently lower level of resources needed at each particular phase than those needed to enter a number of markets simultaneously (the Penrose effect).

Bell (1994, 1995) investigates the phenomenon of instant internationals in the Scandinavian and Irish computer software industries while Turnbull and Ellwood (1986) examine the internationalisation process of the information technology industry in order to assess the reliability of existing frameworks in explaining how hi-tech industries internationalise. They note that Buckley et al (1977) and Turnbull (1982) found that while some firms do exhibit a step-wise progression, many others display a mixture of behaviours. The authors distinguish between export orientation and activity and export marketing organisational form. Although internationalisation may follow a set of sequences, the organisational requirements may not develop in the same way. They remark that 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.

A more appropriate model of current internationalisation behaviour might involve an amalgamation of some of the concepts and constructs used in both process theory (in terms of dynamics) and in the eclectic paradigm of understanding (in terms of structure). Researching UK companies setting up manufacturing subsidiaries and joint ventures in European Union countries, Millington and Bayliss (1990) found that internationalisation did not tend to follow a narrow incremental approach:

The results do not support a narrowly incremental view of the process of internationalisation, a step-wise internationalisation process being the exception rather than the rule (p159).



Instead, those firms with international experience and who also carried out formal planning could leapfrog some of the stages. However, it should be noted that their work centred on the larger manufacturing company and the results do not necessarily hold true for the smaller firm with access to fewer resources. The stages can be described in terms of particular attitudes or orientations of the firm and the key decision makers towards the foreign market (Wind, Douglas and Perlmutter 1973). Ethnocentrism, polycentrism, regiocentrism and geocentrism reflect company philosophy, from the ethnocentric firm geared towards the domestic market to the company with a world orientation (geocentricism).

#### **2.4 Contemporary Internationalisation Issues - the scope of internationalisation theory**

Although early internationalisation research tended to focus on engineering and manufacturing industries (Hunt et al 1967, Tesar 1975), there has been an increasing trend in investigating a wider range of industry sectors. One application of internationalisation theory relates to the retail sector (Salmon and Tordjman 1989, Burt 1991, Brown and Burt 1992, Akehurst and Alexander 1996, Muniz-Martinez 1998) with the majority of research building on the work of Hollander (1970). The bulk of existing internationalisation frameworks do not readily explain how the service firm develops overseas (Engwall and Wallenstal 1988, Buckley et al 1992). Service internationalisation 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 internationalised. 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).

In their study of the internationalisation of Swedish banks, Engwall and Wallenstal (1988) found that the incremental approach to internationalisation, beginning with culturally close markets, was not followed. Instead banks focused their attention towards major financial centres where many international banks were already operating. Dunning and Kundu (1995) adopt the eclectic paradigm approach to aid the understanding of the internationalisation of the hotel industry. The authors concentrate on examining multinational hotels carrying out foreign direct investment. The results of their research tend to support the general tenets of the eclectic paradigm.

Linking the increasing impact of technology to contemporary internationalisation behaviour, Hamill and Gregory (1997) investigate the use of the internet by SMEs as they internationalise. The authors found that American companies were more likely to utilise the medium than British firms and that a programme of training is needed in order to promote the usefulness of the internet as a method of assisting internationalisation. Although internet marketing is still to realise its full potential, several authors have identified a number of areas where use of the internet can assist the firm (Table 34):

**Table 34. Strategic Advantages of Effective Internet Marketing.**

Ellsworth and Ellsworth (1995, 1996)	Sterne (1995)	Quelch and Klein (1996)	Cronin (1994, 1996)
Communications	Improved customer relations	More rapid SME internationalisation	Cost/efficiency savings
Globalisation	Increased visibility	Reduced importance of traditional international marketing intermediaries	Performance improvements
Competitive advantage	Cost reduction		Market penetration
Cost savings	Finding new customers		
Collaboration	Market expansion	New world wide marketing research medium	
Information search and retrieval			
Marketing and sales promotion			

*(source: adapted from Hamill and Gregory 1997, p12)*

Various barriers to internationalisation can be overcome by utilising 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 internationalise; overall cost savings and improved communications can improve profitability levels. The authors note that international marketing theory may have to be reconsidered in order to embrace internet strategy:

..early evidence suggests that the Internet will have a profound impact on the conduct of international trade and that new international marketing paradigms will need to be developed to take account of internationalisation processes in the electronic age (p23)

By researching a wider range of industry sectors, the inadequacies of existing conceptualisations are gradually uncovered. It is believed that by examining the craft sector, further weaknesses will be revealed. More recent research developments such as internationalisation through networking and entrepreneurial

internationalisation are discussed in the next section as an aid to understanding the internationalisation of the smaller firm.

## 2.5 Internationalisation and the Networking Firm.

Following a critical analysis of existing internationalisation frameworks Johanson and Vahlne (1990) propose an additional conceptualisation by examining the phenomenon of international industrial networks and the impact of relationship building on internationalisation behaviour (Figure 6).

**Figure 6. The Multinational Aspect of the Internationalisation Process.**



*(adapted from Johanson and Vahlne 1990, p19)*

The authors link existing knowledge and commitment of the firm to other actors in the overseas market, through business activities carried out by all participating firms. Internationalisation through networking can be achieved by establishing and building new relationships in new markets and also by connecting to existing networks in other countries. They believe that existing views of the process may be too narrow and that other methods are needed to aid conceptualisation. Johanson and Mattson (1988) adopt a matrix approach to understanding market and firm internationalisation, and identify several types of internationalising firm (Figure 7):

**Figure 7. Internationalisation and the network model: the situations under analysis:**

		Degree of internationalisation of the market	
		Low	High
Degree of internationalisation of the firm	Low	The Early Starter	The Late Starter
	High	The Lonely International	The International Among Others

*(source: Johanson and Mattson 1988, p298)*

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

According to the interaction/network approach, the relationships between firms in industrial markets are established and developed through interactions in which the parties build mutual trust and knowledge leading to stronger commitment. Internationalization is described as a matter of establishing relationships in foreign markets which will evolve into the creation of new advantages given the specific circumstances of the firm's objectives, environmental settings and competitors (p31).

So, considering the increasing impact of technology in general, internet marketing and networking behaviour in particular, the majority of existing internationalisation

conceptualisations fail to account for such factors and must therefore be re-modelled to offer a contemporary understanding of internationalisation behaviour.

## **2.6 Summary.**

This chapter has analysed internationalisation theory, from its origins in economic trade theory to current issues in the global economy such as technology acquisition and usage. The analysis has compared and contrasted approaches developed by schools of thought including the Uppsalla contribution, the transaction cost approach, the eclectic paradigm and the more recent network explanation. It is concluded that many of the earlier approaches contain frequent similarities and that differences can be explained mainly through variations in semantics. Due to changing market conditions and technology, combined with a wider research focus on a number of industry sectors, many of these frameworks have failed to explain smaller firm internationalisation behaviour. Given that lack of resources is pervasive among smaller firms in general, it is anticipated that future theory will need to embrace contemporary developments such as networking and use of the internet as an aid to internationalisation. Consequently, Chapter Three focuses on internationalisation via exporting, with particular emphasis on smaller firm behaviour.

## **CHAPTER THREE: THE SME EXPORTING PROCESS**

### **3.0 Introduction**

Chapter Three involves a review of the literature concerning SME export internationalisation, examining overall behaviour as well as the factors influencing it. Miesenbock (1988) noted that international business literature in general can be divided into two areas: that concerning the international behaviour, structure and organisation of the multinational corporation (Buckley 1976, Brooke and Remmers 1979) and the internationalisation of the small and medium sized firm. This chapter discusses the key research issues relating to the exporting SME. These areas include internationalisation via exporting (Johanson and Wiedersheim-Paul 1975, Johanson and Vahlne 1978), the role of the decision maker (Hunt et al 1967, Simmonds and Smith 1968), exporting stimuli (Lee and Brasch 1978, Johnston and Czinkota 1982), export barriers (Yaprak 1985, Kedia and Chhokar 1978), problems encountered when exporting (Czinkota and Johnston 1983, Pavord and Bogart 1975), the link between firm/managerial characteristics and exporting (Burton and Schlegelmilch 1987, Piercy 1981) and export stimulation measures (Cunningham and Spiegel 1979, Rabino 1980). Other issues investigated include comparisons of non-exporters versus exporters (Bartels 1968, Burton and Schlegelmilch 1987), and networking and the entrepreneurial exporter (Coviello and Munro 1995).

### **3.1 Export Behaviour and the Internationalisation Process.**

Export strategy implies that management are following a particular and deliberate path, whereas behaviour involves a number of factors, not all of which are easily measurable but which, collectively, can be viewed as contributing towards how and why the firm acts in international markets. Researchers have sought to identify several types of exporting firm, in terms of their managerial beliefs and response to exporting stimuli. Cavusgil (1984), noted three categories: the experimental, the active and the committed exporter. His research of Wisconsin and Illinois manufacturing firms found that there were significant differences between the three types of firm with regard to company characteristics, the nature of international business involvement and the practice of export market research. In contrast, many previous studies have tended to group firm types together when endeavouring to measure the degree of internationalisation. By classifying the firm and testing for significant differences, more meaningful results should be achieved. Cavusgil (1984) remarks that:

....there is a need to view exporting firms as a heterogeneous rather than a homogeneous group. Depending upon the degree of internationalisation, companies differ in terms of intensity of export activity, interest and commitment in pursuing international opportunities, information and assistance needs, and most importantly, their export potential (p207).

It is generally recognised that the firm tends to progress along a number of stages or phases, as it grows in international experience. One of the most widely discussed models is that developed by Bilkey and Tesar (1977), following their research into the export behaviour of smaller Wisconsin manufacturing firms (Table 35):



**Table 35. Stages of Export Development.**

<p>Stage 1. Management is not interested in exporting; would not even fill an unsolicited export order.</p> <p>Stage 2. Management would fill an unsolicited export order, but makes no effort to explore the feasibility of exporting.</p> <p>Stage 3. (which can be skipped if unsolicited orders are received). Management actively explores the feasibility of exporting.</p> <p>Stage 4. The firm exports on an experimental basis to some psychologically close country.</p> <p>Stage 5. The firm is an experienced exporter to that country and adjusts exports optimally to changing exchange rates, tariffs, etc.</p> <p>Stage 6. Management explores the feasibility of exporting to additional countries that, psychologically, are further away. etc.</p>
---

*(Bilkey and Tesar 1977, p93).*

Results showed that those firms which actively sought the first export order, when compared to those who were stimulated firstly by an unsolicited one, tended to be much larger companies (up to two and a half times as large). They also had much more favourable attitudes and expectations towards exporting, more dynamic management and a perception of fewer barriers to carrying out exporting. Lim et al (1991) criticise the limitations of the model:

the modelling has involved identification of antecedent variables, specification of the relationships between variables in the model, and demonstration of the underlying dynamics of those relationships. In spite of the cumulative effort by many researchers, both conceptual and empirical, the relationships have not been adequately explicated (p52).

Ortiz-Buonafina (1991) offers another interpretation of the stages of export development, identifying several marketing behaviour variables associated with each stage (Table 36, Table 37)

**Table 36. Levels of Export Marketing Activities.**

Level 1	<p>a. The firm sells to foreign buyers coming to the place of business and/or fills unsolicited orders from abroad</p> <p>b. The firm is mostly interested in receiving orders to sell surplus products overseas and is without resources to fill orders on an ongoing basis</p>
Level 2	<p>a. The firm fills unsolicited orders from abroad stemming from trade leads, referrals from customers and/pr foreign buyers coming to the place of business on an ongoing basis</p> <p>b. The firm solicits overseas sales for existing products and is willing to make limited modifications in its product and marketing procedures to accommodate the requirements of foreign buyers</p>
Level 3	<p>a. The firm develops world-wide export marketing strategies and systematically plans market development, new product development, and/or market expansion in existing and new overseas markets</p>

*(Ortiz-Buonafina 1991, p48)*

**Table 37. Marketing Behaviour Variables Associated with Export Stages.**

Decisions influencing present export activities	Competitive pressures Growth and profits Excess capacity Seasonal variations Familiarity with foreign country Efficient production techniques Unique product/technology Language skills
Risk perceptions	Currency uncertainties Financial uncertainties External dependency Political instability Economic performance Environmental assessment
Marketing strategies	Pricing strategies Product modification Promotional strategy Credit policy Initial risk evaluation Current risk evaluation Product market assessment Price flexibility Payment flexibility Credit flexibility

*(Ortiz-Buonafina 1991, p49)*

Analysis shows that a range of internal and external to the firm factors have been identified. Examination of export behaviour models will show that, although they may differ in terms of specific composition, the majority incorporate both internal and external impinging factors.

Lim et al advocate utilising an approach based on a hierarchical model of exporting as an innovation adoption process (Reid 1981); the main elements are awareness, interest, intention and adoption. Zaltman and Stiff (1973) view the adoption of innovation as the selection of an innovation as the most acceptable alternative available at a given point in time. Lim et al (1991) note that the two main areas

within marketing which have utilised the innovation adoption approach to understanding are consumer behaviour (Robertson 1971, Harvey 1979) and international marketing (Simmonds and Smith 1968, Bilkey and Tesar 1977).

Leonidou and Katsikeas (1996) review the major empirical models of the export development process, examining factors such as structural characteristics, the methodologies adopted in their construction, and the main conceptualisations arrived at in their analysis. They limit their review to the export development process of manufacturing firms with production facilities in single nation locations. Leonidou and Katsikeas note that, due to the limitations of economic theory, researchers have tended to follow a micro-economic approach in developing export models, focusing on export initiation and development (Haar and Ortiz-Buonafina 1995). The authors draw on the limitations uncovered by Dichtl et al (1984):

...despite considerable research, no comprehensive or widely accepted theory has yet emerged that explains the firm's export expansion behaviour, due to its multidimensional, complex and dynamic nature (Leonidou and Katsikeas, p518).

Leonidou and Katsikeas summarise the key elements of key export development stage models (Table 38), from the Uppsala schools of the early 1970s to the more recent work carried out by Rao and Naidu (1992) and Crick (1995):

**Table 38. Review of Main Export Development Process Models.**

Johanson and Wiedersheim-Paul (1975)	STAGE 1 No regular export activity/No resource commitment abroad	STAGE 2 Exporting psychologically close countries via independent reps/agents	STAGE 3 Exporting to more psychologically distant countries/ Establishment of sales subsidiaries			
Bilkey and Tesar (1977)	STAGE 1 No interest in exporting/Not even filling unsolicited order	STAGE 2 Passive exploration of exporting/ Possible filling of unsolicited order	STAGE 3 Management actively explores the feasibility to export	STAGE 4 Experimental exporting to some psychologically close country	STAGE 5 Experienced exporter/ Optimal export adjustment to environmental factors	STAGE 6 Exporting to additional countries psychologically more distant
Wiedersheim-Paul et al (1978)	STAGE 1 Domestic oriented firm/No willingness to start exporting/ Limited information collection and transmission	STAGE 2 Passive nonexporter/ Moderate willingness to start exporting/ Moderate information collection	STAGE 3 Active nonexporter/ High willingness to start exporting/Relatively high information collection and transmission			
Wortzel and Wortzel (1981)	STAGE 1 Importer pull/Foreign customer orders	STAGE 2 Basic production capacity marketing	STAGE 3 Advanced production capacity marketing	STAGE 4 Product marketing channel push	STAGE 5 Product marketing channel pull	
Cavusgil (1982)	STAGE 1 Pre-involvement/ Selling only in the home market/No interest in export related information	STAGE 2 Reactive involvement/ Evaluation of feasibility to export/Deliberate search for export related information interest in export related information	STAGE 3 Limited experimental involvement /Limited exporting to psychologically close countries	STAGE 4 Active involvement/ Systematic exporting to new countries using direct distribution methods	STAGE 5 Committed involvement/Allocating resources between domestic and foreign markets	
Czinkota (1982)	STAGE 1 Completely uninterested firm/No exploration of feasibility to export	STAGE 2 Partially interested firm/Exporting is desirable but uncertain activity	STAGE 3 Exploring firm/Planning for export and actively exploring export possibilities	STAGE 4 Experimental exporter/Favourable export attitude but little exploration of export possibilities	STAGE 5 Semi-experienced small exporter/ Favourable attitude and active involvement in exporting	STAGE 6 Experienced large exporter/Very favourable export attitudes and future export plans
Barrett and Wilkinson (1986)	STAGE 1 Nonexporters who never	STAGE 2-3 Nonexporters who investigated		STAGE 4 Current exporters with		

	consider exporting	exporting, and previous exporters		no direct investment abroad		
Moon and Lee (1990)	STAGE 1 Lower stage of export involvement	STAGE 2 Middle stage of export involvement	STAGE 3 Higher stage of export involvement			
Lim et al (1991)	STAGE 1 Awareness/recognition of exporting as an opportunity	STAGE 2 Interest in selecting exporting as a viable strategy	STAGE 3 Intention to initiate exports	STAGE 4 Trial and adoption of exporting		
Rao and Naidu (1992)	STAGE 1 Nonexporters indicating no current level of export nor any future interest in exporting	STAGE 2 Nonexporters who would like to explore export opportunities	STAGE 3 Sporadic involvement in exporting activities	STAGE 4 Regular involvement in exporting activities		
Crick (1995)	STAGE 1 Completely uninterested firm	STAGE 2 Partially interested firm	STAGE 3 Exporting firm	STAGE 4 Experimental exporter	STAGE 5 Experienced small exporter	STAGE 6 Experienced larger exporter

(Leonidou and Katsikeas 1996, p522).

Leonidou and Katsikeas remark that, more recently, efforts to continue this mode of internationalisation/exporting research have diminished. This would either tend to suggest that a consensus has been reached regarding the acceptability of such stage models, or that the process approach to internationalisation has been superceded by other methods such as the network approach (Johanson and Mattson 1988). The only fundamental difference between the preceding models in Table 38 appears to be whether or not pre-export activity is considered relevant (compare the frameworks of Moon and Lee and Lim et al with the others). Leonidou and Katsikeas examine the structural characteristics of each model using a set of criteria including the conceptualisation base (the theoretical derivation of the approach), the

range of exporting activity described, the pattern of development (number of stages identified), segmentation factors (how firms were grouped by stage of development and explanatory variables such as managerial commitment (Table 39):

**Table 39. Structural Characteristics of Export Development Models.**

<b>Structural Characteristic</b>	Johanson and Wiedersheim-Paul (1975)	Bilkey and Tesar (1977)	Wiedersheim-Paul et al (1978)	Cavusgil (1982)	Rao and Naidu (1992)	Crick (1995)
<b>Conceptualisation base</b>	International trade theory/Learning theory	Management theory/Learning theory/ Innovation adoption theory	Organisation theory/ Management theory/Location theory	Innovation adoption theory /Management theory	Previous export models	Previous export models
<b>Activity range</b>	Exporting (FDI)	Pre-exporting/ Exporting	Pre-export	Pre-exporting Exporting	Pre-exporting Exporting	Pre-exporting/ Exporting
<b>Operating mode</b>	Incremental resource commitment	Gradual gain of experience	Gradual increase information collection/transmission activity	Incremental resource commitment/ Gradual experience Stages (5)	Incremental resource commitment	Incremental resource commitment/ Gradual experience Stages (6)
<b>Developmental pattern</b>	Stages (3+)	Stages (6+)	Stages (3)	Stages (5)	Stages (4)	Stages (6)
<b>Focus phase</b>	Initial/Advance/ Post-exporting	Pre-engagement/ Initial/ Advanced	Pre-engagement	Pre-engagement/ Initial/ Advanced	Pre-engagement initial/ advanced	Pre-engagement/ Initial/ Advanced
<b>Structural dynamics</b>	Static	Static	Static	Static	Static	Static
<b>Segmentation variables</b>	Export distribution method	Export ration/Export experience	Export willingness Information collection/ Information transmission	Interest in gathering export related information/ Export intensity	A priori assignment of firms to stage based on management perceptions	Export volume (past-present-future)/Years of export experience/ Types of countries exported/No. of export customers/No. of export transactions
<b>Explanatory variables</b>	Resource commitment/Information availability/ Type of foreign markets	Managerial attitudes/Goal aspirations/ Management quality/Export barriers/Firm size/ Competitive advantages/ External intervention	Decision maker characteristics/ Firm location/Goals of the firm/Product line/Information activities	Firm size/Differential advantages Information gathering/ Managerial characteristics/Managerial attitudes	Firm characteristics/ Export marketing organisation/Managerial attitudes	Stimuli/Barrier/Government assistance needs/ Marketing strategy requirements

*(adapted from Leonidou and Katsikeas 1996, p526)*

The authors have also analysed the methodologies adopted. Analysis include the geographical location of the study, the firm size involved, the data collection method adopted and the type of statistical analysis carried out (Table 40):



**Table 40. Methodological Aspects of Export Development Models.**

Author	Geographic focus	Industrial coverage	Firm size	Unit of analysis	Sample size/ response rate	Data collection	Statistical analysis
Johanson and Wiedersheim-Paul (1975)	Sweden	Automobile/Machine tool/Office equipment/Steel	Large	Multinational enterprises	4/NA	Personal interview/secondary data	Case study
Bilkey and Tesar (1977)	United States - Wisconsin	Cross-section	Small/Medium	Exporters/Nonexporters	423/52	Mail survey	Multiple regression/ANOVA
Wiedersheim-Paul et al (1978)	Australia	Engineering machinery/Metal manufacturing/Other	Small/Medium	Exporters/Nonexporters	26+49/9	Mail survey/personal interviews	Case study
Wortzel and Wortzel (1981)	Hong Kong/Philippines/South Korea/Taiwan/Thailand	Consumer electronics/Athletic footwear clothing	NA	Exporters	NA/NA	Personal interviews	NA
Cavusgil (1982)	United States - Maine/New Mexico	Cross-section	NA	NA	473/57	Mail survey	Univariate - F Ratio
Czinkota (1982)	United States	Material handling/Avionics/Industrial equipment	Small/Medium	Exporters/Nonexporters	181/30	Mail survey	Univariate/Multivariate analysis of variance
Barrett and Wilkinson (1986)	Australia	Cross-section	Small/Medium/Large	Exporters/Nonexporters	1057/29	Mail survey	Factor analysis/Chi-square
Moon and Lee (1990)	South Korea	Electronics	Small/Medium/Large	NA	52/27	Personal interviews/Drop-in questionnaires	Multiple discriminant analysis
Lim et al (1991)	United States - Ohio	Nonelectronic machinery/Electrical equipment	Small	Exporters/Nonexporters	192+246/23	Mail survey	Structural equation analysis/LISREL
Rao and Naidu (1992)	United States - Wisconsin	Cross-section	Small/Medium	Exporters/Nonexporters	777/33	Mail survey/secondary data	Chi-square/Multiple discriminant analysis
Crick (1995)	United Kingdom	Rubber and plastic processing/Clothing	Small/Medium	Exporters/Nonexporters	422+98/33	Mail survey	MANOVA

*(adapted from Leonidou and Katsikeas 1996, p529)*

The majority of studies are based in the USA, with a focus on manufacturing companies; therefore the external validity of the findings should be questioned in terms of their applicability in describing export behaviour across a number of countries. Similar studies should be carried out in other industry sectors to ensure cross-sectional replicability (Sullivan and Bauerschmidt 1990). In order to obtain more meaningful results, cross-cultural longitudinal studies are required but tend to be lacking due to the level of assistance and financial support needed (Albaum and Peterson 1984, Dalli 1994). There are also behavioural differences between firms in developed and developing countries (Ford et al 1987, Leonidou 1989). In addition, definitional problems of firm size mean that comparative studies between countries can be misleading.

In their critical appraisal of existing models, Leonidou and Katsikeas derive a number of conceptual issues relating to model features such as facilitators and inhibitors, information needs and acquisition, stimuli and barriers, market selection, entry and expansion and marketing strategy and control. Lack of information for export was deemed to be the most influential factor in inhibiting export behaviour (Table 41):

**Table 41. Conceptual Issues Emerging from Export Development Models.**

Model features	Pre-engagement stage	Initial stage	Advanced stage
1. Facilitators and inhibitors: Management characteristics	A number of objective and subjective managerial parameters might act as inhibitors in the firm's export engagement	Certain managerial characteristics, such as cosmopolitan, multilingual and educated management, might facilitate the involvement of firms in export activities	Management quality and dynamism is an important facilitator in advanced export operations
Management style	Firm's management style applies only to domestic business situation - institutionalised and structured	Decision maker approaches export marketing in an informal, disjointed and unplanned manner	With establishment of appropriate systems and processes relating to foreign business, decision making styles tend to become more formalised, continuous and structured
Organizational determinants	Certain organisational determinants might prevent the engagement of firm in foreign operations	Some organisational factors, particularly those relating to the firm's competitive advantages, might facilitate the engagement of the firm in international operations	Firm capitalises on differential advantages, such as possession of unique products, competitive prices, and technological intensiveness, to gain a foothold in foreign markets
Organisational resources	There is typically a limited number of corporate resources that are used exclusively for domestic operations	Firm gradually commits small amounts of financial, human and allied resources to international operations, due to high uncertainty prevailing in foreign markets	Increasing amount of organisational resources released to export operations - allocation based on real market conditions and strategic preferences
2. Information needs and acquisition: Information requirements	Limited or no knowledge about export operations; firms actively seeking to export want information about foreign market possibilities	Firm has limited experience and knowledge about exporting and seeks information of a more experiential and general nature	As firm gains more experience and exposure to export activities, it searches for more objective and specific information
Information acquisition	Lack of information about exporting results in high levels of uncertainty in international markets compared to the domestic market	Availability of information about export business and foreign marketing practices is still limited, creating considerable uncertainty	Firm gradually obtains more export-related information, leading to reduced levels of uncertainty regarding overseas markets

3. Stimuli and barriers: Stimulating forces	The nonexporting firm is not responsive to various export stimuli to which it is exposed due to managerial, organisational or environmental constraints	The firm is more likely to be motivated in international business by reactive and external factors, exemplifying passive and tactical thinking toward exporting	The export stimulation of the firm is more likely to occur due to proactive and internal factors, indicating an aggressive and strategic approach to international business
Barrier factors	The would-be exporter is exposed to a number of export barriers, the most important being its inability to locate and analyse foreign markets	The firm experiences obstacles that are related mainly to difficulties in understanding the mechanics and day-to-day activities of exporting	Export obstacles are associated mainly with strategic marketing issues and external constraints in foreign markets
4. Market selection, entry/expansion: Market selection	Firm deals exclusively with domestic market from where it might choose to serve specific segments	Firm selects few countries that are more psychologically close to its home business and are easier and less costly to penetrate	Firm gradually expands its foreign operations to a greater number of host countries that are psychologically more distant
Entry mode	Firm uses only domestic distribution methods since goods are sold exclusively in home market	Firm enters foreign markets via indirect export methods, such as export merchants, trading companies, resident buyers and export agents	Firm distributes its products to overseas markets using direct export methods, such as agents, distributors and sales branches
Market expansion	Firm is likely to undergo an extraregional expansion (expansion within regions of its own country base)	Limited corporate resources, fear of the unknown and other barriers are responsible for the firm adopting a concentrated foreign market focus	As firm acquires more resources, seeks to exploit more foreign opportunities and gains expertise in handling export problems, it spreads to a large number of markets
5. Marketing strategy: Marketing control	Firm maintains full or partial control over the elements of the marketing mix, since it deals exclusively with local customers	Firm is highly dependent on overseas buyers' guidelines and actions with regard to product, pricing, distribution and promotional requirements in foreign markets	Firm gradually internalises and ultimately gains full control of the elements of the export marketing mix strategy
Marketing adaptations	Firm's marketing strategy is relatively standardised as it deals with local customers	Firm is more likely to adopt more standardised export marketing strategies	Considerable adaptations in the elements of the marketing mix are likely to take place

*(Leonidou and Katsikeas 1996, p532-533)*

There are both objective and qualitative differences in managerial characteristics at the various levels of export development, with management style changing as the firm progresses. Organisational determinants can act either as differential advantages (e.g. unique product and technology) or as inhibitors to development. Studies involving the correlation of firm size with export success produce wide ranging results, from a positive relationship to no significant connection (Cavusgil 1982, Moon and Lee 1990). Resource commitment tends to increase as the firm becomes more involved and experienced in exporting. Information for export can be classified as either objective, acquired through training and secondary data sources, or experiential, gained through export operations (Kotabe and Czinkota 1992).

Leonidou (1995) interprets export stimuli (or motives, incentives, triggering cues or attention evokers) as those forces influencing a firm's decision to initiate, develop or sustain export operations. The author remarks that there has been minimal research carried out in relation to understanding stimulation of inter-stage movement (Anderson 1993). With regard to attitude towards export barriers, firms tend to react differently, depending on certain managerial, organisational and environmental influencing forces (Barrett and Wilkinson 1985). Psychic distance as factor in determining export behaviour may not be as influential as it used to, given the increasing levels of technology, improved communications and changing attitudes towards cultural barriers. Entry mode strategy is also changing: some firms are formed to enter international markets immediately, bypassing several stages in the export development process. Leonidou and Katsikeas (1996) summarise the criticisms levelled at the export development models from structural, methodological and conceptual perspectives (Table 42):

**Table 42. Critical Drawbacks Inherent in Research on Export Development Models.**

Structural	Methodological	Conceptual
<p>Exporting is viewed as a single activity rather than as part of firm's overall portfolio of activities</p> <p>Sequential involvement in export operations is too eclectic and mechanistic in light of today's easy access to internationalisation means</p> <p>A predictable progression between stages may not always occur due to intra- and inter-firm variabilities</p> <p>Unclear boundaries between export stages due to great diversity in their number, focus and content</p> <p>Failure to conceive intra- and inter-stage movements of firms due to static approach to export expansion</p> <p>Use of insufficient and unreliable segmentation criteria on an ex-post facto basis to determine cut-off points between export stages</p> <p>Non-systematic selection and simplistic operationalisation and measurement of variables employed to classify firms into export stages</p>	<p>Difficult assessment of the impact of time-dependent variables due to one-off instead of longitudinal empirical validation</p> <p>Ethnocentric orientation studies, failing to examine validity of export development models in multiple environmental settings</p> <p>Myopic industry focus, limiting external validity of findings</p> <p>Exclusion of larger firms from the analysis, despite possibility of a different export expansion pattern</p> <p>Neglect of foreign buyers from analysis, despite crucial role in the development of manufacturers' exports</p> <p>Questionable sample representativeness due to insufficient sampling designs and nonresponse tests</p> <p>Weak analysis due to sparsely spread distribution of sample firms over many stages</p> <p>Problematic data integrity because of heavy dependency on mail survey and existence of possible respondent bias</p> <p>Analytical tools that fail to capture the composite effect of all variables or identify cause-effect relationships between them</p>	<p>Incremental development of organisational resources may not be applicable in advanced stages of exporting</p> <p>Limited research to explain or predict those factors that stimulate or obstruct inter-stage movement of firms along internationalisation path</p> <p>Problematic applicability of psychic distance concept because of company/market differences and increasing cultural homogeneity worldwide</p> <p>Selection of an appropriate foreign market entry mode is a matter of strategic business choice, rather than a predetermined action</p>

*(Leonidou and Katsikeas 1996, p541)*

The authors suggest that, given these limitations, research should focus on building explanations of export behaviour from other perspectives:

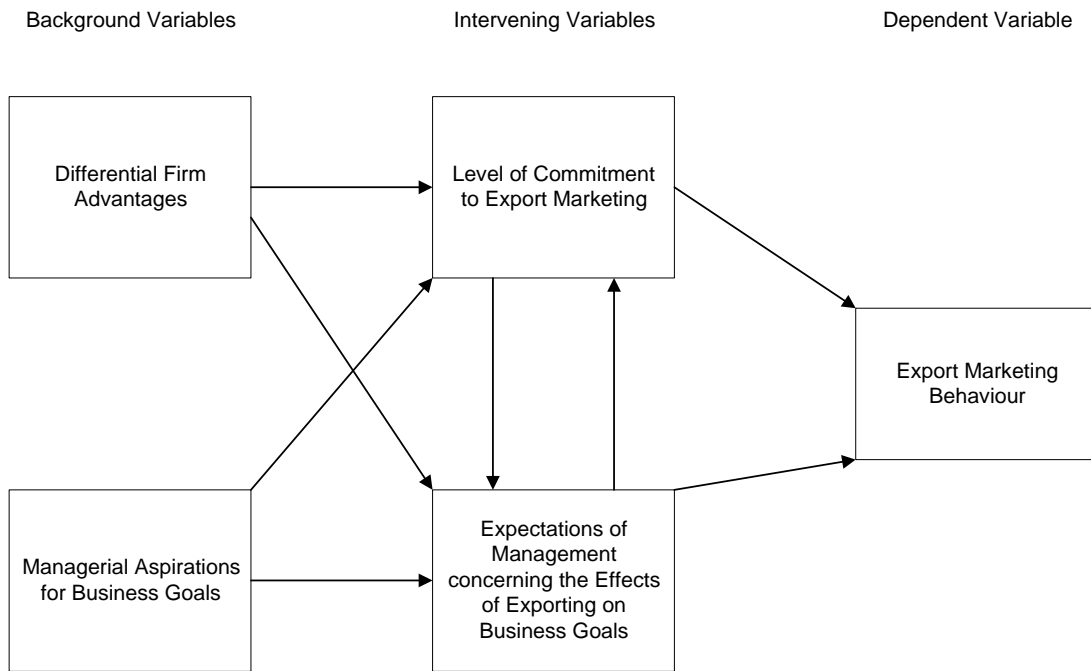
seeking innovative, creative and resourceful avenues of research that would generate ideas for examining the subject in a more effective way. (Possible solutions include examining the contribution of) incorporating pertinent theory developed from the general export marketing field, transferring appropriate theoretical insights gained from allied marketing domains, improving the analysis by taking a business policy perspective on exporting, investigating the export expansion process in relation to developments in domestic business, constructing a model that would cover the whole spectrum of internationalisation mechanisms, enriching conceptualisations and methodologies with contributions imported from relevant areas of management, harnessing ideas from nonbusiness disciplines and enhancing understanding of the subject by employing paradigmatic pluralism (p542).

It is precisely this pluralistic approach which the research on the internationalisation process of the smaller craft firm will take. More recent work on export development has drawn from the areas of networking and relationship marketing (Johanson and Mattsson 1986, Styles and Ambler 1994), which lend a less structured approach to understanding. It is anticipated that application of the marketing and entrepreneurship interface paradigm (Carson 1993, Day and Reynolds 1998) will also assist in increasing the understanding of smaller firm internationalisation.

A number of studies have investigated the relationship between managerial attitudes towards exporting and exporting behaviour (Eshghi 1992). Although there is a considerable amount of agreement on there being a positive relationship (Cavusgil and Nevin 1981, Johnston and Czinkota 1985), several researchers have found either no relationship or even that the inverse is true (Schlegelmilch and Crook 1988, Reid 1983). In a longitudinal study of New England SME manufacturers, Axon et al (1994) found that there was a link between export intentions and managerial beliefs concerning the value of exporting, performance and firm size but that there was no proven relationship between export intention and actual subsequent behaviour and performance. Cavusgil and Nevin (1981) focus

specifically on the internal (firm and managerial) determining characteristics of the exporting firm, constructing a model of the inter-relationships (Figure 8):

**Figure 8. Proposed Causal Relationships among the Internal Determinants of Export Behaviour.**



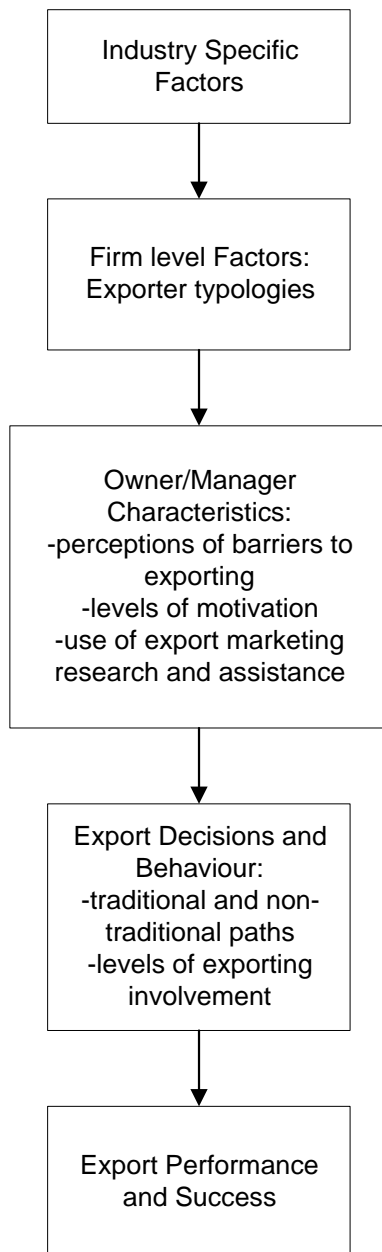
*(Cavusgil and Nevin 1981, p115)*

The model is based on the belief that any differential advantages the firm possesses, together with managerial aspirations, precede managerial expectations and resource commitment to exporting. The remainder of Chapter Three focuses on the contributing factors of export behaviour of the SME. The literature concentrates on issues such as firm size effect on internationalisation (Czinkota and Johnston 1985, Culpan 1989), motivation for exporting (Bradley 1984, Katsikeas 1996), export barriers (Rabino 1980, Leonidou 1995a), characteristics of the export decision maker and the decision to export (Simpson and D. Kujawa 1974, Reid 1981,



Gripsurd 1990). Further contributing factors examined include: the behaviour of the entrepreneurial firm in comparison with other firm types (Miller 1983, Walters and Samiee 1990); the effect of culture on the internationalisation process (Tornroos and Moller 1993, Kanter and Corn 1994); use of export marketing research (Koh et al 1993, Crick et al 1994) and the impact of export marketing assistance programmes (Diamontopoulos et al 1993, Crick 1997). These factors are found to subsequently impact upon exporting strategy and performance (Holzmuller and Kasper 1991, Evangelista 1994) and the evaluation of export profitability and success (Christensen et al 1987, Dichtl et al 1990). It is proposed that these literature themes interact in the following manner (Figure 9):

**Figure 9: Interaction of Contributing factors in SME Exporting Behaviour**



*(source: the author)*

Culture impacts on this model on a variety of levels, both internally and externally; for example the cultural background of the owner/manager impinges on the propensity to take risks (Hofstede 1980), and hence affects the decision to export. Culture also affects export market choice behaviour in that the psychic distance

phenomenon (Johanson and Vahlne 1977) can drive the owner/manager to choose culturally close markets before progressing to more psychologically distant destinations. Since this research involves the investigation of smaller craft firms from several Celtic countries, it is expected that the Celtic cultural factor will impinge on export market choice, the export product and exporting behaviour.

### **3.2. The Effect of Firm Size on Exporting Behaviour**

Results of studies on the effect of firm size on the propensity to export and subsequent behaviour can be conflicting. However, it is generally agreed that there is some link between firm size and the ability to carry out exporting and other internationalisation strategies. This is particularly relevant when considering the export behaviour of the micro enterprise, with more limited resources than most firms. Examining SME exporters from Florida, Mahone (1994) found that there was a link between firm size, the ability to penetrate markets and the probability of success. The author indicated that it is preferable for the smaller firm to target those markets which are close both in terms of geography and culture.

Czinkota and Johnston (1985) endeavour to relate segmentation of firms by size with targeting programmes of export assistance. However, they admit that segmentation by degree of internationalisation has been found to be more effective. Determining effective categories of size can be problematic: Czinkota and Johnston note that *depending on the concentration ratio within a particular industry, size is determined at various cut-off levels* (p158).

Investigating the effect of firm size on export orientation of Canadian manufacturers, Abdel-Malek (1978) found substantial similarity between both small and large firms in terms of managerial export orientation and actual export involvement. The author acknowledges that previous research and resultant development of frameworks suggest that it is the lack of available resources and relevant skills which tend to impede the export development of the smaller firm. However, this was found not to be the case in this instance. Increased domestic competition and the impact of technology have stimulated the smaller firm into international markets. Cannon and Willis (1981) investigate the propensity for the small British firm to export, using a cross-sectional study of a range of industries. They note the comments made by the Bolton Committee (Bolton 1972):

The belief that small size is an insuperable disadvantage overseas has no doubt inhibited many small firms from entering the export market (Cannon and Willis, p45).

Culpan (1989) researched the effect of firm size on the export behaviour of Pennsylvanian SME manufacturers. He found that although there was no significant difference between small and medium sized firms in terms of export products and the target markets served, there did appear to be variations in export performance and needs of the business. Also, the smaller firm can benefit from offering niche market products while the larger firm benefits from economies of scale. The former also tends to be influenced more by psychological distance (Johanson and Vahlne 1977). The size of the firm may also affect the type of export assistance needed, although some studies have been inconclusive, finding little variation in needs such as market research (Yaprak 1985).

Katsikeas and Morgan (1994) remark that, although findings vary on the effect of firm size on export performance, it is generally agreed that the larger firm views exporting problems to be less difficult to resolve than the smaller firm. Reid (1985) criticises the lack of meaningful research on firm size effect, concluding that the allocation of public funds to export promotion programmes on the basis of firm size may not be the best approach to stimulating export development; the use of export sales volume as a measure of size may be more appropriate. Bonaccorsi (1992) notes that there is a majority view that firm size has a positive effect on export intensity; the author's study of Italian manufacturers contradicts these beliefs. The most common investigation of firm size effect on export behaviour involves the connection between exporter or non-exporter and export intensity (export/total sales ratio) against firm size measures such as number of employees, total company sales and company assets. Bonaccorsi summarises the findings from several key studies (Table 43):

**Table 43. Summary of Findings on the Relationship between Firm Size and Export Behaviour.**

Study	Major findings on the relationship between firm size and export behaviour
Bilkey (1978)	Empirical findings on the relationship between firm size and export intensity are mixed
Reid (1982)	Firm size is related to the exporter/non-exporter variable No generalisation is possible on the relationship between firm size and export intensity
Gemunden (1991)	Firm size is related to the exporter/non-exporter variable No generalisation is possible on the relationship between firm size and export intensity
Miesenbock (1988)	There is a positive relationship between firm size and export propensity, including exporter/nonexporter and export intensity
Aaby and Slater (1989)	There is little agreement regarding the impact that organisation size has on export propensity

*(adapted from Bonaccorsi 1992, p607)*

Bonaccorsi examines the belief that there is a positive relationship between firm size and export intensity. Supporting evidence includes the effect of limited resources, economies of scale in manufacturing, export marketing, and the perception of risk. However, research has identified a number of arguments against the relationship; export strategy impacts upon the relationship, regardless of firm size. Access to external resources can diminish the need for internalisation of effort. Given the impact of technology and the growth of niche marketing, economies of scale tend to be less important than before.

### **3.3 Motivation for Exporting.**

Examining the motivations of the owner/manager of the smaller firm should help explain the varying internationalisation behaviour found among and within countries. An early study by Simmonds and Smith (1968) highlighted the problems found in the smaller exporting firm. They comment that a survey carried out in 1961 by the Institute of Directors on firms employing less than three hundred people found that exporting was not in the forefront of managerial decision making at that time; rather it was day to day operations which concerned the manager:

...in the whole of their operations, there are signs of a lack of drive, interest or imagination, and their knowledge of economic issues or the possible use of marketing and research facilities is remarkably limited (Simmonds and Smith, p93).

Simmonds and Smith concentrate on examining exporting as an innovation , with the innovator being motivated by the possible rewards resulting from adopting exporting as a strategy. They also link innovation with the concept of enterprise and favourable attitudes towards taking reasonable risks. This view is supported by Roux (1987) and Brockhaus (1980) who note that the manager of a small business can often be described as entrepreneurial, having to deal with risk and uncertainty.

Lesser and Bol (1990) note that there is a lack of research in the US concerning the analysis of conceptual foundations of the motivation to export. Given that many models of internationalisation behaviour emanate from America, this should be noted with interest when endeavouring to explain firm behaviour in international markets. The authors use attribution theory (Heider 1958, Kelly 1972) in order to conceptualise export marketing behaviour together with the motivation of the decision maker. Lesser and Bol endeavour to measure motivation to export in US

firms, using the following set of criteria: 1. Personally caused versus environmentally caused events - (reaction to causal influences within his/her control should be different to those outwith control of the decision maker); 2. Internal ability (e.g. keeping costs low) versus external ability (e.g. ability to acquire funding); 3. Personal causality and internal ability as conceptual categories of motivation to export (the authors believe that the individual perceives his/herself as an agent of change).

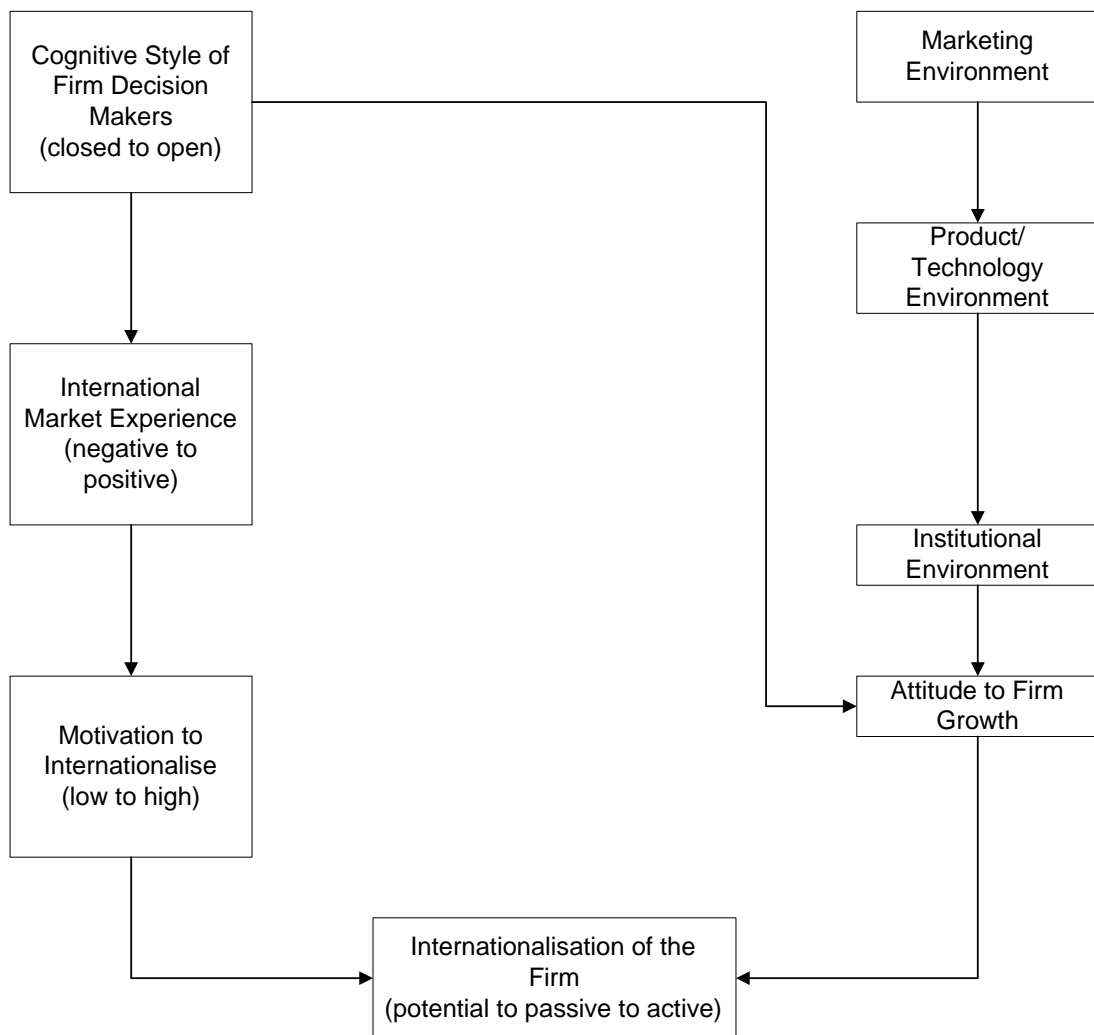
Olson and Wiedersheim-Paul (1978) view the cognitive style of the decision maker as the cognitive aspects of an individual which affect his/her assessment of the environment. Bradley (1984) investigates the link between the degree of motivation as a barrier to exporting, cognitive style and the growth of the firm. Motivation, along with experience, growth, firm type and exporting behaviour are the most common variables investigated in relation to export development. However, he also notes that:

Usually these relationships are treated as independent of one another and subsumed under the rubric of motivation whereas there is good reason to believe that more complex interactions are involved (p237).

Bradley attempts to examine the effect of cognitive style (Reid 1981) as a substitute measure for 'international orientation'. He believes that cognitive style should precede the consideration of motivational issues in regard to internationalisation of the firm. The author combines the effect of the external environment with the subjective elements of cognitive style and motivation (Figure 10):



**Figure 10. Model of determinants of internationalisation of the firm:**



*(Bradley 1984, p249)*

The basis of the model is that cognitive style affects experience which in turn influences the motivation to internationalise. Empirical testing of the model showed that there was a relationship between motivation and experience, but this was only found to be true once the passive exporting stage has been reached.

In order to construct and implement meaningful export marketing plans and national export promotion programmes, the structure of the firm's motivation to export

should be understood Katsikeas (1996). The majority of studies relating to export motivation are based on data collected from the USA and that:

if it is accepted that considerable structural differences exist between various countries, it may then be suggested that generalisations from such evidence to exporting frameworks in other countries can be misleading and further threaten augmentation of export marketing knowledge (p4).

Once more, a number of theoretical and practical inadequacies have been identified in existing internationalisation research. In order to explain export motivation, Katsikeas draws on both internal and external stimuli. However, although he discusses the importance of experience, he makes no mention of the impact of cognitive style on the process.

### **3.4 Export Barriers.**

In a study of non-exporters' perception of export barriers, Leonidou (1995a) found a range of work relating to attitudinal, structural, procedural and operational factors that act to inhibit firms from export development (Bauerschmidt et al 1985, Kedia and Chhokar 1986). However, these barriers alone are not enough to act as preventative measures to stop the firm entering or progressing through the various stages of internationalisation. Other factors found at the levels of decision making (Barrett and Wilkinson 1986, Gripsurd 1990), organisation (Cavusgil 1982, Moon and Lee 1990) and environment (Garnier 1982) act as latent barriers to exporting.

Leonidou's work focuses on the initial pre-export phase:

...any inability to cope with impediments at the early stages can cause a passive attitude towards foreign operations. This may not only prevent the firm from initiating exporting but can also result in the firm's failure in subsequent export activities, often leading to its permanent withdrawal from exporting. Therefore the removal or minimisation of these obstacles during

the initial export stages is essential for future success in international business endeavours (p5).

Although some studies focus on the perception of barriers by the non-exporting firm (usually on a comparative basis with the exporter), the majority of work concerns those firms involved in exporting alone. Leonidou (1995b) reviewed empirical studies relating to export barriers (also known as obstacles, impediments, hindrances, disincentives or problems), noting that research has not advanced from the identification and conceptualisation stages, with many methodological flaws. The author defines barriers to exporting as *all those attitudinal, structural, operational and other constraints that hinder the firm's ability to initiate, develop or sustain international operations* (p31). Those managers who are risk averse, domestic market oriented and display a lack of competence are much more likely to perceive problems in exporting than those decision makers who are more proactive and open to a certain level of risk taking (Bilkey and Tesar 1977). Firms at the same stage of internationalisation will not necessarily exhibit the same attitudes towards barriers; this is dependent both on individual firm and managerial characteristics. Leonidou remarks that barriers to export vary with firm size, degree of involvement in exporting, export experience and the capability to search for and utilise relevant export information. Ghauri and Kumar (1989) found that the smaller firm place a higher degree of significance on barriers than does the larger firm, while Sharkey et al (1989) noted that the passive exporter has a different perception to export obstacles when compared to the aggressive exporter.

Madsen (1989) concludes that inexperienced firms view export impediments as more difficult to overcome than other more experienced firms, due to lack of

familiarity with the actual mechanics and peculiarities of exporting. Barriers can be both internal (for example, insufficient production capacity to fulfil export orders) and external (for example, unfavourable currency exchange rates) to the firm. Depending on the orientation of the firm, from the completely uninterested in exporting firm to the proactive exporter, perception of barriers will vary with regard to their type and degree of severity (Dichtl et al 1990). Barriers emanate from either the domestic environment (for example, poor government assistance) or from the overseas market (for example, via the impact of increased competition).

Leonidou (1995b) notes that the first empirical work on exporting barriers appeared in the mid 1960s, but the majority of research in this area is found in the 1980s, mainly due to *an increasing desire on the part of both academics and practitioners to understand the difficulties encountered by firms in overseas activities, especially in view of the accelerating internationalisation of world economies (p33)*. An early empirical study was carried out by Alexandrides (1971): he found that the main difficulties experienced when endeavouring to initiate exports were increased competition in the overseas market when compared to the domestic market, a lack of knowledge of exporting, poor comprehension of the correct export payment procedures and problems with identifying target foreign markets. Another difficulty in assessing the contribution of export barrier studies is that researchers tend to adopt a variety of terminologies, meanings and connotations, resulting in linguistic confusion and conceptual misunderstanding. In his review, Leonidou (1995b) investigated the frequency of occurrence of various types of export barrier over time: some factors such as lack of relevant information was found not to vary over time, but barriers such as increased competition tend to be more prevalent in the

present day than in the past, due to the effect of globalisation (Douglas and Craig 1992).

Dynamic and evolutionary export barriers were found by Tesar and Tarleton (1982). Their results indicated that pre-exporting firms focused on the identification of opportunities whilst, once exporting is undertaken, the firm switches to endeavouring to acquire sufficient representation in overseas markets. In a cross-cultural study of small Nova Scotia and Texas manufacturers, Kaynak and Kothari (1983) found significant differences in non-exporters' perceptions of barriers (the former rated fierce foreign market competition highest, while the latter placed highest the number of opportunities in the domestic market as an inhibitor to exporting). In their study of Australian manufacturers, Barrett and Wilkinson (1985) found that the most prevalent difficulties were in the inability to match the prices of overseas suppliers, as well as the cost of freightage in transporting the products to the foreign market. The authors identified four types of non-exporter following a profile analysis: indifferent, incompetent, domestic market-oriented and small business.

Yaprak (1985) found that lack of relevant information about exporting was a main problem for the non-exporter, while those currently involved in exporting cited difficulties with bureaucracy, slow payment by foreign buyers and operational problems. These findings are also supported by Hook and Czinkota (1988), who also found differences in perception of barriers by size of firm. In another comparative study involving exporters and non-exporters, Kedia and Chhoker (1986) concluded that, although barriers to exporting should be considered as

important, they should not necessarily be perceived as a major difficulty. Other supportive studies include Tseng and Yu (1991 in their analysis of Taiwanese exports, Barker and Kaynak (1992), Dichtl et al (1990) and Sharkey et al (1989). Leonidou (1995b) summaries the various specific problems perceived by Cypriot non-exporters (Table 44):

**Table 44. Non-Exporters' Perceptions of Export Barriers.**

<u>Export Barrier</u>
Different foreign consumer habits/attitudes
Different product standards/specifications abroad
Difficult to understand business practices
Difficult/slow collection of payments abroad
Difficult handling of document/procedures
Difficult to locate/obtain adequate representation
Existence of language/communication problems
High risks/costs involved in selling abroad
Imposition of high tariff/non-tariff barriers
Inability to offer competitive prices abroad
Inability to offer technical/after sales service
Inadequate/untrained export staff
Insufficient production capacity
Keen competition in foreign markets
Lack of/inadequate foreign distribution channels
Lack of governmental assistance/incentives
Lack of managerial personnel/time
Shortage of working capital to finance export
Limited information to locate/analyse foreign market
Problematic transport/high shipping costs
Restrictions imposed by foreign rules/regulations
Unfavourable exchange rate/unconverted currency

*(adapted from Leonidou 1995b, p10)*

Leonidou classified perceived export barriers into groups internal and external to the firm, and also with respect to the home and foreign market (Table 45):

**Table 45. Classification of export barriers as perceived by non-exporters.**

Locus area	Internal <sup>a</sup>	External <sup>b</sup>
Home <sup>c</sup>	Inadequate/untrained export staff Insufficient production capacity Lack of managerial personnel/time Shortage of working capital to finance exports Limited information to locate/analyse foreign markets	Difficult handling of documentation/procedures
Foreign <sup>d</sup>	Different product standards/specifications abroad Difficult/slow collection of payments from abroad Difficult to locate/obtain adequate representation High risks/costs involved in selling abroad Inability to offer competitive prices abroad Inability to offer technical/after-sales service Lack of/inadequate foreign distribution channels Problematic transport/high shipping cost	Different foreign consumer habits/attitudes Difficult to understand foreign business practices Existence of language/communication problems Imposition of high tariff/non-tariff barriers Keen competition in foreign markets Unfavourable/fluctuating foreign exchange rate Restrictions imposed by foreign rules/regulations

<sup>a</sup> Barriers arising from within the organisation, usually associated with organisational resources or export marketing strategy

<sup>b</sup> Problems found in external environment where the firm operates (either domestically or in foreign markets)

<sup>c</sup> Barriers identified in home country where manufacturing facilities of firm are located

<sup>d</sup> Impediments found in foreign markets where firm intends to operate in future

*(adapted from Leonidou 1995b, p19)*

Rabino (1980) investigates the barriers to exporting experienced by small Massachusetts manufacturers, and finds that government assistance given to overcome the barriers tends to be of more benefit to the large multinational firm which would have exported of its own accord, rather than the intended target of the smaller firm. He found that the main problems encountered with export operations included the selection of a reliable distributor, honouring letters of credit, communicating with foreign customers, as well as the increased paperwork

involved. When key informants were asked why other firms with similar characteristics were not exporting, reasons given included the lack of exposure to other cultures, the impact of the large domestic market, lack of time, managerial aspects of export operations and the various differences in safety and quality standards. Rabino makes a number of policy recommendations in order to overcome these difficulties: elimination and simplification of as many documents as possible, the provision of relevant information regarding market availability for specific products and industries, and the development of an in-depth list of distributors, together with arrangements for meetings between exporters and potential distributors.

Bauerschmidt et al (1985) identified five factors relating to export barriers in the U.S. paper industry: national export policy, comparative marketing distance, lack of export commitment, exogenous economic constraints and competitive rivalry. The authors identify two varieties of studies relating to export barriers: those works concerned with the conceptualisation of the relationship between export and barriers, usually as a result of a literature review (Bilkey 1978, Glover 1983), and the modelling of the situation using organisational and environmental factors as a result of analysing actual export behaviour of firms involved in exporting decisions (Goodnow and Hanz 1972, Weinrauch and Rao 1974, Rabino 1980). Although Kaynak and Kathari (1984) identify a number of what they describe as crucial factors, such as national export policies and currency fluctuations, they do not support their evidence with statistical analysis (Bauerschmidt et al 1985).



Katsikeas (1994) notes that there is a relatively limited amount of empirical research focusing on problems and issues pertaining to exporting from countries not associated with an advanced level of economic development (Bodur 1986, Christensen et al 1987, Kaynak and Erol 1989). The author believes that those firms with a relatively low involvement of exporting perceive more problems than those businesses with a higher involvement. In his study of market and customer barriers affecting Swedish SMEs and their subsidiaries, Mattsson (1986) concluded that key success factors in overcoming problems include a strong customer orientation and commitment from top management to international markets.

### **3.5 Characteristics of the Export Decision Maker and the Decision to Export.**

Eshghi (1992) notes that there is no formal definition of 'managerial attitude towards exporting'. It tends to cover preconceptions, expectations, beliefs and attitudes of the decision maker towards foreign markets (Reid 1981). The theoretical derivation of the attitude concept is found in the psychology literature, in key studies such as Fishbein (1963). Eshghi draws on the work of Zanna (1990):

...attitudes are viewed as evaluations based on three components of beliefs about the attitude object, affective feelings, and behavioural intentions which, in turn, influence three modes of response, including cognitive, affective, and behavioural responses (Eshghi, p48).

Applying this to export decision making and behaviour, those firms involved in exporting also tend to have managers who are favourably disposed towards the practice, while those firms not following an exporting strategy have managers with negative feelings and attitudes towards it. However, there are also exporting firms with managers exhibiting negative feelings towards the practice and non-exporting

firms with managers who have a favourable disposition towards it, although they lack the knowledge and experience to carry it out (Czinkota 1982). Eshghi categorised exporters and non-exporters by attitude towards exporting in order to investigate the attitude-behaviour relationship (Figure 11):

**Figure 11. Attitude-Behaviour Relationship in Exporting.**

		Attitudes towards exporting	
		Favourable	Less favourable
Exporting behaviour	Exporters	Active exporters	Passive exporters
	Non-exporters	Potential exporters	Non-exporters

*(Eshghi 1992, p57)*

Motivation and cognitive style both appear to play a part in export decision making, but other factors also impinge on the process. Reid (1981) incorporated decision maker variables into a framework of innovative export behaviour (Table 46), where factors such as previous foreign travel and export experience can influence export awareness (Kothari 1979, Lee and Brasch 1978) and the identification of opportunity (Pavord and Bogart 1975, Rao 1977).

**Table 46. Export behaviour as an adoption of innovation process.**

	<i>Stage 1 Export Awareness</i>	<i>Stage 2 Export Intention</i>	<i>Stage 3 Export Trial</i>	<i>Stage 4 Export Evaluation</i>	<i>Stage 5 Export Acceptance</i>
<i>Export Adoption Stages</i>	problem or opportunity recognition, arousal of need	motivation, attitude, beliefs and expectancy about export contribution	personal experience from limited exporting	results from engaging in exporting	adoption of exporting/rejection of exporting
<i>Decision Maker - variables involved</i>	past experience export related or not; type, level and amount of foreign information exposed to, and associated individual characteristics, unsolicited orders	expectations from entry into foreign market, foreign market orientation, export orientation, and underlying attitudes towards foreign involvement	sought foreign orders through search of foreign markets	profitability, sales stability	export expansion activity shown by continued export growth
<i>Firm - variables involved</i>	past firm performance, reputation and visibility	managerial goals and existing firm resources	unsolicited foreign orders, existence of available managerial and financial resources	results from engaging in export behaviour	

*(Reid 1981, p103)*

Reid believes that motivational factors then follow this stage and that the attitudes and beliefs of the decision maker signal the intention to export. These attitudes may relate to opinions about the suitability of specific countries and the commitment of the necessary resources in carrying out the exporting process (Cunningham and Spiegel 1971). The decision maker then embarks on exporting on a trial basis, leading to its evaluation. Ultimately, exporting is either accepted as an appropriate internationalisation strategy or rejected - the firm may then return to exporting at a later stage.

In order to understand why one firm begins exporting once it has received an unsolicited order, while another firm does not, Reid (1980) suggests that differences can be explained by:

..the existence of decision-maker characteristics at the level of the firm which can mediate the impact of the environmental and firm contextual characteristics in export decision making (p104).

Cavusgil and Naor (1987) review the literature relating to firm and managerial characteristics of export marketing activity, identifying factors relating to behaviour and motivation of the export decision maker: the type and extent of education, the age of the decision maker, foreign language proficiency, tolerance for risk, growth and profit aspirations and international orientation (Bilkey and Tesar 1977, Fenwick and Amine 1979, Welch and Wiedersheim-Paul 1980). Reid (1981) believes that educational background and skills in other languages are antecedents of attitudes towards export marketing. Simpson and Kujawa (1974) believed that although factors such as the receipt of an unsolicited order do influence the decision to export, they are not enough on their own to stimulate exporting behaviour. In their study of both exporters and non-exporters, the authors find that there are significant differences between the two groups in terms of perceptions of risk, cost and achievable profits.

Although some early research on exporting and decision-maker characteristics indicate a relationship between the propensity to export and an overrepresentation of individuals who have gained experience by either living or being born overseas (Simmonds and Smith 1968), this behaviour may be better explained by examining

*the sociological property of entrepreneurship in general rather than of exporting behaviour* (Reid and Mayer 1980, p105).

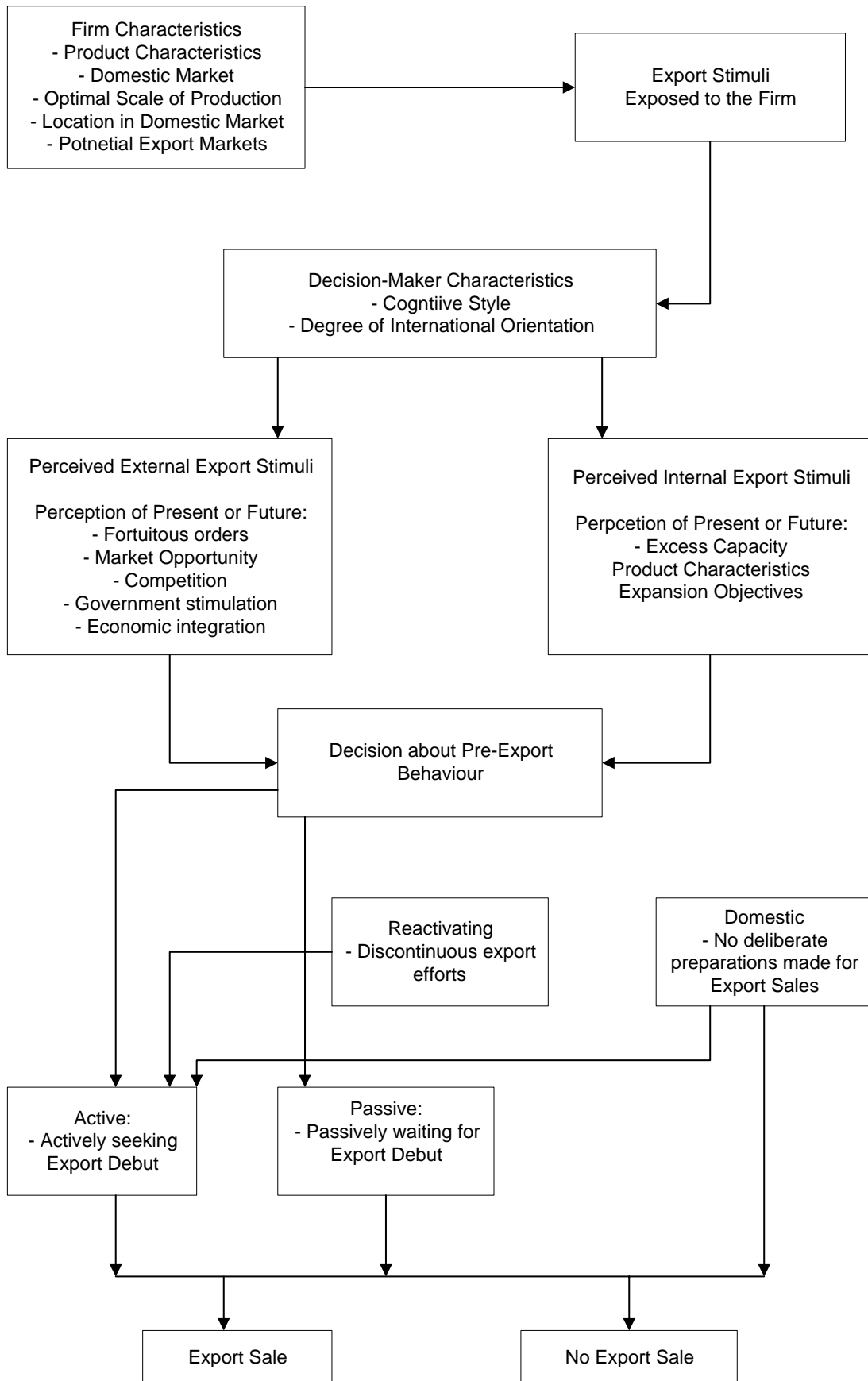
Dichtl et al (1984) identify two particular areas of research relating to export decision making of SMEs: 1. the overall decision to go international and 2. the decision to follow a specific internationalisation strategy. Dichtl et al (1983) have identified several themes from what they call the scientific literature relating to export decision making: the building of check/motive lists; profiling the exporting firm; and building complex decision making models. Cavusgil et al (1979) define profiles as:

sets of objectively identifiable characteristics associated with specified types of behaviour...They need not conform to any theory regarding the behaviour in question...Profiles focus on available objective correlates of that behaviour, which may have only an indirect relation (via intercorrelations) with theoretically meaningful variables (p91).

Firm profiles can play a part in understanding the export decision making process but the variables under investigation may not necessarily relate directly to the process. Profiles can also prove useful in endeavouring to discriminate between exporting and non-exporting firms (Cavusgil and Naor 1987). Dichtl et al (1983) criticise the work of Simpson and Kujawa (1974), Tesar (1975) and Cavusgil and Nevin (1981) regarding the construction of firm profiles - they remark that meaningful comparisons between profiles are difficult to achieve and that the entire process lacks theoretical validity.

Dichtl et al (1984) remark that the ideal export decision model would be complex (incorporating a large set of variables) and explicative (as well as being

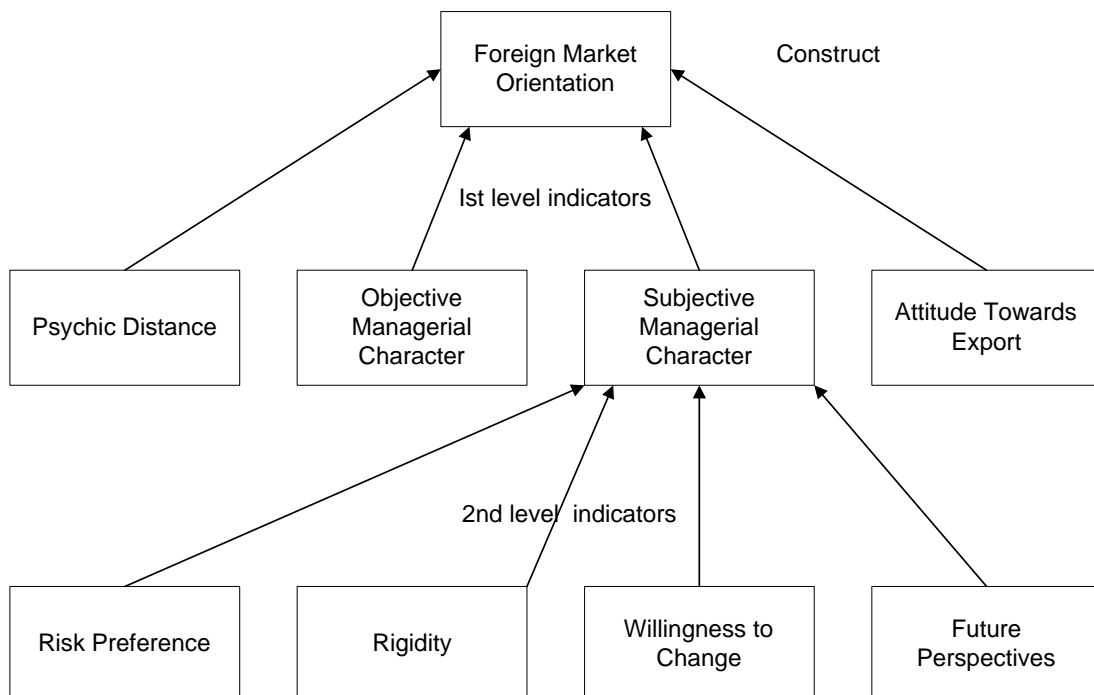
descriptive). It would also be dynamic and examine decision making at the micro-economic level. Olsen et al (1978) develop a model of the propensity to export, incorporating decision-maker and firm-level characteristics, together with both internal and external stimuli (Figure 12). Several types of latent stimuli found in both the internal and external environments of the firm are exposed to the decision maker. The probability of exposure is dependent on a number of firm characteristics and subsequent perception is also related to the individual decision maker's characteristics:



**Figure 12. Factors Affecting the Pre-Export Behaviour of the firm.**  
*(Olson and Wiedersheim-Paul 1978, p285).*

Welch and Wiedersheim-Paul (1977) produce a variation of the above model in their working paper on extra-regional development. Dichtl et al (1984) have also constructed a measure of foreign market orientation, comprising both subjective and objective managerial characteristics. Roux (1987) comments that Dichtl assesses risk taking propensity as a general measure across five decision making areas (market research, distribution, pricing, product development and advertising and personnel decisions). However, Roux believes that individual risk-taking behaviour is highly situation specific (Slovic 1962, 1972) and should be measured for each particular export situation. Dichtl et al (1983) operationalised a model of foreign market orientation in a study of German and Japanese firms (Figure 13); it was also found to be valid in a study of foreign orientation of Austrian managers (Holzmuller and Kasper 1990):

**Figure 13. Factorial Structure of Foreign Market Orientation.**

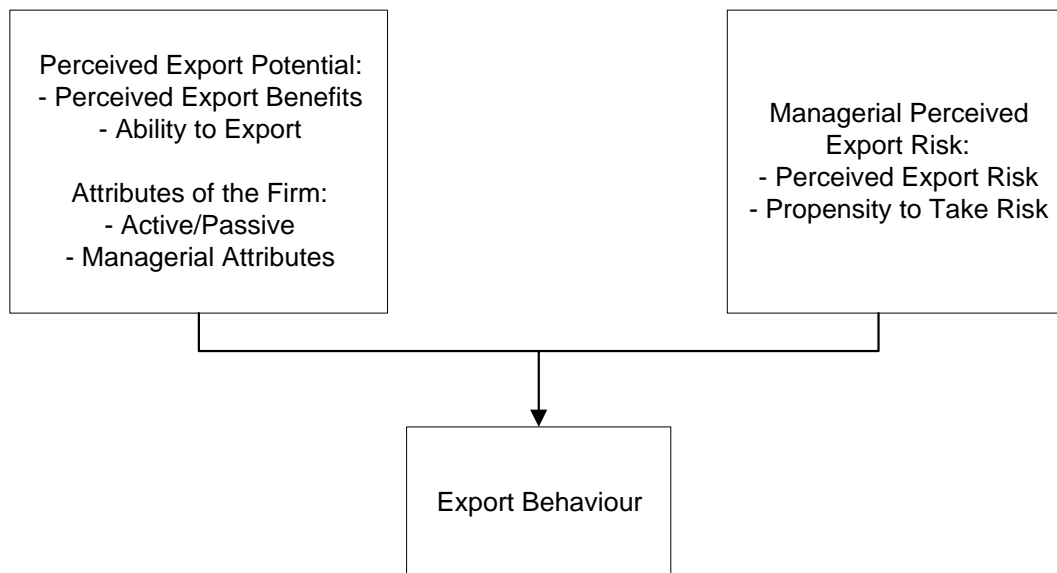


*(Dichtl et al 1983, p9)*



The model can be understood by examining the decision maker's attitude towards export: those managers with a more negative attitude towards exporting are less likely to have a positive foreign market orientation than those who consider exporting as a favourable strategy. A conceptual model of export behaviour incorporating the risk factor was developed by Jaffe et al (1988) in their study of Israeli SME manufacturers (Figure 14):

**Figure 14. A Conceptual Model of Export Behaviour.**

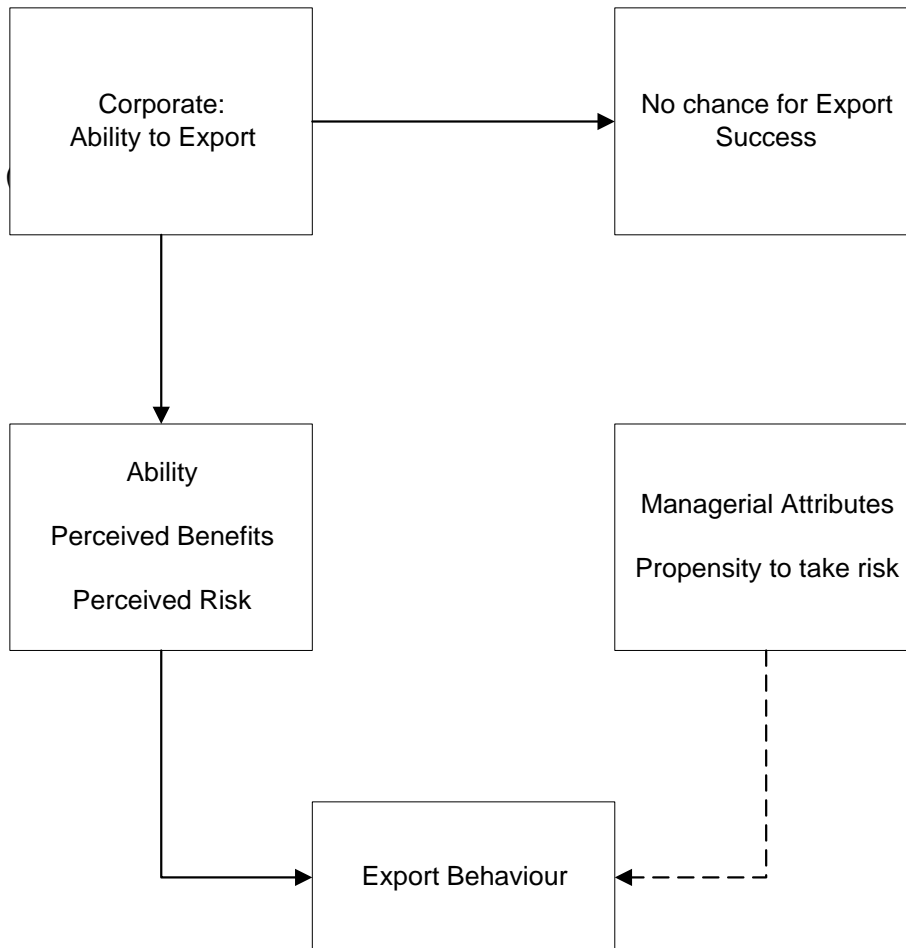


*(Jaffe et al 1988, p33)*

There is a dearth of studies examining the degree to which both exporters and non-exporters perceive exporting risk when contrasted with carrying out business in the domestic market (Tesar and Tarelton 1982). On testing the model empirically, Jaffe et al found that the majority of inter-relationships were supported, apart from demographic characteristics and the risk taking propensity of the individual. The

authors restructured the model to emphasise the difference between corporate and managerial abilities and perceptions (Figure 15):

**Figure 15. A Revised Model of Export Behaviour:**



*(Jaffe et al 1988,p45)*

It is generally agreed that it is the individual decision maker within the firm who makes the choice to enter export markets (Miesenbock 1988) - this is of particular relevance when discussing small and medium sized enterprises (Lee and Brasch 1978). From these investigations, which are essentially behavioural in nature, the foreign market orientation of the decision maker is deemed to be an influential

factor. Holzmuller and Kasper (1990) note, however, that this orientation is difficult to measure directly - researchers tend to use proxy indicators in its assessment.

Cavusgil and Godiwalla (1982) discuss the concept of entrepreneurial decision making during the various stages of the internationalisation process. Factors considered include the development and exploitation of new opportunities and ventures by the decision maker. The authors believe that subjective decision making factors tend to dominate international marketing decisions in general, not just when considering the exporting process (Aharoni 1966, Torneden 1975):

... international decision-making (is characterised) by the absence of deliberate, logical steps; constrained by decision-makers' personalities and subjective expectations...lack of information; perception of risk and presence of uncertainty.....Fully rational decision-making in the wake of all relevant information is not the typical mode of international decision-making process (p48).

It would therefore appear that these characteristics are not just prevalent in the smaller exporting firm, but can also be found in much larger organisations. Cavusgil and Godiwalla have identified decision maker characteristics found at the various stages of the internationalisation process (Figure 16):

**Figure 16. Characterisation of the Stages in the Internationalisation Process:**

	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5	Stage 6
Stages in the Internationalisation Process	No involvement abroad	Pre-involvement	Reactive involvement to unsolicited opportunities	Limited experimental involvement	Active involvement	Full-fledged and perpetual involvement
Venture Awareness/ Interest	None	Low	Sporadic	Moderate	High	Intense
Nature of Search Process	No search		Limited, selected search		Intensive venture search; greater resource commitment to search. Formal, structured planning and decision-making	
Dominant Decision-Making Mode	Absence of international decision-making		Disjointed, incremental			
Typical Decision-Making Skills Utilised	None	Passive	Reactive	Intuitive	Proactive and entrepreneurial	Highly systematic and informed decision making

*(Cavusgil and Godiwalla 1982, p51)*

The decision-making skills identified at each internationalisation stage are comparable to those developed by Carson (1990) when modelling marketing performance of the smaller firm. Bilkey (1985) cites bounded rationality theory (Simon 1947) as an explanation why managers have imperfect knowledge with regard to decision making in general. The theory implies that:

sub-optimal export marketing practices are used because management tend to be ignorant about the comparative profitabilities of alternative practices (p39).

It is predicted that this research will uncover a number of these sub-optimal practices within the craft sector, at least from the viewpoint of the proactive marketer working in many other industries. However, certain owner/manager characteristics found within the craft sector in particular will impact upon export

behaviour, leading to an apparent sub-optimal export performance. Therefore, the next discussion section focuses on entrepreneurial exporting, since it is the entrepreneurial firm identified from the analysis with the best chance of long term exporting success.

### **3.6 The Entrepreneurial Firm - comparison of characteristics with other firm types.**

Tracing the development of internationalisation theory and its focus on size and type of firm, it is interesting to note that the majority of the early literature concerning internationalisation centred on the larger manufacturing firm (Pohlman et al. 1976, Richman 1976, Young and Hood 1976, Ayal and Zif 1979). More recent research has revolved around the small and medium sized company (Thurik 1992, Beamish et al 1993, Baird et al 1994, Ogbuetri and Longfellow 1994). However, little empirical research concentrates on the entrepreneurial firm and its' endeavours to internationalise (Erramilli and D'Souza 1993, Yeoh 1994, Zacharakis 1997). Before examining how the entrepreneurial exporter can be distinguished from other exporters, definitions of entrepreneurship, an analysis of entrepreneurial characteristics and a comparison with other firm types are presented.

#### **3.6.1 Definition of Entrepreneurship:**

Directed research into entrepreneurship and internationalisation is scarce. There is a lack of a commonly agreed definition of the entrepreneur and, as a result, any research which is carried out will therefore be based on conflicting viewpoints and subsequent analysis of results will lack any consistency. However Bull and Willard

(1993) note that, due to the amount of data available concerning entrepreneurship, some generalisations and theory development may be possible. They identify five research themes from the entrepreneurial literature: 1. definition of the entrepreneur; 2. the trait approach - study of psychological traits of people identified as entrepreneurs; 3. study of success strategies; 4. study of formation of new ventures; 5. study of environmental factors on entrepreneurial actions. Given that this research focuses on the internationalisation process of the smaller craft firm and that it is anticipated that owner/manager characteristics impinge greatly upon export behaviour of the firm, entrepreneurial traits, success strategies and the impact of environmental factors are of particular interest.

Cunningham and Lischeron (1991) classify six schools of entrepreneurial thought, each with its own research following (Table 47). The majority of these schools should provide some insight into smaller craft firm exporting behaviour. However, due to the small size of the firm, the leadership and Intrapreneurship schools may be of limited benefits in assisting understanding.

**Table 47. Characteristics of Entrepreneurial Schools:**

ENTREPRENEURIAL SCHOOL	CHARACTERISTICS
1. 'Great Person' school - Garfield (1986), Hughes (1986), Silver (1985)	intuitive, feel for the problem, decisive, inspirational
2. Psychological Characteristics school - Lachman (1980), Mill (1984), Begley and Boyd (1987)	needs, drives, attitudes, beliefs and values as set of behaviour determinants
3. Classical school - Schumpeter (1984), Peterson (1985)	innovative, creative and discovery-oriented
4. Management school - Vesper (1985), Good (1989)	entrepreneurship as a taught discipline
5. Leadership school - Kao (1989), Bennis and Nanus (1985)	effective in appealing to others, setting goals and creating opportunities
6. Intrapreneurship school - Burgelman (1983), Nielsen et al (1985)	innovation through people working as entrepreneurs in semi-autonomous units

*(Cunningham and Lischeron 1991, p47)*

Deakins (1996) examines the contribution of classical economic theory in explaining the entrepreneurial phenomenon, or rather, lack of contribution:

If we examine conventional economic theory, the term 'entrepreneur' is noticeable only by its absence. In mainstream or neo-classical economic theory, the entrepreneur can be viewed as someone who co-ordinates different factors of production....The entrepreneur becomes merged with the capitalist employer, the owner-manager who has the wealth to enable production to take place, but otherwise does not contain any special attributes (p8).

This certainly fits with the characteristics of the craft industry in Renaissance Italy, where the entrepreneurs were the rich merchants who either commissioned the work or were involved in its trade (Welch 1997). Deakins discusses the contribution of the French school of thought – the 'physiocrats' such as Cantillon and Say - towards understanding entrepreneurial behaviour. It is interesting to note that they tended to use the dominating physical nature of the land in explaining economic and

entrepreneurial behaviour. This can be linked to the basic, rural nature of traditional, vernacular craft production which takes place even today.

The study of entrepreneurship exists on several levels: investigation of the individual, usually adopting psychological trait theory and motivational approaches to understanding (Gartner 1988), and at the firm level (Covin and Slevin 1991). Miner (1990) investigates the contribution of role motivation by examining typologies at hierarchical, professional, task and group level when comparing entrepreneurial and managerial approaches to business. Motivation at task level was found to be much higher in entrepreneurial managers than in the other areas. Yeoh (1994) remarks that in many cases the difference between individual and firm level is insignificant, due to the size of the business. The Schumpeterian definition of an entrepreneur (Schumpeter 1944) concentrates on the concepts of creativity, innovation, controlling and risk taking behaviour:

...the function of entrepreneurs is to reform or revolutionise the pattern of production by exploiting an invention or, more generally, an untried technological possibility for producing a new commodity or producing an old one in a new way, by opening up a new source of supply of materials or a new outlet for products....(Schumpeter 1944, p132)

Schumpeter also notes that the entrepreneurial characteristic is only found in a small proportion of the population. The author also remarked that entrepreneurship will dissipate, given that what once were innovations will become the norm. Other components of entrepreneurial practice include the impact of personal force on the firm and the personal responsibility for success. More recently Stevenson and Gumpert (1985) identify flexibility of the entrepreneurial firm as a success factor.



Innovation, risk-taking and proactiveness are concepts found both in strategic management and entrepreneurial literature (Miller 1983). The author believes that:

In general, theorists would not call a firm entrepreneurial if it changed its technology or product lines simply by directly imitating competitors while refusing to take any risks. Some proactiveness would be essential as well. By the same token, risk-taking firms that are highly leveraged financially are not necessarily entrepreneurial. They must also engage in product-market or technological innovation. (p780).

The entrepreneurial/conservative typology has been used to describe the difference in not just firm performance in relation to varying degrees of innovation, risk taking and the passive/reactive dichotomy, but in other related areas of the organisation and environment (Miller and Friesen 1983, Covin 1991).

The following section discusses the use of networking by the entrepreneurial firm, firstly in a general sense and then more specifically in relation to export opportunity and behaviour.

### **3.6.2 Networking, Opportunity and the Entrepreneurial Exporting Firm.**

Networking and the investigation of relationships is receiving increasing attention in research at the marketing and entrepreneurship interface (Stokes and Healy 1998, Shaw 1998). It is anticipated that, due to the specific nature of the smaller craft firm, networking will be used widely as an aid to internationalisation. Butler and Hansen (1991) discuss the concept of entrepreneurs operating within both social and organisational networks in order to become successful rather than working on an individual basis. The concept of entrepreneurship developing through social networks is also supported by Aldrich and Zimmer (1986). They identify three basic elements of the social network: communication content, or the passing of

information from one person to another; exchange content, or the goods and services two persons can exchange; and normative content, or the expectations persons have of one another because of some special characteristic or attribute (p11).

Before networking can be utilised, the entrepreneur tends to hold some sort of advantage over other managers by being able to identify and then begin to exploit an *opportunity*. In order to promote the identification of entrepreneurial opportunity, Hulbert and Brown (1999) recommend that this phenomenon should be encouraged via government initiatives, rather than through the support of the more traditional methods of assistance of business support. Zinger et al (1996) investigate the usefulness of the small business support network in Canada in terms of the degree of fit between government initiatives and the particular needs of the small business. Results showed that although the advice given by the various panels of exporters was of value, there was some discrepancy between the advice offered and the usefulness of the information, given the particular needs of small businesses. Through networking, international customers, distributors, buyers and agents can be identified and accessed more effectively than by progressing through the more traditional market entry modes (Hollensen 1998). Poon and Jevons (1997) believe that the use of the Internet can enable the small firm to gain access to a wider network, thereby gaining a strategic advantage both in the domestic market and internationally as well:

The Internet is more important for international marketing by small businesses rather than large corporations because small businesses, despite their flexibility, ability to adapt to change, venture orientation and ability to specialise in products and markets; are also disadvantaged by resource constraints, lack of appropriate planning and difficulties in expanding market

share. In this way, use of the Internet can be seen as another way in which the small player can produce communications of quality as high as the largest marketers through the use of relatively inexpensive technology.....When using the Internet for international promotion campaigns, a small business can either do so as an individual organisation or more effectively through small business networks of various kinds (pp31-32).

In their discussion concerning personal and extended networks and their role in the entrepreneurial process, Dubini and Aldrich (1991) note that:

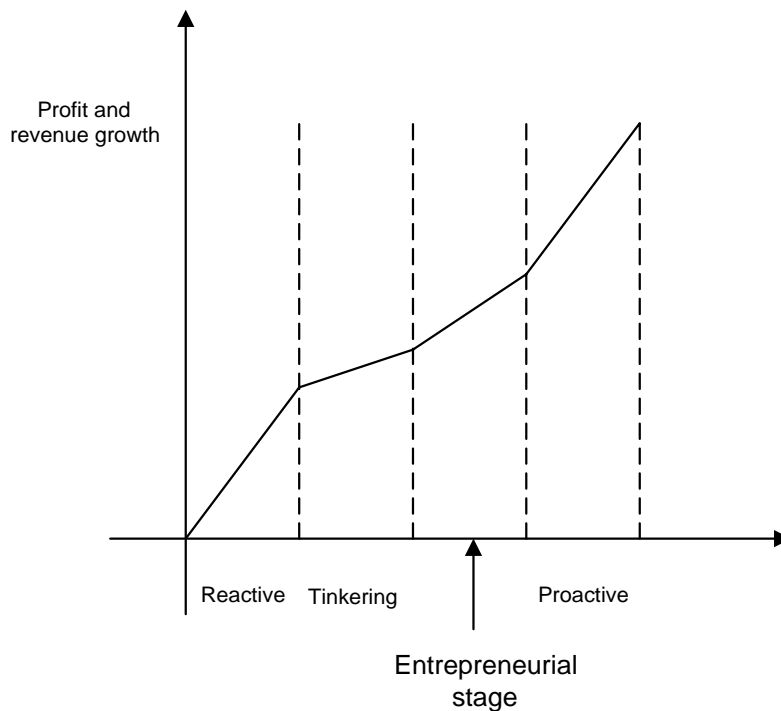
Entrepreneurship is the process by which individuals either on their own or inside organisations pursue opportunities without regard to the resources they currently control. Networks are patterned relationships between individuals, groups and organisations. Entrepreneurship is inherently a networking activity (p306).

The personal network consists of all those people in direct contact with the entrepreneur. One of the essential criteria of a network is the belief in long term relationships. Carrying out repeat business transactions through time results in a building of trust and a certain predictability in business behaviour which acts to reduce levels of risk. The level of trust in part determines the strength of the link and of how long the tie will last. In their investigation of internationalising entrepreneurial high technology firms from New Zealand Coviello and Munro (1993,1995) found that *the behaviour of these firms deviates from the accepted "stages" theory of internationalisation* (1995, p53). Instead, relatively fast internationalising behaviour was observed by means of linkage to established and extensive networks.

Examining the model of the stages of marketing development constructed by Carson (1990), the growth of the firm over time in terms of profit, revenue and

management skills can be applied both to the domestic and export markets (Figure 17):

**Figure 17. Stages of Marketing Development.**



(Carson 1990, p25)

This model is concerned with the advancement of the firm from a reactive follower, through the entrepreneurial growth stage to the highly proactive and competent marketing firm. Progression is partly dependent upon the degree of adaptation of the marketing concept throughout the firm and the ability to adapt the general principles to firm-specific situations in the international marketplace.

The conservative/entrepreneurial typology (Yeoh 1994, Broderick and Penrose 1998) can be compared similarly with typologies such as active/reactive (Piercy 1981), aggressive/passive (da Rocha et al 1990, Tesar and Tarleton 1982), proactive/reactive (Johnston and Czinkota 1982), active/passive (Eshghi 1992) and innate/adoptive (Ganitsky 1989). Embracing these descriptors, Yeoh and Jeong (1995) identify a number of key issues in entrepreneurial exporting, under the

themes of innovation, proactivity and risk taking (Table 48). It is likely that innovation, identifying export opportunities, informal planning and risk-taking behaviour will be found among many smaller craft firms, given that exporting is carried out with limited resources at the disposal of the owner/manager.

**Table 48. Entrepreneurial Orientation Among Exporting Firms.**

<p><i>Innovativeness</i> Compared to conservative exporting firms, entrepreneurial exporters: emphasise customer service and support for overseas customers are characterised by a heavy emphasis on R&amp;D are likely to focus on development of new products expand export volume through market spreading tend to offer broader product lines supply innovative, high technology products to overseas markets</p> <p><i>Proactiveness</i> Compared to conservative exporting firms, entrepreneurial exporters: actively search for new opportunities in additional country markets implement formal export research in a systematic fashion undertake export planning activities devote significant amounts of resources to information-gathering activities take advantage of resources provided by various external sources are less likely to rely on unsolicited export orders are motivated to export for proactive reasons (e.g. market share, profits, planning, expansion)</p> <p><i>Risk taking</i> Compared to conservative exporting firms, entrepreneurial exporters: perceive competition in export markets as less risky exhibit a stronger international market orientation tend to perceive government rules and regulations as less of an obstacle to exporting are likely to view their commitment to, and investment in exporting activities is comparable to a domestic counterpart in terms of riskiness tend to view opportunities in overseas markets as attractive and profitable as those in the domestic market tend to perceive the distribution, service, delivery problems and costs as less of an obstacle to export</p>
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*(Yeoh and Jeong 1995, p101)*

Broderick and Penrose (1998) adopt a behavioural perspective when attempting to analyse export behaviour of UK SMEs at various stages of the internationalisation process. The authors link approaches of export behaviour such as innovation adoption, the stages approach and the contingency approach to explain the

interaction between knowledge development and commitment, management philosophy and attitude, exporting competencies and the entrepreneurial orientation of the export decision maker (Table 49). Entrepreneurial orientation grows as the firm develops from the passive exporter, through the experimental stage to the committed exporter.

**Table 49. Behavioural Typology of Exporters.**

<i>Factor</i>	<i>Passive Exporters</i>	<i>Experimental Exporters</i>	<i>Committed Exporters</i>
<i>Knowledge development and commitment</i>	<p>Characterised by low levels of objective knowledge and no information sources for foreign markets, leading to high uncertainty and lack of commitment to exporting</p> <p>In cases of passive exporting experience, knowledge and information levels may be high but affected by management choice not to expand. Management are committed to day to day domestic operations</p>	<p>Firms are holding both objective and experiential knowledge, their success dependent upon the quality of information obtained. Firms are progressing through steepest part of learning curve. Learning reduces uncertainty, increasing commitment and making them willing to take controllable risks towards active exporting. Some firms discouraged by their experiences</p>	<p>High levels of objective knowledge and increasing levels of experiential knowledge developed. Controlled and specialised information channels to and from foreign markets. Growth of commitment leads to movement away from ad hoc towards strategic consideration of overseas business. Ability to make use of information from foreign partners, reducing risks and uncertainty</p>
<i>Entrepreneurial orientation</i>	<p>Mindset in domestic market may differ from export mindset which appears to be highly defensive and conservative, characterised by strong aversion to risk, lack of innovation and willingness to learn. Without change, future exporting success only achievable in benign foreign environments with mechanistic export channel structures</p>	<p>Less defensive and conservative, more entrepreneurial orientation, with inclination towards limited risk taking and proactive behaviour, but short term objectives still prevail over long term goals. For more proactive firms, success possible in more hostile foreign environments if firm can build organic export channel structures</p>	<p>Entrepreneurial orientation characterised by aggressive strategies. Management have high levels of emotional energy, are innovative and willing to learn, change and take risks. Have created organic export channel structures for hostile foreign market environments</p>
<i>Characteristics of firm</i>	<p>No international focus. May lack resources and</p>	<p>Initiation of organisation structures and processes</p>	<p>More evidence of management having</p>

	differentiated or adaptable products for exporting. Limited systems for managing export customers exist and owner manager is frequently the only decision maker. Reliance on domestic market as source of growth and profits	around international activities. Owner manager is principal export decision maker, perhaps influenced by sales or export manager. Products suitable for foreign markets but need testing and adaptation. Low reliance on international markets as source of profits	created shared international vision and culture throughout organisation. Dedicated resources and personnel taking operational responsibility. Firms benefiting from past market investments, may have international reputation and strong market positions in niche markets
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*(Broderick and Penrose 1998, p87)*

Details of export marketing competencies, motivations and skills possessed by the three groups of exporters are identified (Tables 50, 51). In line with overall growth in entrepreneurial orientation, these factors are believed to evolve as the entrepreneurial exporting firm passes through each stage of development.



**Table 50. Skills and Competencies at Different Stages of Internationalisation.**

Stage of Internationalisation	Export Marketing Competencies
Passive exporters - no intention to expand export activity	Unless they are experienced exporters re-focusing on the domestic market, these firms tend to have only enough basic export administration skills for order fulfilment. No desire to invest in developing skills in wither export administration or marketing, perhaps due to lack of awareness of potential benefits
Experimental exporters - export intention increasing. Firms have desire to make it happen, backed by research, market testing and some adaptation	More active experimental firms progress from basic export administration skills to developing skills in general market intelligence, enabling selection and testing of markets. Still lack more advanced skills for specific market intelligence, as a basis for structured export plan. Responsiveness to local market conditions needs improvement through product management and communication skills, to enable adaptation. Conscious of specific skills gaps
Proactive exporters - strong intention to expand international activities, backed by strategically oriented rather than exploratory actions	Strong export marketing skills in most areas equal to those developed for the domestic market enabling systematic market research, selection and development. Key area for development is long term planning skills to maximise efficiency and enable alternative strategic directions to be evaluated

*(Broderick and Penrose 1998, p88)*

**Table 51. Motivations for Exporting and Skills Levels.**

Stage of Internationalisation	Motivations for Exporting
Passive Exporters - no intention to expand export activity	Management consider exporting as an inconvenience - benefits not worth the risks. They lack ambition for any significant growth and have no desire to increase current level of direct contact with foreign customers. Export motives are reactive and have minimal impact on firm behaviour. Likely to be more production than marketing oriented. Barriers to exporting are perceived to be significant and concern management's lack of time, resources, confidence and will.
Experimental exporters - export intention increasing. Firms have desire to make it happen backed by research, market testing and some adaptation	Management can see the potential benefits of exporting. Firms closer to the passive stage continue to respond reactively, whilst those moving to the proactive stage will be more active in testing and exploring opportunities. Simple extensions of the domestic marketing mix are employed. Degree of flexibility in marketing mix increases with confidence. Export motives are evolving. Although still reactive and driven by competitive pressures and market limitations, more positive behaviour involving search for new growth opportunities. Export barriers still based on underlying fears but as confidence grows, they have a lower impact on behaviour. Management finding time and resources for exporting initiatives
Proactive exporters - strong intention to expand international activities, backed by strategically oriented rather than exploratory actions	International perspective of top management is key factor in ensuring commitment. Reached point where international activities are major part of firm's growth plans. Customer oriented philosophy, effective relationship strategies internationally. Have flexibility to adapt products and processes to satisfy foreign market needs. Export motives are both internal/proactive and external/proactive. They relate to corporate objectives, reflect emergence of better marketing opportunities overseas and based on competitive advantage and management will. Export barriers are market-related.

*(Broderick and Penrose 1998, p88)*

Although there tends to be a general consensus on what distinguishes the entrepreneur from more conservative approaches to management, some authors

disagree. Brockhaus (1980), for example, believes that risk taking propensity is not necessarily a defining characteristic of entrepreneurial behaviour. It may be that it is the nature of the risk which varies, not the fact that the entrepreneurial firm is less risk-averse than the conservative firm.

Analysing the areas of risk-taking, innovation and proactivity and their impact on export performance, Yeoh (1994) notes the importance of understanding the behaviour of entrepreneurial exporters:

If entrepreneurship is at the root of economic development, then encouraging exporting firms to adopt more entrepreneurial modes of behaviour paves the way for the legitimisation of the concept of entrepreneurial exporting (p48).

The author then summarises the key proposals drawn from the literature relating to entrepreneurial export performance (Table 52):

**Table 52. Propositions Relating The Dimensions of Entrepreneurship and Export Performance.**

<i>Propositions</i>	<i>Literature Support</i>
<i>Risk-taking</i>	
Entrepreneurial firms are more likely to use extensive scanning methods to gather information about the firm's environment	Cavusgil and Nevin (1981), Cooper and Kleinschmidt (1985).
These methods include having close relationships with channel members, visiting overseas markets, taking part in trade fairs, and acquiring information from government export promotion agencies	Madsen (1989), Brasch (1977), Bodur (1994)
Entrepreneurial firms tend to undertake more formal export research and planning in a systematic fashion	Cavusgil (1984), Daniels and Robles (1985)
The prediction of customer and industry trends is more strongly emphasised by entrepreneurial rather than conservative firms	Covin (1991)
Entrepreneurial firms collect information from within and outside their industry, while conservative firms collect and scan information only from their industry.	Business America (1991)
Entrepreneurial firms have a stronger international orientation than conservative firms which are more domestically-oriented	Cavusgil (1984), Axinn (1988)
Entrepreneurial firms tend to perceive more attractive opportunities in foreign markets compared to the local market	Kaynak and Stevenson (1982), Cooper and Kleinschmidt (1985)
Entrepreneurial firms perceive the level of international competition as less of an obstacle than conservative firms	Christensen et al (1987), Bauerschmidt et al (1985)
<i>Innovativeness</i>	
Geographic Scope/Market Selection: Entrepreneurial firms tend to pursue an export market diversification strategy	Hirsch and Lev (1973), da Rocha et al (1990)
Entrepreneurial firms tend to adopt a world orientation rather than rely on exporting to neighbouring countries - they are less likely to be concerned with cultural and physical proximity barriers	Cooper and Kleinschmidt (1985)
Entrepreneurial firms are more successful in their market niching strategy. They tend to avoid head-	Namiki (1988), Culpan (1989)

<p>on competition with large competitors by finding special niches</p> <p>Entrepreneurial firms tend to emphasise a greater marketing orientation within the company</p> <p><i>Proactiveness</i></p> <p>Entrepreneurial firms tend to exhibit higher management commitment with clear exporting strategic objectives</p> <p>Entrepreneurial firms are more proactive in bringing new products quickly into the marketplace, sacrificing profitability to gain market share and constantly looking for new opportunities related to their present operations</p> <p>Entrepreneurial firms that are proactive and committed to exporting tend to charge higher export prices</p> <p><i>Export Performance</i></p> <p>Entrepreneurial firms are more likely to have higher export sales than conservative firms</p> <p>Entrepreneurial firms are more likely to have higher export sales growth than conservative firms</p> <p>Entrepreneurial firms are more likely to earn higher export profitability than conservative firms</p>	<p>Morris and Paul (1987), Miles and Arnold (1991)</p> <p>Cavusgil et al (1979), Koh (1991)</p> <p>Covin and Slevin (1991), Miles and Snow (1978)</p> <p>Bilkey (1982), Koh (1991)</p> <p>Madsen (1989), Walters and Samiee (1990)</p> <p>Cooper and Kleinschmidt (1985)</p> <p>Walters and Samiee (1990), Madsen (1989)</p>
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*(adapted from Yeoh 1994, p51-53)*

Entrepreneurial exporters tend to exhibit more positive attitudes towards risk than their conservative counterparts while the main differences in risk taking behaviour in exporting and non-exporting entrepreneurial firms appears to relate to the specific markets concerned. Innovation and proactivity are also found in domestic-based companies; again it is the detail which appears to vary, not the general approach.

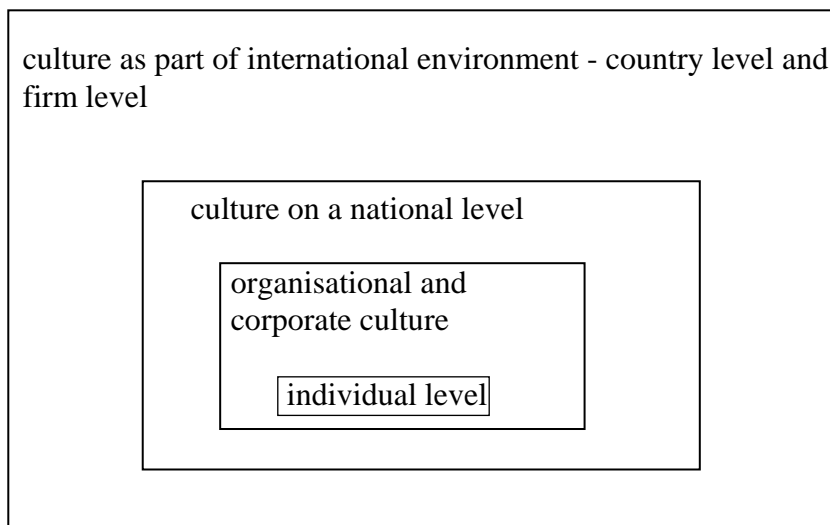
### **3.7. The Effect of Culture on the Internationalisation Process of the Smaller Craft Firm**

So far the thesis has examined the characteristics of the craft sector in the United Kingdom and the Republic of Ireland, before analysing in detail the literature concerning the internationalisation process. More specifically it has explored the exporting process and a range of factors impinging upon it. In order to better explain SME exporting behaviour, and exporting craft firms in particular, the thesis also examined the characteristics of the entrepreneurial firm. Given that the survey covers firms in Scotland, England, Wales, Northern and Southern Ireland, and that it is predicted that results will show some differences in exporting behaviour given the country of origin, this section examines the impact of culture on the internationalisation process.

Previous work concerning the effect of culture on international marketing has tended to adopt a macro perspective, viewing culture as external to the firm (Kotler 1991, Czinkota and Ronkainen 1995). However, culture occurs on several levels and impinges upon the internationalisation process in a number of ways. There are implications for decision making and export behaviour, international performance (Glaister and Buckley 1998), export performance and the perception of success or failure in both the short and long term (Bilkey 1978, Burton and Schlegelmilch 1987, Holtzmuller and Kasper 1991, Chetty and Hamilton 1993, Kanter and Corn 1994, Jaffe and Pasternak 1994, Darby 1995, Haar and Ortiz-Bounafina 1995). Tornroos and Moller (1993) remark that culture has been interpreted differently in an international marketing context compared to studies involving the organisation alone. Culture as an external variable cannot be controlled by the firm but it can be

managed internally to some extent. There are definite possibilities for cultural conflict between international firms since some aspects of culture appear to be specific to the organisation. Differences in beliefs, values, attitudes and behaviour at the national, industry, company and individual level can affect how the firm progresses in the internationalisation process (Figure 18).

**Figure 18. Levels of Culture.**



*(source: the author)*

### **3.7.1 Cultural Definitions.**

It would be useful to endeavour to obtain an all-embracing definition of culture but, historically, this has proved impossible (Hall 1959). There are several definitions covering the last century which appear to deal with some common themes:

Culture ... is that complex whole which includes knowledge, belief, art, law, morals, custom, and any other capabilities and habits acquired by man as a member of society (Tylor 1871); ...culture is essentially a construct that describes the total body of belief, behaviour, knowledge, sanctions, values, and goals that mark the way of life of any people (Herskovits 1948); The essence of culture is collective mental programming. It is that part of our conditioning that we share with other members of our nation, region or group but not with other nations, regions or groups (Hofstede 1983).

In order to understand the concept of culture it is important to examine the concept of values. In common with culture, there is no overall agreed definition of “value” accompanied by a lack of meaningful models and theoretical frameworks to aid the conceptualisation process (Segal et al 1993). However, some commentators have endeavoured to clarify the situation:

A value is a conception of that which is desirable and which influences choice of modes, means and ends of action (Kluckhohn 1962); Values combine to form a unique personal framework in which individual decision-making behaviour occurs (England and Lee 1974); Values are basic convictions that people have regarding what is right or wrong, good and bad, important or unimportant...(and is) learned from the culture in which the individual is reared....differences in cultural values can result in varying management practices (Hodgetts and Luthans 1994).

### **3.7.2 Implications for Export Marketing.**

Values have important inferences for decision making, problem solving and perception in international marketing situations (Bamburger 1986). They affect how managers perceive the responsibility for decision-making and its subsequent implementation (Ralston et al 1993). Individual and group value systems influence the process which involves an element of preference learning together with the integration of cultural characteristics (Hofstede 1985). The resultant variation in behaviour is due to the differences in perception of risk and degree of commitment (Kolb et al 1984, 1986). Value systems are dynamic (Rokeach 1973) and managerial values are acquired through experiential learning within a group structure (Kolb 1991).

There is support for the belief that certain intangible cultural variables such as inner motivation and shared values influence the economic performance of a country. Values are also influenced by technology which defines the limits of possible social



goals. Each culture has a set of core values which tend to be unwritten beliefs relating to how its members feel and act (Tongren et al 1995). Depending on the specific cultures involved, the degree of overlap of these basic values may be large (managerial practices and attitudes broadly similar) or almost minimal (managerial practices and attitudes significantly different).

In the case of the small company, the owner/manager tends to exert his/her values upon the business. The propensity to export is affected by the background of the owner/manager - training, education, travel, overseas experience and the associated value system all have some degree of influence in the decision to internationalise. Values influence behaviour (Munson 1984) and so it is reasonable to assume that export behaviour of the firm as a whole is influenced by a set of managerial values. Rokeach (1968) defines behaviour as the consequence or manifestation of the individual's values and attitudes predisposing one to respond in some preferential manner. Before behaviour is exhibited, the individual must display a certain attitude or collection of beliefs concerning a situation. This interaction can be explained by the value - attitude - behaviour hierarchy (Homer and Kahle 1988).

Hofstede (1991) has described culture as mental programming; this programming begins within the family group and eventually occurs in the workplace and the wider community. Two types of culture are identified - *culture 1*, which refers to civilisation or refinement of the mind, and *culture 2* which, while including the aspects of culture 1, also concerns basic concepts such as greeting people and the showing or hiding of feelings. Hofstede's concepts can be used to partly explain the differences in export performance between companies from the same cultural

background and also to describe variations in performance between countries. Every existing and potential export manager has a different mental programme which includes opinions regarding information concerning the decision to export and the assessment of the risks involved. Variations can be explained by the uniqueness of the programming or personality - no two individuals can have identical programmes. This programming occurs in a number of layers including a national level, a regional level, a gender level, a generational level, a social class level and an organisational or corporate level. So this may be one of the reasons why international management theories tend to break down when being applied to situations outside North America and Western Europe. International marketing textbooks generally tend to adopt a Western perspective when endeavouring to explain the internationalisation concept and ultimately ignore the effect that cultural differences have on management thinking and decision making.

Using his concept of culture as mental programming, Hofstede (1980) derived five cultural dimensions in a multi-country study involving differences in work-related values. These are power distance, individualism/collectivism, masculinity/femininity, uncertainty avoidance and, more recently, the Confucian dimension (Hofstede and Bond 1988). Cultures which score highly on the individualism dimension show a large degree of freedom with little societal integration whereas collective societies exhibit tight control over their beliefs and opinions. Power distance is concerned with human inequality and again, countries can be rated on a high to low scoring range. Uncertainty about the future falls into the uncertainty avoidance category; this has implications for risk taking in an international context. The masculine dimension has links with the propensity to

make money; conversely more feminine nations emphasise the importance of people rather than the importance of financial rewards. Scoring on these cultural dimensions can serve as an aid to the international company when deciding on particular markets to target and whether or not to develop specific marketing programmes. The Confucian dimension deals with societies which tend to be either long term or short term in their outlook. Both individualism and power distance scores are measures of leadership, either at national or organisational level while organisational culture can be partly explained by power distance and uncertainty avoidance. Motivation to export can be measured by individualism/collectivism as well as scoring on uncertainty avoidance and the masculine dimension.

### **3.7.3. Culture as a determinant of foreign market orientation:**

Culture can be used to partly explain a firm's propensity to export; the literature contains examples of the various internal and external stimuli which affect the decision to internationalise but tends not to identify the particular characteristics of the successful international firm (Dichtl et al 1983). The technique of profile analysis has been used to identify attributes of specific firms (Snively et al 1964, Simpson and Kujawa 1974, Tesar 1975, Cavusgil and Nevin 1981) but comparison of results is difficult. Although export decision models are a useful aid to managers, they cannot possibly hope to contain all the factors necessary to explain the process (Dichtl et al 1983). The authors have developed a framework of foreign market orientation which includes a number of factors influenced by culture (Figure 13). Culture impacts upon the psychic distance dimension as well as having an impact upon risk preference and rigidity, which are examples of personality traits.

Willingness to change is a value dimension but can also be compared to Hofstede's dimension of uncertainty avoidance.

### **3.8 Export Marketing Research: Information Acquisition and Usage in the Exporting Process of the Smaller Firm.**

The preceding sections have examined a number of impinging factors on the internationalisation process of the smaller firm. Various owner/manager and firm level characteristics, motivations, export barriers and the effect of culture have been shown to influence the internationalisation process of the smaller firm. These factors also interact to varying degrees with the use of export marketing research. It is anticipated that smaller craft firm owner/managers will exhibit various attitudes towards the use of export marketing research and that this will then affect export behaviour and performance of the craft firm.

In their study of Canadian SME manufacturing exporters, Denis and Depelteau (1985) found that the most useful type of export-related information was derived from actual business transactions, rather than via private or public information sources. Experienced exporters tend to need specialist information on particular markets, having already acquired basic knowledge as they pass through the initial 'beginners' phase of exporting. Drawing on previous research on export behaviour and, in particular, centring on the reasons for and against embarking on exporting, the authors note that:

Despite its oft-mentioned theoretical and methodological shortcomings, this past research has been of considerable help to export management consultants, public servants responsible for export promotion, and private sector advisers, in pinpointing the variables to be weighed when advising on alternative strategies for international expansion (p77).

Leonidou and Adams-Florou (1999), in their study of Cypriot SME exporters, that the most influential export information related to foreign customers, export products, market preferences and pricing. Also, personal rather than impersonal information sources were preferred. The role of government export initiation and information services has been deemed important in stimulating exporting (Cunningham and Spiegel 1971, Posner 1980, Czinkota and Johnston 1981), given that market intelligence has frequently been identified as a success factor in export market entry and expansion (Johanson and Vahlne 1977, Wiedersheim et al 1978, Reid 1981, Czinkota 1982). However, Denis and Depelteau remark that, although such services are available, they are not being used to their full potential, with exporting levels also not reaching full capacity (Simpson and Kujawa 1974, Suntook 1978, Reid 1984). The authors found that trade fair attendance and participation in overseas missions (Herbig et al 1996, Motwani et al 1992, Rosson and Seringhaus, Browning and Adams 1988) had the most effect on expansion of export levels, mainly affecting those firms new to exporting. This strategy enables the firm to develop contacts and obtain a 'feel' for the market (Kirpalani and MacIntosh 1980).

Although export performance has received considerable attention in the literature, and the link between export information utilisation and the development of successful export marketing plans has been confirmed (Hart et al 1994), the investigation of export information *use* has not been studied empirically to any great extent (Souchon and Diamantopoulos 1997). In their survey of British exporters, the authors found that the impact of the decision-maker, in terms of awareness of export

information sources, affects export information usage. Information overload also had a detrimental effect on export information use. A distinction should be made between the acquisition of export information and its subsequent use (Sinkula and Hampton 1988):

...in the export literature, the phrase “use of export marketing research” (Crick et al 1994) generally refers to the extent to which export marketing research information is put to use. Acquisition of information has been defined as the information flow from the provider through to the user of the information (Saunders and Jones 1990), or the process by which information is obtained (Huber 1991), while information utilisation is seen as the extent to which information influences decision-making (Weiss and Bucavalas 1977, Moorman et al 1992) (p337).

Export information acquisition can be subdivided into three categories: export marketing research, export assistance and export market intelligence. Cavusgil (1984) defines export marketing research as *the research activities of firms carried out in the home market or in foreign markets for the purpose of reducing uncertainty surrounding international marketing decisions* (p 262). Seringhaus (1985) defines export assistance as *standardised and customised market information and guidance on exporting and export marketing* (p294), usually from government bodies and other related sources (Diamontopoulos et al 1993). Souchon and Diamontopoulos (1994) define export market intelligence as *an informal approach of potential customers, distributors and competitors through attendance at international trade fairs and shows, or more directly through foreign visits* (p857).

Adler (1976) comments on the differences in detail of US export marketing research compared to domestic marketing research, noting that environmental factors such as culture and economics can impact upon the process. Both informal and formal

techniques are used to obtain meaningful export information. Formal approaches are used to reduce uncertainty and risk in decision making (Stoner 1978, Deshpande and Zaltman 1982) while informal methods are linked to knowledge of particular opportunities and threats, resulting in the development of a particular export strategy (Johanson and Vahlne 1977). The authors note that the ability to collect information depends to a certain extent on the size of the firm, available resources and the level of exporting experience. The main information types and marketing research activities identified by Hart et al (1994) in their study of SME British exporters is shown in Table 53. It will be interesting to note which of these information sources and activities are found in the smaller craft firms being surveyed.

**Table 53. Marketing Research Information and Marketing Research Activities.**

Marketing Research Information	Marketing Research Activities
Competitive products available in export market International competition in export market Buyers' preferences in export market Price trends in export market Local competitors in export market Buyers' key purchase criteria Market size Ways to adapt current product for export Legal requirements in export market entry Exchange rate fluctuations Potential barriers to exporting Government aid to exporters Social/political background of export market Economic background of export market country Transport infrastructure Market growth	Distributor/agent visits Exhibitions Competitor visits Interview with individual buyers Omnibus surveys Test marketing Mail surveys Information seminars Telephone interviews

*(adapted from Hart et al 1994, p14-15).*

Lack of export information is perceived as a main barrier to exporting, but it may be that it is really lack of awareness of relevant information sources that is the real

difficulty (Samiee and Walters 1990, Diamontopoulos and Souchon 1995). Exposure to too much information can also be problematic, resulting in confusion for the decision maker (Cavusgil 1985) and inability to retrieve information quickly (Goodman 1993). Problems also occur in relation to the non-specific nature of the majority of export assistance information (Seringhaus 1985). This exists to varying degrees, depending on the sophistication of the exporter: 'new' exporters tend to require more general information than experienced exporters.

Bodur and Cavusgil (1985) investigated the export market research orientation of Turkish exporters. The authors found that exporting in general was carried out in an unplanned fashion, where personal visits to potential markets were used to glean requisite export information. In their study of the export information behaviour of Norwegian exporters, Benito et al (1993) found that informal contacts were the most frequently used source of information gathering. The most relevant external sources of information were customers, while sales staff provided the most important internal export information. In relation to decision making, data on market entry and changing agents were deemed most important. Benito et al (1993) remark that:

The interaction between information and exporting behaviour is complex - inextricably linked as the information issue is with the decision-making process. There is potentially a wide range of actors in the information chain - each with particular biases which influence information search, collection, transmission, processing and evaluation activities (p275).

Czinkota and Ronkainen (1995) believe that the use of secondary market research may be appropriate in order to gain export market penetration, but primary research sources are of more use when developing research activities within a particular



export market. McAuley (1993) discusses the behavioural matrix of location decision making developed by Pred (1969) as a way of visualising the relationship between the ability to use information, offset against the quantity and quality of information available. Drawing on the 1989 winners of the Queen's Award for Export Achievement<sup>vii</sup>, McAuley ranked a number of export information needs in order of importance (Table 54) :

**Table 54. Principal Information Needs.**

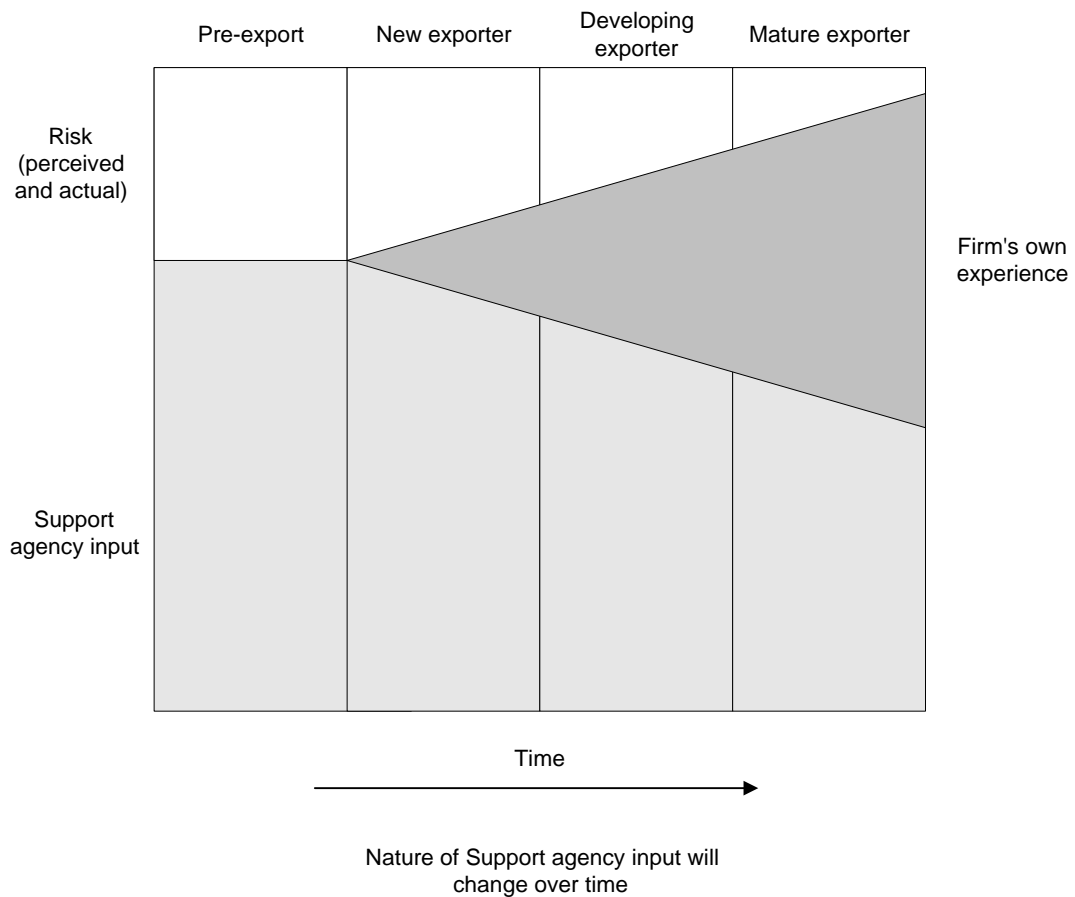
Information needs	Rank
<i>Yes</i>	
Reports on potential customers	1
Identifying overseas agents	2
Export payment	3
Specific export opportunities	4
Transport and distribution	5
Market reports	6
Foreign technical standards	7
<i>Neutral</i>	
Export insurance	8
Export finance	9
Language/translation	10
<i>No</i>	
Economic reports on countries	11
Obtaining foreign trade literature	12

(McAuley 1993, p59)

The author was able to identify three information groups from responses on a Likert scale of usefulness (Yes = exporters found this information useful, Neutral = no particular attitude towards the source, No = not useful). The main information needs included potential customer and agent information, as well as advice on export payments and details of export opportunities. Conversely, general economic data and trade literature were deemed not important. The author also noted that

experienced exporters tended to consult fewer information sources than the less experienced firm, mainly due to the identification of meaningful information from irrelevant data over time. McAuley develops a model of export assistance, incorporating factors such as the effect of support agencies and the perceived risk involved in developing exports against four stages of export involvement (Figure 19):

**Figure 19. The Export Assistance Model:**



*(McAuley 1993, p62)*

The model shows that levels of both perceived and actual risk are at the maximum level at the pre-export stage. As the firm develops export activities, this level

decreases. Similarly, as the firm becomes more experienced, there is less reliance on input from support agencies.

A report from the National Audit Office (1996) noted that although the value of the UK's visible exports was at an all time high in 1994 (£135 billion), their share of world trade has been falling. The report notes that it is the responsibility of government to assist in *creating appropriate economic and international trade environments, and by providing services directly in support of exports and exporters* (p1). This is done via the Department of Trade and Industry and the Foreign and Commonwealth Office jointly under Overseas Trade Services. Examples of services offered include outward missions, export promotion, market information enquiries, export intelligence and trade fairs. The impact of government programmes of exporting assistance and advice affects the building of exporting competencies and the building of long term business relationships through the gathering of experiential knowledge, either through participation in trade missions, trade fairs or other means. By acquiring relevant market data, the firm can then decide on which markets best suit their products or services. The report also indicates the key activities carried out by an export promoter: responsibilities include the selection of agents and distributors, strategic advice, joint venture seeking and broadening industry awareness of relevant support programmes. Other aspects include widening the catchment area of export intelligence service leads and the participation in pre-mission/exhibition briefings at the relevant Chambers of Commerce and Trade Associations.

Crick (1992) investigates the effectiveness of existing export assistance programmes in the UK, mainly at the micro or firm level. The author emphasises that the relevant support bodies should recognise that:

exporting firms should not be seen as homogenous and that significant differences exist between firms based on their level of internationalisation and their level of success (p1).

This then has relevance in terms of the type and level of information and other assistance provided by support bodies; standardised export promotion policies may not be the most effective way of stimulating export involvement. Table 55 ranks in order the main types of assistance perceived by respondents which they believe would improve export performance:

**Table 55. UK Exporters' Rank Order of Assistance desired from the UK government or outside group.**

Attribute	Rank
Marketing information gathering	1
Information on business practices	2
Obtaining financial information	3
Financing	4
Communication	5
Sales effort	6
Advertising	7
Funds transfer	8
Handling of documentation	9
Pricing internationally	10
Obtaining insurance	11
Distribution co-ordination	12
Providing design/technical advice	13
Arranging transport	14
Transport rate determination	15
Providing warehousing	16
Packaging	17
Providing quality control	18
Physical product	19
Providing repair service	20
Providing parts availability	21

*(adapted from Crick 1992, p90)*

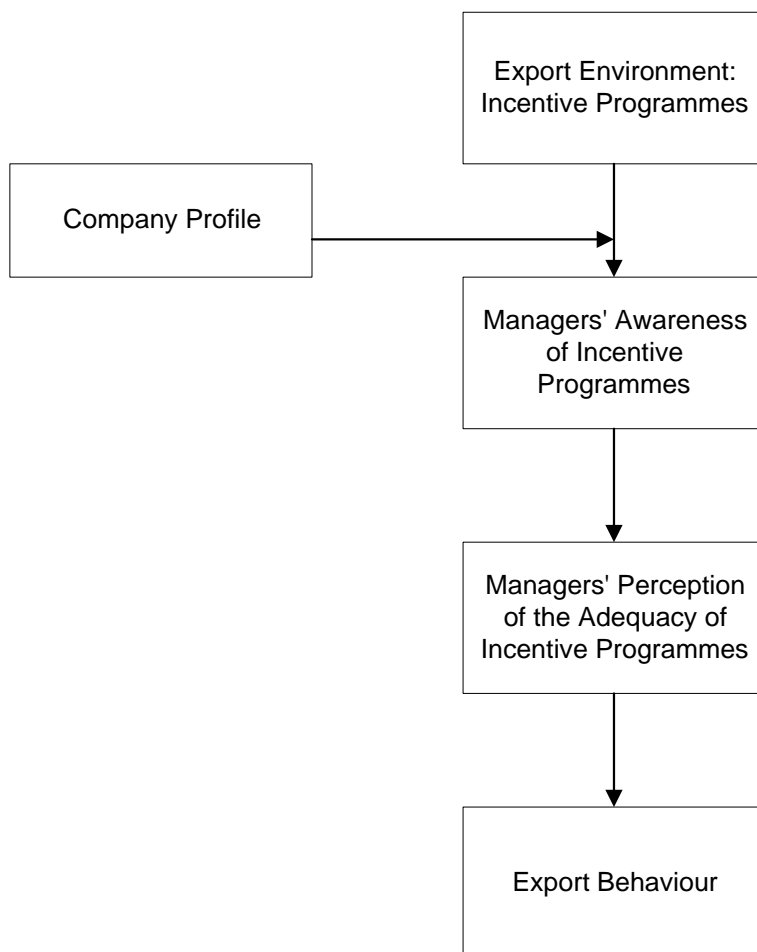
Also, Crick (1995) remarked that despite the existence of export assistance programmes, there is no single agreed method by which governments can differentiate between firms for the targeting of export promotion policies. There is a danger, then of adopting generic rather than specific policies in order to try to stimulate exporting in the longer term. Crick links the level of information acquired with the particular stage or level of involvement of the firm in the internationalisation process. The author also distinguishes between internationalisation in terms of increasing commitment to exporting and internationalisation of the firm using other means in addition to exporting, such as foreign direct investment. One key concept is that each level of internationalisation has an associated amount of resource commitment and type of information need. Lack of knowledge, partly through limited information, impedes the process of the firm through the various stages of commitment. Assigning particular information needs to each stage of internationalisation can cause problems, depending on the number of stages being conceptualised:

The more stages a researcher specifies in a process, the less difference there will be between the stages: hence, the more difficult it may be to observe between-group heterogeneity. A small number of stages eases the observation of between group heterogeneity, as each stage in a small number of stages provides more of a change in the pertinent variables than each stage in a larger number of stages (p77).

Crick (1997) further reiterates the benefit of embracing the literature on export assistance and the internationalisation process in order to investigate the suitability of existing export assistance programmes for firms at various stages of exporting. Decision makers at each stage tend to exhibit different behaviour and perceptions towards government assistance programmes.

In their investigation of Turkish export incentive programmes, Kumcu et al (1995) found that both the level of adequacy of such programmes and managerial awareness of them are determining success factors of export development strategies. The authors also found that managers of non-exporting firms had a negative perception of existing export incentives, regardless of their future or past orientation towards exporting. In contrast, a positive link was found between company size and awareness and perception of the adequacy of the programmes. The authors develop a model of the impact of export incentives on export behaviour (Figure 20):

**Figure 20. Effects of Export Incentives on Export Behaviour.**



*(Kumcu et al 1995, p165)*

The model demonstrates that there will be variations in both perception towards export incentive programmes and resultant export behaviour, as a result of differences in both firm and managerial characteristics. Examples of incentives include tax refunds, export loans, export insurance, technical assistance and rewards for exporters.

Diamontopoulos et al (1993) also provide a summary of empirical studies relating to export promotion from 1973 to 1991, noting the main thrust of the research and the country under investigation (Table 56). The majority of studies focus on the UK or North America, with several concentrating on the smaller firm.

**Table 56. Empirical Studies on Export Promotion 1973-1991.**

Author	Focus of study	Country
Mayer and Flynn (1973)	Management attitude towards government assistance	Canada
Pointon (1978)	Cost-benefit of international government assistance	UK
Welch and Wiedersheim—Paul (1979)	A new approach to government export stimulation	Australia
Czinkota and Ricks (1981)	Perception and opinions of exporters on assistance	USA
Buckley (1983)	Review of programme and perception of assistance	UK
Reid (1984)	Information acquisition and export entry decisions in small firms	Canada
Seringhaus (1987)	Role of information assistance in small firms' export involvement	UK
Seringhaus and Mayer (1988)	Usage of trade missions for foreign market entry	Canada
Diamontopoulos et al (1991)	Use and evaluation of export assistance	UK

*(from Diamontopoulos et al 1993, p14-15)*

Barrett and Wilkinson (1985) investigated the effect of export stimulation measures on Australian manufacturing firms. They comment that:

there is a frequent lack of knowledge on the part of policy makers in respect of the most appropriate means of export stimulation, as well as the effectiveness of such measures (p53).

In order to identify the types of information and other assistance needed, they attempt to cluster exporting firms into several groups (Table 57). By segmenting firms in such a way, the various support bodies should then be able to target specific information needs, as well as other assistance measures.



**Table 57. Firm clusters and associated problems - the link with information needs.**

<p>Cluster 1: comprises mostly of firms with overseas parent companies or those operating under licence from overseas companies.</p> <p>Cluster 2: comprises firms perceiving no important problems, including price competition and freight costs.</p> <p>Cluster 3: firms emphasise a number of problems, in particular a lack of continuity in overseas orders, lack of useful information about overseas markets and difficulties in meeting delivery dates and servicing overseas buyers.</p> <p>Cluster 4: firms emphasise price competition and freight cost problems only.</p> <p>Cluster 5: firms see many problems in exporting, including price competition and freight costs. Other important areas include the ability to offer credit terms to overseas buyers and problems of working capital and lack of useful information.</p>
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*(Barrett and Wilkinson 1985, p55-56)*

Most of the previous discussion in this section centres on the impact of external agencies on export performance through knowledge acquisition and subsequent firm behaviour. Rosa et al (1994) believe that the level and type of support generally offered is more beneficial to the larger firm. The authors discuss the impact of export training on the key decision makers of the smaller firm; heightened awareness and knowledge of export information means that the decision maker can then act as an internal change agent. In addition, student work placements in small firms act to narrow the knowledge gap between theory and practice in exporting. Other recent work on the link between exporting performance and international marketing education of decision makers was carried out by Bell and Gray (1998). The authors identified a number of key areas of research in international business education including international business education trends, comparison of courses, qualities and competencies of international managers, foreign language skills and

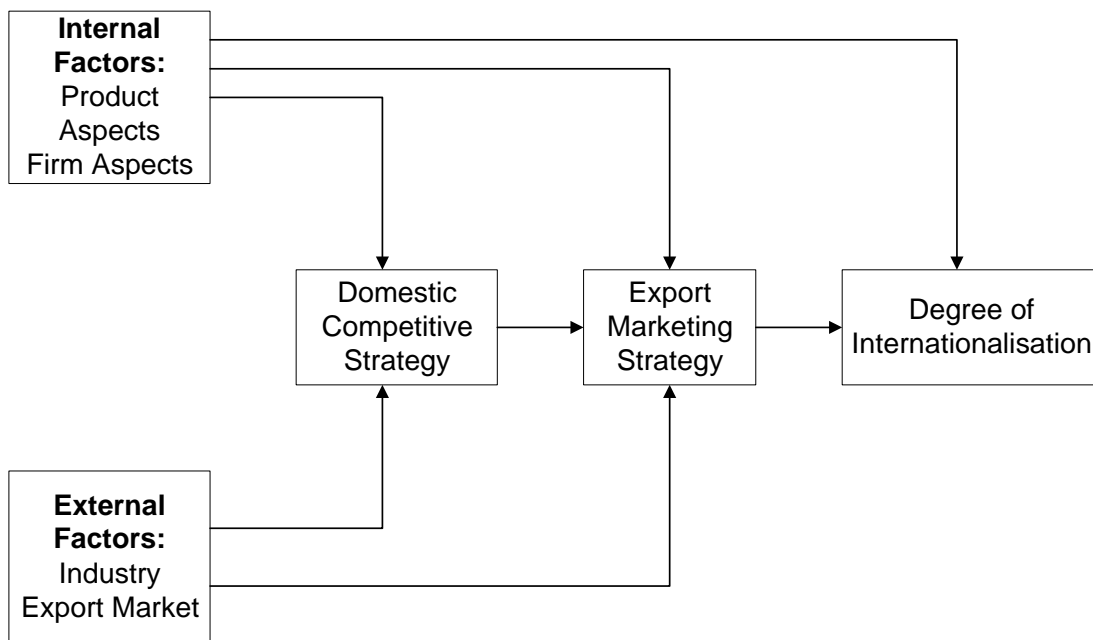
exchange programmes. Key findings of their postal survey of New Zealand firms include the belief that there should be a greater focus on experiential learning, cross-cultural issues and the development of both personal and interpersonal skills.

### **3.9 SME Exporting Performance**

The literature review has attempted to address a range of key issues impacting upon smaller craft firm internationalisation (Figure 9). Taken together, they will ultimately affect how the firm internationalises, the level of exporting involvement reached, the degree to which the firm performs and the amount of success achieved by it. This section attempts to examine the contributing factors as they combine to impact upon exporting performance.

Stewart (1997) remarks that export performance has tended to be measured in financial and economic terms, rather than in relation to the achievement of strategic goals such as the drive or desire to enter a specific overseas market. Exporting performance can be measured by examining the degree to which the firm has become internationalised. Stewart has developed a paradigm of the degree of internationalisation which he tests empirically (Figure 21):

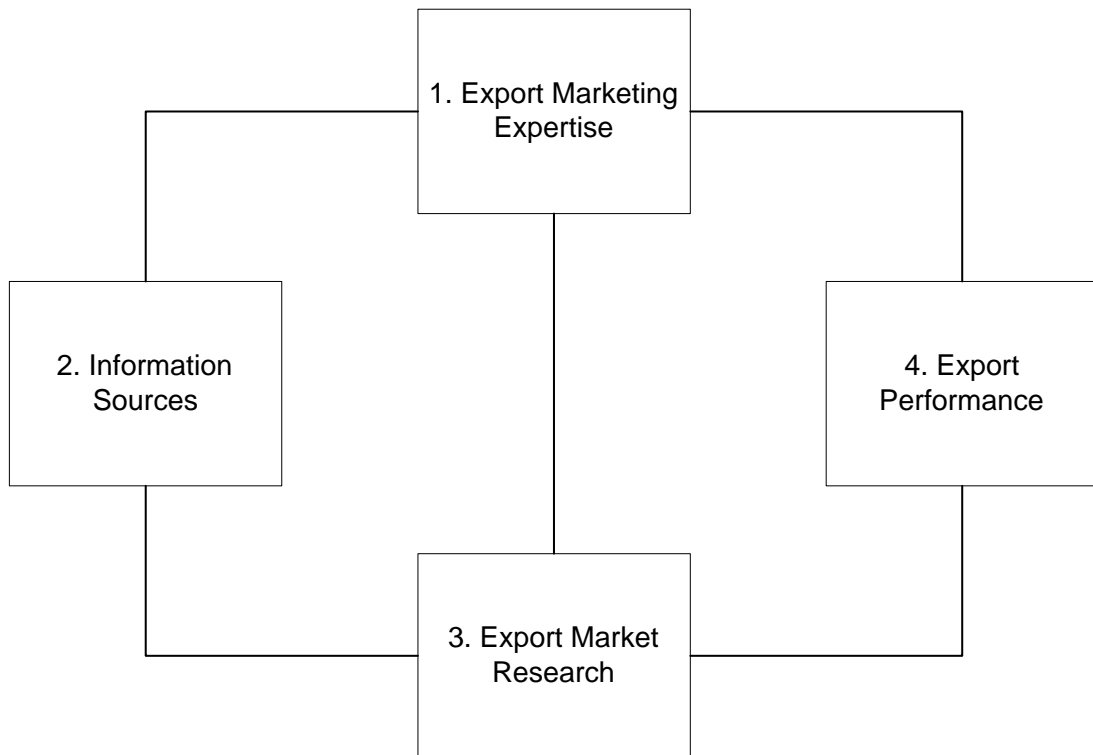
**Figure 21. A Paradigm of Degree of Internationalisation:**



(source: Stewart 1997, p108)

The conceptualisation is derived from the coalignment principle from strategic management, where *the fit between strategy and its environment has a positive impact upon the performance of the firm* (Stewart, p106). The strategy of exporting is seen as a response to particular internal and external factors impinging upon the decisions made by owner/managers. In a comparative study of high-tech exporters from Austria and Canada, Seringhaus (1993) developed an exploratory framework incorporating export marketing expertise, performance, market research and information sources (Figure 22).

**Figure 22. A Conceptual Model of the link between Exporting Marketing Expertise and Export Performance.**



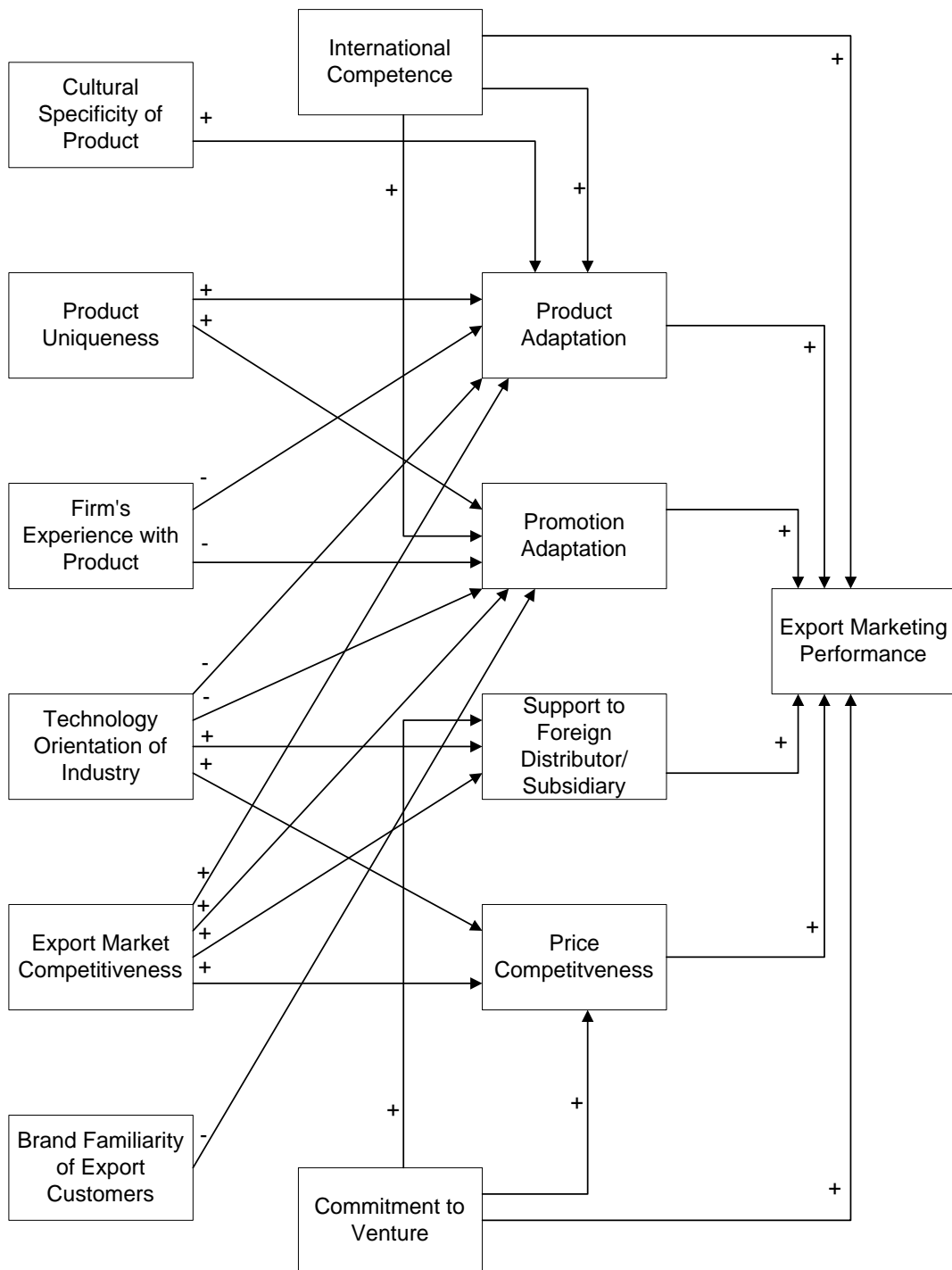
*(Serिंगhaus 1993, p250)*

Seringhaus remarks that the level of export marketing expertise (Traynor and Traynor 1989) is critical to success in export markets, in terms of its influencing effect on key decision makers and the external environment (Czinkota 1982, Piercy 1982).

Also drawing on the co-alignment principle, Cavusgil and Zou (1994) develop a conceptual framework of export marketing strategy and performance similar to Stewart (1997). They found that export performance is linked to exporting strategy, international competence of the firm and managerial commitment. The authors also confirm that strategy is influenced by both internal and external factors. They

believe that existing research on export marketing strategy is limited, when compared to domestic marketing strategy, with no proven link between strategy and performance (Aaby and Slater 1989, Madsen 1987). Cavusgil and Zou have identified a number of measures which have been used to determine export performance. These include export sales level (Bello and Williamson 1985, Bilkey 1985, Cooper and Kleinschmidt (1985); export sales growth (Kirpalani and MacIntosh 1980); overcoming export barriers (Sullivan and Bauerschmidt 1987; Bauerschmidt, Sullivan and Gillespie 1985); and exporting propensity/attitudes (Denis and Depelteau 1985, Kaynak and Kothari 1984, Johnston and Czinkota 1982). Cavusgil and Zou operationalise their model by considering and testing specific internal firm and product characteristics such as the effect of culture on the product and the degree of technology used in the industry. They examine how these then feed into a 4 'P's of marketing framework which ultimately leads to evaluation of export marketing performance (Figure 23):

**Figure 23. An Operational Model of Export Marketing Strategy and Performance:**



*(source: Cavusgil and Zou 1994, p12)*

Empirical testing showed that the link between export marketing performance and product adaptation, international competence and venture commitment were supported, while the promotion adaptation connection was refuted. All links with product adaptation are supported; the significant factors relating to promotion adaptation were product uniqueness, export market competitiveness and technology orientation of the industry. However, the link with the firm's product experience was refuted. All factors relating to supporting the foreign distributor/subsidiary were found to be significant while the connection between price competitiveness and technology orientation of the industry was also significant. All other relationships were found to be non-significant.

In a study of Nebraskan exporting manufacturers, Lee and Brasch (1978) investigated the concept of export as an innovation strategy in order to determine such factors as the degree of rationality<sup>viii</sup> behind the export decision, exporting as a reaction to a business problem, exporting as the identification of an opportunity and how various firm characteristics influence the process. This was derived from an earlier exploratory study by Simmonds and Smith (1967) centring on diffusion of innovation theory (Rogers 1962), and in particular, the effect of change agents on stimulating exporting endeavours. Thomas and Aruajo (1986) note that this was the first study involving export behaviour as a marketing innovation. Rogers (1995) interpreted *diffusion* as the process by which an innovation is communicated through certain channels over time among the members of a social system. This results in a change in the structure and function of the system and is facilitated by a number of change agents. The author also believes an innovation to be an idea,

practice, or object that is perceived as new by the individual or other unit of adoption. The innovation-decision process involves an individual passing from initial knowledge of an innovation to forming an attitude towards it, to a decision to adopt or reject it, to implementation and use of the new idea, and finally to confirmation of the decision.

Lee and Brasch comment that exporting as a strategy among American manufacturers in the 1970s was really a rediscovery, since the majority of firms at this point depended mostly on the large size of the domestic market alone for sales. The authors focus attention on the feasibility of exporting, comparable to Stage 3 of the model developed by Bilkey and Tesar (1977). This also relates to Johanson and Vahlne's thesis, emphasising the importance of opportunity awareness for innovation. Awareness is deemed by some commentators to be more important than analysis of exporting problems as a driving initial force in export adoption. Dalli (1995) believes that internal and external arrangements for exporting can be thought of in terms of efficiency. Bonaccorsi and Dalli (1990) suggest that the firm may be better understood from an ecological/evolutionary perspective. The evolutionary development of the firm has been discussed by Carson (1989), where marketing practice is adopted in stages.

Dalli (1994) interprets export strategy as a developmental process toward foreign markets; the author believes that the export strategy *is* the internationalisation process. This process results in change, where the firm is able to operate differently in different overseas markets as the external environment and resource availability varies. The findings of Dalli's study on Italian SMEs supports, to some extent, the



process theory but also indicates that the firm is free to follow other routes and/or pursue individual processes of development abroad. Dalli continues by commenting on the relationship between export strategy and the resultant behaviour of the firm:

...it is important to note that export behaviour (or strategy) has a dynamic and evolutionary nature and, because of this, the relationship between such behaviour and its results in terms of performance has to be considered within a dynamic perspective (p86-87).

Although export intensity has been used as a measure of export performance, several authors have criticised its use (Cunningham and Spiegel 1971, Reid 1982, Cavusgil and Godiwalla 1982). Export behaviour can be understood by constructing profiles or typologies of behaviour of the firm as it progresses through the various stages of internationalisation (Burton and Schlegelmilch 1987, Cavusgil et al 1979).

Evangelista (1994) measured export performance of Australian manufacturers in terms of satisfaction rather than by financial measures such as export ratio. The commitment and capability of the exporter were found to be significant factors. Commitment towards exporting consists of attitudinal and behavioural aspects (Axinn and Athaide 1991). Capability of the firm related to the key competencies or differential advantages of the business (Aaby and Slater 1989, Snow and Hrebiniak 1980). Evangelista notes that export studies can be divided into two groups: a comparison of exporters' and nonexporters' performance in terms of propensity to export (nonexporters may have exported in the past) and export intensity or involvement; and studies concentrating on exporters alone. Here performance tends to be measured by export sales level, export as a percentage of total sales, export growth or profitability. Measurement in this way tends to be arbitrary - there is no platform on which to compare performance or no way of knowing if the firm has

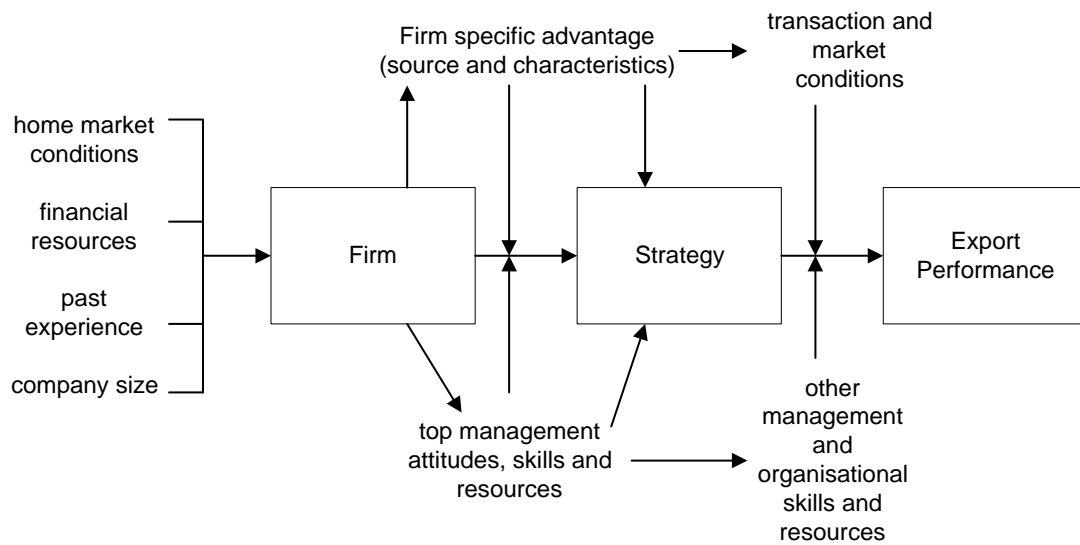
responded to all export opportunities. Also, the firm's overall performance is paramount, not just its exporting endeavours (Axinn et al 1994, Dalli 1994). Evangelista instead proposes to measure performance using the subjective variable of satisfaction. Bonoma and Clark (1988) define satisfaction as:

a compound psychological variable measuring the effectiveness of a marketing programme as the congruity or incongruity between what management expects in terms of results (and those) that actually accrue from the programme (p64).

Actual performance results are compared to expected results; the interaction then results in various levels of satisfaction. Despite criticism about its variability, Bonoma and Clark advocate its use, *provided that it is properly measured, satisfaction is replicable, constant and valid across managers, settings and situations* (Evangelista, p210).

Madsen (1994) adopts a contingency approach to measuring export performance by examining the impact of firm specific advantages, transaction costs and network building activities. The author suggests that it is the international competitiveness of the firm which is central to export performance - competitiveness is arrived at by acquiring the most favourable structure and behaviour. Madsen's research concentrates on the adoption of the most favourable export channel. The following model incorporates the effect of firm strategy on export performance as well as considering both internal and external environmental factors (Figure 24):

**Figure 24. Determinants of Export Performance.**



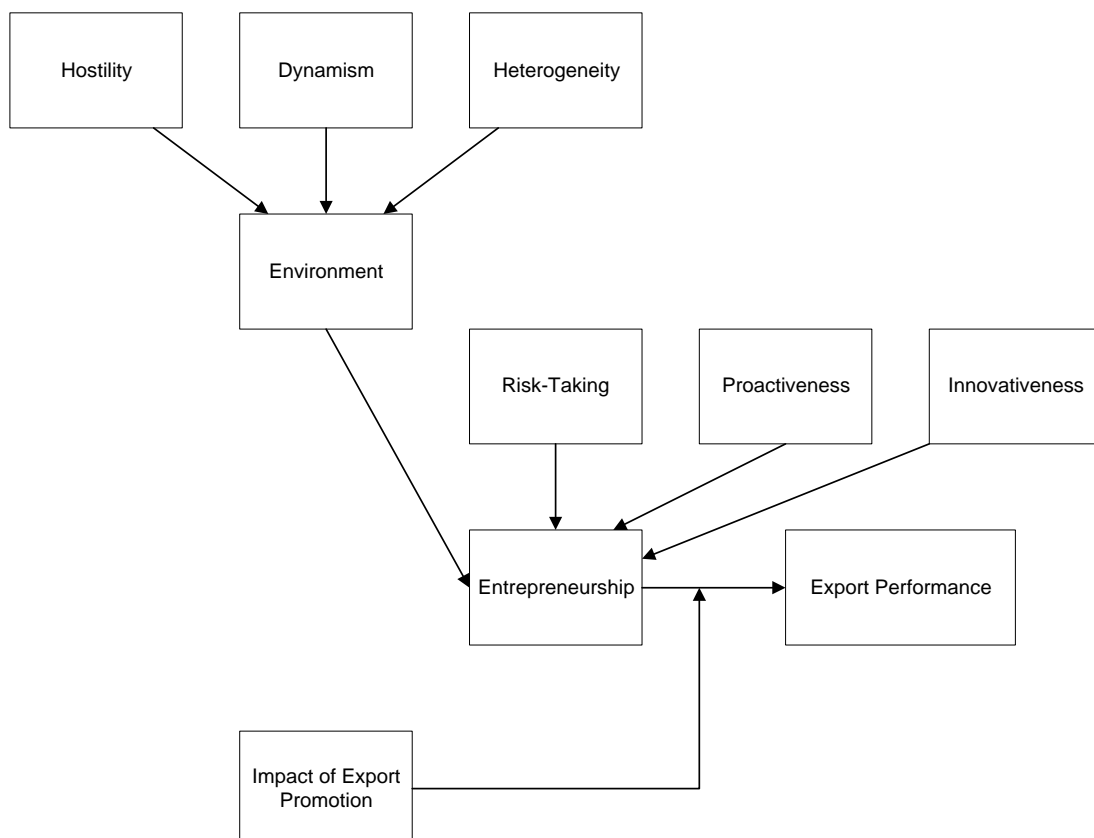
(Madsen 1994, p29)

The main tenet of the model is that the firm is constrained operationally by factors such as available finance and previous experience. These factors then influence the behaviour of the firm and its management, resulting in a particular strategy and ultimately affecting export performance. Transaction costs and market conditions also affect strategy implementation and performance. Competitiveness stems from the set of distinct competencies possessed by the firm; these could be the amount of resources available in terms of managerial know-how and available finance.

Kaynak (1992) carried out a Canadian cross regional comparison of export performance of manufacturers from the Prairie and Atlantic areas in order to identify differences in behaviour. The author found no significant differences between the two groups; results showed that the majority of firms behaved passively towards exporting, with only a few being actively involved. The author

notes that the majority of studies relating to export marketing behaviour are cross-sectional, examining the firm at domestic level. There are few works which can be described as cross-national and comparative (Kaynak 1985). Yeoh (1994) links the concept of entrepreneurship with export performance in a conceptual model. He investigates the overlap in the literature between the two areas, incorporating factors such as risk taking, proactivity and innovation (Figure 25):

**Figure 25. Inter-relationships among Environment, Export Promotions, Entrepreneurship and Export Performance.**

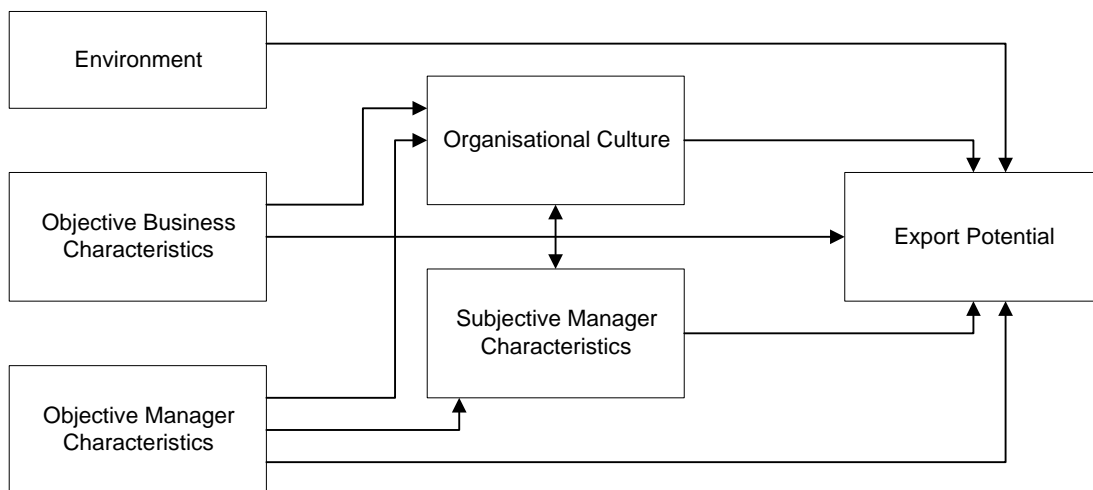


*(Yeoh 1994, p45)*

Comparative export performance research was carried out by Beamish et al (1993) in their study of U.K. and Canadian exporters. Key areas of commonality included

application of customer service initiatives and the use of planned marketing objectives. Results showed some differences between the groups: in the U.K. successful performance was indicated by the use of direct sales distribution, a wide product offering, long term focus on relationship with distributors and a broad geographic market focus. Canadian firms' performance was linked to better product characteristics and diversification of market focus; export behaviour was influenced by heavy reliance on the neighbouring U.S. market. Another model of export performance was developed by Holzmuller and Kasper (1991) and tested on small and medium-sized Austrian firms. As well as incorporating the dimensions found in previous models, the authors include the dimension of organisational culture (Figure 26):

**Figure 26. Determinants of Export Performance.**

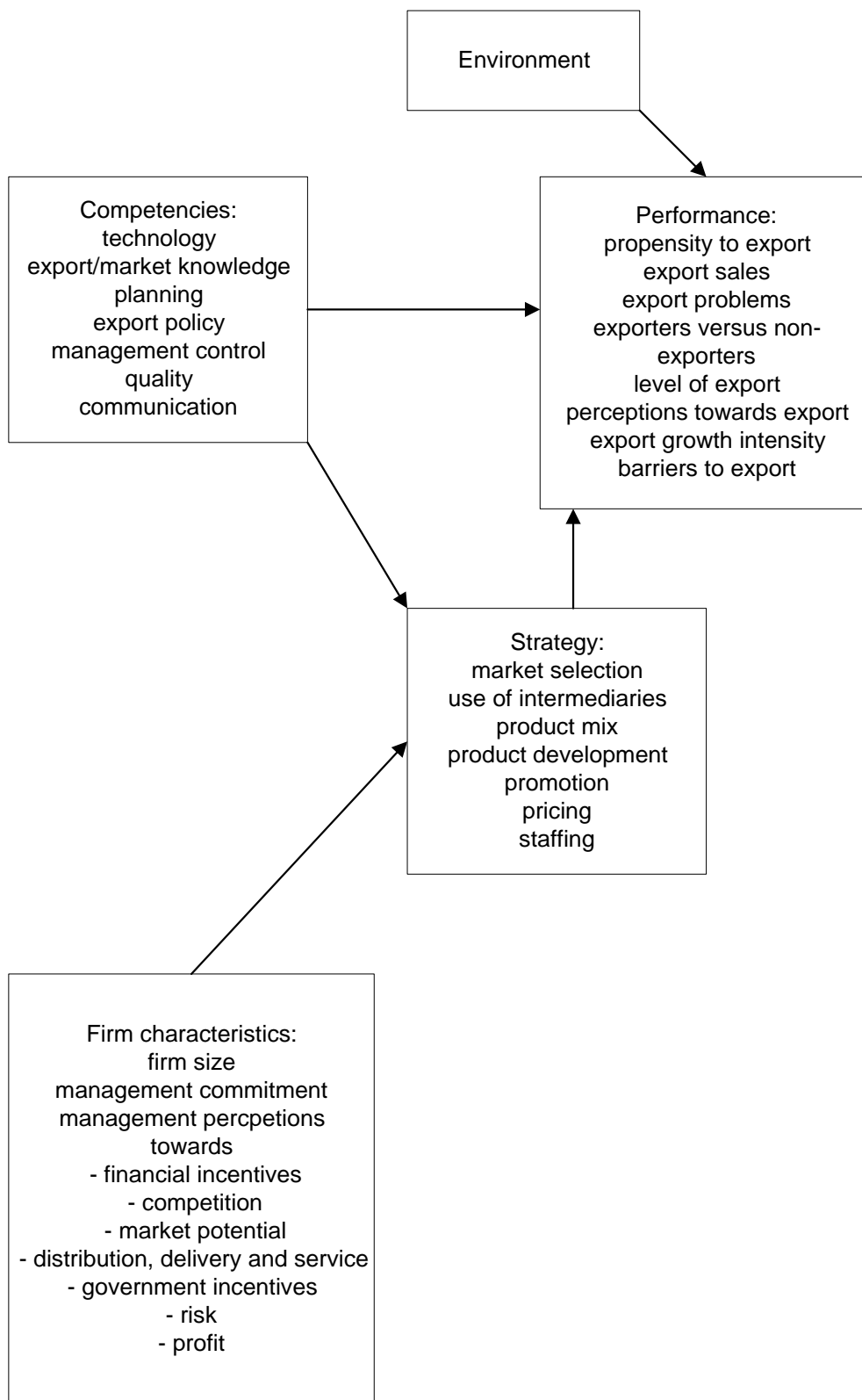


*(Holzmuller and Kasper 1991, p47)*

Aaby and Slater (1989) noted in their review of the export performance literature from 1978-1988 that conclusions were difficult to make due to the fragmentary nature of the studies involved. The authors develop an integrative model of export

performance as the result of this review, incorporating a range of internal and external elements identified across a range of studies (Figure 27):

**Figure 27. A General Model for Assessing Export Performance.**



*(adapted from Aaby and Slater 1989, p9)*

Chetty and Hamilton (1993) also carried out a review of the literature concerning export performance from 1978-1991. The findings generally supported the model of export performance developed by Aaby and Slater (1989). However they concluded that the approach taken by Aaby and Slater in their review was flawed; the authors believe that the narrative style adopted was not commensurate with the drawing out of relevant conclusions. The authors do, however, recognise the difficulties in identifying all relevant studies from which meaningful conclusions can be drawn, due to the diverse nature of relevant publications.

### **3.10 Summary**

This chapter has sought to determine how a range of factors impinge upon the internationalisation process of the firm, with particular emphasis on the smaller enterprise. An overview of exporting behaviour and how this is placed within the internationalisation literature was presented, before concentrating on a number of internal and external influences on exporting behaviour and performance. The effect of firm size on internationalisation was examined, before focusing on factors at the owner/manager level. Export barriers both internal and external to the firm were also evaluated before concentrating on the characteristics of the export decision maker. Since it is anticipated that a number of craft firm and owner/manager types will be identified during both quantitative and qualitative investigation of the craft sector, an appraisal of entrepreneurial and other orientations was carried out. The use of networking, opportunity identification and entrepreneurial exporting were also examined before assessing how culture impacted on the process on a number of levels. The use of export marketing research and the availability of exporting assistance was discussed before evaluating how all these factors affect exporting



performance and success. Chapter Four concentrates on the research methodology being followed, from the philosophical stance taken to the details of the research design utilised.

## **CHAPTER FOUR: RESEARCH METHODOLOGY**

### **4.0 Introduction:**

This chapter relates to the methodology followed in examining the internationalisation process of the smaller craft firm. Investigation of the literature has identified a dominance by the quantitative method over other methodological approaches. An appraisal of the various approaches available to the researcher is undertaken, before focusing on the research design itself, involving both quantitative and qualitative methods. The marketing and entrepreneurship interface paradigm of research is also offered as an additional conceptual device in the understanding of smaller craft firm internationalisation behaviour. Both quantitative and qualitative data are used to appraise the usefulness of this emerging research area in order to contribute to the progression of internationalisation theory.

### **4.1 Theoretical Considerations.**

When deciding upon a particular methodology in marketing research, the debate tends to centre around the positivist versus humanist debate (Smircich 1983, Gabriel 1990, Gill and Johnson 1991). Hirschman (1986) observes that:

Researcher understanding...is deemed within the humanist perspective to arise from direct personal experience, rather than by the manipulation of experimental variables. The researcher serves as the measuring instrument; personally experienced knowledge serves as scientific data (Polanyi 1962).

Hirschman (p238-239) also observes that the majority of marketing studies fall within the positivist perspective and that:

...positivist science is premised on axioms that assume (1) a single, tangible reality consisting of discrete elements, (2) the division of discrete elements into causes and effects, (3) independence between researcher and phenomenon, (4) the possibility and desirability of developing statements of truth that are generalizable across time and context, and (5) the possibility of value-free, objective knowledge discovery (Hunt 1983, Lincoln and Guba 1985, Outhwaite 1983).

Both schools of thought have their strongly developed arguments and sets of sub-schools of thought, with their own argumentatively sound standpoints. Whichever particular method is adopted, the overall research sequence tends to follow a fairly similar pattern (Howard and Sharp 1983, Gill and Johnson 1991). Each chosen research methodology has a related philosophical position within the various schools of marketing thought. In relation to this there are two main distinctions which can be made between the positivist and humanist approaches to research; the former follows the process of deduction, beginning with research hypotheses while the latter uses induction where hypotheses follow from the data instead of being set out in advance (Lawrence 1982). Deduction involves the prior development of a conceptual and theoretical basis before the testing process of empirical observation. One belief held by a number of researchers following the deductive approach is that the actual source of the theory matters little but that the logic of deduction and the operationalisation process is more important (Popper 1967).

The process of deduction has a number of stages, the first of which is the formation of abstract concepts central to the research question concerning the formation of the theoretically dependent variable and the identification of the independent variables (Bloor 1978, Gill and Johnston 1991). The next stage is the operationalisation of these concepts into observables which can then be tested empirically. This results in

the ability to subject the research hypotheses to analysis against the collected empirical data. Variation in the observation of the dependent variable is not necessarily caused by the independent variables alone but can be attributed to extraneous variables outwith the research design. They in fact provide alternative explanations for the observed variability and are then seen as alternative hypotheses. In an analytic survey, these extraneous variables can be controlled through the use of statistical techniques such as multiple regression (Mosteller and Tukey 1977, Pedhazur 1982) in the data analysis stage.

Experience and interpretation distinguishes the inductive researcher from the stimulus-response approach central to the position of the deductive positivist (Gill and Johnston 1991). Table 58 describes the main methodological differences found in the nomothetic approach of the positivist when compared to the ideographic methods of the inductive researcher:

**Table 58. Nomothetic and Ideographic research methods.**

<b>Nomothetic methods</b>	<i>Ideographic methods</i>
1. deduction	Induction
2. explanation via analysis of causal relationships and explanation by covering-laws (etic)	explanation of subjective meaning systems and explanation by understanding (emic)
3. generation and use of quantitative data	generation and use of qualitative data
4. use of various physical and statistical controls to allow testing of hypotheses	commitment to research in everyday settings to allow access to and minimise reactivity among the subjects of research
5. highly structured research methodology to ensure replicability of 1, 2, 3, & 4	minimum structure to ensure 2, 3, & 4

*(source - Gill and Johnson 1991, p36)*

A particular methodology does not necessarily follow one of the two extremes but may adopt a position on a continuum, depending on the specific beliefs of the researcher. Although positivism still tends to dominate marketing research, there has been a propensity more recently for some researchers to adopt a humanistic, naturalistic approach (Hunt 1989). Some researchers note the usefulness of qualitative methods in the early stages of the research process where they can be used to generate hypotheses, followed by larger scale confirmatory quantitative studies. One major criticism of the qualitative approach is that, due to the small samples involved, it is not truly representative of the population and the findings cannot be generalised (Bartos 1986). Within marketing, the lack of nonpositivist methods is due to the long term normative stance found in the metaphysic and method of positivist science (Hirschman 1986). The main difference between humanistic approaches to research compared to those found in the physical sciences

is that the former centres on the researcher *in-dwelling* with the phenomena under investigation. There is no formal structured questionnaire - instead the researcher acts as the measuring instrument. Table 59 outlines the fundamental differences between humanistic and positivist inquiry.

**Table 59. Contrasting Postivistic and Humanistic Philosophies.**

<i>Humanistic inquiry</i>	<i>Positivist inquiry</i>
construction of multiple realities viewed holistically	a single tangible reality comprised of discrete elements
mutual interaction of researcher and phenomenon under investigation	researcher and phenomenon independent
no division into cause and effect due to process of continuous creation	discrete elements divided into causes and effects
value-laden research	possible value-free, objective discovery
development of ideographic knowledge	development of generalisable statements of truth
knowledge is constructed, not discovered	

*(source: adapted from Hirschman 1986, p239)*

The humanistic method involves a number of stages, beginning with a priori conceptualisation of the research phenomenon. This is followed by an exploratory investigation and then personal immersion in the phenomenon. By pursuing this path, the researcher takes part in the process of continual observation, hypothesis formation, observation, hypothesis revision using the concept of the hermeneutic circle. The final stage involves constructing an interpretation of the phenomenon.

Although it is possible to carry out a piece of research wholly based on either a quantitative or qualitative approach, many researchers tend to compromise by including elements of both. A statistical survey relies on a certain degree of subjective interpretation while many apparently qualitative methods indulge in some form of quantitative assessment, such as the counting of themes.

#### **4.1.2 Marketing Research Paradigms:**

In order to understand the particular philosophical approach (ideographic, nomothetic or a combination of methods) taken by each researcher, an investigation of the 'paradigm of research' is carried out. In Desphande's discussion of the issue of the paradigm and its application to marketing thought (Desphande 1983) he uses the definition given by Kuhn (1962) as a starting point:

..a paradigm is a set of linked assumptions about the world which is shared by a community of scientists investigating that world (Deshpande, p101).

These assumptions result in the formation of a conceptual and philosophical framework or *weltanschauung* for the organised study of the world. Four objectives of a paradigm are identified: it acts as a professional's guide; it develops models and theories into a framework for research; it identifies appropriate research tools; and also provides a particular epistemology, or theory of knowledge, for research. Desphande identifies two main schools of thought, positivism and idealism and their respective quantitative and qualitative paradigms. The two schools are not seen as mutually exclusive but as being situated on a research continuum, so depending on the particular stance of the researcher, the work may contain varying degrees of the so-called rival paradigm content. Auguste Comte<sup>ix</sup> and Durkheim<sup>x</sup> are credited with the early work of the logical positivists and the empirical view of science

where the belief was that if a phenomenon could not be seen, heard, touched, smelled or tasted, it did not exist. Positivism, or at least the form found in modern market research, centres on those attitudes which prefer research involving the minimum of interpretation and a maximum of facts (Gabriel 1990).

Weber<sup>xi</sup> promoted the idealist viewpoint and its associated qualitative paradigm where proponents believe in the existence of a physical reality but that the individual creates the social world. Reichardt and Cook (1979) describe the quantitative paradigm as positivistic, hypothetico-deductive, particularistic, objective, outcome-oriented with a natural science world view while the qualitative paradigm is seen as being phenomenological, inductive, holistic, subjective, process-oriented with a social anthropological world view. As far as marketing research is concerned, by using only the tools appropriate to one or other paradigm, complementary data may be lost which could contribute to the understanding of the research problem. Reichardt and Cook note that qualitative methods tend to be used in order to discover or generate theories, while quantitative methods usually exist to confirm or verify existing theories. However, the marketing literature tends to be dominated by quantitative approaches to research, which slows down the generation of new theory. This is certainly true of studies relating to the internationalisation of the firm as the literature review has shown.

#### **4.1.3 Objectivity, Subjectivity and Marketing Research:**

Until the 1940s, it was almost taken for granted that research in marketing followed the objective path, pursuing scientific method, with each cognitive statement open to empirical testing (Carnap 1956, Nagel 1961, Hempel 1965). More recently it has



been argued that objectivity can never be achieved and that other methods may be more appropriate (Mick 1986, Fullerton 1986, Hirschman 1986). This belief formed from Weber's (1947) thesis that since the basis of social science is concerned with human action, objectivity can not be achieved.

The more recent slant towards subjectivity is based upon the conclusions made concerning objectivity by Sapir (1949), Whorf (1956), Hanson (1958), Kuhn (1962) and Feyerbrand (1975). The work of Kuhn and the historical relativist position is still prominent in the social sciences despite its numerous criticisms (Suppe 1977, 1984). According to Kuhn, paradigms determine observations; observations are theory laden and are incommensurable (no theory-free means), making objectivity impossible to achieve. The only way that scientific revolutions or gestalt shifts can be achieved is through mass persuasion and not by any means of reasoning, since paradigms are incommensurable and data are theory-laden (determined by theories of the researcher). The relativism of Kuhn fits alongside the linguistic relativism developed by Sapir (1949) and Whorf (1956) which centred on the belief that the interpretation found in scientific observation is theory-laden by the language of the individual scientist, resulting in the impossibility of objectivity across languages. Hunt (1993) points out the futility of discussing and comparing marketing paradigms and then subsequently promoting the view that they are incommensurable because they are *noncomparable*. As far as marketing is concerned, there are no rival paradigms which make conflicting knowledge claims but only different paradigms.

#### **4.1.4 The Role of Truth in Marketing Theory and Research:**

In order to appreciate the strengths and weaknesses of various methodological approaches, the issue of truth is discussed. According to Peter and Olson (1983) and their relativistic/constructionist view, truth is a subjective evaluation that cannot be properly inferred outside of the context provided by the theory, while Anderson (1988) believes there is no place for truth in the ontology of critical relativism. Hunt (1990) believes that, although Kuhn does not specifically mention relativism in his original work, he implied two types of relativism: ontological (reality) relativism and conceptual framework relativism. Belief in reality relativism centres on how reality in science is constructed by individuals relative to their language. Language here can also refer to social group, class, culture, theory, paradigm, world view or *weltanschauung*. Evaluation of this reality cannot be evaluated objectively across languages. With conceptual framework relativism, knowledge claims are relative to conceptual frameworks (or theories, paradigms, world views or *weltanschauung*) and are unable to be evaluated objectively across these frameworks.

Critics of Kuhn's work on relativism contend that it is historically inaccurate, nihilistic and actually degraded science by reasoning that it had not really progressed from its position 500 years ago (Suppe 1977, Siegel 1980, Stove 1982, Hunt 1989, 1990). The philosophical stance shifted from relativism to realism in the 1970s, once the inadequacies and limitations of the theories of Kuhn and Feyerabend were recognised. Anderson (1988a, 1988b) sees critical relativism as having little part to play in marketing thought since one of the basic tenets of critical relativism is that the notions of truth and falsity do not appear in its vocabulary. The belief that realism is false centres on the views of convergent and

motivational realism. The main ideas presented in convergent realism are: that mature scientific theories are approximately true; the theoretical concepts genuinely refer; successive theories retain the ontology of predecessors; successful theories contain central terms that genuinely refer; and that truly referential theories will be successful. However, the position of the critical relativist is that convergent realism theory is false since it is easy to refute the latter two beliefs by drawing on evidence from 'hard-sciences' (Anderson 1988).

The central concept of scientific realism (Maxwell 1962, Sellars 1963, Putnam 1975, MacKinnon 1979) are: the world exists independently of its being perceived (classical realism); science develops genuine knowledge about that world despite the fact that it will never be known with certainty (fallibilistic realism); knowledge claims must be critically evaluated and tested (critical realism) in order to determine the extent to which they represent that world and that the long-term success of a scientific theory should mean that the entities and structure proposed by the theory really do exist. The only real difference, according to Hunt (1990) between the application of scientific realism to marketing and the hard sciences is that the majority of concepts presented in marketing thought are intangible, compared to the tangibles found in the sciences. It is proposed that by combining both positivistic and humanistic methods, this research will arrive at a clearer 'truth' than if one or other single approach had been taken.

#### **4.1.5 Paradigmatic pluralism:**

The discipline of marketing is still dominated by the empirical approach to research (Arndt 1985) despite the fact that this position seems to have been abandoned in contemporary philosophy and the sociology of science (Radnitzky 1970, Anderson 1983):

Marketing thinking is profoundly dominated by the empiricist world view emphasising rationality, measurement, and problem solving. The metaphors used in marketing science limit the insights generated. Marketing can be enriched by opening up for alternative paradigms capturing subjective experiences, conflicts, and liberating forces (Arndt 1985, p3).

In addition the concept of marketing itself has been broadened far beyond its original boundaries (Kotler and Levy 1969, Hunt 1976, 1983). Considering the concept of the paradigm once more, and by examining studies from the natural and social sciences, there have been very few periods when one particular paradigm has tended to dominate (Arndt 1985). The author remarks:

While no paradigm or metaphor is more than a partial and incomplete truth, the notion of paradigms should be viewed as an argument for paradigmatic tolerance and pluralism (p21).

Questioning incommensurability, Brannen (1992) notes that adopting multiple research strategies (Burgess 1982) suggests some sort of dynamic between paradigms at both epistemological and theoretical levels. Bryman (1988) identifies ways in which quantitative and qualitative methods can interact:

...qualitative work as a facilitator of quantitative work; quantitative work as a facilitator of qualitative work; both approaches are given equal emphasis (Brannen, p23).

Brannen further remarks on the merits of following a pluralistic approach either involving two separate but connected studies which can be distinguished at each

research stage or by incorporating integrated techniques in a single study. Reichardt and Cook (1979) identify a number of researchers adopting this position outside the marketing discipline (Denzin 1970, Eisner 1977, Britan 1978) and reiterate the benefits of the pluralistic methodology:

..a researcher need not adhere blindly to one of the polar-extreme paradigms that have been labelled “qualitative” or “quantitative” but can freely choose a mix of attributes from both paradigms so as to best fit the demands of the research problem at hand (p19).

Table 60 outlines the various choices to be made in the research process, of which pluralism is only one.

**Table 60: Methodology and Philosophical choices.**

philosophical choices	non-recognition of relevance of human subjectivity	recognition of relevance of human subjectivity
ontological realism	positivist methodological parochialism	<i>methodological pluralism</i>
ontological nominalism		interpretative methodological parochialism

(source: Gill and Johnson 1991, p131)

Donnellan (1995) identifies the work of Denzin on triangulation or *the combination of methodologies in the study of the same phenomenon* (Denzin 1979, p21), believing that pluralistic approaches tend to be underused due to the various technological and financial barriers encountered within each piece of research.

#### **4.1.6 Classification of the Research within the Schools of Marketing Thought:**

Classification of the research can be aided by utilising the three categorical dichotomy model as developed by Hunt (1976,1978), involving the dimensions of :1. profit sector/nonprofit sector; 2. micro/macro; 3. positive/normative. The research being carried out focuses on the profit sector and the micro dimension which is concerned with individual units - here the unit is the firm. Difficulty then arises when endeavouring to explain the research in terms of positive or normative nomenclature. Since the research involves both description and prescription, elements of both schools appear in the research.

A school of marketing thought must have a distinct focus on goals and objectives, together with the ability to specify who will/should benefit from marketing activities and practices (Sheth et al 1988). It must also focus on why these activities are carried out. As well as having a pioneer thinker, the school must exhibit group consensus on the views promoted. Table 60 classifies the twelve schools of thought under economic/non-economic and interactive/non-interactive dimensions :

**Table 61. Classification of Marketing Schools.**

	NONINTERACTIVE PERSPECTIVE	INTERACTIVE PERSPECTIVE
ECONOMIC PERSPECTIVE	<ul style="list-style-type: none"><li>• Commodity</li><li>• Functional</li><li>• Regional</li></ul>	<ul style="list-style-type: none"><li>• Institutional</li><li>• Functionalist</li><li>• Managerial</li></ul>
NONECONOMIC PERSPECTIVE	<ul style="list-style-type: none"><li>• Buyer Behaviour</li><li>• Activist</li><li>• Macromarketing</li></ul>	<ul style="list-style-type: none"><li>• Organisational Dynamics</li><li>• Systems</li><li>• Social Exchange</li></ul>

*(source - Sheth, Gardner and Garrett 1988, p20).*

The interactive perspective embodies the concept of the balance of power between producers, channel members and consumers. Exchange or relationship is the focus for interactive schools of thought. In the noninteractive stance, the consumer was seen as the main influence in the marketing process during the 1960s and 1970s. Originally, the producer was viewed as the major power where persuasion or selling/buying is the primary focus. An economic perspective considers economic factors to be the main influence on determining marketing actions. The noneconomic approach suggests that the actions of producers, channel members and consumers could not be explained by economic analysis alone; social and psychological factors may also influence marketing actions. It is argued here that the research falls into the economic, interactive, managerial dimension, since it involves the internationalisation of profit-making craft firms under the influence of the owner/manager.

#### **4.2. Research Design:**

This research involves both quantitative and qualitative elements, with a postal survey combined with in-depth interviews of smaller craft firm owner/managers. In adopting a survey approach to research, the choice tends to be between an analytical or a descriptive method (Moser and Kalton 1971, Kidder and Judd 1986). The analytical survey is concerned with the identification of the independent, dependent and extraneous variables while the descriptive survey deals with the identification of particular population characteristics at a specific point in time.

When carrying out a questionnaire survey, whether the format contains closed, semi-structured or open-ended questions, the process remains basically the same (Oppenheim 1992). It is important that it has a strong focus, without containing unnecessary questions and that the sequence of questions flows comfortably. Piloting or pre-testing is required in order to correct misleading questions and unintentional questionnaire bias. The main sample is then contacted and the incoming data analysed using various statistical techniques before the findings are presented.

The validity and reliability of the approach must be considered: validity relates to the degree to which the variable in question is being measured while reliability refers to how consistent the measurement process actually is (Reichardt and Cook 1979, Perreault and Leigh 1989). By researching previous literature on similar or related topics, the appropriate scaling methods can be identified and a question can be posed in a number of different ways in order to maximise reliability. The postal survey attempted to check for validity and reliability by including several of these



cross-checks. Other types of validity which need to be considered are: external validity which is concerned with the extent to which the findings can be applied outwith the sample being researched; population validity or the degree to which the findings can be generalised to a greater population; and ecological validity or the possibility of applying the findings to different contexts and settings. Reliability is concerned with the extent to which it is possible for another researcher to achieve similar findings using the same subjects and research design under identical conditions.

Criticism of the survey approach to research include a lack of ability to express true sentiments since respondents may feel constrained by the types of questions used as well as the inability for the researcher to prompt and probe respondents freely (Donnellan 1995). Although the survey method is high in population validity and reliability content it lacks naturalism and can be poor in terms of internal and ecological validity when compared to experimental research design. In contrast to the survey approach to research, the field of ethnography involves the collection of data via naturalistic methods such as participant observation and semi-structured interviewing techniques centring on an inductive approach (Van Maanen 1979, Rosen 1991). Qualitative research is not without its critics: De Groot (1986) remarks that it cannot produce information which can be generalised to a population with any degree of certainty. However, he also notes that both quantitative and qualitative research borrows approaches from the sciences which have been developed for quite different purposes. This calls into question many methodological approaches adopted in marketing research; by adopting a pluralistic approach, the probability of making invalid statements following data analysis

should be minimised. One strength of an ethnographic approach is its ability to deal with the subjectivity of the respondent, a failing of positivist research methods. The main purpose of ethnography is to understand (*verstehen*) the world of the individual and how they make sense of it, without the external environment impinging upon the process (Bogdan and Taylor 1975). The development of theory from the ethnographic approach begins with an extrapolation from 'grounded events' (Glaser and Strauss 1967).

The pluralistic approach used here adopts both positivist and humanist research methods in order to answer the research question. Research bias is minimised by methodological triangulation (Smith 1975) where complementary data is acquired from different research techniques; in this instance quantitative data from a mail survey and qualitative data from in-depth interviewing are combined. This mixture of ideographic and nomothetic methodologies enables internal cross-checking to be carried out and increases the credibility of the work.

The research method followed was pluralistic, with both quantitative and qualitative elements. The study involves assessing the beliefs, attitudes and behaviour of small craft business owners in the United Kingdom and the Republic of Ireland in order to examine the internationalisation process of the smaller firm, test existing theories and construct alternative conceptualisations. In particular, the research concentrates on the internationalisation via exporting of the craft business. 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 (Cohen and Holliday 1982, Anderson et al 1996, Bryman and Cramer 1997) and a more qualitative content analysis (Rosengren 1981, Weber 1985, Kolbe and Burnett 1991). This pluralistic approach (Carman 1980, Arndt 1985, Brannen 1992) should result in a more balanced presentation and analysis of findings than either a purely quantitative or qualitative approach could provide on its own. This also minimises effects of bias, reliability and validity (Patton 1980, Blackler and Brown 1983, de Groot 1986).

#### **4.2.1 Questionnaire Design:**

Oppenheim (1992) identifies two types of survey: the descriptive, census-type which answers the 'how many' questions while the analytic survey deals with the 'why' question. With this survey, the majority of questions were structured, with an element of semi-structured and open-ended questions. The questionnaire contained three types of questions: behavioural, attitudinal and classification (Hague 1993). It is important that the questions appear to flow, from the general to the specific, although there is no guarantee of the order in which the respondent will answer the questions. The structured questions will be measured by the use of scales; here Likert scales will be utilised, although there are a number of choices available, ranging from verbal rating scales, numerical scales and ranking questions (Allen and Yen 1979, Rossi, Wright and Anderson 1983, DeVellis 1991). It is important that the wording is precise and concise, with jargon and sophisticated or uncommon

words being avoided. In this case of using self-completion postal questionnaires, a number of important factors have been identified which can affect the response rate: the interest factor, incentives, the convenience factor, sociodemographic influences, prenotification and the inclusion of a covering letter (Schlegelmilch and Diamantopoulos 1991, Green 1996, Cavusgil and Elvey-Kirk 1998). A covering letter explaining the purposes of the research was included with the questionnaire, together with a standard business reply-paid envelope. Pre-testing/piloting of the instrument on a number of key informants was carried out for several reasons (Oppenheim 1992):

Piloting can help us not only with the wording of questions but also with procedural matters such as the design of the letter of introduction, the ordering of question sequences and the reduction of non-response rates (p47).

Advantages and disadvantages of face-to-face interviewing and postal self-completion questionnaires in business markets have been outlined by Sutherland (1991). Personal interviewing can result in high quality responses and allows the interviewer to prompt and probe, as well as being able to ask for clarification and explanation about comments made (Hart 1989). Also, if the respondent is agreeable, the interview can be recorded. Drawbacks include the costs and time needed to carry out the interviews and there is also a chance of interviewer bias occurring. Postal questionnaires have been frequently used in addition to other methods of data collection and are relatively simple to administer. Respondents may feel under less pressure to reply when compared to the face-to-face interview and there is no danger of interviewer bias. Postal surveys can have a poor response rate - the effective response rate is the proportion of total questionnaires returned at least

partly completed, while the usable response rate is the proportion of the total number distributed which can be used in analysis.

The survey draws on the topics raised and discussed in the literature review, focusing on the model of contributing factors in SME internationalisation (Figure 9). 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 (Axinn 1988, Walters and Samiee 1990, Beamish et al 1993, Styles and Ambler 1994); owner/manager level issues such as attitudes and motivational issues concerning exporting (Cavusgil and Nevin 1981, Bradley 1984, Cavusgil and Naor 1987, Holzmuller and Kasper 1990, Bourantas and Halikias 1991, Ali and Camp 1993, Shoham et al 1995, Norvell et al 1995); barriers to exporting (Kedia and Chhokar 1986, Keng and Juan 1989, Donthu and Kim 1993, Katsikeas and Morgan 1994, Leonidou 1995); the use of export information sources and assistance (Bodur and Cavusgil 1985, Kaynak 1992, McAuley 1993, Styles and Ambler 1994); and cultural beliefs and values relating to exporting (Dichtl et al 1983, Hofstede 1991, Koh et al 1993, Tongren et al 1995).

#### **4.2.2 Sampling Approach**

One of the main reasons for carrying out the quantitative study before any extensive qualitative data collection was that, at the particular time when data collection was taking place, an all encompassing directory or database of craft firms in the United Kingdom and the Republic of Ireland did not exist from which to sample respondents. In contrast, this compares to the situation of firms in the majority of

other industry sectors which can be identified using sources such as Kompass<sup>xii</sup> where firms can be sampled with ease. 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, organisations and individuals were consulted before sampling was carried out. Table 62 presents details of some of the sources:

**Table 62. Sources of Possible Sampling Data.**

<i>Publication/Organisation/Individual</i>	<i>Address</i>
The Scottish Arts Council website	<a href="http://www.scotarts.org.uk/sac/htm">http://www.scotarts.org.uk/sac/htm</a> The Scottish Arts Council 12 Manor Place Edinburgh EH3 7DD
Dr Helen Bennett Crafts Director Scottish Arts Council	The Scottish Arts Council 12 Manor Place Edinburgh EH3 7DD
Karen Turner Sales Development Officer The Crafts Council of Great Britain List of Selected Makers	44a Pentonville Road Islington London N1 9BY
Peter Guthry Made in Scotland Ltd Aviemore Highland Trade Fair Directory 1997	The Craft Centre Station Road Beauly Scotland
Craftworks NI Limited Craftworks Trade Directory	17-19 Linenhall Street Belfast BT2 8AA
Catherine Jordan Information Officer Craftscouncil of Ireland Craft Directory	Powerscourt Townhouse Centre South William Street Dublin 2 Ireland
Craft Vision database of Welsh Craftspeople	<a href="http://www.telem.co.uk/craftvision/intro.html">http://www.telem.co.uk/craftvision/intro.html</a>
Sandra Bosanquet	Museum Place

The Arts Council of Wales Welsh Crafts Council Register	Cardiff CF1 3NX
Sophie Hansen International Arts	4 Baden Place Crosby Row London SE1 1YW
Andrew Wiley Information Section Central Statistical Office	Skehard Road Cork Ireland <a href="http://www.cso.ie">http://www.cso.ie</a>
The Arts Council of Northern Ireland	Stranmillis Road Belfast BT9 5DU Northern Ireland
Patricia Walsh Market Information Centre An Bord Trachtala (The Irish Trade Board)	Merrion Hall Strand Road Dublin 4
John Myerscough	39 Campden Street London W8 7ET
Cath Bentley Information Officer AXIS	Leeds Metropolitan University Calverley Street Leeds LS1 3HE
Arts Research Digest	Research Services Unit University of Newcastle 6 Kensington Terrace Newcastle upon Tyne NE1 7RU

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<sup>xiii</sup>; several organisations 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 3,037 craft businesses in the United Kingdom 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 (Cohen and Holliday 1982, 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. To enable comparisons in internationalisation behaviour to be made between countries, 100 businesses were sampled from each of the five countries.

#### **4.2.3 The Qualitative In-Depth Interviews:**

Qualitative recorded in-depth interviews were held with thirty exporting and non-exporting smaller craft firm owner/managers identified by the initial postal survey. These respondents had indicated their willingness to take part in further research and were either interviewed face-to-face or by telephone. During the in-depth interview a basic rapport can be built up with the respondent; the researcher has a list of issues which should be covered and the conversation is guided, without any formal influencing, so that all the major issues have been discussed (Chisnall 1986). By using open-ended questions, the respondent is free to reply in his/her own words instead of the limitations placed when forced to choose from a set of alternatives (Churchill 1992). The initial question is the stimulus and further probing by the researcher should result in an accurate picture of the respondent's position concerning the issues involved. This method delves below any shallow surface reactions in order to discover the more fundamental reasons for the phenomena (Kinnear and Taylor 1987). Judgement is needed in order to probe and prompt at the correct time and how to correctly word the question.



In order to test the validity of the quantitative findings and to provide additional data, a range of issues relating to smaller craft firm internationalisation were investigated which follow the framework developed in Figure 9. Topics covered included: a discussion of the influencing factors 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; the usefulness of various support bodies in assisting the business to grow both domestically and overseas; owner/manager attitudes towards carrying out business; an appraisal of the strengths and weaknesses of the owner/manager; the relevance of establishing networks and forging relationships; a discussion of the main markets served; the methods adopted in selling the craft product; the incidence and relevance of marketing research in the firm; the impact of culture upon the craft business; 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.

#### **4.2.4 Data Analysis Procedures:**

Initial descriptive statistical analysis was carried out on the postal questionnaire data, followed by various inferential procedures (Labovitz 1970, Conover 1980, Huitema 1980, Anderson et al 1996) in order to examine the various factors involved in smaller craft firm internationalisation. This was then followed by a qualitative analysis and interpretation of the in-depth interviews (Churchill 1992, Silverman 1994, Bryman and Burgess 1995) where the findings were compared and

contrasted with the initial quantitative study (Mason 1995) in order to improve upon the understanding of the internationalisation process of the craft firm.

Interpretation of qualitative data should be a dynamic process with rolling hypotheses which are continuously updated. During and after data collection, a subconscious process of interpretation occurs. The interpretation stage can be difficult because respondents: can be inarticulate; may be ambivalent, self-contradictory or defensive; feel pressurised or uncomfortable in the interview situation; and have not thought about why they believe in what they do or why they behave in a particular way. Despite the large amount of material concerning quantitative data analysis, there is a distinct lack of information concerning qualitative data analysis (Hart 1989). Data analysis is important, since relying on memory has its limitations. By reworking earlier information as a result of newer findings, clearer results can appear. However, since qualitative research is concerned with imagination and personal input, too much analysis can be harmful (Robson and Hedges 1992).

The analysis process involves two stages: data handling and thinking/interpreting. The former involves the processing, organising and structuring of the data in order to give it meaning, draw inferences from it and make conclusions. Data processing begins before the actual information collection begins; thinking is the main activity involved. This is related to the research objectives, the method of interview, the questions asked and the order of investigating topics.

#### **4.2.5 Data Interpretation, Conclusion Drawing and Verification Processes:**

Conclusion drawing and verification lie at the end of the data analysis procedure, after data reduction has been carried out. As far as quantitative data is concerned, the reduction and display process may involve the computing of standard deviations, means and variances followed by regression printouts and tabulations of correlation coefficients (Griggs 1987). The quantitative results and analysis will follow this method. The reduction of qualitative data can involve summarising, paraphrasing, selecting and excluding items and actually quantifying data into numbers and ranks. This is then displayed in the form of narrative text, quotations, tables and so on. These methods are incorporated in the presentation and analysis of the qualitative data collected in this research.

The drawing of conclusions and the process of verification involves the noting of regularities and patterns, together with the derivation of explanations, causal flows and propositions. Reliability of quantitative data can be checked by offering a statistical statement concerning the probability of not finding the same results in another study. In order to check for validity of quantitative data, questions must be checked for ambiguity as well as ensuring that coding has been carried out correctly. Ultimately, the data has to be interpreted and this involves some qualitative input. In the case of qualitative data, the process of induction or hermeneutics (Hirschman 1986) is used to change transcripts into valid statements. Following the humanistic approach to research means that any results cannot be subjected to the positivist tests for validity; other measures must be used (Sykes 1990, Gabriel 1990). Credibility can be tested by allowing the research subjects to

check the findings with the researcher observing their reactions. Testing for transferability of the findings to other contexts can be carried out, as well as scrutinising the dependability of the researcher as a measuring instrument. External auditors can be used to test for confirmability through the reviewing of findings, notes taken and any other relevant documentation. It should be noted that there is no one correct way of researching. Morgan (1983) remarks that, because of ontological uncertainties, a pluralistic approach is needed in order to uncover as many different knowledges as possible.

#### **4.2.6 The Marketing and Entrepreneurship Interface as an Aid to Data Interpretation.**

In addition to the previously discussed methods of data analysis and interpretation, the author believes that the application of the emerging marketing and entrepreneurship interface paradigm of research (Carson et al 1995) will enhance understanding of the internationalisation process of the smaller craft firm by both building upon existing frameworks and offering additional perspectives.

There has been developing research interest in the link between entrepreneurship and small business since the start of the 1980s, with marketing being only one of several functions including management, accounting and finance among the areas found in the interface (Wortman 1986). The link between marketing competencies, organisational performance and entrepreneurial orientation was found to be positively linked by, among others, Smart and Conant (1994), while Hisrich (1992) believes there is a place for marketing within entrepreneurship. In taking this a stage further, the marketing/entrepreneurship paradigm (Carson et al 1995) is utilised in

this thesis to assist in the explanation of differences in internationalisation behaviour, given that many firms compete unequally in terms of factors such as business and marketing skills, available resources, creativity and identification of opportunities.

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 1993). Day and Reynolds (1998) argue for the promotion and acceptance of the marketing/entrepreneurship interface as a recognised paradigm of research, tracing its origins to Hills (1987) and the first UIC/AMA workshop:

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.

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 (p505).

Morris and Lewis (1995) note the increasing interest and application of the marketing and 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 which can also be regarded as integral to the successful marketing oriented firm: innovation, risk-taking and proactiveness (Miller 1983, Morris and Paul 1987, Covin and Slevin 1989). The literature review has also identified these factors as crucial to successful internationalisation progression. It is believed 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 products.

### 4.3 Research Propositions

A number of central propositions contributing to knowledge development have been established as the result of the discussion in Chapters 1, 2, 3 and 4 and which are subsequently evaluated via both the quantitative and qualitative approaches discussed in the research methodology.

- It is anticipated that the factors uncovered in this research will have particular implications for modelling and understanding the internationalisation process of the smaller firm.
- In addition it is predicted that analysis of the results of this research will also uncover additional export barriers not identified in the literature review which are specific to the craft industry.
- It is believed that the analysis of craft firm internationalisation will provide some contrasting findings compared to previous studies relating to internationalisation of the firm in other sectors.
- Given that lack of resources is pervasive among smaller firms in general, it is anticipated that future conceptualisations will need to embrace contemporary developments such as networking and use of the internet as an aid to internationalisation. It is anticipated that, due to the specific nature of the smaller craft firm, networking will be used widely as an aid to internationalisation.
- It is anticipated that application of the marketing and entrepreneurship interface paradigm will also assist in increasing the understanding of smaller firm internationalisation.
- Given that this research focuses on the internationalisation process of the smaller craft firm and that it is believed that owner/manager characteristics impinge greatly upon export behaviour of the firm, entrepreneurial traits, success strategies and the impact of environmental factors are of particular interest.
- It is expected that smaller craft firm owner/managers will exhibit a range of attitudes towards the use of export marketing research and that this will then affect export behaviour and performance of the craft firm.

#### **4.4. Summary.**

This chapter has analysed the philosophical stances of various research methodologies adopted in previous internationalisation research, before developing the discussion around the chosen approach of methodological pluralism. The research design was then developed, with the reasons given for carrying out both quantitative and qualitative research. Details of particular issues to be investigated were presented, along with practical considerations such as sampling, questionnaire design and data analysis procedures. The adoption of the emerging marketing and entrepreneurship interface paradigm was proposed as an additional aid to further knowledge contribution in smaller firm internationalisation. Finally, a number of research propositions were presented which will be subjected to quantitative and qualitative analysis in Chapters 5 and 6.



## **CHAPTER FIVE: QUANTITATIVE SURVEY RESULTS**

### **5.0 Introduction.**

Following the industry analysis, literature review and discussion of the research methodology adopted, Chapter Five presents the quantitative results. Issues affecting response rate are examined before focusing on descriptive and inferential findings. The presentation of these results attempts to follow the model of the factors impinging upon export internationalisation developed in Figure 9. Since the methodology followed is pluralistic in nature, the reporting of the quantitative results will be linked to the qualitative results in Chapter 6.

### **5.1 Response rate.**

Of the 500 questionnaires sent, 140 replies were received (28% response rate), with 17 replies only partially completed and which were discarded for the purposes of the analysis. A total of 3 respondents had removed the questionnaire coding and consequently their country of origin could not be incorporated in the analysis. Five replies indicated they were no longer in business, reflecting the difficulty in sampling from lists/directories in that they can never really be absolutely current. In fact, the directories for Northern Ireland and the Republic of Ireland were published up to two to three years previous to the survey being carried out. However, they were the most up to date lists available at the time the survey was carried out. Several respondents commented that they did not see any value in completing the questionnaire fully, since they did not export their work. One respondent claimed that she was highly sceptical of the value of this type of research, and did not see any benefit in answering the survey.

Some respondents mentioned that they had a difficulty with seeing themselves as craftspeople, despite appearing in verified lists supplied by the appropriate Crafts Council. The majority of respondents were comfortable with being classified as working in the crafts, while others saw themselves either as designers or as artists. The problem with any quantitative approach is that labels must be applied to the target sample in order to categorise them into recognisable groups which can then be subjected to analysis. A number of respondents appeared to be uncomfortable with the notion that they were operating a business, despite the fact that they are sell their products for profit. Further, some felt uneasy with classifying their work as a product; instead these individuals see their work as a piece of art or design and that it should not be viewed as some “ordinary” object for sale. They tended to feel that many methods of selling used by other businesses do not apply to their work; instead they remarked that exhibitions and making use of personal contacts were of primary importance. Further reasons given for non completion were: the individual did not sell any work; another was no good at filling in questionnaires but that visiting the studio would be welcomed; one respondent sampled turned out to be an importer of goods which they did not consider to be “crafted”; and finally, another did offer to complete the questionnaire, but only after he had been paid a fee of £25.

Efforts were made to increase the response rate through follow up telephone calls, giving a final total of 123 usable questionnaires, a response rate of 24.6%, comparing favourably to similar exporting behaviour studies by Czinkota and Ursic (1991), Donthu and Kim (1993), Karakaya (1993) and Beamish et al (1993).

Coding of the questionnaires enabled a breakdown to be carried out of replies from craft businesses in Northern Ireland, the Republic of Ireland, England, Scotland and Wales (Table 63), followed by comparative response figures for exporting and non-exporting craft firms (Table 64).

**Table 63: Breakdown of response rates by country of origin.**

Country	total no of responses	Percentage replies
Wales	29	23.58
England	28	22.76
Republic of Ireland	24	19.51
Scotland	24	19.51
Northern Ireland	15	12.20
coding removed	3	2.44
Total	123	100

The highest response rate received was from Welsh craftspeople, making up almost one quarter of all replies, followed closely by England, Republic of Ireland and Scotland. The one country with a definitely poorer response rate was Northern Ireland (12.3%). The main reason for the difference in response rates could be the accuracy of the craft business addresses supplied from the various sources consulted (Table 62).

**Table 64: Exporter and non-exporter response rates.**

Country	no of Exporters	no. of non-exporters
England	16	13
Scotland	14	9
Republic of Ireland	11	13
Wales	7	22
Northern Ireland	5	10
coding removed	2	1
Total	55	68

The country containing the highest number of responses from exporters was England, with almost three tenths of all exporters, followed closely by Scotland and then the Republic of Ireland. Again a marked poorer response rate from Northern Ireland exporters was obtained. Results show that Welsh crafts businesses represent almost a third of all non-exporters, followed by England and the Republic of Ireland, together comprising almost two fifths of non-exporters.

## **5.2 Survey Results**

This section begins by presenting quantitative findings relating to firm level factors, before progressing to issues at the owner/manager level. This is followed by data relating to exporting decisions and behaviour.

### **5.2.1 Firm Level Factors**

Approaching one half of all respondents (47.5%) operate on an individual basis (Table 65). Over one third of craft business owner/managers employ between two and five people. The remaining 15% are dispersed over several other categories. However, no craft business in the survey was identified as employing between 50 and 99 and more than 200 people. These results support the findings of previous research by Knott and Bruce and Filmer (pp. 43, 44) which uncover the dominance of the single person enterprise.

**Table 65. Craft Firm Employment Levels**

Category	Frequency	Percentage
single person	58	47.5
2 - 5	46	37.7
6 - 10	7	5.7
11 - 25	7	5.7
26 - 49	2	1.6
50 - 99	0	0
100 - 199	2	1.6
200 +	0	0
Total	122	100

Although efforts were taken to ensure that only smaller craft firms involved in either one-off or small batch run production were surveyed, the results show that several firms surveyed fell outside these boundaries. The two firms employing between 100 and 199 personnel fall within the European Commission definition of the medium enterprise (Storey 1994: 13). However, this very small number (1.6% of respondents) should not bias the results to any great degree. In addition, several respondents remarked that, due to the nature of the work involved in the manufacture of some craft products, outworkers tend to be periodically employed and do not appear in the above figures.

### **5.2.2 Craft Products**

A wide range of craft products were identified, showing the diverse nature of the industry sector and demonstrating the difficulties encountered when attempting to develop the survey sampling frame (Table 66). This also shows that both traditional and more contemporary products are being sold and that the hand made factor is an essential ingredient.

**Table 66. Craft Products Produced**

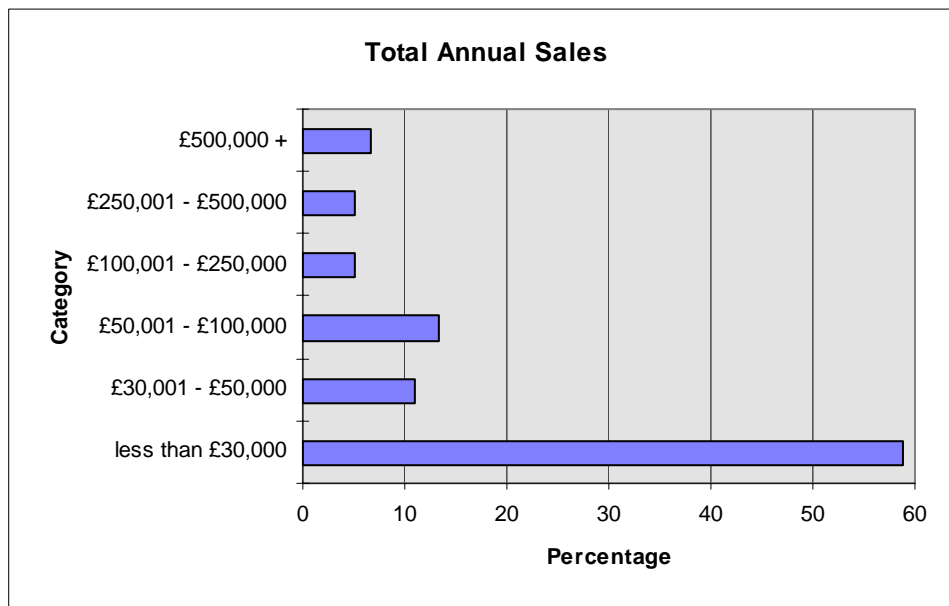
Lamps	Lap trays
Bowls	Writing tops
Tableware	Invitation boards
Hand thrown ceramics	Screenprinted and embroidered garments
Porcelain giftware and tableware	Wedding gowns
Table mats	Horse riding clothes
Wood carved furniture	Decorative ironwork
Woodturned bowls	Handmade papers
Wooden toys	Handmade greetings cards
Hand painted timber mobiles	Leather goods
Hand pyrographed and painted wood	Bookends
Guitars, Bodhrans and other musical instruments	Book bindings
Bagpipe chanter kits	Bookmarks
Embroidery kits	Fire screens
Stained glass windows, panels and lamps	Batik and Collage pictures
Glass engraving	Candles
Decorative mirrors	Candelabras
Crystal figures	Plaster mouldings
Wallhangings/tapestries	Silk paintings
Bags	Papier mache items
Shirts	Woven fabric
Jewellery: silver, gold, paper, costume	Textiles/Fabrics
Trinket boxes	Rugs
Willow baskets	Knitwear
Handmade felt products	Fashion accessories: hats, jackets, scarves, skirts, cushions
Games	Clocks

### 5.2.3 Sales Turnover

Well over half of respondents (58.8%) recorded 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 experienced sales of over £500,000 (Figure 28).

**Figure 28. Total Sales Generated**



The findings are similar to those of Knott (p.41) and Leeke (p.41), indicating that lifestyle wishes continue to limit craft firm expansion. The impact of lifestyle on smaller craft firm internationalisation behaviour is confirmed in the qualitative findings. Lifestyle was found to impact on factors such as owner/manager attitudes and behaviour (Section 6.1), as well as having implications for export decision making (Section 6.1.1) and formation of owner/manager philosophy (Section 6.1.2).

#### **5.2.4 Level of Export Sales**

Respondents were asked to indicate the level of annual sales generated through exporting (Table 67). 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. However, at the other end of the range, five 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.

**Table 67. Value of Annual Export Sales**

Value	Relative frequency
less than £10,000	52.7
£10,001 - £25,000	21.8
£25,001 - £50,000	10.9
£50,001 - £100,000	5.5
£100,001 - £250,000	3.6
more than £250, 000	5.5
Total	100

Previous research tended to focus on the impact of the industry as a whole, rather than at firm level (Leeke, p.52; Coopers and Lybrand, p.52). The figures again tend to support the impact of lifestyle on craft firm growth.

Those currently exporting were asked about the length of time they had been involved in the practice (Table 68). The majority of exporters (over 70%) have been operating for at least five years, with more than 35% exporting for more than ten years.

**Table 68. Length of Time Involved in Exporting.**

Length	Number of Exporters	Percentage
less than 1 year	4	5.5
1 - 4 years	13	24.1
5 - 9 years	19	35.2
10 years or more	19	35.2
Total	55	100

This suggests that, despite the fact that lifestyle issues impact greatly on craft firm exporting behaviour, those with an entrepreneurial orientation can grow the



business in the longer term. This is supported by the qualitative results which uncover further evidence of entrepreneurial orientation among a group of respondents (Sections 6.1; 6.2; 6.4; 6.5.1).

### **5.3 Owner/Manager Factors and the Export Decision**

#### **5.3.1 Owner/Manager Qualifications**

A wide variety of qualifications was identified, ranging from traditional craft apprenticeships to formal business qualifications (Table 69). Almost forty percent of respondents have a university degree, with 37.4% having A levels or the equivalent.

**Table 69. Decision Maker Qualifications**

Qualification	Percentage
university degree	39.8
A levels/Highers	37.4
college/higher educational qualification	27.6
postgraduate qualification	22.8
formal business qualification	5.7

A number of craft firm owner/managers have more than one qualification while others have indicated that they hold none at all. Several respondents had undergone apprenticeships while others had achieved specific professional qualifications in relation to their particular craft such as City and Guilds. One respondent had a doctorate; another was a professor; others indicated that they had no qualifications which they perceived to be relevant; and several had obtained teaching qualifications in order to secure additional income to support their craft practice.

This was also confirmed by the qualitative investigation of how supplementary income activities impinge upon craft firm internationalisation (Section 6.1.3). It was also noted that, although formal qualifications were held by a large number of respondents, there was a need for specific training relating to general business issues, as well as a specific demand for marketing skills (Section 6.2).

### **5.3.2 Age of Owner/Managers**

The two most common age groups (35-44 and 45-54) account for almost two thirds of all respondents. The next most common group are those aged 55 or more, with 21.3%. Craftspeople aged between 26 and 34 account for almost 14% while no one was found to be within the 19-25 group. This suggests that this last group consists of potential owner/managers still undergoing craft training.

### **5.3.3 Owner/Manager Characteristics**

Over three quarters of all respondents appeared optimistic about their business future while a large number (61.8%) seem to take a long term outlook (Table 70). Another large proportion of respondents (62.8%) expressed a willingness to change their approach.

**Table 70. Decision Maker Characteristics**

Characteristics	Percentage	Rank
optimism	75.6	1
willingness to change	62.8	2
long term outlook	61.8	3
ambition	58.5	4
risk taking	45.5	5
future orientation	31.7	6
short term outlook	29.3	7
conservatism	21.1	8
passiveness	19.5	9
aggressiveness	16.3	10
pessimism	13.4	11
rigidity	4.1	12

Ambition also rated reasonably above average while, in contrast, only 4.1% of respondents perceived themselves as exhibiting rigidity towards change and 21.1% as conservative in their beliefs. Aggressive and passive characteristics were distributed quite equally. One respondent believed that he fitted between the passive/aggressive dichotomy while others perceived themselves as being able to rise to challenges and to produce better, more original, work. These results compare favourably with the qualitative data relating to owner/manager attitudes, motivation and behaviour (Section 6.1).

#### **5.3.4 The Decision Maker and Export Planning**

The results show that over three tenths of exporters believe they carry out some sort of long term planning, while one quarter indulge in short term planning. More than a third carry out their business on a day to day basis, while the remainder (over 11%) carry out a range of planning activities, from short, medium to long term measures. A number of exporters indicated that they used a combination of both

short and long term planning. One respondent remarked on the problems associated with the planning involved in packaging the products for shipping long distances, while planning for exhibitions well in advance is recommended by another owner/manager. One respondent mentioned the necessity for planning due to the instability of market conditions while another viewed it as a luxury which could not be afforded due to the small size of the business. This supports the model of decision-making skills and performance, developed by Carson (p.131; p.139).

### **5.3.5 Export Marketing Research Issues**

Craft firm exporters tend to view market research as below average in importance (mean = 2.70). However, the use of personal contacts is deemed important in the market research process. Contacts made with foreign importers, customers, agents and retailers provide valuable input into the process. Some respondents believed that they did not have to carry out market research since their turnover was adequate. Several respondents recognise the value of visiting the potential export market before beginning to sell there. This will provide an insight into factors such as differences in customs (both in business and at societal level), lifestyle and culture (for example, the meaning and interpretation of colour in an object). Respondents were asked to rate the importance of visiting overseas markets on a 5 point Likert scale, ranging to 5 being very important. The mean score was 3.10, slightly above average importance, suggesting a general sense of ambivalence as to whether or not visiting foreign markets is important. Several respondents remarked that visiting overseas markets was ultimately dependent on the budget available for exporting. Other businesses rely solely on overseas market advice given to them by

agents. If exporting on a small scale is planned, then it is unlikely that visiting the market is a feasible option. Several owner/managers have acquired personal knowledge of the market either through previous travel or because of their ethnic origins; for example, some Irish exporters came from Germany originally and therefore they have prior knowledge of that market and its idiosyncrasies.

Although information provided by Chambers of Commerce may not be specific enough for many exporters, some respondents did find this source to be useful. Another valuable method of research is the use of trade delegations; however, the export destination may already have been decided by others outside the craft sector and the market being visited may not be the most appropriate for the craft product. Government bodies and support organisations such as the Department of Trade and Industry and local development agencies can also be useful sources of information. International newspapers also provide some insight into exporting conditions but this can only act as a general guide. The results are confirmed by the qualitative findings (Section 6.3), relating to the impact of attitudes towards the use of marketing research, as well as its resultant impact on craft firm internationalisation.

### **5.3.6 Export Information Sources**

Exporters were asked to rate the importance of a range of export information sources (Table 71).

**Table 71. Export Information Sources**

<i>Source</i>	<i>Mean score</i>	<i>Rank</i>
trade fairs	4.53	1
personal contacts overseas	4.13	2
personal contacts at home	3.76	3
own market research	3.39	4
overseas agent	3.29	5
trade associations	2.72	6
government trade and industry department	2.66	7
local development agencies	2.37	8=
trade directories	2.37	8=
published market research reports	2.11	10
banks	1.97	11
overseas embassies	1.87	12
chambers of commerce	1.86	13
professional institutions	1.83	14
commercial libraries	1.81	15
public libraries	1.67	16=
domestic based embassies	1.67	16=
universities	1.54	18
professional industrial bodies	1.53	19

Trade fairs are the most popular and important sources of export marketing information for the owner/manager. They provide an informal setting for the dissemination of relevant knowledge from fellow craftspeople already operating in particular export markets as well as the buyers of the export products. These contacts tend to provide more up to date information than that supplied from sources such as local development agencies since the information and advice comes from those already directly involved in buying and selling in these export markets. Personal contacts at home and abroad are also major sources of information. Professional bodies and agencies are not perceived to be useful. Several respondents

described the assistance given by local development agencies, government trade and industry departments and overseas embassies as being very poor. The qualitative findings confirm these observations (Section 6.2; 6.3), with specific reference to owner/manager knowledge and use of information sources.

### **5.3.7 Factors Influencing the Decision to Export**

Attendance at trade fairs is the most influential factor in the decision to export (mean = 4.04). The craftsperson comes into contact with a large number of buyers who may place orders at the fair and, by talking to other craftspeople who are already exporting their products, the decision can be influenced even more (Table 72).

**Table 72. Export Decision Making Factors**

Factors	Mean score	Rank
attendance at trade fairs	4.04	1
contacts made through domestic business	3.77	2
good domestic market performance	3.56	3
unsolicited order	3.44	4
wish to rely less on domestic market	3.30	5
beliefs about the value of exporting	3.07	6
previous travel in foreign countries	2.80	7
knowledge of foreign markets	2.32	8
saturated domestic market	2.22	9
currency favourability	2.17	10
larger profits in foreign markets	2.05	11=
government export incentives	2.05	11=
use up excess capacity	1.97	13
declining domestic sales	1.93	14
awareness of export programmes	1.90	15
foreign language ability	1.76	16
reduction of tariffs in target countries	1.45	17

Domestic business contacts who have prior knowledge of exporting are another relatively influential factor (mean = 3.77). If the business is performing well domestically, then this appears to be an influential factor in stimulating the decision to export (mean = 3.56). Unsolicited orders and concerns about the reliability of domestic sales are other influencers; the risk then tends to be spread more evenly between domestic and foreign markets. Those factors which appear to have little influence on the exporting decision are reduction of tariffs, declining domestic sales



(which tends to contradict the findings concerning the wish to rely less on domestic sales) and using up excess capacity. The small size of the domestic market was a major factor in the decision to export for one business, while other reasons included obtaining increased turnover and expanding the market for the product. Qualitative data analysis confirmed these findings, with specific reference to the varying degrees of impact of industry support bodies on the decision to export (Section 6.4). Respondents expressed dissatisfaction with support agencies in stimulating growth of the firm. This may be one of the key reasons for continued use of trade fairs as a method of securing business, rather than attempting to establish additional methods through the gaining of additional entrepreneurial marketing competencies.

### **5.3.8 Exporting Decisions and the Impact of Culture**

Respondents indicated that the understanding of the culture of the export destination is of above average importance (mean = 3.43). Some respondents have noted the importance of culture in terms of recognising differences in taste and aesthetic values. This then has implications for the craftsperson in terms of the design and packaging of the craft product. Certain markets may exhibit a number of similar attributes; for example, the United States and Canadian markets tend to prefer traditional Scottish/Irish designed crafts whereas German markets prefer different styles. Many Northern Ireland and Republic of Ireland craft businesses incorporate Celtic design in their work; depending on the export market interpretation of this symbolism will vary. The German market for crafts, for example, tends to reflect a Gothic preference and so the impact of Celtic design can vary. One respondent noted that Germans have a propensity for collecting glass while the French tend to avoid doing so. Another remarked that the economic climate in France for buying

crafts in general was not healthy. Extending this concept of style and culture, one exporter who believes that his products convey a modern contemporary image only targets those countries with a similar shared Western orientation. Another who produces environmentally friendly crafts exploits the green German market. Several craftspeople export to Japan; one respondent who produces knitwear remarked that the differences in design, style, colour and fitting must be taken into consideration. Other factors to be considered include the climate of the country, dress codes and the type of outlet used to sell the product (small retailer versus large department store; exclusivity versus mass market). Another craftsperson advocated the use of adapting the product to the specific requirements of the export market and not to expect the customer to buy what the producer wants them to buy. Many craftspeople produce high quality, premium price goods; there is then little point targeting countries where income levels are such that premium priced sales are not really feasible.

Exporters must be aware of any differences in the way in which business is carried out in other markets. One American craftsperson operating in Northern Ireland has noticed that carrying out business with English customers can be difficult when compared with both Northern Ireland and Republic of Ireland customers. This same respondent believed that craft retailing in Ireland appears to be different from that in Britain. She believes that the majority of owners are female and that, in order to secure sales, the process must involve discussing seemingly unrelated aspects such as family and the local area. An English respondent noted that in order to secure sales in America, attention must be paid to how business practices and terms differ, so that misunderstanding does not occur. One exporter appears to target expatriates

who comprise a substantial proportion of the market and so there is some specific targeting around shared cultural values. One exporter relies totally on information received from his customers in order to construct a cultural understanding of export markets.

Exporters placed an above average importance upon the understanding cultural differences when carrying out business (mean = 3.89). Although the relevance of the differences in culture is recognised, it is interesting to note that many respondents believe that the use of market research is of below average importance. Owner/managers indicated that there is a need for diplomacy in areas such as business language and protocol, negotiating prices, delivery and quality of the product. In some cultures, a direct answer will not be given (e.g. Trinidad, Japan) where the answer yes can sometimes mean no. The perception of time and how it varies among countries must be understood. This has implications for payment of debts; for example, in some Muslim countries a debt acknowledged does not have to be paid immediately whereas in Germany and Holland it is considered to be a point of honour to do so. The craft product may be perceived to have a certain common value in some countries, both in terms of monetary worth and usage, but to be valueless in others. Differences in culture in terms of climate, language, colours, styles, religion, design taste and textures all have implications for demand. Interestingly, one respondent believed that, due to the nature and sales level of the product he produced, there was no need for cultural understanding. Qualitative results confirm these findings; in particular, the impact of the Celtic factor was found to be highly relevant in the choice of export market for many respondents

(Section 6.5; 6.5.1). A number of respondents actively incorporated a Celtic design element in the product, while others deliberately chose not to.

### 5.3.9 Factors Influencing the Decision Not to Export

As well as assessing factors influencing the decision to export, issues impinging upon the decision not to export were also investigated (Table 73). The results indicate that the most important factors influencing the decision not to export are: the lack of sufficient production capacity; the small size of the business; and lack of time to research new markets. The least important factor identified was the lack of overseas travel by the owner/manager.

**Table 73. Firm and Managerial Factors Impinging Upon the Decision Not to Export.**

<i>Reasons</i>	<i>Mean score</i>	<i>Rank</i>
not enough production capacity	3.67	1
business too small to handle exporting	3.54	2
no time to research new markets	3.16	3
lack of marketing knowledge	3.05	4
lack of financial resources	3.02	5
no motivation to export	2.95	6
lack of personnel	2.65	7
lack of business experience	2.59	8
exporting is too risky	2.58	9
no time to research cultural differences	2.46	10=
no time to research language differences	2.46	10=
unwilling to investigate new markets	2.19	12
have not travelled abroad	1.59	13

For some businesses, the size of the product is an inhibiting factor in the decision to export, while fragility can also be a problem. Other craft businesses work to commission and so tend to produce only a small number of pieces at any one time; therefore expansion via exporting is not really a feasible option. Some respondents remarked that they had enough work in the domestic market and did not need to look further afield at present. One craftsperson was producing a specific range of work and believed that, until a more general product line was established, exporting could not be considered. Other inhibiting factors are the freight costs involved in exporting, the lack of time available to investigate new markets, increased product competition, lack of motivation and a perceived lower rate of profitability in the export market than in domestic market sales. The small size of the craft firm in the survey also reflects the findings of previous work in the sector (Bruce and Filmer 1984; Knott 1994). It also relates to the observations by Storey (1994) with respect to the dominance of the microenterprise in E.U. Europe (pp.21-22).

#### **5.3.10 External Factors impinging on the Decision Not to Export.**

Sufficient business in the domestic market appears to be a major factor in the decision not to export (Table 74). Other reasons of above average importance are: lack of export inquiries, relating to the reactive approach to business; exporting procedures are too complicated; poor levels of exporting assistance and limited government incentives. One respondent expressed a basic mistrust of government bodies, describing them as bureaucracies and quangos.

**Table 74. External Factors and the Decision Not to Export.**

Factors	Mean score	Rank
sufficient business in the domestic market	3.98	1
lack of export inquiries	3.71	2=
complicated exporting regulations/procedures	3.71	2=
lack of exporting assistance	3.21	4
lack of government incentives	3.09	5
lack of foreign channels of distribution	2.98	6
difficult to communicate with international customers	2.76	7
exposure to increased competition	2.21	8

Non-exporters were also asked if they had previously been involved in exporting activities. The results indicated that over one third of non-exporters had exported at some stage in the past but had now ceased doing so. The length of time expired since exporting was last carried out was identified for those who had exported previously. Almost one third had done so within the last year with another third exporting between one and four years previously. Twenty eight percent were exporting between five and nine years ago while a total of eight percent had exported ten years or more ago. Qualitative findings support these results (Section 6.0). Respondents also noted the difficulties encountered with overseas currency and the cost of exporting (Section 6.6.2), export payments and cash flow issues (Section 6.6.3) and factors relating to buyer perception of the craft product (Section 6.6.4).

## 5.4 The Exporting Process and Smaller Craft Firm Behaviour:

### 5.4.1 Export Market Destinations

Exporters indicated that they believed geographical distance did not have any meaningful effect on the process of export market selection (Mean = 2.00), contrasting with the importance placed upon understanding how culture impacts upon smaller craft firm internationalisation. Respondents were asked to select the markets they were currently exporting to. General geographical areas were selected, rather than specific countries. Information concerning specific markets was generated during the qualitative depth interviews. Table 75 outlines the destinations favoured:

**Table 75. Exporting Destinations.**

<i>Export markets</i>	<i>Relative Percentage</i>
E.U. Europe	35.7
Other Europe	7.8
North America	30.2
Australasia	6.2
Far East	14.7
Other (these include Iceland, Middle East, South Africa)	5.4
Total	100

The most popular export destinations were E.U. Europe and North America, although several emerging markets included Japan, Korea and Singapore. Analysis of export destination by country of origin of the exporter illustrates some differences in the markets chosen (Table 76):

**Table 76. Export Destination by Country of Origin of the Exporter**

<i>Export destination</i>	<i>E.U. Europe</i>	<i>Other Europe</i>	<i>North America</i>	<i>Australasia</i>	<i>Far East</i>	<i>Other</i>
<i>Northern Ireland</i>	<b>X</b>	<b>X</b>	<b>X</b>			
<i>Republic of Ireland</i>	<b>X</b>	<b>X</b>	<b>X</b>		<b>X</b>	
<i>England</i>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
<i>Scotland</i>	<b>X</b>		<b>X</b>	<b>X</b>	<b>X</b>	
<i>Wales</i>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>

Exporters from Northern Ireland and the Republic of Ireland tend to concentrate on exporting within Europe and North America. Only one respondent from the Republic of Ireland indicated that the business exported to the Far East (in this case accounting for one quarter of its total exports). English, Scottish and Welsh craftspeople appear to be willing to export further, including destinations such as Japan, Singapore, the Middle East and South Africa. The table also indicates that the Scottish respondents did not favour non E.U Europe as an export market. Qualitative findings support these results (Section 6.5.1), with specific regard to the impact of industry support bodies on export market choice (Section 6.4), the link



between craft product type and design (Section 6.7), and the impact of culture on export market destination (Section 6.8).

#### 5.4.2 Exporting Methods

Exporters were asked about the methods they adopted for gaining access to international markets. By far the most popular method used was the international trade show/exhibition with almost one third of all exporters having used this approach (Table 77).

**Table 77. Export Market Access Methods**

<i>Method</i>	<i>Percentage</i>	<i>Rank</i>
international trade shows/exhibitions	32.5	1
direct sales/marketing	15.4	2
networking/personal contacts	11.4	3=
foreign retailer	11.4	3=
foreign distributors	10.6	5
overseas import agent	8.1	6
entry in trade directory	7.3	7
advertising/direct sales on Internet	6.5	8
salesforce	4.1	9=
domestic export agents	4.1	9=
licensing	0	
foreign production	0	
not stated	10.6	

Results also indicate that direct sales is the second most popular approach used (over 15% of exporters adopt this method). Some craft firms have begun to recognise the potential of information technology and are utilising the Internet as a

business tool in the promotion of their products (6.5% of exporters have adopted this method). A reasonable range of techniques has been utilised but trade shows and exhibitions outrank any other method by a considerable margin. Several respondents remarked that exporting was only carried out if and when a foreign buyer approached the business while others rely on entry into a crafts register. Other less common methods of establishing export sales include the use of galleries and through export houses. It should be noted that licensing and overseas production are not used at all.

Respondents were then asked if they were considering changing these methods in the future. The overwhelming majority of respondents (over 90%) indicated that they would not change their approaches to selling in international markets. Some respondents intend to make more use of foreign agents since the cost of attending trade fairs can be relatively expensive. Another possible method could be international bulk wholesalers where orders tend to be larger and postage costs are considerably less than for multiple small orders. However, this method is unlikely to be widely adopted due to the nature of smaller craft firm production which focuses on one-off pieces or small batch runs. The sole use of agents can cause problems since they also tend to be employed by other businesses, result in possible conflicting interests. One method of employing a reputable agent is through positive word of mouth recommendations from fellow producers.

Craft exporters were also asked if they had used other methods in the past. The majority of respondents (over 80% in this case) had only used the methods they were currently practising. This indicates a reluctance to change approaches, with a

general feeling that if the method appears to work, there is no need to adopt other techniques. Some respondents had used direct mail/mail order but tended to find this method had its difficulties. One craftsperson commented that, due to the amount of junk mail being posted and the potential customers' adverse reaction towards it, this particular approach to selling work was not as fruitful as other methods. Others had previously used overseas agents but, probably because of the loss of control over the selling process, they had changed to other techniques. One craftsperson had found that attending an international trade show was not worthwhile; due to the large numbers of sellers involved at such an event there can be a danger of too much competition in a relatively small area. However, this tends to be compensated by a relatively large number of potential buyers. Participants must be well prepared in terms of selling techniques at such an event, with considerable pre-event preparation needed in order to obtain the appropriate mix of style, design, use of space and maximum use of the personal contacts made there. Visits by potential overseas buyers to the workshop/studio was identified as another method of encouraging export sales. One advantage of this method is that customers can view the overall manufacturing process of the product in which the hand-made element can be viewed and appreciated *in situ*. Again, qualitative findings support the quantitative results, specifically in relation to the choice of trade show over other methods of market access (Section 6.1; 6.3).

#### **5.4.3 Exporting through Networks**

Over a quarter of all exporters (26.9%) use networking as an aid to internationalisation. This tends to be a frequent practice of the small entrepreneurial firm where, short on a number of resources, the owner/manager adopts an informal

networking approach in order to gain access to markets and key information. Almost three quarters of the respondents indicated that they had not considered networking. It is possible, though, that many of these craft firms actually carry out some form of networking although the owner/manager may not consciously recognise it as such.

The main advantage of networking is in developing business and personal contacts in which the exchange of information can be immediate. With other techniques of gathering knowledge concerning export markets are concerned, the time taken is much greater. Another main advantage is that the costs incurred are minimal. Craft firms already exporting to a particular market tend to be willing to share information and experiences relating to the selling of the product, as well as providing advice about the best agents and buyers. Another advantage of networking is the gaining of information regarding potential customers and their reputation relating to payment. Respondents also confirmed the importance of networking in the qualitative in-depth interviews (Section 6.0; 6.5; 6.5.1).

#### **5.4.4. Export Relationships**

Linked to networking is the development of business relationships. Respondents were asked to comment on the importance of various relationships in terms of developing a long term export success strategy (Table 78).

**Table 78. Importance of Relationships for Exporting Success.**

Relationships	Mean score	Rank
customer	4.87	1
retailers	4.54	2
supplier	4.07	3
business contacts	3.87	4
distributors	3.16	5
bank	2.91	6
government agency	2.47	7
consultant	1.91	8

The results show that the most important perceived relationship is with the customer, followed closely by the relationship with the retailer of the craft to the final customer. Suppliers and business contacts were also found to be important in terms of business success. The connection with distributors is found to be of just above average importance, while those concerning the bonds with consultants, banks and agencies are deemed to be of relatively little importance.

The importance of the relationship between the owner of the craft business and the employees was recognised by several respondents. If employees are focused in terms of their work and the future direction of the business, then any confusion about aims and objectives (for example, the decision to export) should be limited. Other respondents recognised the value of building strong relationships with agents since they tend to be extremely knowledgeable about potential and existing export problems. A good agent will be able to predict future trends in sales and demand since they are in constant contact with retailers and other customers. The small crafts business will tend not be able to afford to visit foreign markets on a regular basis and therefore must rely on the information provided by agents, retailers and

customers. The relationship between the craft business and government agencies is deemed to be important at the early stages of export involvement. Once a basic grounding in exporting has been achieved, the business then tends to rely more on sales agents for more in-depth information and advice. One respondent indicated that the connection between the business and the media was important in terms of the exposure to potential customers on an international basis while several others recognised the value of the bond between themselves and galleries; exhibiting and selling work in a high profile outlet will increase reputation and, hopefully, serve to increase the selling price of the product in the long term. The importance of building long term relationships is also confirmed in the qualitative analysis (Section 6.0; 6.5; 6.5.1).

#### **5.4.5 Problems experienced by Exporters**

Exporters were asked to indicate problems that they had experienced once exporting had commenced which may then affect future exporting behaviour (Table 79).

**Table 79. Exporting Difficulties**

Difficulties	Percentage	Rank
choosing a reliable distributor	16.3	1
difficulty matching competitors' prices	13.8	2=
promoting the product	13.8	2=
trade barriers	9.8	4
inadequate export support services	8.1	5=
communicating with foreign customers	8.1	5=
unfair competition from foreign businesses	7.3	7
obtaining information about foreign markets	5.7	8
insufficient marketing information	4.9	9
inadequate distribution channels	4.1	10
others	7.3	

Over one third of exporting craft firms (36.4%) indicated that they encountered problems once they entered export markets. It is possible that the remaining numbers had managed to limit their difficulties by successfully utilising personal and business contact networks in conjunction with the use of accurate export information acquired at trade fairs and exhibitions. The most common problem encountered was with the choice of a reliable distributor, followed by difficulties in promoting the product and matching competitors' prices. The least problematic areas were in identifying and choosing distribution channels for the products and the lack of marketing information. So export market access was deemed not to be a major problem but reliability of individual distributors was a problem.

One respondent indicated problems with choosing a reliable agent while another, who sold work through a gallery mentioned the difficulty in loss of control over the selling process as well as the problem of payment; this can be overcome by insisting on prompt payment for goods prior to despatch. A related issue is the fluctuation in currency levels/exchange rates; one exporter remarked on the difficulty in trading with Japan at the present time because of the strength of Sterling. This last factor is outwith the control of the business but still must be considered as part of the overall exporting process. Another respondent expected to encounter problems with communicating with foreign customers while another has experienced misunderstandings with customs and excise with unsold products being returned (where duty had to be paid but was claimed back later). Only one exporter claimed that the business had experienced no problems whatsoever. Qualitative analysis confirmed these findings, with specific regard to poor advice and support concerning craft production (Section 6.4), as well as seasonality and location difficulties (Section 6.5).

#### **5.4.6 Impact of Exporting upon the Craft Business**

Exporting has a considerable impact in terms of business expansion, with only 7.3% of exporters remarking that it has not resulted in increased business. However, some respondents who do not export have indicated that, while they acknowledge the benefits of exporting, they do not wish to increase their turnover. Exporters were asked about the current state of their exporting activities. The extent to which exporting activities have been developed can be compared to the product or industry life cycle concept, consisting of a number of stages ranging from birth to decline. From the data collected, over 25% of all exporters had only begun in the recent past,



almost 18% of businesses believed they were now growing, over 40% of exporters considered their exporting activities had reached the levelling-off point while the remainder (nearly 14%) believed they were in decline. A small number of respondents felt that the way in which their exporting activities were occurring did not absolutely conform to the notion of an exporting life cycle. Some believed that they were growing but only slowly while others described the rate as being steady or continuing. One craftsperson identified the state of exporting as fitting in between rapid growth and the levelling-off point. Qualitative findings suggest that growth is also linked to owner/manager philosophy, motivation and decision making (Section 6.1; 6.1.1; 6.1.2).

## 5.5 Inferential Statistical Testing of Quantitative Results

Building on the preceding descriptive analysis of smaller craft firm internationalisation, this section investigates the relationships between factors at firm level and owner/manager level, and how these impinge upon exporting behaviour and performance, as developed in Figure 9. The chi-square test was used to investigate the independence of two variables (if observed value  $X^2 >$  critical value  $X^2_{\alpha}$ , reject  $H_0$ ;  $H_0$ : there is no association between the variables;  $H_a$ : there is an association between the variables; significance level = .05). Only the significant relationships will be reported in detail.

**Table 80. Exporting status and the link with employment levels and total annual sales (chi-square test).**

Export by:	chi-square	degrees of freedom	Significance
Employ	22.69454	5	.00039*
Sales	18.74534	5	.00214*

\* = significant at the 0.05 level.

Table 80 indicates there appears to be an association between: exporting status (whether the smaller craft firm is currently exporting or not) and the number of employees in the craft firm (Export by Employ); exporting status and the amount of total annual sales (Export by Sales). The Kolmogorov-Smirnov test was also used to test the relationships between variables, confirming the significance uncovered by the chi-square tests (Table 81).

**Table 81. Exporting status and the link with employment levels and total annual sales (Kolmogorov-Smirnov test).**

Export by	Kolmogorov-Smirnov z statistic	2-tailed p
Employ	2.2092	.0001*
Sales	1.9167	.0013*

\* = significant at the 0.05 level.

The Mann-Whitney U test was also adopted (Table 82) in order to confirm the relationships (Ho: the two populations are identical; Ha: the two populations are not identical).

**Table 82. Exporting status and the link with employment levels and total annual sales (Mann-Whitney U test).**

Export by	Mann-Whitney U	Wilcoxon W	Z statistic	2-tailed P
Employ	1088.5	3503.5	-4.8279	.0000*
Sales	1232.0	3510.0	-3.7789	.0002*

\* = significant at the 0.05 level.

Exporting and non-exporting craft firms are not identical in terms of categories of numbers employed (Export by Employ). They are also not identical in terms of achieving similar total annual sales (Export by Sales). Qualitative findings support these results in that entrepreneurial exporting orientation has been identified as a key growth indicator (Section 6.1), both in terms of the number of export markets being served and in relation to increasing numbers of personnel in the firm.

**Table 83. Length of time in exporting and exporting rate**

	chi-square	df	Significance
Length by Exprate	20.39651	9	.01562*

\* = significant at the 0.05 level.

The above table indicates the association between the length of time in exporting and the rate of exporting (Length by Exprate). This suggests that the exporting rate varies as the length of time in export markets increases. One interpretation of this could relate to the nature of craft production and the aspirations of the owner/manager (Section 6.1; 6.1.1; 6.1.2; 6.7). Growth can occur only to a certain extent, beyond which the nature of production will have to change if further growth is desired.

**Table 84. Employee numbers and total annual sales**

Factor	chi-square	df	Significance
Employ by Sales	128.74367	25	.0000*

\* = significant at the 0.05 level.

There appears to be a relationship between the amount of employees in the craft firm and the total annual sales achieved (Table 84). The amount of personnel is also linked to owner/manager desire to grow the business. Entrepreneurial craft firms with profit aspirations will tend to consist of more personnel than those firms with a lifestyle focus (Section 6.1; 6.2; 6.3).

**Table 85. Value of annual export sales and exporting frequency**

	chi-square	df	Significance
Value by Expfreq	33.22776	5	.00000*

\* = significant at the 0.05 level.

The relationship between the value of annual export sales and exporting frequency (Value by Expfreq) appears to be supported (Table 85). This is realised by the entrepreneur who wishes to grow the business, and the lifestyler who wishes to expand only to a level with which he/she is comfortable (Section 6.1; 6.3).

**Table 86. Exporting frequency and planning**

	chi-square	df	Significance
Expfreq by Plan	11.51315	3	.00925*

\* = significant at the 0.05 level.

There appears to be a relationship between exporting frequency and the type of planning being carried out by the smaller craft firm (Table 86). This supports the model developed by Carson (pp. 131; 338; 350) concerning the stage of development of the firm and owner/manager disposition towards planning.

**Table 87. Time in exporting and geographical distance**

Length by	chi-square	df	Significance
Geodist	23.73875	12	.02207*

\* = significant at the 0.05 level.

There appears to be a relationship between length of time in exporting and the impact of geographical distance on the choice of export market (Table 87). This suggests that, as the craft firm becomes more experienced in international markets, more geographical distant markets are chosen. However, results indicate that the non-Celtic craft firm is more disposed towards this behaviour than its Celtic counterpart (Section 6.5).

**Table 88. Length of time in exporting and the link with personal contacts and professional institutions as information sources.**

Length by	chi-square	df	Significance
personal contacts overseas	19.86283	9	.01878*
professional institutions	21.64808	12	.04166*

\* = significant at the 0.05 level.

There seems to be a connection between the length of time in exporting and the use of export information from personal contacts overseas and professional institutions (Table 88). Despite limited resources, the craft firm can remain in international markets for some considerable time, as long as the owner/manager is willing to exploit low cost methods of communication such as word of mouth, networking and relationship building (Section 6.5).

**Table 89. Length of time in exporting and contacts made in domestic business as an influencing factor to begin exporting**

Length by	chi-square	df	Significance
contacts made through domestic business	23.64757	12	.02271*

\* = significant at the 0.05 level.

There appears to be an association between the length of time in exporting and the influential effect of contacts made through domestic business in stimulating exporting (Table 89). This is also confirmed in the qualitative findings which indicate that some craft firm owner/managers actively co-operate with others in the industry in order to share information relating to a range of exporting issues. These include details of targeting specific trade fairs and establishing relationships with appropriate buyers (Section 6.1).

In order to compare differences between exporters and non-exporters from the five countries surveyed, new variables were created. Exporters have been subdivided into their country of origin: COUNTOR1 (the five countries of Scotland, England, Northern Ireland, Republic of Ireland and Wales). Non-exporters have also been subdivided into their country of origin: COUNTOR2. Both exporters and non-exporters as a whole have been subdivided into their country of origin: COUNTORG. (Ho: there is no difference between groups in terms of country of origin and the variable being examined; Ha: there is a difference between groups in terms of country of origin and the variable being examined)

**Table 90. Country of origin of the exporter and impact of geographical distance on market choice.**

Countor1 by	chi-square	df	significance
Geodist	12.7679	4	.0125*

\* = significant at the 0.05 level.

There appears to be a significant difference between exporter groups in terms of the perception of geographical distance impacting upon the choice of foreign market (Table 90). Qualitative results support the relationship by indicating that exporters from non-Celtic countries tend to consider geographically more distant markets than owner/managers from a Celtic background (Section 6.5.1).

**Table 91. Country of origin of the exporter and differences in exporting influencing effects.**

Countor1 by	chi-square	df	significance
unsolicited order	12.5046	4	.0140*
wish to rely less on domestic market	10.0617	4	.0394*

\* = significant at the 0.05 level.

There appear to be significant differences among exporters from the five countries in terms of the influencing effect of unsolicited orders and the wish to rely less on domestic market sales in stimulating exporting (Table 91). Comments from owner/managers in Northern Ireland have shown that the limited size of the domestic market acts as an exporting stimulus (Section 6.6).

**Table 92. Differences among non-exporters for not exporting**



Countor2 by Rsnexp factor	chi-square	df	significance
unwilling to investigate new markets	9.6760	4	.0463*
not enough production capacity	9.7639	4	.0446*

\* = significant at the 0.05 level.

There appears to be a significant difference between non-exporters from among the five countries concerning two internal reasons for not developing exporting activities: these relate to being unwilling to investigate new export markets and not having enough production capacity (Table 92). This unwillingness relates to the behaviour of owner/managers from a Celtic background who deliberately choose to exploit their cultural connections in certain markets, but do not actively seek out additional exporting opportunities in markets which do not have this connection (Section 6.8).

**Table 93. Previous exporting experience by current non-exporters and the link with total annual sales and owner/manager agegroup.**

Pastexp by	chi-square	df	Significance
Sales	12.66122	5	.02677*
Agegrp	10.20944	3	.01687*

\* = significant at the 0.05 level.

There appears to be a relationship between previous exporting activity by those no longer exporting and total annual sales and the age of the owner/manager (Table 93). This suggests that, despite gaining exporting experience, a number of firms

have reverted to domestic-based activities, reflecting the impact of factors such as lifestyle and motivation on craft firm internationalisation behaviour (Section 6.1).

One-way analysis of variance tests were carried out on exporter and non-exporter groups in order to assess possible differences in behaviour and attitude to a range of factors impinging upon smaller craft firm internationalisation. Exporters and non-exporters were subdivided into 5 groups: 1 = Northern Ireland; 2 = Republic of Ireland; 3 = England; 4 = Scotland; 5 = Wales (Ho: there is no significant difference between groups in terms of the variable being tested. Ha: there is a significant difference between groups in terms of the variable being tested).

**Table 94. Exporter groups and attitude towards impact of geographical distance on market choice:**

	F ratio	F probability
Exporter group by Geodist	4.1107	.0061*

\* = significant at the 0.05 level

There appears to be a significant difference between groups in terms of perception of the impact of geographical distance on the choice of export market, supporting the results of the chi-square test (Table 94). This again would tend to support the notion of the impact of cultural background on craft firm internationalisation behaviour (Section 6.8).

**Table 95. Exporter groups and differences in attitude towards influencing factors**

Infact factor:	F ratio	F probability
unsolicited order	3.3469	.0192*
wish to rely less on domestic market	2.7158	.0432*

\* significant at the 0.05 level.

There appear to be significant differences among exporter groups in terms of the emphasis placed on the role of unsolicited orders and the wish to rely less on the domestic market as influencing the decision to commence exporting, confirming the significance uncovered in the chi-square test (Table 95).

**Table 96. Non-exporter groups and differences in explanations for not exporting:**

Rsnexp factor:	F ratio	F probability
not enough production capacity	2.6017	.0456*
business too small to handle exporting	2.9072	.0294*

\* significant at the 0.05 level.

There appear to be significant differences among non-exporter groups in terms of the role of insufficient production capacity and the related small size of the craft business as internal reasons for not engaging in exporting (Table 96). This is supported by the qualitative findings relating to the nature of craft production and the impact of lifestyle on business growth (Section 6.1; 6.7).

Spearman's rho and Kendall's tau tests were carried out in order to provide information about the strength and direction of relationships between variables. The

interpretation of the results of either method is identical to Pearson's r in that the computed coefficient will vary between -1 and +1.

**Table 97. Significant directional relationships**

Relationship	Kendall's tau	significance
value and length	.3860	.001
value and expand	-.4406	.000
exprate and expand	.3142	.008
exprate and value	-.3311	.005
sales and employ	.5945	.000
agegrp and sales	.1592	.039

Relationship	Spearman's rho	significance
value and length	.4351	.001
value and expand	-.5320	.000
exprate and expand	.3713	.006
exprate and value	-.3793	.005
sales and employ	.6401	.000
agegrp and sales	.1889	.036

There appears to be a significant positive relationship between: the value of annual export sales and the length of time in exporting; the current rate of exporting activities and the degree to which exporting has impacted upon the overall expansion of the craft business. There appears to be a significant negative relationship between: the value of annual export sales and the degree to which exporting has impacted upon overall business expansion; the current rate of exporting and the value of annual export sales. There also appears to be a significant positive relationship between: the total annual sales achieved by the craft firm and the number of personnel employed; the age of the owner/manager and total annual sales, supporting the results of the chi-square tests (Table 97). These relationships are confirmed in the qualitative findings (Section 6.1; 6.2; 6.3; 6.4).

Pearson product moment correlation coefficient calculations were carried out in order to uncover further significant relationships among factors impinging upon smaller craft firm internationalisation. This measure of correlation presumes that interval variables are being used ; ordinal variables are not supposed to be used, although some authors have questioned this. Interpretation of Pearson's  $r$  can be highly subjective. Cohen and Holliday (1982) make the following distinction, although it can only act as a guide due to lack of general consensus on interpretation of values: 0.19 and below is very low; 0.2 - 0.39 is low; 0.4 - 0.69 is modest; 0.7 - 0.89 is high; 0.9 to 1 is very high. It cannot be said, however, that e.g. an  $r$  of 0.6 indicates a relationship twice as strong as an  $r$  value of 0.3.

Modest positive correlations were found between: visiting overseas markets before commencing to export and the use of export market research in general ( $r = .512$ ); visiting overseas markets before commencing to export and the use of government agencies as contributing to business success ( $r = .412$ ); using government agencies and business consultants ( $r = .613$ ); developing customer relationships and retailer relationships ( $r = .521$ ); understanding the culture of the export market and the use of export market research ( $r = .543$ ); the use of local development agencies as an export information source and government agencies as a long term success factor ( $r = .465$ ); published market research reports as an important export information source and the use of exporting market research in general ( $r = .553$ ); published market research reports and using government agencies ( $r = .502$ ); using overseas agents as export information sources and the use of export market research ( $r = .416$ ); using commercial libraries as export information sources and the use of export market research in general ( $r = .439$ ); professional institutions as an export

information source and use of government agencies as a long term success factor ( $r = .500$ ); using domestic based embassies as an export information source and the use of export market research ( $r = 0.428$ ); understanding cultural differences in business and the use of export market research ( $r = 0.511$ ); government export incentives as a factor in influencing the decision to export and the use of government agencies as a long term success factor ( $r = .504$ ). This would suggest that the entrepreneurial-oriented owner/manager is more disposed to exhibiting this behaviour than the reactive lifestyler (Section 6.1; 6.1; 6.3).

The following appear to have a low positive correlation: visiting export markets before beginning to export and using a consultant ( $r = .393$ ); using government agencies and banks ( $r = .365$ ); understanding the culture of the export market and establishing a successful supplier relationship ( $r = .286$ ); adoption of export market research in general and consulting information in trade directories ( $r = .388$ ); consulting personal contacts overseas as an export information source and developing successful relationships with customers and government agencies ( $r = .298$ ); trade associations as an export information source and establishing successful relationships with government agencies ( $r = .364$ ); carrying out in-house market research and visiting export markets ( $r = .373$ ), the importance placed on export market research and having successful customer relationships ( $r = .330$ ); consulting chambers of commerce as export information sources and developing relationships with government agencies ( $r = .355$ ); utilising overseas agents as export information sources and visiting the export market before commencing exporting activities ( $r = .356$ ); using overseas embassies as information sources and visiting export markets ( $r = .319$ ); believing in the importance of export market research in general and

consulting sources in public libraries ( $r = .323$ ); understanding cultural differences and visiting export markets ( $r = .341$ ), as well as establishing successful supplier relationships ( $r = .296$ ); a saturated domestic market as an export stimulation factor and having a successful government agency relationship ( $r = .338$ ); export market research and awareness of export assistant programmes ( $r = .370$ ), as well as establishing good government agency relationships ( $r = .316$ ).

The following had low negative correlations: the impact of geographical distance on the choice of export market and supplier relationships as a long term export success factor ( $r = -.292$ ); unsolicited orders as an influencing factor to begin exporting and the importance of visiting potential overseas markets before beginning to export ( $r = -.307$ ); unsolicited orders and government agencies as a long term success factor ( $r = -.325$ ). The lower level correlations may be explained by observing similar factors impinging across craft firm types. For example, problems associated with fulfilling demand relate to a certain extent on the method of production, as well as owner/manager motivation (Section 6.7). Since all the craft firms surveyed produce work on a one-off or small batch basis, all firms will be exposed to a set of similar factors relating to craft production.

The variables relating to the identification of main export markets, methods of carrying out business in international markets, exporting difficulties, decision maker characteristics and qualifications were renamed and converted into dichotomous variables. The phi test was carried out in order to investigate relationships with the country of origin of exporters and non-exporters (Countor1 and Countor2).

**Table 98. Differences in export destination by exporter group.**

countor1 by	Phi statistic	approximate significance
mkt5 (Far East)	.43926	.02884*

There only appears to be a significant difference among exporter groups as far as choosing the Far East as an export destination (Table 98). Quantitative and qualitative results show that the non-Celtic craft firm is prepared to consider more geographically and culturally distant markets than their non-Celtic counterpart (Section 5.3.8; 6.8).

**Table 99. Differences in qualifications by exporter group.**

countor1 by	Phi statistic	approximate significance
qul3 (degree)	.42476	.03872*

The only significant differences among exporter groups appears to relate to having obtained a degree qualification (Table 99). This is supported by the qualitative results which indicate a variety of viewpoints towards gaining qualifications and undergoing further training (Section 6.2).

The Mann-Whitney U - Wilcoxon Rank Sum W test determines whether two populations are identical instead of testing for the difference between the means (Ho: the two populations are identical; Ha: the two populations are not identical).



**Table 100. Decision-maker characteristics and exporter status.**

Export by	Mann-Whitney U	Wilcoxon W	Z statistic	2-tailed p
chrc1 (risk taking)	1507.0	3218.0	-2.9081	.0036*
chrc4 (short term outlook)	1533.0	4018.0	-3.0297	.0024*
chrc7 (ambition)	1645.0	3356.0	-2.1600	.0308*

The only significant differences among exporters and non-exporters in terms of decision making characteristics relate to taking risks, having a short term focus and exhibiting ambition (Table 100). This is supported by the qualitative results which help to uncover a range of craft firm typologies and which explain in greater depth why some craft firms exhibit entrepreneurial behaviour, while others only grow to a certain level with which the owner/manager is comfortable (Section 6.2).

Cramer's V test indicated a significant association between the country of origin of non-exporters and whether they have exported in the past (Table 101).

**Table 101. Previous experience of current non-exporters by country of origin.**

Variables	Cramer's V	approximate significance
pastexp and counter2	.41045	.02037

Qualitative results indicate that craft firms from Northern Ireland must export in order to grow in the longer term but, due to problems experienced during exporting such as lack of industrial support, some firms have reverted to domestic market activities (Section 6.4).

**Table 102. Differences in decision-maker characteristics by non-exporter groups.**

countor2 by	Phi statistic	approximate significance
future orientation	.39680	.02813*

The only significant difference among non-exporter groups in terms of managerial/decision making characteristics of the owner/manager appears to be future orientation (Table 102). This relates in part to the degree to which the owner/manager has considered and implemented planning procedures within the firm, rather than concentrating on operational and production-based issues alone (Section 6.3; 6.3.3).

## **5.6 Summary**

Chapter Five concerned a descriptive and inferential quantitative analysis of a sample of smaller craft firms in the United Kingdom and the Republic of Ireland in order to investigate their internationalisation behaviour through exporting. Results showed that the majority of firms surveyed were micro-enterprises, consisting of less than ten employees, with almost half of these firms operating with one worker/manager. A wide range of craft products were identified, with implications for appropriate export market selection. Well over half of respondents recorded annual sales of less than £30,000, with a similar number achieving exports of £10,000 or less. Exporters viewed the use of export marketing research as below average in importance, although many used trade fairs and personal contacts in order to acquire export related information. Attendance at these fairs, contacts made through domestic business, solid performance in the home market and unsolicited

orders were identified as the most important export stimuli. Respondents indicated that the understanding of the culture of export market destination, with particular reference to cultural differences, was above average in importance. The main reasons for smaller craft firms not engaging in exporting were that they did not believe they had enough production capacity and that the business was too small in general, that owner/managers did not have enough time to research new markets and that they lacked sufficient marketing knowledge and financial resources. Non-exporters in general believed that there was enough demand in the domestic market, although it was shown that smaller craft firms in Northern Ireland needed to identify export opportunities in order to survive, due to the small size of their domestic market. Other reasons of above average importance were a lack of export enquiries, the belief that exporting procedures were too complicated and that there was a lack of relevant exporting assistance and suitable government incentives in place.

The main export markets identified were European Union countries, followed by North America. There were differences in export market choice by firms in each of the five countries surveyed, although the only statistical significant destination was the Far East. Export market access was obtained primarily through international trade shows and exhibitions; this method was adopted twice as much as the next favoured methods of direct sales and the use of networking and personal contacts. However, when questioned specifically about the use of networks, over one quarter of respondents confirmed that they utilised networks in order to achieve exports. The most important relationships for exporting success were shown to be with customers, retailers, suppliers, other business contacts and distributors. Problems encountered by smaller craft firms once exporting has begun include choosing a

reliable distributor, difficulties in matching competitors' prices, promoting the craft product and overcoming trade barriers. Overall, only 7.3% of current exporters believed that exporting had not resulted in increased business for the firm. Inferential statistical testing showed that exporting and non-exporting smaller craft firms varied in terms of employment levels and total annual sales, with the exporter experiencing higher levels in both areas. Exporting rate varied with the length of time in exporting, suggesting the existence of an export life cycle. The level of export sales was affected by how regularly the craft firm engaged in exporting. Exporting frequency also appeared to be influenced by the type of planning adopted by the craft firm. The use of personal contacts and professional institutions as export information sources varied with the length of exporting experience. In addition, contacts made in domestic markets were identified as significant exporting stimuli. Exporters were subdivided into five groups containing firms from Northern Ireland, the Republic of Ireland, Scotland, England and Wales. Differences were seen in owner/manager attitudes towards the impact of geographical distance on export market choice; there were also differences in terms of the impact of unsolicited orders and the wish to rely less on domestic market sales as exporting influences.

Non-exporters were also subdivided into similar groups, with differences emerging in terms of the owner/manager being unwilling to investigate new markets and believing that the firm did not have enough production capacity to deal with the increased demand of export sales. A number of non-exporting firms had previous exporting experience, with a connection between total current annual sales and owner/manager agegroup being identified. Differences emerged between exporters

and non-exporters in terms of three decision maker characteristics relating to risk taking, short term outlook and ambition; the only significant difference among non-export groups related to future orientation (whether the firm had any longer term aspirations).

Results also indicated a range of positive correlations including: those firms which carried out export market research in general also tended to visit export markets before commencing to export in order to understand its culture, utilise relevant government agencies and business consultants, consult published market research reports and make use of export agents as information sources. In addition significant relationships were recognised with customers and retailers. The quantitative results were supported by the qualitative findings, which also afforded the opportunity to explore the issues in greater depth.

Chapter Six involves the presentation of the qualitative findings following a series of in-depth interviews with owner/managers from exporting and non-exporting smaller craft firms identified from the quantitative survey.

## **CHAPTER SIX: DISCUSSION OF FINDINGS FROM QUALITATIVE STUDY**

### **6.0 Introduction**

A range of issues impinging upon smaller craft firm internationalisation arising from the quantitative analysis were investigated in more detail in a series of qualitative in-depth interviews with owner/managers. The themes discussed covered initial exporting influences, the relevance of business and marketing skills, problems of selling in domestic and export markets and the usefulness of support bodies both within the craft sector and in general. Owner/managers were also asked about their attitudes towards carrying out their work, identification of strengths and weaknesses at firm and individual level, the relevance of networking and forming relationships. Other issues included a discussion of attitude and use of export marketing research, the main methods used to sell the craft products. The interviews then attempted to assess the impact of culture on smaller craft firm internationalisation before respondents were asked to comment upon the current health of their business, before finally outlining their thoughts for the future direction of their craft firm. Examination of the interview transcripts enabled the identification of a number of recurring themes. These related to a range of owner/manager and firm level issues, including training and knowledge issues, attitudes towards and use of market research, the impact of industry support bodies on internationalisation, exporting decisions and methods, external problems and exporting difficulties, including craft product issues, as well as discussions centering on the impact of culture on the entire process. The themes identified provide a framework for the presentation of the following qualitative data.

## **6.1 Owner/manager attitudes and behaviour: implications for smaller craft firm internationalisation**

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. These difficulties are expressed by two craftspeople, one from the Republic of Ireland, the other from England:

I think when you're starting off in business, you're very vulnerable. Your esteem goes up and down because you're unsure of your talent really. I think you reach a stage, it's like riding a bike. You just know that you're able somehow. Although I'm not doing as much work as I'd like to be doing, it doesn't frighten me to do work.

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.

Many respondents mentioned the quality of the lifestyle and its overall importance:

The only problem is rather too many responses. We're both of a certain age and we don't wish to be overpushed and we don't wish to incur the problems of employing people. And the problem has therefore been to limit our output to fit in with our quality of life.

However, when their craft work is not selling there can be motivational difficulties; developing an appropriate exporting strategy and finding a new direction in terms of design and new product development can be problematic. The last respondent above admits to having a lack of ambition and greed as well as being 'not bothered about efficient economics.' This individual views business growth only in terms of changing the product and not in terms of developing more export markets. Future expansion may only be possible if the 'correct' sort of personnel could be found, matching the owner/manager's philosophy:

...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 great boost to the business, if looked on 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 it in with income tax and all the rest.

Another respondent refuses to even consider employing anyone else in their business because 'it would mean changing my whole way of going on.' Many owner/managers perceive there to be a number of advantages of operating in a small firm environment: flexibility in terms of product design and the way in which business is carried out, as well as 'being your own boss' are some of the attractions of being a smaller craft firm owner/manager. A number of respondents believe they are innovators, not only through continually adjusting their designs and products but also in the raw materials which they use. By being innovative, the owner/manager with entrepreneurial ambition can develop export markets which would otherwise remain elusive.

Craftspeople can overcome motivational problems by working in a workshop or co-operative 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. Also, this situation lends itself to the sharing of costs of promoting the work when travelling to and from trade fairs, and minimising business overheads generally; 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.

It may be that working alone can affect confidence levels with regard to both business activities and in the type of work being carried out. Higher degrees of



confidence are linked to a higher propensity for taking risks, increased knowledge acquisition and business experience. Other characteristics deemed important by one owner/manager includes a determination ‘to make things happen’ and being ‘good at working under pressure, although this same respondent admits to being ‘easy on people sometimes’, procrastinating and remarks that ‘I don’t push myself forward.’

### **6.1.1 Implications for Export Decision Making**

One of the main characteristics of being a craftsperson working independently tends to be that all the decisions are made by the maker alone; one exception being the situation where crafts are produced in a co-operative workshop environment. There are differences in the decision making behaviour exhibited by the owner/manager, depending on the orientation of the owner/manager. Attitudes towards exporting range from those ‘not really interested in exporting’ and ‘taking each day as it comes’, to ‘thinking about expanding a bit’ or perhaps they would ‘like very much to go abroad’. One respondent believed that the firm’s growth options were limited because of the type of craft it produced, which was ultimately as a result of the preferences of that individual in choosing to work in that particular medium:

I’ve never thought of exporting because there is nothing really that we would make that would be for the export market.

Another felt that, although overall the business appeared to be experiencing ‘no growth at all at the moment’, compared to domestic market performance, exporting was much stronger. An Irish maker believes that his business has potential for export growth:

I think there’s a lot more potential there for exporting. I reckon if I can maintain the growth that I have now for another year or two years, I’ll get up to a level where I’m a little bit more comfortable at.

In contrast, another Irish owner/manager is quite happy to rely on domestic market sales alone:

I've never had to export. I suppose if I got into marketing properly and get better shops and up my prices, that would be the obvious thing to do with it. At the moment I'm taking the easy way.

A Welsh maker also supports this 'easy option' by being content with the 'small amount of business I can handle,' reflecting her desire not to become a 'big business.' The location and size of the business premises also has an impact on exporting behaviour, as one Northern Ireland maker demonstrates:

At the moment I have as much business as I can handle. I really can't grow any more at the moment, until I move.

The decision must ultimately be made by the craftsperson alone, even though discussion of potential strategies may have taken place with other makers. There tends to be no formal system within the craft business to handle issues such as objective setting and strategy formulation. The decisions made may be based on past experience or on the degree to which the individual is geared to taking risks.

### **6.1.2 Owner/Manager Philosophy**

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; as one respondent confirms:

I'm a designer and craft is just a way of getting it out there.

This type of producer does not feel comfortable with the word 'product' and tends to instead believe in making objects which he/she has 'feelings' for. They feel that

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 the market concept. 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 which 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 latter approach can be linked to the value placed on the work by the owner/manager who has 'not gone in for strong marketing' and believes that:

If your work is of any value at all, it is unlikely to be driven by the market.

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.’

### **6.1.3 The Craft Firm and Supplementary Income Activities: How this affects Internationalisation**

A number of respondents indicated the need for a secondary income in order to survive financially. Unlike many other business sectors, where income generated can be much greater, some craftspeople must utilise other methods to supplement their earnings. The quantitative survey results showed that more than half of all respondents reported achieving an annual sales turnover of less than £30,000. Overheads and expenses must be subtracted from this figure and in many cases this results in a narrow profit margin (and in extreme cases a deficit). Therefore, some craftspeople must gain additional income from other sources; the most popular activity is teaching arts and crafts courses. Teaching is the most favoured option, since the individual can continue working in the preferred field, but also have a guaranteed annual income. As far as expanding the business and developing exports, the time available will be restricted as a result. A Welsh respondent outlines her increasing interest in a crafts career while she was still working in another area: the craft was viewed as a ‘by-line’ in the beginning and ‘it was a gradual take over.’ A maker from the Republic of Ireland outlines how his business grew:

...it developed initially as a part time activity, As I’ve been a woodwork teacher at the same time. It was just a hobby which developed.

Now, although the bulk of sales are domestic, he exports some of his work to Scotland and Northern Ireland. Others refuse to commit totally to working in the

crafts due to being risk averse; for example, one respondent had acquired a mortgage and wanted some level of financial security. Already having secured one bank loan, she did not want to fund business expansion through further financial commitments.

## **6.2 Owner/Manager Training and Knowledge Issues**

Training in business and marketing skills was found to be an emotive issue, with some owner/managers being more open to training for export and domestic marketing than others. Some respondents admitted that although they had good design skills, they suffered from poor business sense. Due to the intensive nature of some craft production, many admitted to having little time to develop additional skills. Although a number of craftspeople indicated that they had completed a course in marketing and/or business while studying for a formal higher-level qualification in the crafts and design, they appear to be in the minority. One respondent gave this example of college business training:

At college we had a business practice thing - talks about cash flow, accountancy and how to run a business; the most useful thing was going to do work experience - exposure to real life problems compared to the theoretical situation.

This suggests that due to the specific nature of the craft industry, many formal marketing and export marketing procedures need to be adapted to the needs and abilities of the craft owner/manager. The situation is further supported by the observation by another producer that actual hands-on advice is what is needed:

The trouble with marketing expertise is that most counselling, for want of a better word, does not come from first hand experience.

This hands-on advice is usually in the form of direct one to one contact with other producers and international buyers where word of mouth information and advice can be obtained freely. Formal training is available to the craft owner/manager, and some appear to benefit from such initiatives:

they (a Government development agency) sent me on a start your own business course which covered everything from the accountancy side of the business to how to do market research, how to do product placement and how to go forward and develop products. And how to go about marketing them properly. It was quite a good course. I found it very useful at the time. I'm still actually using the information I learnt on the course, ten years ago now. It was a well thought out and run course.

There appears to be a view among some that business and marketing skills acquisition is not essential and that experience is much more relevant while others appeared willing to learn some point in the future. Some believed in 'picking up skills on the way', suggesting that a self-taught, common sense, learning curve approach is appropriate. These skills could be in the form of recognised qualifications or simple enthusiasm and 'a great deal of perseverance.' One respondent outlined an approach to training by a regional arts marketing support organisation, where owner/managers were 'able to dip in where things are at in the field' whenever they needed to update their skills. Another admitted to benefiting from a range of courses over time, commenting that this was of much more use as the business develops rather than in the early stages when the owner/manager can be bombarded with a host of information:

I think when you start up the business, you're getting all this information thrown at you, You probably don't feel it's as relevant then. It's relevant but you don't understand it. It seems to be the common problem among the majority of craftspeople.

Several admitted to having a fear of marketing, although some did appear to accept its relevance in the overall development and growth of their business. Attitudes

towards business and marketing skills can also vary depending on the background of the owner/manager. Those setting up business directly after graduating will have different attitudes compared to those entering the industry as latecomers, bringing with them a portfolio of skills acquired in another, not necessarily related industry. One latecomer remarked on the importance of marketing skills but that a wider awareness of other issues is also equally important:

I think they are relevant. I think you have to be aware of them. 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

The attitude of the owner/manager towards marketing skills acquisition can be linked to their desire to grow as a business by employing additional workers. The owner/manager with entrepreneurial characteristics is much more likely to grow in the longer term than an owner/manager who wishes to protect the lifestyle element of the business.

Very few of the craftspeople surveyed had acquired formal business qualifications. It is possible that the majority of craftspeople do not perceive a need to acquire additional qualifications which, in general, involves incurring some further element of cost, either financially or with respect to the time needed to complete them. At present the limited interest in postgraduate business qualifications tends to echo the general feeling of negativity towards formal business and marketing practice. Even though the majority of practising craftspeople have obtained some type of higher level qualification, once they have graduated, their interest in education appears to diminish. Many makers feel that, although they have benefited by studying for a

degree, the real process of learning only begins once their business is launched. However, those that have gained these qualifications appear to have gained an advantage by developing a more business-like approach to their work over the longer term. Ultimately, a balanced portfolio of marketing and craft skills was seen by some as the necessary way forward if the business was to grow either domestically or internationally.

### **6.3 Market Research Issues: the Impact on Craft Firm Internationalisation**

The primary reason for investigating market research issues is to examine owner/manager perception towards its practice as well as its value. Attitudes towards market research will subsequently affect craft firm internationalisation. Some craft businesses make active use of marketing and market research but many appear to exhibit negative feelings towards its use. Very few craftspeople tend to carry out extensive primary research; the main sources of information are word of mouth communication with other craftspeople. This tends to be on an informal basis, when contacts are made and built upon during trade fair attendance and other business encounters.

In common with small businesses in other sectors, the main factors limiting the use of marketing generally tend to be the available time, finance, skills and ability to carry out these tasks. Time limitations can lead to some businesses employing a consultant on a temporary or short term basis to solve certain problems. It is most likely that the typical craftspeople cannot afford to take this action, although certain support organisations do provide grant-aided assistance (in some cases around half



of the costs are covered) to employ a consultant. However, the residual costs incurred are quite large in any case and so this course of action tends to be only a short term measure.

Many craft business appear to be carrying out a degree of informal research relating to their customers, fellow makers and existing and potential buyers with a view to assessing specific future needs. A number of businesses have developed exporting opportunities 'by chance', usually through meeting a buyer at a trade fair or through an unsolicited order, sometimes as the result of positive word of mouth communication from another maker. The importance of the quality of lifestyle will mean that many craftspeople are reasonably happy to follow a fairly reactive approach to carrying out business. An example of active market research being carried out by an entrepreneurial craft firm is the construction of profiles of existing customers so that repeat business can be secured over time.

The issue over the use of market research for both domestic and export market development can be summarised by respondents who realise that it is 'important to do your homework' and that 'you keep an eye on trends' while others 'haven't thought of doing market research' or may investigate the 'possibility of doing their own research in the distant future.' Interestingly one informant has been involved in the setting up of courses on market research for craftspeople but 'doesn't use it personally.' He believes that the main problem with makers adopting market research practice is that 'in education it doesn't come at the right time.' Those that do practice some form of market research usually adopt an informal, sometimes

intuitive, approach as demonstrated by this comment by an owner/manager from Northern Ireland:

...we would use common sense. And I think we're fairly well loaded with that. And we don't do any sort of scientific market research - we don't try and find a niche in the market.

Another producer from the same country admitted to analysing future market trends, albeit informally:

I was in London there during the summer And I was seeing potential customers for business next year. So I was trying to sort of assess what they were looking for as opposed to trying to sell them what I had. So I do do a bit of market research.

One respondent tests market response by 'probably making up some different ranges and then see what the reaction is of various people'; another uses craft fairs to obtain the relevant information while some feel that they do not practice any real market research but admit to product adaptation over time in response to the market:

...(the product) would have adapted over the years. Obviously, you tend to follow certain trends. I mean, the product that I do now would be somewhat different from the product that I started out with. Basically, it's just been adapted.

One owner/manager comments on the amount of research needed in order to develop new designs for the future, and how the time needed to do this conflicts with other necessary tasks:

I'm actually doing a lot of development work on new designs. I'm doing some R&D on my own here. So it's time that I don't really have to do certain things and yet I'm putting it in to R&D. So in about 2 years time when I actually start to manufacture on a larger scale, a lot of the jiggling would be done, a lot of the prototypes would be made and tested. So I've got time for doing that at the moment. And if I get that right it will pay off a few years down the road.

Some respondents use information technology to assist them in targeting specific customers when attending trade fairs in particular areas. Customer records can show particular customer requirements from discussions relating to previous orders - the maker can then chose to customise the product, based on existing information. An English owner/manager assesses longer term prospects with the help of their own database:

We get the database of customers through the shows that we do. We gauge the people who want to hear from us again and we ask them to put their name down in a book. And we put them all on a mailing list, all on a database.

A number of respondents reasoned that there was no need to carry out market research due to the belief that 'it's a very tight, specialised market'. However, no market is stable indefinitely and, in order to plan for the longer term, market dynamics and other factors relating to the external environment must be analysed. Some see market research as a cost to the business that they cannot afford, both financially and in terms of the time taken to carry it out while others admit to an 'inability to find the market to sell to.'

#### **6.4 The Impact of Industry Support Bodies on Craft Firm Internationalisation**

Part of the responsibility of developing a more business-like approach and narrowing the gap between what tends to occur at present and what could be achieved in the future lies with support organisations such as the respective Crafts Councils which act as promotional organisations and, effectively, industrial representatives of craft practitioners. In Northern Ireland and Scotland, however, there is no autonomous crafts council (in Scotland the Crafts are a subsidiary of the Scottish Arts Council). Northern Ireland craft firms can access support from a

public and privately funded organisation called Craftworks (although more recently this body has become increasingly ineffective, due partly to a funding crisis). Part of the original remit of this organisation was to improve the quality of the craft produced, thereby enhancing the reputation of the industry. However, more recently the catchment area of this promotional body has widened to encapsulate areas not necessarily directly related to the crafts. As such, the Northern Ireland craft industry reputation has worsened. One ceramicist comments on the input of a Craftworks funding body called LEDU, a small business development agency (the Local Enterprise Development Unit), in comparison to similar bodies in the Republic of Ireland:

The Republic of Ireland seems to be interested in job creation while LEDU takes people off the dole. The Republic have a more proactive approach.

This comment suggests that there is a different type of support culture in evidence in the Republic of Ireland, compared to Northern Ireland. This will have implications for craft firm development both domestically and internationally. The same respondent above praised the support given in the early 1980s by the Irish Crafts Council but now problems have occurred due to its changing structure. He also criticises his local business development agency as ‘being more interested in self preservation’ than anything else. He believes that instead of providing meaningful business and marketing help for each firm, they increase local competition:

...they do one thing with one and do it with the other. They start up some people beside you and take work away from here. They do tend to take work away from one place to give to another. They don't actually create anything as far as I can see.

However, another owner/manager appears to have had a more positive experience with the same organisation. This may be partly due to the fact that this second respondent is originally from the USA, and consequently has different values and experiences relating to receiving business assistance:

I'm a LEDU client and they're supporting me at the moment in several different ways. They are more useful now than they were in the past. I think they have a better understanding of craft now than they would have had. And they also realise that the number of clients who set up in craft businesses is actually trying to stay in business as opposed to a lot of other businesses that might go under. They are more inclined to stay in business. They may not make a lot of money.

This comment contrasts with the previous respondent's attitudes; the first maker was involved in the original setting up of Craftworks and has subsequently become disillusioned with its relationship with LEDU and its apparently changing remit. The second informant has had no such experience and appears to have benefited to a certain extent. In fact this same respondent is receiving help from LEDU by employing a consultant in order to advise on business expansion in the future with a view to 'employing a couple of other people.'

A number of respondents have had reasonably positive experiences with the Crafts Council of Ireland. As one informant comments, the organisation aims to support the craft firm in a number of crucial areas:

...they cover such a wide aspect of business. They do marketing, they do trade shows. If you are a person starting off, they will bring your product to a place where you can't go.

A wider, not instantly recognisable benefit of Crafts Council support related to the subsidising of trade show stands. This provides the business with 'a bit more direction' rather than 'plodding around aimlessly', enabling the owner/manager to

recognise that she should be 'developing a good strong line of products' for the future. One Welsh respondent commented that although able to make use of the facilities of the Crafts Council in London, the Welsh Crafts Council was of more use.

Many respondents have commented that they are not aware of the various funding and other support options open to them. Some craftspeople believe that their respective Crafts Councils are more useful in the early stages of their career. There also appears to be a preoccupation of the Craft Councils with 'fashionable crafts' to the detriment of other craft types. They believe they must be seen to be innovative, but the more traditional craft producer may suffer as a consequence through lack of support and representation. At the early stages, the support organisation may be useful in terms of generating interest from potential buyers via their inclusion on a list of quality makers, which can then be accessed by interested parties (for example, the Crafts Council of Great Britain assembles such a list for consultation). This approach is not always useful as one respondent noted that 'It took me nearly seven years to get any help off the Crafts Council.'

Not all respondents request support from the Craft Council or equivalent body. Others strive for independence and adopt their own entrepreneurial approach to business; for example one respondent refused to join the Craft Council and does not attend craft fairs. Membership of the various Crafts Guilds is one additional way of gaining both creative and business skills, according to one informant. This approach may be beneficial to some producers who wish to avoid contact with their local enterprise agency which is accused by one owner/manager of adopting 'the wrong approach...they should listen to craftspeople.'

Linking the crafts business with the relevant Crafts Council by developing long term relationships is only one of the possible ways of promoting the industry sector and developing an export culture; external assistance may be needed. Many respondents had made contact with their Training and Enterprise Council or Local Development Agency. Some indicated that they were satisfied with the services provided (for example, helping with costs and adding expertise), while others remarked that they had had a negative experience (for example, the feeling that personnel are either 'unable or unwilling to follow enquiries through.'). An Irish owner/manager has had a reasonably positive experience and appears to have benefited from the contact with his local agency:

When I decided to set up, Cavan is a border area and is recognised as being a disadvantaged area with funding available for various projects. So I applied for a grant for funding to the local county enterprise board. They are also involved in training and they invited me to take part in a business course last October - it lasted from October to April. So I did that. It was pretty good. I was a bit at sea - there was two ends. There was a marketing aspect and then a financial aspect. I was a bit at sea with the financial aspect because basically I didn't have any figures to work on at that stage. It was good. It was useful to do it in any case.

This respondent does not currently export but may do so 'down the line maybe.'

One additional benefit of enterprise assistance is that the maker can concentrate on product issues rather than business issues. There is a danger, however, that relying too much on enterprise support and not acquiring additional skills will hinder the growth of the firm in the longer term. There did appear to be a general tendency for the agency to be of more use when the business was of a certain size; in other words, the agency would be more willing to provide assistance if they perceived that there were opportunities for the business to grow in terms of turnover, the

number of people employed and the markets served. However, due to the particular characteristics of the craft sector, many craftspeople deliberately chose not to increase the size of their business and therefore tend to lose out on possible funding and training opportunities because of the current orientation and philosophy of such agencies.

There is a related belief among some respondents that these support agencies are failing to support newly created craft firms and will only show interest when the craft firm is 'already up and running.' The development agencies tend to promote their main function as assisting job creation but they also exist to help firms in terms of providing marketing, business and financial skills via training programmes and other schemes. Therefore it appears that many craft businesses are being penalised due to their small size and also because growth in terms of increasing employee numbers is not always a primary concern for the business. The image of the craft sector may also be an influencing factor when businesses seek help from the agencies. Decision makers may not view crafts in the same fashion as small manufacturing and engineering companies but craft businesses do contribute to both domestic and exporting economies.

Not all owner/managers seek exporting assistance from their local support agency. There are several producers who appear to thrive on being independent, without receiving any help. One of these owner/managers comments:

I've had no contact with any agencies - I prefer to do it myself. Let other people who need it use it.



Whether this particular business does need exporting assistance is debatable; the particular beliefs of the owner/manager may result in the rejection of any future programmes of assistance aimed at this type of firm.

Political support for the crafts varies from country to country and there does appear to be a difference in the approaches adopted by the British and Irish Governments. This difference in attitudes may also be connected with the way in which the arts in general are assisted via government funding. Craft firms in the Republic of Ireland appear to have a slight advantage in that the arts and crafts tend to be viewed in a more favourable light by their government when contrasted to British Government policy. Over recent years, the arts and crafts have tended to become more market oriented and those working in the sector have had to manage as well as be creative and innovative in designing and making the product. Support mechanisms are, in part, more developed in the Republic of Ireland than in Britain. Showcase Ireland, which is part funded by the Irish Government, is the main source of orders for many craftspeople. Since its conception it has become an international event with makers being able to meet and forge relationships and network with both domestic and international buyers. There appears to be a certain degree of proactiveness built into the arrangements for this particular annual trade fair in that buyers from both domestic and overseas markets are actively recruited. A number of craft producers from Northern Ireland are indirectly supported from government funds via LEDU to attend Showcase, so exporting is initiated in this respect by government support.

United Kingdom respondents have remarked that the Department of Trade and Industry can be useful in terms of sources of general market information. Export

data tends to be broken down into SIC categories and specific information relating to the crafts is difficult to extract. However, they publish a number of useful HMSO articles which cover various aspects of business, including export documentation and export assistance. Precise information can be elicited but, according to one respondent, the exact details and needs must be given. This same informant gave details of a failed DTI initiative relating to selling craft products through export buying houses. The problem identified by the informant was that the product and target market did not match. There are also difficulties relating to the identification of the appropriate contact point within the organisation.

Analysis of the results has shown that there are some groups of craft firms that appear to be more receptive to help than others. Some craftspeople have remarked that the support agencies tend to convey an image of self importance which may emanate from the previous culture from which the workforce have been recruited. Many development agencies have employed managers who have worked for local councils and have then brought with them a degree of bureaucracy and barriers to accessibility. One respondent discusses the problem:

A problem with local development agencies is that they appear to be run by ex-council people with a bureaucratic attitude; all I want to know is what is available; if the LDA was any good, positive word of mouth could be used to communicate this to other craftspeople.

Negative experiences of these encounters spread throughout the craft community, resulting in a lower likelihood of future contact. A number of respondents have criticised the level of service and advice offered by their local enterprise agency. There is a belief among many respondents that the prime reason for the existence of

such bodies is to support job creation in the surrounding area; business advice is a secondary issue.

Other sources of support were sought by some young successful owner/managers. An example of a range of support from finance to training is the Princes Trust, a charitable organisation aiming to stimulate new businesses for younger people. One respondent notes the benefits of the scheme:

I started my first contact through the Princes Trust. I got a grant from the Princes Trust to go to Italy, a travel grant. They put me in touch with one or two people in the textile trade...it's basically word of mouth. Meeting people who knew people who knew people.

This initiative enables the craftsperson to enter international markets at a relatively young age, something which may not have happened otherwise for some considerable time, if at all.

## **6.5 Methods of Export Development and Export Market Choice**

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. 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.

Many perceive that exporting is a secondary activity and are much more reliant on domestic sales, while others almost immediately being involved in international activity. Although working within these constraining limited resources, a large number of makers feel that they are reasonably happy creating what they consider to be worthwhile products and do not wish to develop the business, both in terms of turnover and in the number of people employed.

The results indicate that the main selling methods used by the craftsperson are craft fair attendance and selling via retailers. The craft fair is seen as a method of personal selling and has been used by the owner/manager to establish long term relationships and networks with fellow makers and buyers from the domestic and overseas markets.

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 in to 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 problem solving relating to selling in the domestic market and also with gaining access to export markets and establishing reliable contacts. Several comments from owner/managers adopting this approach demonstrate its benefits:

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 longer term strategic benefits of trade show attendance are demonstrated by one respondent who was able to establish a 'very good customer base' over time. Many Irish owner/managers rely on the annual Showcase trade fair to generate both domestic and export sales. In fact many respondents have come to rely on this event to provide them with adequate orders for the entire year, as long as 'you can match up with the right buyers.' Regular attendance allows the owner/manager to build up a rapport with clients 'for a number of years' in order to establish long term relationships. This relationship can also act as a 'good reference' source for other buyers. The Showcase event is not just perceived as an arena for securing export orders; for some there appears to be a number of other less tangible benefits obtained by meeting other producers and buyers:

I don't get a great deal of orders but it helps the whole psyche of the thing...You just keep meeting the people and you don't lose touch. People starting off nowadays would be able to get off the mark quicker than I would have if I'd been full time when I started.

This suggests that entry into export markets is facilitated much easier through this route than by using other methods. Not every Irish craft producer targets this event. A number of very small makers would find it difficult to fulfil the orders secured there:

I don't do Showcase, because it's supposed to be trade only and my potential victims or customers would usually be private individuals rather than selling labour intensive stuff through the shops. They want to mark it up, certainly a minimum of 30% plus. So it makes it quite expensive.

This suggests that if Showcase continues to grow in popularity among the larger producer using mass production techniques, the smaller maker will find it more difficult to secure export orders. It should be noted, however, that the lifespan of this event is not infinite and relying on a sole fair, no matter how currently successful, can be problematic in the longer term.

One of the major trade shows in Scotland is the Aviemore Show, arranged by Made in Scotland. In similar fashion to Showcase, many makers rely on sales from this event to secure business for the rest of the year. Other firms adopt a variety of additional approaches, including mail order and specialist magazine advertising. Another factor in common with some other trade fairs is the expense involved but, as one regular attender believes, 'you have to take a chance.' In terms of progression along the internationalisation path, some craftspeople use trade fair attendance as a stepping stone to setting up distribution channels and gaining access to retailers overseas. However, many craftspeople still rely on the trade fair for sales after some years in the industry and have still not developed their own selling and marketing function. Craft owner/managers therefore may be perceived as being over-reliant on this approach, while under utilising other possible methods of attaining export sales. Given that this approach is reactive to a certain extent (in that the craft producer has little or no control over the buyers who may attend the event and then has to react to any approaches made), there appears to be little meaningful formal decision making among many of the craft firms in terms of export market selection.

Since word of mouth communication is the dominant method of securing business in the craft industry, the trade/craft fair provides the ideal environment to carry out this practice. One respondent summarises the propensity for adopting the word of mouth approach over other methods of communication:

Nowadays it's really all word of mouth. We don't really do any advertising. Never found advertising any good really. Word of mouth is the best.

The buyer may be prepared to either purchase a certain quantity of goods directly, or offer sales on a commission or sale or return basis. Each approach will therefore have different implications for the maker. One respondent believed that craft fairs offered certain benefits in terms of market access 'a few years ago' but that the sheer growth in their numbers over recent years may be harmful to the long term well being of the craft sector.

Another possible problem can be the costs involved in taking part in the trade fair. Apart from transport costs and other overheads, the more successful the trade show is, the higher the cost of the trade stand to the owner/manager. If the craft firm remains small both in numbers being employed and in turnover but the cost of trade fair attendance rises, then there will be considerable implications for that firm in the longer term. One respondent demonstrates the potential problems:

...I haven't done it for a while (Trade show/exhibition) and wonder was it money well spent at the time because it's not immediately apparent. Is it that worthwhile an investment, I really don't know. For large companies that's no problem, it's petty cash. But for the likes of me that's big money.

Not all trade fairs are suitable for each individual craft firm. They may be product area or price specific, as one respondent comments:

To be honest these American trade fairs I've been doing haven't been that great - it's the wrong trade fairs for me - the wrong kind of buyers - they can't afford my stuff.

Of course, the problem in this instance may be that the individual maker concerned has adopted an inappropriate pricing strategy which may be related to an idealistic belief about the value of the craft object. Differences in behaviour among craft firms must be considered when attempting to model their progress in international markets, given that ambition to grow both domestically and internationally varies according to the type of craft business owner/manager. An example of craft owner/manager behaviour where lifestyle is the dominant factor in determining the future of the business was described by one respondent, where the main market for the craft was local, 'due to practicalities and not wanting to spend large amounts of time travelling'. This lifestyle component will therefore have considerable implications for many craft firms' internationalisation behaviour, as one Irish respondent confirms:

I'd just like to continue and be confident in what I do. I don't really want to get into a big, sprawling industry. I'd like to keep it small and comfortable. I don't want to kill myself.

Many craftspeople recognise the potential benefits of networking and tend to carry out the process in an informal manner. An example of this at the grass roots level is the interaction among members of the various crafts guilds. The owner/manager uses exhibitions to network with other makers in order to exchange ideas and acquire knowledge about domestic and international opportunities. One respondent was:

Thinking about exhibiting overseas, somewhere where the market does respond like Holland or the USA.



In this particular case the domestic market for that particular craft is unfavourable, mainly due to the perception among potential customers that the craft object is of low value.

Many business tasks are achieved informally but the craftsperson does not always appear to recognise that networking is responsible for facilitating their achievement.

Although networking may be an innate ability to a certain extent, one respondent admitted to having:

...just learnt how to network really. And particularly in Ireland that's how things happen. One contact leads to the next. And you actually make that phonecall.

One respondent was able to gain access to a number of areas via the local craft co-operative:

The most useful contact is a local co-operative which runs a couple of shops, organises trade shows and business/craft related courses such as mail-order projects

This enables the sharing of resources and has implications for export market decision making; these advantages are outlined by one maker who practices:

Sharing responsibility of promoting your work with other craftspeople; (this) saves time while you find the right market for your goods.

However, another owner/manager who had considered setting up a co-operative dismissed it as an option due to the time needed to do so. A small number of respondents perceived networking to actually mean network marketing, a form of selling which has received a large degree of negative publicity in recent years. This negative attitude can be linked to the overall attitude towards adopting business and marketing techniques in general.

Many of the respondents feel they exhibit a certain degree of proactiveness when acquiring orders. They are able to 'contact buyers as they are coming into the country through networking.' An example of a proactive crafts salesperson approach is demonstrated by an owner/manager who had developed sales and marketing skills in his previous career in civil engineering:

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.

This latecomer to the craft industry is not typical of those entering later in life; the majority of these respondents appear quite happy to practice their craft at a comfortable level and are unwilling to develop the business beyond a certain stage.

The craft firm tends to have minimal input into selecting which particular buyers will attend the trade fair. In this respect, even though the craftsman may believe that he/she is being proactive in selecting a particular or series of trade fairs to attend, the actual securing of orders depends on meeting the correct type of buyer and also communicating and marketing the products to them. However, many owner/managers have benefited from attendance and it is from repeat encounters between the maker, fellow producers and both domestic and international buyers over the longer term that relationships can be built up. Attendance at such an event can be costly, both in terms of the financial outlay involved and also in terms of targeting the wrong type of fair (or perhaps not targeting at all), resulting in fewer orders being secured. Although the benefits of developing relationships appear to be very clear, a few craftspeople feel that there is little need for doing so. They tend to indulge in an autonomous approach to business, believing that they alone are best placed to make decisions. This type of craft firm owner/manager tends to be highly

independent, with a high confidence level, valuing their own experience above all others.

Not all firms benefit from craft fair attendance; success may depend partly on the nature of the craft product itself. Some makers have succeeded in developing a reputation in the arts and crafts and only need to target only a small number of retail outlets, galleries or private customers. Benefits include the ability to set higher prices as well as perceived higher quality of the work by the customer. This idealist stance is illustrated by one maker from the Republic of Ireland who has exhibited in the Irish Crafts Council gallery but found that it was 'not very useful as far as spreading our name about.' Another idealist appears to have begun producing with a certain degree of market orientation by making utilitarian pieces but, due to a growing reputation, only exhibits in art galleries and carries out commissions.

Sometimes the stage of development of the craft business and the beliefs of the owner/manager, based on negative experiences and lifestyle preferences impact upon trade fair attendance, as one maker remarks:

You have to go to trade fairs and I stopped doing that some years ago. Instead of just having employees like I used to have, I've shrunk down to just doing the work myself. I don't think that networking in those craft organisations are particularly helpful. They help the group but they don't particularly help every individual in the group.

Several respondents adopt a proactive stance by travelling to potential buyers/retailers while others rely on the tourist market to achieve export sales. The main difficulties with this approach are the problems of seasonality and location. A number of craft businesses are located rurally and therefore must tackle the issue of

remoteness and poor access to customers. However, there are an increasing number of European Union rural development initiatives which seek to improve the local economy. An Irish producer gives his experience:

...Cavan is quite isolated. There isn't really a tradition of crafts around here. Although there are more and more people moving to the area because it is a subsidised area.

The reactive stance among many craft producers is summed up by one observation that 'people come to me. I have a sign on the road.' This is the extent of that particular maker's approach to marketing. One owner/manager gave details of the benefits gained by registering as a maker with the Crafts Council and had subsequently received export orders from a buyer consulting its list of quality makers:

The first thing that happened was by chance really because this knitwear designer from Canada came to see me because she'd seen my work on the index at the CC.

In this situation, it could be argued that the craftsperson was proactive to a certain degree by actively registering on a recognised list of makers, as well as having had to pass a set of criteria relating to product quality. However, the craft firm has no control over which buyer from which particular market may contact them. In these regard, the maker then has to react to the approach. A small number of respondents were either currently using sales agents or had done so at some point in the past instead of developing their own direct export sales. This was usually as a result of both affordability and in terms of a lack of managerial know-how. The main problem which was identified was the lack of control by the craft firm in terms of the behaviour of the agents and the markets being developed.

Very few craftspeople have explored the possibilities of using the Internet for advertising and export sales generation, although this method may grow in the future. This will depend partly on owner/manager orientation. One respondent remarked that 'they are in the process of setting up their own Internet site' while another had made use of one of his business contacts to construct a website.

However, this particular informant appeared dubious as to its usefulness:

A friend of mine had space and he said I'll take you on, about two years now and I've only had a couple of enquiries. People like to choose and they like to talk and they like to visit the workshop. They like you to call to their house. I don't think the net is going to be selling art - I don't think it's great.

Use of the internet to achieve export sales is seen as an innovative tool by another respondent who is receiving enquiries from a wide geographical base:

...I'm getting e-mails all the time from the States, from the Instrument Makers Guild, from other instrument makers and woodturners the same way. In fact I'm expecting some calls from Japan. Literally, I'll get the message this evening and reply to it tonight and they'll have their reply tomorrow. So it's far easier than trying to deal with people over a telephone or writing letters to people..... It's the most innovative tool my business has at the moment.

The actual timing of achieving domestic and export sales via the Internet may be crucial. It may be important to use this technology in conjunction with other, low technology based forms of communication, as one respondent remarks:

Certainly as far as marketing my own product would be concerned, it would be a very worthwhile way of marketing. Only after I've done a certain amount of face to face or have the instruments actually known within the country. Sticking it on the Internet is only half the battle.

The proactive craft firm will be more likely to make use of new technology than the reactive conservative type who will continue using existing business methods. Several respondents have developed additional methods of selling, centring around

methods of publicity such as features in design magazines, book writing, giving talks and even appearing in television shows on crafts and interior design.

The majority of respondents questioned tended to rely more on selling through retail outlets than via wholesalers. However, one of the difficulties encountered with many retailers was that they wanted to deal on a sale or return basis only. The connection between low production runs and quality hand crafted work tends to make it impractical to sell to wholesalers who then demand greater production runs in order to fulfil demand. This is one further difference between the crafts and many other industry sectors in which firms can set up and handle much longer production runs. Only craft businesses such as the larger potteries would be able to sell in this way, but some makers have commented that if the business grows too much, the quality level will suffer as a consequence. If the business accepts a relatively large order, new workers may need to be recruited in order to satisfy production demands. The issue of training these workers to the desired level then needs to be tackled. In some craft disciplines, this would not be practical in terms of the time scale involved and also because of problems in identifying and recruiting people with the desired design skills.

Some craft firms have been involved in trade missions organised by local council delegations or chambers of commerce. Usually the destination market has been preselected and the individual companies have little say in the organisation of the event itself. Attendance is usually subsidised and the individuals concerned may indeed benefit by it. Conversely, the overseas trip may involve a situation where representatives from a number of different business sectors are involved in the

selling process from a single trade stand. Here the stand is really functioning as an advertisement for the country of origin of the products with the products themselves being secondary to the process of country promotion.

### **6.5.1 Export Market Choice**

The quantitative analysis has shown that there are some differences among owner/managers from the five countries surveyed in terms of choosing particular export markets. Qualitative interpretation of interview data provides some additional insight into export market decisions. One of the main findings was that many markets were accessed after networking opportunities and chance encounters at craft and trade shows; for example opportunities in North American cities were made available to one maker after attending the Chelsea show. North America is an export destination for craft businesses from all of the five countries surveyed. The Celtic factor is one determinant of export market destination for many craft firms; the sheer size of the market is another one. Growth opportunities in the USA are identified by a number of respondents; they are either general observations or clearly targeted initiatives by the firm. One maker remarks that:

...I am going to be doing quite a big project involved in a mail order catalogue in the States, which will fragment into other areas.

This one project is seen as the gateway to other export opportunities over time. Curiously, despite the fact that one owner/manager originally comes from the USA, she actively refuses to exploit any connections in that market to achieve sales. There are certain lifestyle and other personal factors impinging on the decision making process in this situation.

A number of owner/managers would never have considered investigating certain markets had they not reacted to an approach from an overseas buyer at the trade show. Others appear to have a wider worldview and have longer term ambitions to target specific markets such as Japan, while some exhibit a general positive attitude to exporting, remarking that they hope to develop international markets in the future as a 'long term aim.' Some are not so positive and may need a certain level of persuasion. One maker is using a trade fair as a test market for the product and may then develop exports 'down the line maybe.' Being prepared to travel in order to access markets contrasts markedly with the owner/manager protecting his/her lifestyle who is not usually prepared to spare the time and effort to expand significantly. The entrepreneurial owner/maker is characterised by making 'a conscious decision to sell to particular markets'. An English entrepreneurial producer of traditional Scottish craft has identified a long term opportunity in North America:

We are exporting more and more to America because we do a lot of Celtic designs and a lot of Charles Rennie Macintosh related designs. It's a growth area.

Respondents note that, given the size of the potential market in the USA alone, a number of the larger production-oriented larger craft firms are targeting this market. In this situation large order numbers do not present the same problems as encountered in the smaller craft firm. Many craft producers export to the European Union, with opportunities for growth. The relaxed attitude of many owner/managers is summarised by one respondent:

There's probably a lot more in Europe potentially but I just haven't got there yet.



Not all owner/managers questioned wished to export at all. This is partly linked to the impact of lifestyle and also a general lack of ambition towards long term growth. The owner/manager who steadfastly refuses to widen their customer base is seen in the example of one firm which ‘merely tend to favour the customers we like, I’m afraid.’ There may be little point in support organisations endeavouring to persuade this firm towards entrepreneurial orientation and market growth.

## **6.6 External Problems and Exporting Difficulties**

Although many internal factors impinge on smaller craft firm internationalisation, there are a number of external influences on exporting behaviour. Many of these factors are common with firms in other sectors, but some appear to be craft industry specific. As such, there are then implications for modelling craft firm internationalisation. An example found in common with other sectors is the cheaper imported imitation product; one respondent has experienced problems with Tiffany-type lamps being imported from the Far East. He remarked that it was then difficult to compete against it on price; even if he promoted the authentic original more vigorously, many potential buyers would be unable to tell, or at least be prepared to recognise, the difference. Another respondent reaffirms the impact that these cheaper imports are having on the market:

We used to make lampshades but that was hit on the head because of imports. The Chinese ones came in recently - it just took the whole market out of it. We’re left with maybe specialist type things. A very, very small market.

This particular firm realised they could not compete on price and then decided to embark on a niche marketing strategy instead. Local competition is also an

important factor to be considered in both domestic and export marketing terms. One ceramicist discusses the problem:

Ceramics is a competitive business and there is a perceived market value of ceramic work and you're competing with a lot of other potters out there. You really have to think about your prices in terms of what they're charging...

### **6.6.1 Problems with Language Barriers**

Few craftspeople reported difficulties with language barriers when exporting, although the use of intermediaries was recommended which would then bypass this issue. Since the main export markets appear to be within the European Union (where English is widely spoken) and North America, language difficulties tend not to arise. However, when entering other markets such as the Far East (which appears to be a future growth market for the crafts given the growing interest in Western objects in these markets) language problems must be overcome in order to grow in the long term.

### **6.6.2 Currency Difficulties and the Cost of Exporting**

When Sterling is weak against certain foreign currencies, exports are stronger in those overseas markets but when strong, exports tend to suffer. This factor must always be considered when identifying export opportunities and remain an issue as the business grows in these export markets. The link between success overseas and currency fluctuations can be seen in the behaviour of foreign distributors who tend to be of more assistance when Sterling is weak and their own currency is strong. Craft businesses must consider the implications of the price of the product when selling in export markets. This may depend partly on transportation costs to the

overseas customer, as well as on the nature of the product and whether special insurance needs to be secured before transport. It tends to be easier to export items of jewellery when compared to the more fragile pieces of ceramics or larger craft items. One respondent gives examples of such problems experienced in several export markets:

We have sold in America and Canada and Germany and France - all of them relatively small and all of them offering difficulties that we don't want to experience too much. That is, packaging, insurance, shipment and all the customs requirements.

Negative experiences of these situations has impacted on the future behaviour of that particular craft firm; in this instance lifestyle has subsequently dominated over exporting and the owner/manager has refused to continue expansion.

### **6.6.3 Payments and Cash Flow Problems**

A number of respondents indicated that they have encountered problems with securing payments for their work, usually from the larger retailers. The time factor can be crucial for the smaller craft firm in that cash flows can be severely affected by delayed payments. The craft firm can be overambitious in accepting larger than usual orders to secure business. Consequently future orders can be jeopardised due to the dissatisfaction of the purchaser. The owner/manager may not have incorporated a planning system to deal with larger orders which can entail securing larger than usual amounts of raw materials.

### **6.6.4 Problems with Buyer Perception**

In common with some other business sector, craft owner/managers have to deal with the issue of fashion among existing and potential buyers. As one respondent comments:

...fashions change and one particular business that used to order a lot coming up to Christmas is completely dried up. They just don't want it any more and that's the way things go. It's an evolving thing, it'll come back sometime or other. You want to kind of keep changing.

Another owner/manager working in textiles is experiencing problems as the market is 'very slow', commenting that the firm's suppliers have 'never known it to be so bad.' This suggests that a proactive stance is best in order to cope with dynamic market conditions.

Within the British market for quality premium priced crafts, the chief buyer tends to be a collector or connoisseur and, inherently, market size and potential for growth will be limited. The difficulty is then in how to persuade the non-collector to begin collecting. One respondent commented that this did not appear to be the case in markets such as North America and Japan. Many makers have had to compromise by producing 'giftware' in that the work appeals to a wider audience and is priced at a lower level. This can be seen in the number of craft firms attending giftware trade fairs or in the grouping of crafts with giftware and tableware in a number of exhibitions.

If the producer of the work, the retailer and the potential purchaser visualise identical market positions for the object there should be limited confusion regarding its sale at a particular price level. Problems occur when the retailer takes control of the selling process; the craft object may be placed for sale among other objects of a

lesser value, both in terms of the selling price and the amount of creative input utilised in its production. The potential purchaser will then tend to believe that all the objects on sale have a common association in terms of value.

Another problem concerning perception of the crafts is that of image. With the increasing trend in the number of craft fairs in the United Kingdom and the Republic of Ireland, the buying public have become closer in some respects to the crafts, partly due to increased exposure. Some of the products on sale tend to be made by 'hobbyists' and it is this image which seems to pervade the industry sector and thereby lowers the status of the quality practitioner. Public perception of what is deemed an 'acceptable' price results in a much lower level than that perceived by the majority of quality craft firms. This is echoed by one respondent who remarks that:

It'd very hard to get the proper money we should be getting. Over here they think it should be cheap because you can make it in a garage or something. It's just an attitude. It's just a thing that's here - I don't know why that is.

### **6.7 Craft Product Issues: The Impact on Internationalisation**

Since only those firms involved in exporting one-off pieces or small batch runs are the focus of this research, a range of product issues not necessarily found in the larger production line environment are central to smaller craft firm internationalisation. An example of this relates to owner/manager philosophy and the values they place on the craft. One respondent describes his particular beliefs:

What we do is craft in that it contains that ethos but it's not craft like what most people regard craft as.....The reference points are very, very close to craft but in many respects it's a product.

### **6.7.1 Product Attributes**

Many owner/managers believe that they can offer a unique product and therefore promote their craft as an individual piece of work. This will depend on the nature of the craft and the degree to which the producer contributes his/her own input in terms of originality of the design. Many respondents identify the design and quality of the product as the main strengths of their business. They also believe that being small can be a distinct advantage over the larger, production line craft businesses where they believe that being large equates with lower quality. Another issue affecting sales is 'extreme practicality, that the stuff really works,' although the idealist owner/manager would view the craft as a piece of art or design and will not necessarily incorporate any utilitarian function in its manufacture.

There will be differences between the production of, say, a tapestry and an order of 100 ceramic plates in that tapestries tend to be made as single one-off pieces but the ceramicist can produce 100 almost identical plates. In the latter process, there will be small variations in the process but the overall quality level should remain relatively constant, depending on the skill of the maker. One aspect of commonality between these two examples of crafts is that the maker will be limited in the number of pieces which can be made within a specific period of time, although numbers will vary according to the particular craft. This compares to the process of mass production in which product uniqueness is not achieved and where quality and "feel" of the product tends to be sacrificed in order to achieve large production runs.

The time taken to produce the craft also impinges on the time available to the owner/manager to devote to other tasks; consequently the more time consuming craft production is, the less able to 'keep up when you need to.' As one respondent remarks:

My stuff's very time consuming and I don't make a lot of money out of it. I'm working flat out all the time - most evenings as well as during the day.

Another remarks that 'because I'm working all the time I've got no time to get the new range sorted out', suggesting that this particular business may not develop past a certain point unless the owner/manager rearranges certain priorities.

The idea and acceptance of the unique crafted product appears to differ among buyers in different countries, according to some respondents. However, there is also a feeling among others that in general 'when people see something different, people will buy it. They want something different.'

Some owner/managers appear determined to charge what they think is an appropriate price in order to 'sort people out'; one respondent believes that her customers 'probably have quite a bit of money.' This is echoed by the approach of an owner/manager in Northern Ireland who has 'learnt to bump up the prices on things that are expensive...to produce', skills which have developed over time.

## **6.8 The Impact of Culture on Smaller Craft Firm Internationalisation**

Culture impacts to varying degrees on the internationalisation of the smaller craft firm. Both quantitative and qualitative results have shown that the 'Celtic factor' impacts to varying degrees, depending on owner/manager orientation and country of

origin of the craft firm. Analysis has shown that there appears to be some differences in behaviour of the Celtic and non-Celtic firms in terms of the export markets selected and served and with respect to craft firm behaviour. There are even variations between several Celtic countries; one Scottish producer, now working in Dublin has commented on some differences found between Scotland and the Republic of Ireland relating to the way in which day to day business operations vary.

However, the concept of the Celtic owner/manager may not be always applicable, given that several of those questioned in both Northern Ireland and the Republic of Ireland come originally from other countries such as France and Switzerland. Examining craft firms in Ireland as a whole, many have refused to exploit their cultural background in terms of craft product design, or 'jumping on the bandwagon.' They tend to produce a much more individualistic craft which has been influenced by factors other than the historical Celtic factor. One English owner/manager actually makes an effort to conceal her cultural identity:

I quite like those kinds of games if you like, where you can hide your ethnic (background). But I would be hiding it rather than exploiting it up front. I don't find that up front business very interesting. I think it leads to divide rather than harmony.

A Northern Irish exporter of textiles feels that following the Celtic ethos can impede development of the business:

I don't like to get bogged down in that avenue because that can be restricting. That holds down the talent, the potential ideas coming from within the person. A lot of people would say that's a load of rubbish - do the Celtic thing and make millions, or hundreds of pounds. I don't know if they do or not.



Conversely, those firms that have included a Celtic design in their work can be quite successful. An owner/manager from Northern Ireland remarks that:

We use Celtic design in the work. It does sell a lot of things - a wee individual style of it. You can sort of look around and say "That's one of Kevin's".

Many openly exploit this factor in order to export Celtic products to specifically targeted markets such as the U.S.A. One Welsh owner/manager was encouraged by her local enterprise agency to include Wales as the country of origin on the label, instead of the precise location as it would be unlikely that potential export buyers would be able to recognise locations other than general geographical areas. A Northern Ireland exporter of textiles also admits to 'using the name to help market my product.' An English producer selling her work in Edinburgh admitted that many of the customers there believed she was Scottish and that any attempt to change this misconception would damage sales.

Some owner/managers try to achieve a balance in their approach; one Republic of Ireland exporter:

...(tries) to get the Irish idea across without the leprechauns, without all the tourism, without the Walt Disney.

Celtic craft seems to be market driven and many craftspeople are perhaps being influenced and drawn into producing such work by its current popularity, even though some of these owner/managers appear to possess idealistic beliefs relating to the design of their work.

There appear to be differences in the way in which owner/managers are received in other countries; for example, a Republic of Ireland based producer comments on his own experiences in a range of export markets with Celtic connections:

I'm actually originally Dutch, but having said that, I've always found that coming from Ireland, people are always quite well disposed towards you in Scotland. You tend to get quite a good reception. I've gone to Wales and I found that totally different. It's not half as vibrant a market as Scotland. And I've looked at the north of France as well. There's a couple of shops that we've supplied there but it just hasn't seemed to have taken off as well. And the other one we have supplied a small amount to is some people down in Devon and Cornwall

One respondent remarked that there was a common 'language' between craftspeople from different countries, suggesting that there may be a cross-cultural creative link between craftspeople. This would mean that the behaviour is not learned but is part of some inherent set of characteristics found in all artists and craftspeople. In some cases owner/managers have incorporated an element of the export market culture in the design of the product in order to achieve sales in that particular market; for example an English producer remarks that:

My work sells well in America, since I make use of traditional American design, and it's fashionable.

In this instance, the owner/manager does not have a Celtic background and does not draw on this theme to achieve sales. This is contrasted with the comment made by a Republic of Ireland exporter:

Selling something to the Americans, if you put a shamrock on it or a Celtic pattern they think it's great. And it doesn't matter if it's from Ireland, England, Scotland or Wales, they love it.

A number of respondents have mentioned the impact of overseas travel on craft product design; a Northern Ireland producer discusses her approach:

I think that culturally, you could say that my work is not very Celtic at all. It would definitely be more American or Italian even.

## **6.9 Summary**

Qualitative analysis has enabled the identification of a number of types of smaller craft firm owner/managers: those exhibiting entrepreneurial tendencies, some with artistic ideals, a number who wish to protect the quality of life associated with their craft and some who have entered the industry at a later stage in their working life. Consequently, a range of owner/manager attitudes have been uncovered, with resultant 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 sometimes being viewed as dominant over external influences. A number of owner/managers have to secure additional sources of income in order to survive financially; this is often done through teaching in the arts and crafts. A range of abilities and attitudes relating to marketing and business skills were identified and discussed, before assessing how export marketing research impacted upon smaller craft firm internationalisation. Respondents believed that industry support bodies were varied in their impact on craft firm development and that more effective targeting of specific programmes of assistance was needed. A range of methods used to secure export orders were discussed, with trade fairs and word of mouth communication developed through networks and relationships being viewed as the most effective routes to internationalisation. A number of exporting problems were analysed, some of which were identified as peculiar to the craft sector, while others were found across a range of other industry sectors. Issues relating to the craft product were found to

directly impact upon craft firm internationalisation, with differences in exporting behaviour occurring due to the impact of the cultural background of the owner/manager.

Chapter Seven examines the similarities and emerging differences between the findings of this research and the internationalisation literature. Several models are offered in order to explain smaller craft firm exporting behaviour, with particular regard to the differences found in owner/manager orientation during data analysis.

## **CHAPTER SEVEN: DISCUSSION OF FINDINGS**

### **7.0 Introduction**

Following the pluralistic approach adopted in assessing smaller craft firm internationalisation, and the utilisation of the marketing and entrepreneurship paradigm of research, a number of craft firm types and owner/manager orientations have been identified. Together with the framework for analysis developed in Figure 9 and the models constructed in this chapter, these typologies will be utilised in order to critically evaluate the contribution of the existing internationalisation literature in describing smaller craft firm exporting behaviour.

### **7.1 Profiling the Craft Firm: Implications for Internationalisation Behaviour**

Interpretation of the quantitative and qualitative data has enabled the construction of a craft firm owner/manager typology, consisting of several orientations which have direct impact on smaller craft firm internationalisation. Analysis has enabled the identification of the following orientations: there are those who have chosen to work in the craft industry because of the type of lifestyle involved and are unwilling to sacrifice this in order to expand the business (*the lifestyler*). Another type of craft owner/manager is the business-oriented entrepreneur who is willing to take risks and recognises the importance of developing a customer base (*the entrepreneur*). Networking and relationship building are deemed very important for business success. This partly confirms the view held by Hillman-Chartrand (1988) that the craftsman is really a risk taking entrepreneur. The third type can be described as an artist/designer who is unwilling to view the craft as a product but 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 which they feel have artistic integrity. In other words, they embrace an ‘Art for Art’s sake’ philosophy, rather than ‘Art for Business sake’. They do take risks as far as the craft itself is concerned in order to break new ground and they can be innovative and certainly creative with the craft product. 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. Table 103 illustrates some of the characteristics found in the four craft business types:

**Table 103: Craft Business Owner/Manager Characteristics**

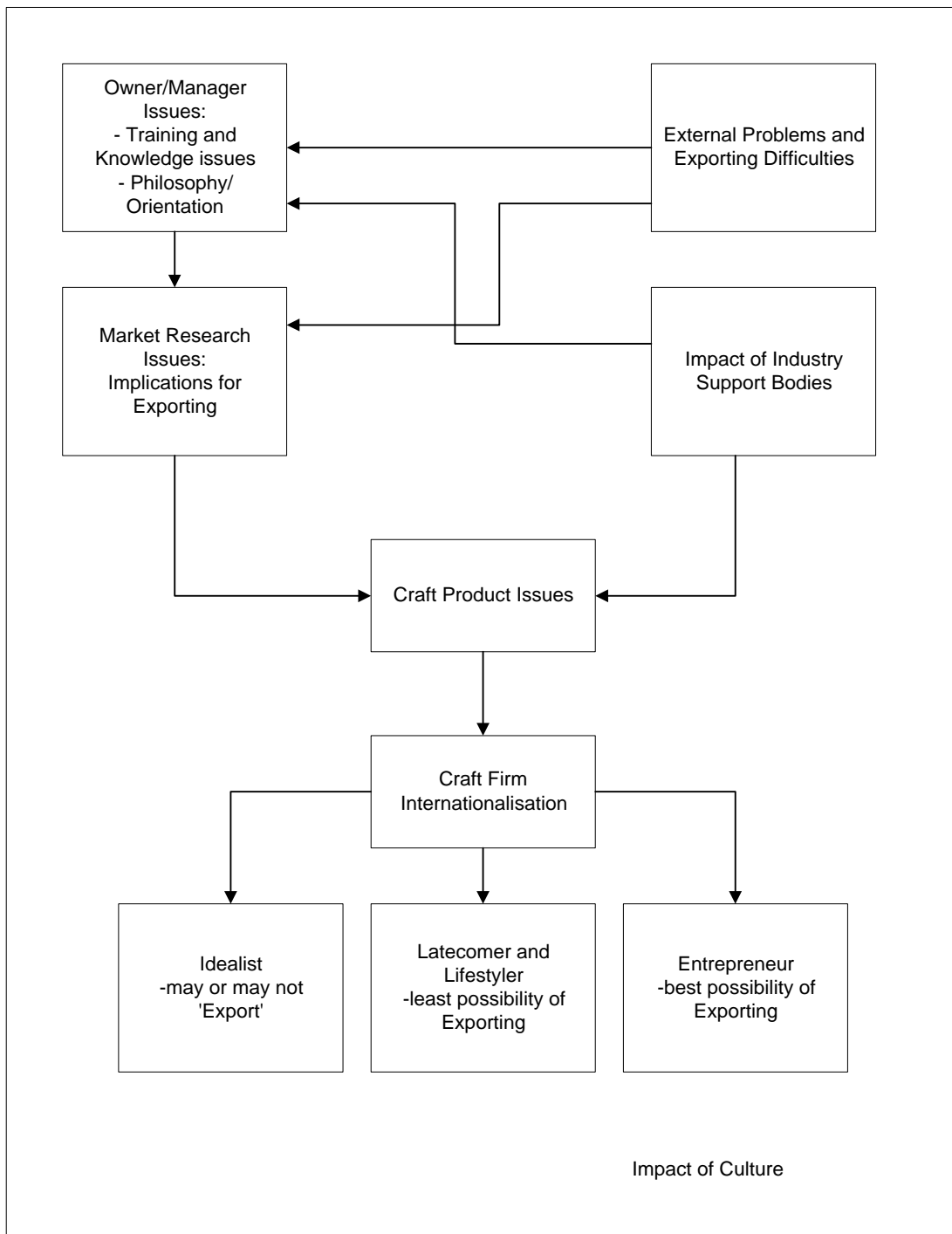
<p style="text-align: center;"><b>THE LIFESTYLER</b></p> <ul style="list-style-type: none"> <li>• expansion of business not important</li> <li>• unwilling to take many risks</li> <li>• importance of quality of life</li> <li>• may or may not export; generally reactive</li> <li>• unwilling to follow business and marketing philosophy and develop related skills</li> </ul>	<p style="text-align: center;"><b>THE ENTREPRENEUR</b></p> <ul style="list-style-type: none"> <li>• risk taker (in terms of carrying out business and with the craft product itself)</li> <li>• may or may not export - proactive</li> <li>• most likely to embrace business and marketing philosophy in the longer term</li> <li>• realisation of importance of customer relationships/networking</li> </ul>
<p style="text-align: center;"><b>THE IDEALIST</b></p> <ul style="list-style-type: none"> <li>• risk taker (with the craft product)</li> <li>• unwilling to accept business and marketing philosophy</li> <li>• dominance of ‘Art for Art’s sake’ beliefs</li> <li>• may or may not export</li> <li>• realisation of importance of establishing and building relationships and generating reputation</li> <li>• views self as artist rather than craftsperson</li> </ul>	<p style="text-align: center;"><b>THE LATE DEVELOPER</b></p> <ul style="list-style-type: none"> <li>• tends to come from non-creative background</li> <li>• less motivated to expand business; less likely to export</li> <li>• unlikely to accept ‘new’ ideas</li> <li>• believe in valuing own experience of business and life</li> <li>• able to bring ‘outside skills’ to the business</li> <li>• may find problems with accessing existing networks</li> </ul>

Although analysis has identified these four groups of owner/manager characteristics it should be noted that they are not always mutually exclusive. Several characteristics can be found in more than one group although their interpretation varies: 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 internationalisation 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 (Rao and Naidu 1992, Ortiz Buonafina 1993, Crick 1995). Incorporation of these characteristics into a framework of smaller craft firm internationalisation also includes the issues discussed from existing literature and from the pluralistic data collected in this research (Figure 29). A range of internal and external factors impinge on exporting behaviour, including the role of support bodies from both within the craft sector itself and at a general SME level. Other factors found to affect craft firm development include attitudes towards export market research and a range of craft product issues. Culture was found to impact upon the process on a number of levels, from within the craft firm itself to export market choice.



**Figure 29. Smaller Craft Firm Internationalisation.**



## **7.2 The Craft Sector and Internationalisation Theory.**

Analysis of the quantitative and qualitative data from this research shows that smaller craft firm internationalisation behaviour does not follow the paths described in much of the existing theory. Cunningham and Homse (1982), for example, noted that certain stimuli induce the firm to move to a higher exporting stage. The collected evidence shows that only a small number of craft firms controlled by the entrepreneurial owner/managers believe in business growth and are stimulated to expand their business both domestically and overseas. However, given the nature of the crafts, this expansion will only ever reach a certain level, beyond which development is only possibly through methods of mass production. The authors also note that this expansion is accompanied by the development of managerial competence. Evidence suggests that all craft owner/managers have a certain level of competence but there is a distinct imbalance between business and marketing competencies and product-related competencies such as design. The entrepreneurial owner/manager appears to have the only set of skills in order to expand the business to any meaningful extent.

Johanson and Vahlne (1977) describe internationalisation as an outward movement of operations. There is no real evidence to suggest that the craft sector is showing signs of significant outward movement, although exports are becoming increasingly important. Many owner/managers are happy to grow only to a certain size with which they are comfortable. Welch and Luostarinen (1988) interpret internationalisation as exhibiting increasing involvement in international operations. Only limited numbers of craft firms show evidence of wishing to achieve this

increased involvement. Steinmann et al (1980) remarked that internationalisation can be viewed as climbing the strategy ladder, but direct strategic intent among the owner/managers is limited. The gradual internationalisation identified by Johanson and Wiedersheim-Paul (1975) really only applies to exporting up to a certain stage of involvement. The majority of those surveyed rely on both domestic and export sales; following a sole export path will only occur if the domestic market is saturated or completely declined.

The extent of internationalisation will be limited due to the nature of the craft product and the production process involved. If more employees are utilised in order to increase output, there may be a possible drop in the quality of the craft product. In general, the owner/manager appears unwilling to sacrifice product quality for product quantity and possible increases in unit sales. Johanson and Wiedersheim-Paul refer to the international firm as having an international attitude. This is certainly true for some craft firms which must look further than the domestic market in order to survive financially. The authors remark that the lack of knowledge and limitation of resources can prevent the firm from growing. These limitations are abundant among many of the craft firms surveyed.

The psychic distance phenomenon of the firm beginning to export to neighbouring countries or countries that are well known holds true for many craft firms from both Northern Ireland and the Republic of Ireland who sell to traditional Celtic markets and also to mainland Britain, as well as to each other. Culturally distant markets appear to be chosen mainly by the non-Celtic producer. An example is the English

owner/manager who tends not to have a captive historical/cultural market to exploit. Therefore, they must look further afield in order to achieve exports.

White and Munday (1993) identify ownership advantages in their use of the eclectic paradigm as an explanation for internationalisation behaviour. The only real evidence of ownership advantages in the craft sector relates to product and production know-how. The craft producer tends to have a high level of product knowledge given the amount of manual input necessary in the manufacture of the craft. This will depend on the type of craft while costs of entry for non-skilled competitors will also vary. The comment that those companies with existing international experience will operate and make decisions at a faster rate than inexperienced firms is true to a certain extent for the craft firm. Decisions made by the risk-averse owner/manager tend to occur as a result of information and experience gained from information received by word of mouth. Piercy (1982) noted that not all firms want to be internationally oriented; this is certainly true for many of the craft firms surveyed.

### **7.2.1 Models of Internationalisation**

Smaller craft firms do not follow the path identified by Tookey (1969); they fail to progress beyond the exporting stage and certainly do not show signs of following international marketing or international business practice. There is also no meaningful evidence that craft firms adopt the stages behaviour identified by authors such as Johanson and Vahlne (1977), Bilkey and Tesar (1977), Reid (1982) and Czinkota (1982). Instead, certain types of craft firm exhibit particular modes of behaviour not generally seen across other sectors. The idealist will never progress

past a certain level, except when reputation is strong enough to by-pass several exporting stages. The lifestyler will only achieve minimum progress and the latecomer has very little motivation to expand past a certain point. However, the entrepreneurial owner/manager has the best chance of progression.

The model of factors affecting the pre-export activities of the firm developed by Wiedersheim-Paul et al (1978) does apply to a certain extent to the craft firm. The key element of the model is the input by the decision maker (the owner/manager of the craft firm) who exhibits a range of attitudes and beliefs not widely found in many other sectors. The firm environment contains particular characteristics not found in the majority of other industry sectors, while the firm itself falls under the EU definition of the microenterprise, with well over half of all craft firms consisting of one person enterprises. With regards to attention evoking factors, the lifestyle of the owner/manager is a key consideration. The lifestyler and late developer will be the least motivated in terms of considering exporting as an option. Both the entrepreneur and the idealist will consider exporting but will have different interpretations and values connected with the decision. Pre-export information activities will mainly be in the form of word of mouth communication from buyers and other producers, with minimal formal market research being carried out. A major assumption of the model is that all firms are non-exporters in the initial start up phase. This is sometimes not the case in the craft sector. Several craft firms export almost immediately upon meeting international buyers at a craft/trade fair. When this is the case, many of the previous factors do not have any meaningful input into the decision making process.

Wiedersheim-Paul et al note that in the initial stages of development there is only one key decision maker. This is certainly true with the craft firm, but it also may apply throughout the lifetime of the business since growth through increasing employee numbers may not be a prime motivatory factor. Examples of key internal competencies tend to relate mostly to product and design knowledge. Only the entrepreneur exhibits signs of business know-how. The main external stimuli are unsolicited orders; they are unsolicited in the sense that the craft owner attends a trade fair but does not necessarily know which buyer from what country will attend the event. There also appears to be an abundance of passive or domestic-oriented craft firms. The active entrepreneur will be more likely to adopt informal approaches such as test marketing of product ranges at fairs, 'keeping an eye on trends', and using feedback from trade fair attendance in order to adjust exporting strategy.

Internationalisation as an innovation strategy (Anderson 1993) has different connotations for the craft firm compared to many other sectors. Exporting cannot be viewed as an innovatory possibility for many craft firms since the owner/manager refuses to consider exporting. In many situations there may be too many perceptual barriers formed by the owner/manager to break through. Instead, innovation is seen in the creative approaches adopted by the owner/manager in order to achieve sales. This creative approach is necessary given the limited resources of the typical craft firm. The main thrust of creativity tends to relate to product and design issues; if the product has a strong and appealing design, then the owner/manager believes it will sell. There is a dominant view that formal methods of market research are not necessary because of the feel for the market and the

refusal by some to produce customer driven products. There are no real push mechanisms; for example, local enterprise agencies have failed to specifically target the craft enterprise and instead offer general advice that is of little use to the firm. Many businesses are instead pulled into export markets by meeting an appropriate buyer at a trade fair. The entrepreneurial firm may target certain export markets with a similar appeal to the domestic market or, in the case of the non-Celtic firm, may look further afield.

Examining the innovation-related internationalisation models (Anderson 1993), many craft firms fall within the initial stage identified by Bilkey and Tesar (1977), Cavusgil (1980), Reid (1981) and Czinkota (1982) where the firm appears to be completely uninterested in exporting. Unsolicited orders and informal information searches are abundant, leading to the second stage. However, the lifestyler and the latecomer will not actively explore the feasibility of exporting. Only the idealist with a strong reputation or the entrepreneur will tend to develop exporting (Stages 3 and 4). The Celtic craft firm will export to psychologically close countries while the non-Celtic English firm must look further in order to achieve sales outside the domestic market (Bilkey and Tesar Stage 6). However, there is evidence that several English producers have chosen to produce Celtic products in order to exploit those export markets. The increase in sales volume identified in Cavusgil's Stage 4 will only ever reach a certain limit in the craft sector, given the manual methods of production used. Long term managerial commitment to particular international markets (Stage 5) may not be possible if the taste for Celtic products diminishes.

There is no evidence of Czinkota's large exporter (Stage 6), mainly for the reasons already given such as manual production methods and owner/manger philosophy. This research also endeavoured to focus specifically on the smaller craft firm, deliberately omitting larger firms engaging in mass production methods. Reid's adoption/rejection of exporting (stage 5) will not be reached by many craft firms since lifestyle dominates business practice. Aijo's (1977) model of internationalisation factors also generally fails to account for craft firm behaviour. No business surveyed had developed beyond Stage 3 of the internationally operating enterprise, with the majority either being non-exporters, passive exporters or showing some signs of international marketing expertise (Stages 0, 1 and 2). New product development can be difficult, given the time constraints and nature of demand in the craft sector. Both indirect and direct exporting does occur, but there is no evidence of licensing. There is certainly no setting up of a separate unit in the craft firm to deal with international marketing. Several firms have endeavoured to practice market segmentation but it is difficult to differentiate the craft product for different markets. No craft firm can be envisaged as becoming an international business enterprise with a global strategy.

The factors identified by Cavusgil (1980) relating to the internationalisation process can be compared to those relating to the craft firm. All craft firm types may practice domestic marketing of some description, although the owner/manager may not recognise this as such. The pre-export stage involves unsolicited orders from buyers at trade shows and an informal, sometimes non-deliberate search for information. A number of craft firms have exported in the past (the experimental exporter) but, for a number of reasons relating to 'bad experiences' and 'hassle' they no longer do so.



Active involvement is seen by the entrepreneurial exporter, including the Celtic producer. Committed involvement is difficult to achieve, given the limited amount of resources available.

Examining Johanson and Vahlne's state and change mechanism of internationalisation (1990), there are a several issues relating to the craft sector which impact on its usefulness. Since the state aspects relate to the amount of resources being committed to overseas markets and the amount of resource availability is inherently limited in the smaller craft firm, then the usefulness of the model becomes limited. Market commitment will vary, depending on owner/manager orientation. Factors such as foreign travel and work experience were mentioned by several respondents as central to their attitudes towards internationalisation. The model assumes that the firm has a long term aspiration to increase profits; for many smaller craft firm owner/managers this is not the case. Lifestyle issues are deemed equally if not more important by many respondents.

Andersen (1993) remarks that firms with large resources can make bigger internationalisation steps than those with less at their disposal. This study has concentrated on the smaller craft firm and has consciously avoided examining larger production-led firms. By linking with a compatible buyer at a trade show, traditional barriers to internationalisation are bypassed in order to achieve 'instant international' status (Bell 1994, 1995). Bell critically analyses existing conceptualisations in order to make the point that a number of industries do not follow such behaviour due to situation specific factors. Reid (1983) also believes that internationalisation frameworks should consider the situation specific; this is

certainly the case for the crafts sector with its particular peculiarities. Reid also mentions that the costs of operating in a heterogeneous market are higher than those of a homogeneous one. Results indicate that there are different types of craft consumer, each with their own preconception of the value of the craft. This has implications for the selling of the work in that there are different attitudes in both domestic and export markets towards the craft. According to Millington and Bayliss (1990), formal planning combined with international experience permits those firms to leapfrog some of the stages. However, although many respondents have international experience they do generally not carry out formal planning; due to the nature of the smaller firm in general, informal approaches to planning tend to be followed instead.

Examining Anderson and Gatignon's (1986) transaction cost framework of entry mode efficiency, the degree of control exerted by the smaller craft firm ranges from virtually non at all (the reactive owner/manager) to a reasonably high degree (proactive entrepreneur). However, this only refers to indirect/direct exporting and direct selling methods in the domestic market; no other approaches were adopted by the craft firm. The external and internal uncertainty elements of the model fit to a certain extent with craft firm behaviour. Possible free-riding potential could include access to export markets via informal networks established over time.

Using the concept of exporting as an innovation-adaption cycle (Bell and Young 1995, Lee and Brasch 1978, Rogers 1962), only the entrepreneurially-inclined respondents could be described as being innovative in their approach to internationalisation. Other respondents have remarked that they had never really

considered exporting as an option or that they felt the business sector was too small to even bother. Some other possible reasons are that the owner/manager will never consider exporting as an option due to lifestyle beliefs or that they are only focusing in the short term and are not prepared to take risks in order to benefit the growth of the firm. Reid's (1986) contingency theory seems to model craft firm internationalisation to an extent in that many respondents are irregular exporters and appear only to do so when resources and circumstances permit. Networking (Johanson and Gunnar-Mattsson 1986, Johanson and Vahlne 1990) is one of the most influential factors; contacts established between other owner/managers and with international buyers are mentioned repeatedly as the driving mechanism. The early and late starters conceptualised by Johanson and Mattsson can be found in the craft sector, but there will also be a number of firms which do not 'start' exporting at all due to particular owner/manager factors such as lifestyle and lack of motivation.

Whitelock and Munday's (1993) belief that technology impacts on internationalisation behaviour can be confirmed to a very limited extent in the craft sector. Only a small number of respondents had made use of information technology, with several making use of the Internet to achieve export sales (Hamill and Gregory 1997). Some of the strategic advantages (Ellsworth and Ellsworth 1995, 1996; Sterne 1995) obtained by the craft firm include cost savings, market expansion, although rapid internationalisation did not appear to occur since use of the Internet tended to happen only after other more traditional methods such as trade fair attendance had already been adopted. The majority of owner/managers rely on

more traditional modes such as trade shows, word of mouth communication and networking.

Comparing the results with Cavusgil's (1984) categorisation of the experimental, active and committed exporter, craft firm export behaviour tends to fit into the experimental and active categories. Long term commitment is difficult to achieve, given the problems associated with the smaller firm in general. Another two categories should also be added; those that have exported in the past but, due to negative experiences, no longer do so (past exporters) and those that have never exported, with some owner/managers refusing to consider it (non-exporters). There are certain merits in following Cavusgil's comment that exporting firms should be considered as a heterogeneous rather than homogeneous group, with research uncovering behavioural differences. By profiling the craft firm and endeavouring to classify each firm as an idealist, entrepreneur, lifestyler or latecomer, an improved understanding of owner/manager perceptual differences can be obtained.

Craft firm export marketing activities do not appear to fit comfortably with the framework developed by Ortiz-Buonafina (1991). The author's first level where the firm sells to foreign buyers coming to the place of business is not very common. The majority of firms surveyed tend to achieve both domestic and export orders at trade shows. Examining level two of the model, referrals from customers does occur; word of mouth communication is one of the most important methods in the craft sector. The entrepreneurial owner/manager may be prepared to modify the craft product to follow the market, but the idealist is unwilling to compromise. Level three, world-wide export marketing strategies, has not been achieved by any

of the firms surveyed; however, several respondents mentioned the possibility of developing new products in the future. Comparing the main marketing behaviour variables associated with export stages identified by Ortiz-Buonafina, the main factors found in the craft sector relating to decision making were growth and profits, familiarity with the foreign country, and possessing a unique product. The main risk perceptions varied depending on owner/manager orientation, although the majority of risk factors related to internal uncertainty about resource commitment. The majority of firms surveyed had not developed any specific marketing strategies; those identified tended to be informal and related to customer segmentation.

The results of this research appear to support the observation made by Dichtl (1984) and Leonidou and Katsikeas (1996) that even though there has been an abundant amount of research examining export expansion behaviour, there has been no all-embracing theory proposed which considers the multidimensional factors involved. Other export development process models examined by Leonidou and Katsikeas were also examined in order to try to fit internationalising smaller craft firm behaviour. There is no real evidence of importer pull identified by Wortzel and Wortzel (1981); in fact the only mention of importer effects related to much cheaper imports affecting the domestic market for that product.

Barrett and Wilkinson's (1986) model appears to be one of the best fits for smaller craft firm internationalisation. The research has identified firms which can be categorised in each of their three stages, from the nonexporter who has never considered exporting to current exporters with no direct investment abroad. Moon and Lee's (1990) model of export involvement is not explicit enough in that it only

identifies lower, middle and higher stages. Since craft firm internationalisation involves a number of reasonably complex issues, this model fails to readily explain its behaviour. Lim et al.'s (1991) first stage of recognition of exporting as an opportunity fits with entrepreneurial identification of business opportunity. Exporting as a viable strategy does not readily fit craft firm behaviour, since the majority of respondents either did not follow any recognised strategic path or, if they did, they seemed to adopt an informal approach. The majority of export initiation occurs through trade show attendance and word of mouth recommendations from other owner/managers in the industry.

The model developed by Rao and Naidu (1992) appears to fit reasonably well with craft firm internationalisation, although regular involvement in exporting activities is only achieved by the more committed entrepreneur or the successful idealist who has developed a strong international reputation. Crick's six stage model fits to a certain extent, although the final stage of the experienced larger exporter is never reached. Leonidou and Katsikeas' comment that these stages conceptualisations have been superseded by methods such as the network approach. This research has investigated the possibility of a further paradigm, the marketing and entrepreneurship interface, in order to help explain smaller craft firm internationalisation behaviour. Many of the characteristics found at the interface impinge upon craft firm exporting behaviour. It is not a perfect match but does appear to offer more meaningful constructs than many previous attempts.

The increasing trend found in the literature has been concerned with investigating SME internationalisation rather than larger firm internationalisation (Ayal and Zif

1979, Beamish et al 1993). The results of this research indicate that many of the existing frameworks, many originally developed from studies of the larger firm, do not fit comfortably when applied. Investigation of situation specific behaviour has uncovered various differences not seen in general models of internationalisation. The following section concentrates on the issue of firm size and how the smaller exporting craft firm behaves.

### **7.3 The effect of Firm size on Exporting Behaviour.**

Statistical tests were carried out in order to establish possible connections between the size of the craft firm and export behaviour, in line with previous exporting studies which identified a link (Abdel-Malek 1978, Czinkota and Johnston 1985, Culpan 1989, Mahone 1994). Differences were found in terms of the exporting status of the craft firm and the numbers employed by the owner/manager and the total annual sales achieved by the firm. Exporting craft firms were more likely to employ more personnel and experience higher turnover than their non-exporting counterparts.

Determining the impact of size on exporting behaviour is particularly problematic in the craft sector, since the majority of firms surveyed (over 85%) consisted of five personnel or less, with almost half (47.5%) consisting of only the owner/manager. This very small number of personnel directly impacts upon the ability of the craft firm to internationalise. The results concur with the observation by Abdel-Malek that the lack of available resources and relevant skills impede the export development of the smaller firm. However, factors such as information technology are starting to have an impact on internationalisation, irrespective of firm size.

Cannon and Willis (1981) commented on the findings of the Bolton Committee (1972) that:

The belief that small size is an insuperable disadvantage overseas has no doubt inhibited many small firms from entering the export market.

In the craft sector, firm size alone is not the determining factor; owner/manager orientation appears to impact upon both domestic and export marketing behaviour. Culpan's comments that the smaller firm can benefit from offering niche market products is supported by several respondents who realised the benefits of following this strategy. Johanson and Vahlne's (1977) observation that the smaller firm tends to be more influenced by psychological distance than the larger firm cannot be confirmed by this study, since a comparative sample of larger craft firms was not investigated. Many of the smaller craft firms surveyed did, however, appear to be influenced by this factor.

In their study of the relationship between organisational structure and performance, Beamish et al (1999) note that:

Firms that make a commitment to support exports through the formation of a separate export unit within their organisations significantly outperform firms that treat exports as just part of their domestic business (p37).

Within the smaller craft firm, there is no possibility of setting up a separate export unit due to extreme pressure on limited resources, resulting in export performance only reaching a certain level. Another issue impacting upon export behaviour was the allocation of public funds to export promotion programmes on the basis of firm size (Reid 1985). Many respondents commented on the lack of support they received from a range of support bodies, some believing that local enterprise



councils were specifically targeting larger firms to the detriment of the smaller firm in general. This confirms the findings of the Coopers and Lybrand (1994) report on Irish craft studios which found that a low level of marketing is practised within the craft studios, together with limited help from support agencies in terms of information and assistance relating to accessing overseas markets. Other respondents felt that because of the negative image of the craft firm, and the perceived lack of value associated with it, the support bodies were disinclined to help.

Examining the framework developed by Chum et al (1995), the results confirm that the impact of export incentive programmes, managerial awareness of them and perception of their adequacy impacts upon export behaviour. The response hierarchy approach to export promotion (Diamontopoulos et al 1993) also provides a useful framework for analysing owner/manager awareness and use of export information in the craft sector. Bonaccorsi (1992) identified several studies relating to firm size and export behaviour, concluding that export strategy impacts upon the relationship, regardless of size. However, many of the respondents showed little sign of following a particular strategy; the entrepreneurial craft owner/manager may have attempted to follow informal procedures but many others simply react to specific situations, with no strategy or planning in place. Given the very small size of the typical craft firm, owner/manager motivations impact greatly upon internationalisation behaviour; these are discussed in the following section.

#### **7.4 Motivation for exporting:**

The lack of drive and interest identified by Simmonds and Smith (1968) concerning the owner/manager's attitude towards exporting in firms employing less than three hundred people can be substantiated by the findings of this research. However, lack of imagination was not found; instead creative imagination was found across all firm types, although the breakdown between imagination relating to marketing, exporting and product issues tended to vary. Day to day operations were found to concern most managerial decisions, with little evidence of longer term planning. Both product and business innovation were found to act as motivators; several respondents appeared to invest in longer term research and development, with many carrying out necessary innovative methods of securing sales due to the inherent lack of resources found in the industry; for example, instead of following market demand, many owner/managers refused to compromise their philosophy of 'art for art's sake' by producing what they wanted. They then relied on the perceived innovative value of the craft product (innovative in that no two craft objects are identical) to achieve sales. These owner/managers were highly driven and, as such, would resist changing their beliefs in order to achieve business and marketing orientation.

If innovation is also related to taking risks (Brockhaus 1980, Roux 1987), then many owner/managers take such innovative risks in relation to their craft product and/or the market. Attribution theory (Heider 1958, Kelly 1972, Lesser and Bol 1990) has been used to link motivation of the decision maker and export marketing behaviour. Results support the criteria identified by Lesser and Bol to an extent. Personally and environmentally caused events are highly relevant, given the dominance of the four owner/manager typologies. A number of respondents have

traced their business and design influences back to experiences at college or even earlier. Internal ability to keep costs low is crucial in the crafts, although external ability to secure funding tends to vary, due to problems with support bodies. Not many respondents could be described as perceiving themselves as 'agents of change', although several recognised the importance of acquiring both creative and business skills in order to survive. Creativity as an agent of change is found across all craft firm types.

Bradley (1984) believes that instead of treating export experience, growth, firm type and behaviour as 'independent of one another and subsumed under the rubric of motivation', the complex interaction between these variables should be investigated instead. Examination of the craft sector has shown that one of the most influential factors is firm or owner/manager type, given the particular characteristics associated with the lifestyle, entrepreneur, idealist and late developer. Export growth in the smaller exporting craft firm is can only reach a certain point, given the limitation of resources and impact of owner/manager characteristics.

Examining the model of the determinants of internationalisation of the firm (Bradley 1984), where the cognitive style of the decision maker precedes international orientation, craft firm internationalisation behaviour replicates this to a certain extent. If cognitive style is linked to the predisposition of the craft firm owner/manager towards marketing in general and export marketing in particular, then a variety of responses have been found, from those respondents who are totally closed to the option of exporting and those that either anticipate embarking on exporting at some time in the future or are currently exporting. International market

experience of the respondents varies, from wholly negative reactions to being fairly positive. The motivation to internationalise varies, depending on the type of craft involved and owner/manager orientation. Internationalisation through exporting is achieved in varying stages, from those craft firms exhibiting the potential to do so in the longer term to those that are reasonably active at present.

The impact of the marketing environment varies; the entrepreneurial owner/manager may produce and export market-led goods while the idealist refuses to compromise their artistic philosophy in producing what they want. Much of the internationalisation ethos found in the craft sector is derived from a range of product factors (relating to the previous point where export behaviour varies from being product driven to market led). The institutional environment, if taken to mean the impact of associated organisations within the industry, impacts to varying degrees depending upon attitudes toward the value of smaller craft firm exporting.

Attitude towards craft firm growth should include some sort of filter mechanism involving owner/manager characteristics; for example the entrepreneur will be more favourably disposed towards growth in either/or the domestic and export markets, while the lifestyler and latecomer may not wish to grow beyond a certain comfortable level. Katsikeas (1996) makes an interesting point concerning the country of origin of the majority of export motivation studies. Since the USA tends to dominate and:

...if it is accepted that considerable structural differences exist between various countries, it may then be suggested that generalisations from such evidence to exporting frameworks in other countries can be misleading and further threaten augmentation of export marketing knowledge (p4).

Results from the five countries surveyed indicate that, despite having a number of common cultural characteristics, there are a number of subtle differences in the way in which business in general, and exporting in particular, is carried out. These variations can be traced to differences in owner/manager thinking in the countries surveyed.

### **7.5 Decision maker characteristics and the decision to export:**

Analysis has enabled the identification of specific decision maker characteristics among exporting and non-exporting craft firm owner/managers. Although some of these characteristics can be found in decision makers from firms in other industry sectors, there appear to be several craft sector specific issues not widely identified in other sectors. As such, these characteristics have an additional impact on smaller craft firm internationalisation behaviour. The results appear to fit relatively comfortably with both Reid's (1981) and Eshghi's (1992) view that managerial attitude towards exporting covers 'preconceptions, expectations, beliefs and attitudes'. Czinkota (1982) remarks that although there are those exporting firms with managers of a favourable disposition towards international involvement, there are other firms which export with managers exhibiting a certain level of negativity. This is supported by the results of this research in that several respondents have commented that they need to sell overseas in order to survive due to the small size of their domestic market, although they do not necessarily favour exporting due to the various problems associated with its practice. Eshghi's matrix of attitudes towards exporting versus exporting behaviour is too simplistic an account of smaller craft firm internationalisation behaviour. Far from having dual exporting attitudes of

favourable versus less favourable, results show a range of attitudes, many of which depend on the specific circumstances of the business. A range of exporting behaviour was also found; the duality of exporter versus non-exporter is not sufficient to explain behaviour.

Reid's (1981) inclusion of the identification of a problem or opportunity in his framework of export behaviour as an adoption of innovation corresponds to both entrepreneurial and idealist owner/manager behaviour. Both types are proactive in the sense that they seek out product opportunities, although the entrepreneur tends to combine both product and market related opportunities while the idealist does not follow the market. With regard to the decision-maker variables in the framework, past experience does impact on craft exporting behaviour although the type and amount of foreign information the owner/manager is exposed to can vary, from primary data acquired from overseas travel to experiences related by other owner/managers at trade shows. There is no solid evidence to suggest that there is a progression to a search of foreign markets in order to secure orders; either the owner/manager is prepared to solicit custom from overseas markets directly by visiting the destination (the proactive entrepreneur) or the owner/manager continues to react to approaches by overseas buyers at trade fairs (lifestyler, latecomer).

However, a number of respondents have suggested that the trade fair is of more use in the early stages of business development in order to secure export orders but, as they gain experience, they then use the contacts established to secure future business. Networking may open up future opportunities but there is little evidence to suggest that formal methods of export marketing research are used to investigate

new exporting possibilities. Identification of the trade fair as an important method of securing business confirms the findings of Neopolitan (1985) concerning the methods used to market crafts in the American market.

Reid (1980) makes the observation that decision maker characteristics explain differences in behaviour once an unsolicited export order is received. This is supported by the results of this research in that the particular stance taken by the owner/manager explains their attitude to beginning to export. Antecedents of attitudes towards export marketing (Bilkey and Tesar 1977, Fenwick and Amine 1979, Welch and Wiedersheim-Paul 1980) were investigated in this research. Results showed that factors such as type and extent of education, age of the decision maker and foreign language proficiency had little bearing on smaller craft firm internationalisation; in fact both exporters and non-exporters appeared to have similar educational characteristics. However, tolerance for risk, growth and profit aspirations and international orientation varied by decision-maker type. The results would tend to support the observation by Simpson and Kujawa (1974) that unsolicited orders are not enough on their own to stimulate exporting behaviour; as demonstrated in this analysis, owner/manager philosophy must also be considered.

Both quantitative and qualitative analysis has enabled the construction of owner/manger profiles in order to assist in the understanding of smaller craft firm internationalisation. These profiles were constructed in order to obtain a clearer picture of export decision making (Dichtl et al 1983). As Cavusgil et al (1979) note, these profiles are:

sets of objectively identifiable characteristics associated with specified types of behaviour...They need not conform to any theory regarding the behaviour in question...Profiles focus on available objective correlates of that

behaviour, which may have only an indirect relation (via intercorrelations) with theoretically meaningful variables (p91).

Although Dichtl et al (1983) believe that comparison of profiles is difficult to achieve due to a lack of theoretical validity, Cavusgil and Naor (1987) comment that they can prove useful in endeavouring to discriminate between exporting and non-exporting firms. Profiling of the craft firm owner/manager has enabled the identification of those firm types which are more likely to export than others, although no absolute discrimination can be attempted due to the complex nature of the set of beliefs held by the owner/manager.

The craft firm profile compares favourably with the comments made by Dichtl et al (1984) that the ideal decision making model should be complex, both explicative and descriptive, as well as dynamic and focused on decision making at the micro-economic level. The profile indicates the complex nature of owner/manager thinking in the craft sector. Also, despite the identification of four owner/manager types, this does not necessarily mean that each is mutually exclusive but instead also implies that the owner/manager may move from one type to another or incorporate various components of each, depending on their current orientation.

Examining the decision-maker model of pre-export behaviour factors developed by Olson and Wiedersheim-Paul (1978), results support this to a certain extent, although some areas need adjusting in order to model decision making in the craft firm. Internal and external export stimuli identified by the authors are also found to be relevant to the craft sector. However, issues such as Government stimulation (Cunningham and Spiegel 1971, Czinkota and Johnston 1981) need to be addressed



more fully since, according to the results, the craft firm appears to receive less support than firms in other sectors. The results confirm the observation by Denis and Depelteau (1985) that export stimulation services are not being used to their full potential. They also concur with the observation by Crick (1992) that:

exporting firms should not be seen as homogenous and that significant differences exist between firms based on their level of internationalisation and their level of success (p1).

Examination of the craft sector also indicates that, in addition to these factors, particular industry needs must also be addressed. Also, excess capacity as an internal stimuli does not tend to occur, given the nature of craft production. Additionally, the active/passive section of the Olson and Wiedersheim-Paul model needs to be developed further to account for the variety of possible positions taken by the craft firm owner/manager. The results of this research also tend to support the observation by Roux (1987) that individual risk-taking behaviour is highly situation specific and should be measured for each export situation.

The quantitative postal questionnaire attempted in part to obtain data regarding foreign market orientation of the decision-maker (Dichtl et al 1983). Analysis indicated that there were significant differences among exporters and non-exporters with respect to risk taking, short term outlook and ambition, much in line with similar second level indicators identified by Dichtl et al. A more simplified approach is taken by Jaffe et al (1988) in their conceptual model of export behaviour. Again, results of this research support the model to some degree, but a more detailed breakdown of firm and managerial attributes is needed to account for smaller craft firm behaviour and owner/manager orientation. Their adjusted model

involving corporate factors does not sit comfortably with craft firm export behaviour, since many of the firms surveyed consist solely of the owner/manager and therefore, managerial and corporate factors merge into one. This is supported to an extent by Lee and Brasch (1978) and Miesenbock (1988) who comment that, for the smaller firm, it is the individual decision maker within the firm who makes the decision to enter export markets. The results also support the belief held by Cavusgil and Godiwalla (1982) that entrepreneurial decision making occurs during various stages of the internationalisation process. This then means that:

...international decision-making (is characterised) by the absence of deliberate, logical steps; constrained by decision-makers' personalities and subjective expectations...lack of information; perception of risk and presence of uncertainty.....Fully rational decision-making in the wake of all relevant information is not the typical mode of international decision-making process (p48).

Examining their characterisation of the stages in the internationalisation process, the decision-making skills identified at each stage bear some similarity to those found in the craft sector, from absolutely no decisions made in relation to export involvement, through passive and reactive to the proactive entrepreneurial approach. They also echo Carson's (1990) modelling of the stages of development of the smaller firm to a certain extent, although owner/manager characteristics make the modelling in the craft sector more complex. The observation by Bilkey (1985) that :

sub-optimal export marketing practices are used because management tend to be ignorant about the comparative profitabilities of alternative practices (p39)

can be substantiated by the findings of this research in that many of those investigated had limited marketing and export marketing knowledge, admitting to either reacting to particular situations or, as skills develop, following an intuitive

path to export markets. Partly derived from particular owner/manager characteristics, as well as a number of external factors, a range of export barriers were identified by this research and are discussed in the following section.

### **7.6 Export Barriers:**

Examining Leonidou's (1995a) comment that a range of factors act to prevent internationalisation, including decision maker (Barrett and Wilkinson 1986), organisational (Moon and Lee 1990) and environmental issues (Garnier 1982), the results of this research confirm this to varying degrees. Since in almost half of the firms analysed, the owner/manager is essentially the same as the firm, decision maker and organisational factors can be combined. Leonidou remarks that if the firm is unable to deal with impediments at the early stages (pre-export phase) then the firm will most likely withdraw from exporting. Examining the survey results, the fact that the craft firm experiences production capacity difficulties serves as the main internal inhibiting reason for not exporting, followed by owner/manager perception that the business is too small to handle exporting. External factors include the belief that there is enough domestic business, combined with a general lack of export enquiries, complicated exporting procedures and a lack of exporting assistance. In-depth interview analysis supports this with a number of respondents suggesting that the attitude of support bodies such as local enterprise centres is not overly helpful with respect to stimulating interest in exporting.

There are a range of internal and external impediments to exporting in common with firms from other sectors. An additional factor is the particularly strong

owner/manager orientation. Depending on the particular philosophy, the craftsperson will adopt a range of attitudes towards exporting, from the wholly favourable to the strongly negative. Leonidou remarks that, although there are some comparative studies concerning exporter and non-exporter perceptions of barriers, the majority of work relates to those firms involved in exporting alone. This study has enabled the investigation of both exporter and non-exporter perceptions of both internal and external factors.

Leonidou believes that research has not advanced from the identification and conceptualisation stages and contains a number of methodological flaws. However, this research has enabled a deeper understanding of internationalisation issues to be obtained by examining the particular characteristics found within the craft industry and by investigating and subsequently constructing a profile of craft firm owner/manager types as explanations for smaller craft firm exporting behaviour.

Bilkey and Tesar (1977) note that those managers who are risk averse, domestic market oriented and with a low level of competence are much more likely to perceive problems in exporting than the proactive risk taker. This is confirmed to an extent by the results of this research but additional barriers have also been identified. Owner/managers such as the lifestyler and the latecomer tend to avoid taking many risks as well as exhibiting a general lack of interest in exporting. Although many respondents admitted to having a lack of business and marketing knowledge, the majority have strong competencies relating to the craft product. If these competencies are strong enough, as the idealist believes, then it may be unnecessary to follow consumer demand and produce what the maker wants. Bilkey

and Tesar also remark that firms at the same stage of internationalisation do not necessarily exhibit the same attitude towards barriers; the idealist and the entrepreneur may both export but their individual philosophies will differ.

The variation in perception towards export barriers, given owner/manager type supports the observation by Dichtl (1990) that firm orientation (from the completely uninterested to the proactive exporter) affects barrier perception. Kaynak and Kothari (1983) found some cross-cultural differences among non-exporters' perceptions; the results of this research confirm this to some degree. There are differences among exporters in terms of their choice of export markets, given the impact of the Celtic factor. A number of firms from a Celtic background have become motivated to export, but may not necessarily have done so if they not had such a background. As such, they are able to exploit their cultural heritage in order to develop export sales.

Examining the classification framework of export barriers perceived by non-exporters developed by Leonidou (1995b), a number of areas of similarity emerge with the non-exporting craft firm; for example, having insufficient production capacity, lack of managerial personnel and time, difficulty in handling export documentation. However, unless the craft product has some technical functional value, the impact of different product standards and specifications does not appear to be relevant since the craft product is essentially an individual piece of work. Possible differences would occur if the overseas customer exhibits different habits and attitudes relating to the product.

Differences in internationalisation behaviour have emerged which can be partly explained by the cultural background of the smaller craft firm owner/manager. The following section discusses the impact of culture on the exporting behaviour of firms from each of the five countries surveyed, in comparison with the existing literature.

### **7.7 The effect of culture on the internationalisation process of the smaller craft firm.**

Although the research has concentrated on investigating the internationalisation behaviour of the smaller craft firm in the United Kingdom and the Republic of Ireland, when the results are then broken down into those corresponding to each of the five countries of England, Scotland, Wales, Northern Ireland and the Republic of Ireland certain differences emerge. These can be explained to some extent by the cultural background of the owner/manager; in many cases it is the Celtic factor which tends to impinge upon behaviour of the craft firm in Northern Ireland, the Republic of Ireland, and in Scotland and Wales to a lesser extent. Results show that this impact of culture has implications for decision making, export behaviour and export performance (Burton and Schlegelmilch 1987, Haar and Ortiz-Buonafina 1995, Darby 1995), although the perception of success or failure tends to be a more complicated issue where a wider range of owner/manager characteristics can affect awareness.

Tornroos and Moller (1993) identify the possibility of cultural conflict occurring between international firms, but the results show that this conflict is more likely to occur between the craft firm producing the work and the overseas buyer. Many of

the firms surveyed produce work containing designs which are culture specific; these may then not be interpreted favourably by the potential buyer. Theory has shown that culture occurs on various levels (Figure 18), from the individual to the international level. Results indicate that individual and organisational level culture, at least in the smaller craft firm, can be merged into one due to the very small size of the majority of firms surveyed. Examining culture on national level and international levels, and taking the Celtic countries as an example, the levels appear to merge as the Celtic factor is common across a number of boundaries. Descriptive statistical analysis showed that respondents believed that understanding of both the culture of the export market and cultural differences in carrying out business are of above average importance. This indicates an awareness of the impact of culture as an external factor; the analysis has also shown that culture impacts internally.

Examining Hofstede's (1983) definition of culture as collective mental programming, it is suggested that the owner/manager profiles could be viewed as pre-determined cultural programmes. Variations in this programming result in, for example, entrepreneurial, idealist, lifestyler or latecomer orientations, or some combination of these. Hofstede mentions that culture is:

that part of our conditioning that we share with other members of our nation, region or group but not with other nations, regions or groups.

Hofstede also believes that no two individuals can have identical programmes; the results support this in that two owner/managers may appear to exhibit similar entrepreneurial tendencies towards risk, resource allocation and profit making but on closer examination can possess a variety of more intricate attitudes. Results have also shown that some respondents believe that a common language exists between

craftspeople from all countries, that a craft culture permeates across traditional cultural boundaries. Linked to this is the concept of value and, in the context of this research, managerial values. Kluckhohn (1962) describes a value as a conception of that which is desirable and which influences choice of modes, means and ends of action. Analysis of the results has shown that owner/manager values do vary and that culture appears to partly explain this variation; for example, owner/managers identified as lifestylers have a different set of values when compared to the idealist or the entrepreneur. This variation then helps to explain subsequent attitudes towards exporting and the resultant exporting behaviour of the smaller craft firm (Homer and Kahle 1988). Hodgetts and Luthans (1994) believe that values are learned from the culture in which the individual is reared and that differences in cultural values can result in varying management practices. If this is held to be true, then this variation helps to explain variations among respondents in the five countries surveyed; there may even be differences in attitudes at societal level towards entrepreneurship.

Bamburger (1986) and Ralston et al (1993) comment that values have important inferences for decision making; the results of this research confirm this. In fact, analysis has shown that some respondents are even decision-making averse, given their particular set of values. Some lifestyler and latecomer respondents indicated that they refuse to consider the option of exporting as it contradicts their set of beliefs. Kolb et al (1984, 1986) remark that variations in behaviour result from differences in risk perception and the degree of commitment. This research indicates that, for example, the Celtic factor appears to influence export market choice and may be partly due to the lower perceived risk involved in exporting to



Celtic-favourable markets, while the non-Celtic producer tends to also be prepared to export to other culturally and geographically distant markets.

Rokeach (1973) remarks that values are dynamic; the profiles which have been developed are geared towards the owner/manager changing orientation, or at least being prepared to learn through experience (Kolb 1991). A possible example is the lifestyle who may have latent entrepreneurial tendencies; exposure to entrepreneurial behaviour among their peer group may motivate the owner/manager to change their orientation. Another possible scenario is the idealist who may become frustrated by the lack of success and then decides to follow market demand instead. According to Torgren et al (1995), each culture has a set of core values which relate to how members of that culture feel and act. This may help to explain the behaviour and success of the Republic of Ireland craft firm and government support for the sector, in comparison to that found in the other four countries where government and public attitude are at times perceived negatively.

On a theoretical level, comparing smaller craft firm internationalisation behaviour to that modelled in various texts, the results tend to support the author's belief that many of these models ignore the impact which culture has on the process (the majority of studies having an American or Western origin). Analysis has shown that some of the factors have been supported while others have not. This has been as a result of both craft industry specific factors and as a result of cultural factors impacting upon smaller firm behaviour in general.

Examining Hofstede's dimensions of culture (1980, 1988), and their possible contribution as an aid to understanding differences among owner/managers and their firms in this research, their overall usefulness is debatable. Even though there are differences in behaviour among respondents both within and between the five countries surveyed, there may not be enough cultural differences at the macro-level in order to confirm their validity within the craft industry in the United Kingdom and the Republic of Ireland. Following this analysis of the impact of culture on the exporting behaviour of the craft firm and the crucial role which the owner/manager as decision maker plays, the following section discusses entrepreneurial craft firm internationalisation.

### **7.8 The Entrepreneurial Firm**

Investigation of the craft sector has shown that research relating to internationalisation of the smaller firm has equal validity to that relating to the larger firm in economic terms (Storey 1994). This echoes the increasing trend for SME research versus MNE research in general (Ayal and Zif 1979, Baird et al 1994, Ogbuetri and Longfellow 1994). Recognition of the importance of entrepreneurial firm and owner/manager behaviour has also received attention in the literature and is supported by the findings of this research. Consequently the examination of the entrepreneurial exporting firm has shown that internationalisation theory must accommodate such behaviour in order to provide a truer reflection of exporting behaviour of the smaller firm.

On examining the various entrepreneurial schools of thought (Cunningham and Lischeron 1991), the entrepreneurial craft firm owner/manager appears to exhibit certain elements of several of these schools; the intuition of the 'Great Person' school (Garfield 1986), the drive and belief and values of the 'Psychological Characteristics' school (Begley and Boyd 1987), and the creativity of the 'Classical' school (Schumpeter 1984). However, there was no clear evidence of viewing entrepreneurship in the craft industry as a taught discipline of the Management school (Good 1989), or entrepreneurship as viewed by the Leadership school (Kao 1989) or as Intrapreneurship (Burgelman 1983). This was mainly due to the strongly defined sets of owner/manager characteristics identified from the quantitative and qualitative analysis.

Analysis of the results concurs with the observation by Yeoh (1994) that in many cases the difference between individual and firm level is insignificant, due to the size of the business. Many respondents believed that flexibility was a main strength of their business, supporting the comment by Gumpert (1985) that flexibility of the entrepreneurial firm is a success factor.

Typologies such as entrepreneurial/conservative (Miller and Friesen 1983, Covin 1991), active/reactive (Piercy 1981), aggressive/passive (Tesar and Tarleton 1982, da Rocha et al 1990), proactive/reactive (Johnston and Czinkota 1982), active/passive (Eshghi 1992) and innate/adoptive (Ganitsky 1989), used to describe both firm performance and owner/manager behaviour are of limited use when endeavouring to describe smaller craft firm behaviour in general, and exporting in particular. Analysis has shown that additional influencing factors such as strong

philosophical beliefs, lifestyle and experience in other industries affects craft firm behaviour.

### **7.8.1 Networking, Opportunity and the Entrepreneurial Firm.**

Quantitative results indicated that networking was the third equal most popular method of foreign market servicing, with over one in ten respondents using this method. However, when questioned further about the use of networking as an aid to business, this number increased to over one in four respondents. Qualitative analysis suggests that this figure may much higher and that many craft firm owner/managers adopt networking techniques without formally recognising their contribution to developing the business both domestically and internationally.

The social networks discussed by Butler and Hansen (1991) in which entrepreneurs operate is confirmed by the results of this research, although the existence of organisational networks is limited, mainly due the very small size of the craft firm. However, several respondents did indicate that, although they recognised the benefits of operating within a network, they refused to give up their independence. Results also confirm the existence of some of the social network elements identified by Aldrich and Zimmer (1986). Respondents used these networks to share information about buyers and markets, with some even being willing to share or swap materials.

For many, the opportunity being exploited relates to the export market and the associated profit derived from selling there, while others focus mainly on product opportunities alone. Hulbert and Brown (1999) recommend that the identification of entrepreneurial opportunity should be encouraged through government initiatives; results show that many respondents feel let down by the lack of support offered by the various support organisations which are either directly or indirectly funded by government. Zinger et al (1996) note a discrepancy between the advice offered and the usefulness of the information; results echo this in that many respondents commented that they require specific information rather than all embracing facts. Results also confirm that networking aids the identification of international customers, distributors, buyers and agents much more quickly than through the more traditional market entry modes (Hollensen 1998).

Using the Internet as a method of gaining access to a wider network (Poon and Jevons 1997) is only used by a very small number of entrepreneurial exporting craft firms at present. There is a lack of evidence concerning the use of the Internet as a strategic advantage over competitors. This may be as a result of many craft firms being product focused and not being willing to examine a wider range of strategies other than trade fair attendance in order to achieve sales.

Dubini and Aldrich (1991) comment that entrepreneurs tend to pursue opportunities without regard to the resources they currently control. In the craft sector, the entrepreneurial owner/manager does appear to be aware of the lack of resources, but perhaps less so than the other owner/manager types. Examining the results, many respondents carry out networking, but some cannot be described as entrepreneurs

since profit is not a prime motivator in a number of cases (for example, the lifestyle). Coviello and Munro (1993, 1995) found that relatively fast internationalising behaviour was observed in those firms which networked. Results of this research would also tend to support this in that accelerated paths to internationalisation were obtained by a number of craft firms.

### **7.8.2 Entrepreneurial Exporting.**

The model of the stages of firm development (Carson 1990) compares reasonably to the situation in the craft sector. There are many firms which can be described as reactive, with some beginning to tinker in marketing and others reaching the entrepreneurial stage of development. However, there is little evidence to suggest that any of the firms surveyed have reached the wholly proactive state. Since the research was limited to examining the smaller craft firm alone, and did not investigate the characteristics of the larger craft enterprise, it may be that over time the entrepreneurial firm will reach a truly proactive state.

Yeoh and Jeong (1995) identify innovativeness, proactiveness and risk-taking with entrepreneurial orientation among exporting firms. Results indicate that a small number of craft firms showed innovation in terms of customer service, several concentrating mainly on those customers which they liked, while others built long term relationships with a wider range of customers. There was some emphasis on research and development by a small number of respondents while others, although acknowledging the benefits, complained of the lack of time and other resources in order to carry it out. Expansion of export volume through market spreading was not really a feasible option, due to the nature of production of many craft objects. Similarly, broadening product lines tended to be impracticable due to the time

needed to do so. Instead, results indicated that expansion was achieved mainly through trade fair attendance (Motwani et al 1992, Herbig et al 1996) and not as a result of any change in strategic thinking.

A small number of respondents exhibited proactive tendencies in terms of travelling overseas to actively seek out new opportunities but, overall, there was no evidence of any formal export research or planning being carried out. Devoting significant amounts of resources to information-gathering activities was not observed, since the majority of resources tended to be consumed in the craft production process. In terms of entrepreneurs perceiving competition in export markets as less risky when compared to their more conservative counterparts, for some respondents there was a lack of competition due to the specific nature of the work which they produced. Many craft objects can be described as one-offs, or individual pieces which are not identical to any others; subsequently, competition then tends to exist at a more general level.

Brockhaus (1980) feels that risk taking propensity is not necessarily a defining characteristic of entrepreneurial behaviour. The results substantiate this in that many owner/managers may take risks with the product alone (these may be idealists rather than entrepreneurs) while others take both product and business risks (entrepreneurs). Yeoh (1994) makes a noteworthy statement regarding the understanding of entrepreneurial exporting behaviour:

If entrepreneurship is at the root of economic development, then encouraging exporting firms to adopt more entrepreneurial modes of behaviour paves the way for the legitimisation of the concept of entrepreneurial exporting (p48).

Results have shown that, firstly, smaller craft firms contribute to both the domestic and export economy and that, secondly, although many support organisations target entrepreneurial firms in other sectors, respondents believe that support for the craft sector is limited. Consequently, the crafts sector has not been able to realise its full economic potential. Managerial commitment to exporting (Cavusgil and Slevin 1991) was shown among the entrepreneurial owner/managers, although results did not uncover any widespread exporting strategic objectives. The belief that entrepreneurial firms that are proactive and committed to exporting also charge higher export prices (Bilkey 1982, Koh 1991) was supported, with some respondents commenting that they had learned to set higher prices over time as their ability to read the market grows.

Examining the propositions developed by Yeoh (1994) regarding the dimensions of entrepreneurship and export performance, extensive scanning methods were not used to gather information about the craft firm's environment (Cavusgil and Nevin 1981, Cooper and Kleinschmidt 1985). The following section discusses the occurrence of export market research among the smaller internationalising craft firm.

### **7.9 Export Marketing Research**

Despite the lack of financial resources needed to carry out formal market research, many craft firms were able to acquire export related information from a number of sources. Results provided evidence of close relationships with channel members, some visiting overseas markets and taking part in trade fairs (Madsen 1989, Bodur 1994) in order to collect relevant data. There was no verification, however, that



entrepreneurial craft firms undertake more formal export research and planning than the more conservative firm (Cavusgil 1984, Daniels and Robles 1985). Instead, informal methods appeared to dominate craft firm operations.

Several respondents used test marketing as an input into designing future products; feedback was then used to predict customer and industry trends (Covin 1991). A number of owner/managers believed in collating information from both within and outside the craft industry (Business America 1991); information was sought from owner/managers from other smaller firms in other sectors which were experiencing similar problems. This informal approach tends to support the view by Souchon and Diamontopoulos (1994) that, rather than carrying out formal export market research, this is really a type of export market intelligence gathering. This involves:

an informal approach of potential customers, distributors and competitors through attendance at international trade fairs and shows, or more directly through foreign visits” (p857).

Some of the marketing research information and research activities identified by Hart et al (1994) are confirmed by the findings; for example, information was collected by respondents concerning buyer’s preferences in the export market, price trends, exchange rate and other currency issues, government assistance and market growth. Marketing research activities carried out by respondents focused mainly on trade fair attendance and discussions with individual buyers as well as some test marketing. Competitor visits, mail surveys and telephone interviews did not occur. Personal visits to potential overseas buyers only tended to be used by the entrepreneurial owner/manager in order to obtain relevant export information

(Bodur and Cavusgil 1985). The non-Celtic exporter tended to adopt a wider international orientation (Cooper and Kleinschmidt 1985) than the Celtic exporter.

Any information gathered tends to be informal (Brady and Bearden 1979), although it can be quite specific given that it generally comes as word of mouth communication from those already exporting in a particular market. Results confirm the findings of McAuley (1993) that the principal information needs of the owner/manager relate to potential customers. Results indicate that respondents placed a below average importance on export market research, using word of mouth communication and networks as significant sources of relevant information instead of using other, more formal methods. This supports the findings by Denis and Depelteau (1985) that the most useful type of export-related information was derived from actual business transactions, rather than via private or public information sources. Discussion has so far evaluated the usefulness of existing models of internationalisation in describing smaller craft firm exporting behaviour, followed by an analysis of theoretical and actual internal and external impinging factors. The following section continues this appraisal by examining the exporting performance of the craft firm.

#### **7.10 Exporting Strategy and Performance:**

The discussion so far has examined smaller craft firm internationalisation via exporting by analysing actual behaviour with existing theory. Of particular interest was the impact of firm size on exporting behaviour; since results show that in many cases the owner/manager is essentially the same as the firm, motivational issues and

export barriers were investigated before concentrating on decision maker characteristics and the decision to export. Quantitative and qualitative analysis has enabled the construction of owner/manager profiles; this profiling has identified the entrepreneurial exporting craft firm. Further analysis was carried out in relation to entrepreneurial issues such as networking and the identification of exporting opportunities, before considering entrepreneurial exporting theory and practice. The marketing and entrepreneurship interface has been proposed as an alternative mechanism to aid the understanding of smaller craft firm internationalisation behaviour, given that much existing theory fails to adequately explain craft sector exporting behaviour. The impact of culture on the internationalisation process was analysed, given that results have shown some differences in export behaviour which can be explained by cultural differences and orientation, and that culture also impacts upon the design of the product in many instances. All these factors impact upon the firm's subsequent export strategy and performance.

The literature suggests that exporting tends to be seen as a strategic choice for the firm, but the results show that in many cases, respondents appear to enter into exporting indirectly through trade show attendance. They may not have originally chosen to use the trade show as a strategy to engage in exporting, but instead may have done so because they knew other owner/managers who were either attending or had done so in the past. Consideration of the factors emerging from the owner/manager profiles has shown that many smaller craft firms do not make formal strategic choices but are rather more relaxed in their attitude to carrying out business, which may or may not involve exporting.

Cavusgil and Zou (1994) remark that export performance has tended to be measured in financial or economic terms rather than in relation to strategic goals such as the drive or desire to enter a specific overseas market. The majority of respondents surveyed have comparatively small export sales in relation to many other sectors but this does not mean that their strategy has not been successful, in their terms. An owner/manager may follow a lifestyle or idealist path; subsequent sales will then be related to this orientation. In the craft sector, 'strategy' may not be the correct term to use to describe the path these firms follow.

Examining the paradigm of the degree of internationalisation developed by Stewart (1997), where the particular export marketing strategy affects the degree of internationalisation, the results confirm that a range of internal and external factors impinge upon the process. However, many craft firms appear to be unwilling to adopt separate domestic and export marketing strategies and, as a result, the degree of internationalisation tends to be limited to progression up to a certain point. Passage after this is restricted due to factors such as the nature of the craft industry, the time needed to product a craft object, owner/manager orientation and firm size. Stewart notes that the strategy of exporting is seen as a response to various internal and external factors impinging upon decision making. The behaviour of the craft firm is certainly as a response to these factors. However, strategy implies that the firm has developed a clearly thought out future path but a large number of respondents admitted to having a short term focus with little time for longer term strategic thinking or planning.

Examining Seringhaus's (1993) conceptual model of the link between exporting marketing expertise and export performance, the results indicate that export performance will vary with the level of export marketing expertise (Traynor and Traynor 1989) found in the craft firm. Many respondents have indicated their frustration at the poor amount of assistance offered by various support bodies. This then affects both domestic market and export market performance and, unless the situation is redressed, many smaller craft firms will continue to fail to realise their full potential. Various factors previously used to determine export performance were evaluated in both the quantitative and qualitative analysis. Results confirm that export sales levels (Bello and Wilkinson 1985), export sales growth (Kirpalani and MacIntosh 1980), overcoming export barriers (Sullivan and Bauerschmidt 1987) and exporting propensity (Denis and Depelteau 1985) affected export performance of the smaller craft firm. However, results show that export performance is also affected greatly by owner/manager orientation.

Evaluating the usefulness of the model of export marketing strategy and performance developed by Cavusgil and Zou (1994) as a mechanism for smaller craft firm behaviour, the results tend to support it in part. Factors such as cultural specificity and uniqueness of the product are shown to be highly relevant. The technology orientation factor may vary but it is unlikely that very hi-tech approaches will be used by the smaller craft firm, at least in the production of the craft. Export market competitiveness will vary, depending on owner/manager orientation. Brand familiarity warrants particular attention in that the 'brand' does not have the same connotation as in other industries. The idealist may have succeeded in establishing a 'brand name' through gaining international reputation,

and the entrepreneur may exploit the Celtic 'brand' factor. Commitment to the venture can be interpreted in several ways; the entrepreneur shows commitment to achieving increasing profits, while the lifestyler is committed to a particular way of life, regardless of the potential profits of the business.

Lee and Brasch (1978) interpret exporting as an innovation in order to determine the degree of rationality involved in the decision, as well as evaluating whether exporting is a reaction to a business problem or as a result of opportunity recognition. In addition to these factors impinging upon export performance, firm characteristics were also considered. The results of this research show that, for the smaller craft firm, the degree of rationality varies depending upon owner/manager orientation. What one owner/manager may view as a rational decision may not be viewed in the same fashion by another with contrasting characteristics (for example, an apparently rational decision made by an entrepreneurial exporter may not be viewed as favourably as an idealist or a lifestyler). Results also confirm that exporting is often initiated as a reaction to a business problem (for example, a small domestic market with resultant limitations for growth). Exporting as an opportunity is in accordance with entrepreneurial orientation while profiling has already shown that a range of firm, managerial and industry characteristics influence the process.

Rogers (1995) identifies the formal innovation-decision process as involving an individual passing from initial knowledge of an innovation to forming an attitude towards it, to a decision to adopt or reject it, to implementation and use of the new idea, and finally to confirmation of the decision. If this is then viewed as impacting on exporting strategy and performance, the results show that for the craft sector the

process is not as formalised as this. As an example, respondents have been shown to attend trade fairs for a variety of reasons (from general curiosity to achieving domestic and/or export sales). Profiling the craft firm owner/manager has shown that there are a number of complex factors involved and to attempt to model precisely the various stages in exporting decision making, behaviour, strategy and performance is difficult to achieve.

Dalli (1994) believes that the export strategy is the internationalisation process and it results in change where the firm is able to operate differently in diverse overseas markets as the external environment and resource availability varies. So if exporting results in change for the firm, then it is deemed to be successful. Dalli also notes that:

...it is important to note that export behaviour (or strategy) has a dynamic and evolutionary nature and, because of this, the relationship between such behaviour and its results in terms of performance has to be considered within a dynamic perspective (p86-87).

This would suggest that modelling internationalisation through exporting is more complex than previous models would suggest. Identification of individual stages or phases only seeks to isolate behaviour which, as Dalli suggests, is dynamic. The results of this research have shown that there are complex issues involved and that by viewing exporting as a dynamic process where owner/manager orientation may or may not change over time can be valuable.

Results confirm the belief held by Reid (1983) that a situation specific understanding of export decision making and behaviour is much more beneficial than following a deterministic export modelling approach, although his transaction

costs approach may not be best suited to the craft sector where costs are interpreted in a variety of ways. Results also support to an extent Madsen's (1994) determinants of export performance where he examines the impact of firm specific advantages, transaction costs and network building activities. Examining factors impacting upon the craft firm, home market conditions will vary (for example, the small size of the domestic market of Northern Ireland may mean that the craft firm will have to seek export markets much more quickly than a similar firm based in south east England). The survey attempted to eliminate larger craft firms, concentrating on the smaller enterprise. In fact, the majority of firms surveyed could be described as micro-enterprises, employing less than ten people. Therefore there is no 'top management attitude', since the owner is often the same as the firm, with owner/manager attitudes, skills and resources impact upon the process.

Evangelista (1994) identifies exporter commitment and capability as significant in determining export performance. Capability can be linked to the key competencies or differential advantages of the business (Aaby and Slater 1989). Commitment and capability factors have been uncovered by both the quantitative and qualitative data; these factors will differ according to owner/manager type and therefore export performance will vary accordingly. Evangelista believes that measuring export performance in terms of the satisfaction experienced (Bonoma and Clark 1988) is much more preferable than using indicators such as export sales or profitability. However, owner/managers of smaller craft firms will vary in their interpretation of satisfaction: the entrepreneur may be satisfied by achieving higher export profits, the idealist with increased international reputation, the lifestyler by being able to continue living in the same manner as before, and the latecomer may experience



satisfaction by being able to initiate the business and achieve the first sale. Given the different interpretations offered here, difficulties will therefore occur in its measurement, contrasting with Evangelista and Bonoma and Clark's view:

...provided that it is properly measured, satisfaction is replicable, constant and valid across managers, settings and situations (Evangelista, p210).

Kaynak (1992) remarks that the majority of export marketing behaviour studies are cross-sectional, comparing firms in different industries from the same country, while cross-national and comparative studies may produce more beneficial results. This work has attempted in part to investigate differences in internationalisation behaviour in smaller craft firms from the five countries of England, Scotland, Wales, Northern Ireland and the Republic of Ireland. Even though these countries are geographically close and may be perceived as also sharing a common culture, closer investigation has uncovered some differences in behaviour which can be explained by cultural differences; for example the owner/manager from the Republic of Ireland who exports to culturally close markets such as the United States of America is viewed as behaving differently when compared to the English producer who exports to Japan.

Of particular relevance to this study is the framework developed by Yeoh (1994) concerning the impact of entrepreneurship on export performance. The craft sector environment cannot readily be described as either hostile or highly dynamic but, due to the nature of the crafts in general, the industry essentially comprises a number of different, heterogeneous groups. As experienced by firms in many other industries however, the external environment is never truly static, with demand changing over time and with factors such as currency fluctuations and other

exporting problems being experienced. Results show that the main difficulty for exporters was identifying a reliable distributor for their craft products, followed by problems matching competitors' prices. This suggests that many owner/managers are not prepared to travel overseas to meet prospective partners and to evaluate local market conditions. Only the entrepreneurial exporter appears prepared to incur this cost in order to benefit the business in the longer term. Results confirm that internal factors relating to risk-taking, proactiveness and innovation impact upon entrepreneurial craft firm behaviour and export performance. Examining Yeoh's observation regarding the effect of entrepreneurship on export performance:

Entrepreneurship can be viewed as a characteristic of organisations and can be measured by looking at managerial behaviour as the firm engages in the entrepreneurial processes. Similarly, exporting can be viewed in terms of a firm's overall strategic orientation and one way to describe this phenomena is to identify a firm's placement along a strategic behaviour continuum ranging from conservative to entrepreneurial. Firms classified as either entrepreneurial or conservative are expected to display many of the characteristics of aggressive or passive exporters (p46)

the results of this research indicate that the strategic behaviour of the smaller craft firm and the owner/manager is more complicated than viewing it on a continuum. Profiling has identified a range of complex issues and, although entrepreneurial and conservative characteristics have been identified, a combination of a range of intricate characteristics exist.

In their study of U.K. and Canadian exporters, Beamish et al (1993) found that successful export performance in the U.K firms was partly achieved by having a broad geographical market focus, while Canadian exporters were found to rely heavily on the neighbouring U.S.A for export sales. Results of this research show that a wide international market is difficult to achieve due to the nature of

production of the craft object; the Northern Ireland and Republic of Ireland craft firm export much of their work to mainland Britain partly due to the geographical closeness of the market and because of strong cultural ties and historical trading links. The determinants of export performance identified by Holzmuller and Kasper (1991) include an organisational culture dimension, as well as other internal and external measures incorporated in previous models. This is of particular interest for the smaller craft firm in that organisational culture here has already been revealed as relatively complex through owner/manager profiling. Results showed that 47.5% of respondents indicated that they were the sole person working in the firm, with a further 37.7% noting that between two and five people were employed by the craft firm. In fact only 9% of those firms surveyed fell outside the E.U definition of a microenterprise and even then one of these was a larger firm which failed to be eliminated during sampling due to lack of adequate sampling information at the time. So approaching half of all the firms surveyed consisted of one owner/manager who was essentially the same as the firm; in this respect, organisational culture differs considerably from that found in many other small firms employing a number of personnel. Holzmuller and Kasper note that:

organisational culture as the total of undisputed values and norms, basic convictions and assumptions, plays a vital role in a manager's perception in connection with potential export decisions (p48).

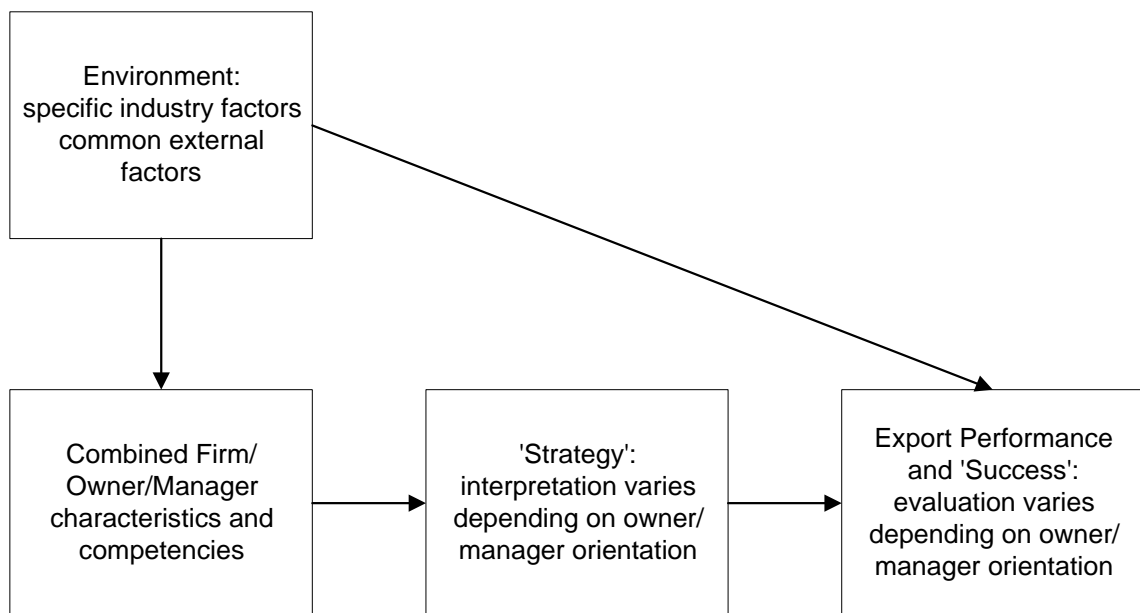
Results show that owner/manager values, convictions and beliefs are particularly strong in the craft sector and that differences in exporting behaviour can be explained by these divergent values. Aaby and Slater (1989) carried out a review of export performance factors, identifying competencies, firm characteristics, strategy and environment as affecting export performance. Key competencies in the craft

sector include: strong knowledge of the production process and the technology needed to produce the craft product. Export and market knowledge and planning was found to be variable, with a number of respondents having a short term focus while others admitted to trying to carry out research and development for the future. There was no clear evidence of a formal export policy although this would be directly related to particular owner/manager characteristics. The entrepreneurial owner/manager may already be exporting or have some desire to do so in the future while the lifestyler may not desire the extra work involved. Quality competencies in the crafts tend to relate to the product; the highly skilled producer is capable of producing work of consistent quality although this does tend to have a subjective dimension.

Strategies vary although there is no clear evidence of long term formal thinking. Market selection can occur as a consequence of other craft firms already operating in those markets, as a result of cultural factors such as the Celtic connection, the result of overseas travel or by meeting foreign buyers at trade shows. The size of the craft firm impacts greatly on export performance; managerial commitment to and perception of exporting varies according to owner/manager orientation. Styles and Ambler (1994) develop a hybrid model of successful export performance; results support this to an extent but again this is another model containing many similar elements to those already discussed. Any model of smaller craft firm export performance needs to consider in much more detail the impact of owner/manager characteristics their variations, rather than concentrating on formal strategic inputs (Figure 30). An improved understanding of smaller craft firm internationalisation can be gained by examining the model below, Table 103 and Figure 29. These

conceptualisations contain a number of parameters contained in existing models of internationalisation and exporting behaviour. However, in addition, they have incorporated a number of industry specific factors which this pluralistic research has uncovered.

**Figure 30. Model of Exporting Performance and Success for the Smaller Craft Firm:**



*(source: the author)*

Examination of the craft industry has uncovered a number of specific factors impinging upon craft firm internationalisation, although there are also areas of commonality with smaller firms in other sectors related to the effect of resource constraints. Profiling of craft firm owner/managers has identified a range of characteristics and competencies which then affect the exporting strategy and behaviour of the firm. Closer examination has revealed that many of these owner/managers do not recognise strategy as a legitimate terminology, although a

number of exporting orientations have been determined. Similarly, there are perceptual differences in terms of experiencing exporting success. Consequently, it has been shown that smaller craft firm internationalisation differs in a number of respects when compared to firms in other sectors.

### **7.11 Summary**

Chapter Seven has compared and contrasted the findings of this research with the existing literature on internationalisation, with particular emphasis on smaller firm exporting behaviour. Quantitative and qualitative input has enabled the construction of craft firm owner/manager profiles which consist of a number of factors found across a range of industry sectors, as well as determining a number of issues which are deemed specific to the craft industry. Using the owner/manager typologies, the literature has been critically analysed in order to assess its usefulness in describing craft firm behaviour. A model of smaller craft firm internationalisation has been constructed which incorporates a range of internal and external impinging factors. The discussion focused on examining the usefulness of existing internationalisation theories with the resultant view that, although certain components of each model tended to portray smaller craft firm internationalisation to an extent, there was no single conceptualisation which matched behaviour satisfactorily. The results indicate that, instead of endeavouring to produce an all embracing model of internationalisation across all industry sectors, it is preferable to investigate the situation specific and then account for the individual differences uncovered. Due to variations in factors such as motivation to export, willingness to expand the business, acceptance of business and marketing practice and differences in a range of owner/manager orientations described in Table 103, interpretation of exporting

strategy, behaviour and success was found to have craft sector specific connotations.

Following this discussion, Chapter Eight presents a series of conclusions and recommendations for future theorising and practice, as well as identifying a number of limitations identified in this research.

## **CHAPTER EIGHT: CONCLUSIONS**

### **8.0 Introduction**

Through the examination of the internationalisation process of the smaller craft firm in the United Kingdom and the Republic of Ireland, this research has critically appraised the usefulness of existing conceptualisations of SME exporting behaviour. Analysis of the pluralistic research carried out has enabled the construction of several industry specific frameworks to account for particular differences in internationalisation behaviour not generally found across previously researched sectors. This chapter will firstly summarise the key findings of each preceding part, before addressing the theoretical and practical implications of the research, as well as outlining the limitations of the study. Areas of future research are discussed before finally focusing on the key contributions to knowledge which this thesis has made.

### **8.1 Summary of Chapters.**

Chapter One investigated the characteristics of the craft sector by examining existing research relating to the craft firm in the United Kingdom and the Republic of Ireland. Analysis showed that the majority of existing craft firms can be categorised as small, although they impact economically in both domestic and international markets. It was also demonstrated that, although a number of relevant surveys and reports have been published, there is minimal rigour in their construction. The majority of existing research appears to be targeted at the practitioner, with little theoretical input. Examination of the historical development



of the craft firm has shown that entrepreneurial practice is not a recent phenomenon, but can instead be traced at least to the period of the Italian Renaissance.

Chapter Two considered the main internationalisation theories, tracing their development from economic trade theory to contemporary issues such as the impact of technology on firm behaviour. Internationalisation as a stage or process was discussed, together with alternative conceptualisations ranging from the transaction costs approach, the eclectic paradigm and internationalisation via networking. Much existing work involving internationalisation as a progression through stages is broadly similar, with the only apparent differences being in terms of semantics and the number of stages identified. It was concluded that the majority of these existing frameworks fail to readily explain smaller firm internationalisation, since much of the original work on which current theory is based was derived from studies involving the larger firm. It was noted that due to the limited resources at the disposal of the typical small firm, future internationalisation conceptualisations must consider their effect as the owner/manager makes increasing use of lower cost options of networking and the Internet in order to grow internationally.

Chapter Three discussed internationalisation through exporting, focusing on the SME exporting process. Figure 9 presented the framework for the literature analysis, ranging from firm level factors, through owner/manager characteristics and motivation for exporting, to decision making, export behaviour, performance and evaluation of exporting success. A number of internal and external barriers to exporting were identified and a range of exporting behaviour models examined. Since the identification of entrepreneurial behaviour was identified originally in

Chapter One, and that it was believed that this research would uncover additional evidence, entrepreneurial exporting behaviour was also discussed in comparison with other possible orientations. Networking and opportunity recognition were identified as central to smaller entrepreneurial exporting behaviour. The role of export marketing research and assistance was also appraised, since it was believed that exporting performance and success of the smaller craft firm may be determined to an extent by their usage.

Chapter Four presented a discussion of the theoretical aspects of research methodology, before focusing on the research design itself. Nomothetic and ideographic research methods were appraised, including an evaluation of their strengths and weaknesses. Issues such as objectivity, subjectivity and the role of truth were examined, before concentrating on issues relating to paradigmatic pluralism. The research being carried out was placed within the economic, interactive, managerial school identified by Sheth et al (1988), since the work relates in the main to the internationalisation of profit oriented smaller craft firms. The majority of previous internationalisation research has been quantitatively based, with very limited qualitative input. As such, it was decided that following a pluralistic approach to research would result in a richer collection of data. A postal survey was sent to 500 smaller craft firms in England, Scotland, Northern Ireland, the Republic of Ireland and Wales, containing a range of structured, semi structured and open-ended questions relating to the issues raised in Figure 9. In-depth interviews were also carried out on those exporting and non-exporting smaller craft firms which had indicated a willingness to participate in additional research. Data analysis procedures were examined, from the interpretation of descriptive and

inferential statistics to the explanation of the in-depth interview transcripts. The emerging marketing and entrepreneurship paradigm of research was also presented as an additional aid to data interpretation. Finally, a number of central research propositions were offered, stemming from the analysis of the literature review and the belief that smaller craft firm internationalisation does not generally conform to existing conceptualisations, given the appraisal of existing research on the sector. It was believed that the research would uncover a number of factors in common with smaller firms in other sectors and other issues which were craft sector specific, which would then have implications for modelling the internationalisation process of the smaller craft firm. Some of these factors act as internal and external barriers to exporting and were subsequently included in the construction of several models of craft firm exporting behaviour. Also, since it was expected that a range of resource limitations would be identified and that use of networking and word of mouth communication would be commonplace, subsequent attempts at interpreting smaller firm internationalisation would need to consider these factors.

Chapter Five presented the results of the quantitative survey which achieved a usable response rate of almost 25%. The majority of firms were identified as micro-enterprises, with almost half operating as a single person endeavour. Over half the respondents recorded total annual sales of less than £30,000 with similar numbers experiencing export orders of £10,000 or under. Trade fairs and personal contacts were identified as the most useful forms of export marketing research, which also proved to be the most important exporting stimuli together with strong domestic market performance and unsolicited orders. The main impediments to engaging in exporting were owner/manager perception of the lack of sufficient production

capacity to merit exporting worthwhile, insufficient time to research new markets and lack of appropriate exporting knowledge and finances. Key export markets were identified as other European Union countries and North America, with differences emerging between exporters from the five countries surveyed in terms of other market choice. Significant differences were found only in relation to the Far East as an export destination, with the non Celtic craft firm being most likely to explore this market. Trade shows were the most favoured method of gaining export market access, with direct sales and networking the next most popular methods. Building long term relationships with customers, retailers, suppliers and distributors were found to be important factors in successful exporting performance. When exporters were subdivided into the five subgroups, differences emerged in terms of attitude towards the impact of geographical distance on export market choice, the impact of unsolicited orders and the wish to rely less on the domestic market. The main differences between exporting and non-exporting craft firms were in terms of decision maker characteristics relating to perception of risk, short term outlook and ambition.

Chapter Six presented the findings from the qualitative in-depth interviews with exporting and non-exporting craft firms. As well as providing supporting evidence for the quantitative results, the interviews resulted in the identification of several craft firm owner/manager types, having direct impact upon smaller craft firm internationalisation. Four typologies were ascertained: the entrepreneur with profit and growth aspirations, the idealist with artistic philosophy, the lifestyler with limited ambition for growth, and the latecomer with skills obtained in other industry sectors. Use of trade fairs, networking and word of mouth communication were

confirmed as the most importance factors in smaller craft firm exporting behaviour, with additional input from industry support bodies. The cultural background of the owner/manager was found to also affect the process, with differences in behaviour being explained in part by the Celtic factor.

Chapter Seven involved a discussion of both the quantitative and qualitative findings, following the framework adopted during both the literature review and the data collection processes. Owner/manager profiles were constructed, with exporting orientation varying according to factors such as attitude to risk, business and marketing philosophy and a range of other impacting factors (Table 103). A model of smaller craft firm internationalisation was constructed, incorporating an amalgamation of internal and external factors identified from previous research, together with the particular findings of this work (Figure 29). In line with the comments made by Reid (1985) and Bell (1995), it was deemed that the production of a cross-industry model of internationalisation would be of limited worth when compared to the recognition that, instead, situation specific understanding is of more benefit. Analysis has shown that smaller craft firm interpretation of exporting behaviour, performance, strategy and success does not necessarily follow the paths identified in previous research in other sectors but that owner/manager orientation affects their meaning to various degrees (Figure 30). The entrepreneurial exporting craft firm, for example, will believe in exporting success in terms of increasing profits and market expansion, the idealist will achieve international success through increasing recognition, while the lifestyler will achieve satisfaction by continuing to operate the craft business with limited stress and the latecomer may experience

success by being able to initiate the business without the levels of training acquired by the other owner/manager types.

This final chapter will present a number of theoretical and practical implications for those individuals and organisations researching and working in the craft industry. Limitations of the study are then discussed before outlining a number of related future research projects which will build on the contribution to knowledge obtained in this work.

## **8.2 Theoretical Implications.**

Examination of smaller craft firm internationalisation has uncovered several theoretical issues which impact both on microenterprise internationalisation in general and on the craft sector in particular.

### **8.2.1 The Marketing and Entrepreneurship Interface as an Aid to Understanding Smaller Craft Firm Internationalisation.**

This research has investigated a number of internationalisation paradigms but these have failed to adequately explain smaller craft firm exporting behaviour. Owner/manager profiling has resulted in increased understanding of the underlying issues and use of the marketing and entrepreneurship interface (Carson et al 1995) has assisted in the interpretation. The interface has helped explain differences in internationalisation behaviour, given that many firms compete unequally in terms of factors such as business and marketing skills, available resources, creativity and identification of opportunities.

Leonidou and Katsikeas (1996) review a number of factors connected with export development studies, including country of origin and industry sector effects. In line with Sullivan and Bauerschmidt's (1990) observation that studies should be carried out in other sectors not previously investigated, together with the fact that the majority of existing studies are US based, this research relating to the smaller craft firm in the five countries comprising the British Isles provides some contrasting results. Leonidou and Katsikeas identify different managerial characteristics at the various levels of export development, suggesting a change over time. Within the smaller craft firm, this evolutionary behaviour may be difficult to achieve, given the specific orientations of many of the owner/managers. It may be relatively easy for the owner/manager with innate entrepreneurial characteristics to develop the exporting firm, but for the idealist and the lifestyler, it is likely that many of these owner/managers will be highly resistant to change. The authors suggest that, given the limitations of existing models, more 'innovative, creative and resourceful avenues of research' should be pursued.

Examining the emerging marketing/entrepreneurship research paradigm as an additional explanation for smaller craft firm internationalisation behaviour, combined with the idealist's 'art for art's sake' philosophy has enabled the identification of various owner/manager types who directly influence smaller craft firm internationalisation behaviour. The existence of art for art's sake philosophy, fiercely debated and supported by artists such as Whistler (1994) contrasts with the economic interpretation of production, with its associated implications of demand and supply (Adams 1996) Early work in this field can be found in the writings of Plekhanov (1972) who remarked that:

The tendency toward art for art's sake arises and develops where an insoluble contradiction exists between the artist and his social environment. This contradiction exercises a favourable effect on the work of the artist to the extent that it enables him to rise above his social environment.

Many of the respondents questioned showed clear evidence of their rejection of business and marketing practice, with direct consequences for modelling exporting behaviour of the craft firm. A number of owner/managers followed the art for art's sake philosophy and achieved a reasonable level of success while others transformed their orientation over time towards entrepreneurial behaviour. One strong linkage between idealistic and entrepreneurial behaviour is the existence of risk; the idealist takes artistic risks while the entrepreneurial firm deals with both craft product and business risk.

Leonidou and Katsikeas talk of the benefits of drawing on areas both traditionally related to exporting and also 'harnessing ideas from nonbusiness disciplines and enhancing understanding of the subject by employing paradigmatic pluralism.' That is the path this research has attempted to follow. Successful craft behaviour might then almost 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 through application of creativity of both thought and practice.



### **8.2.2. Impact of Culture on the Internationalisation Process.**

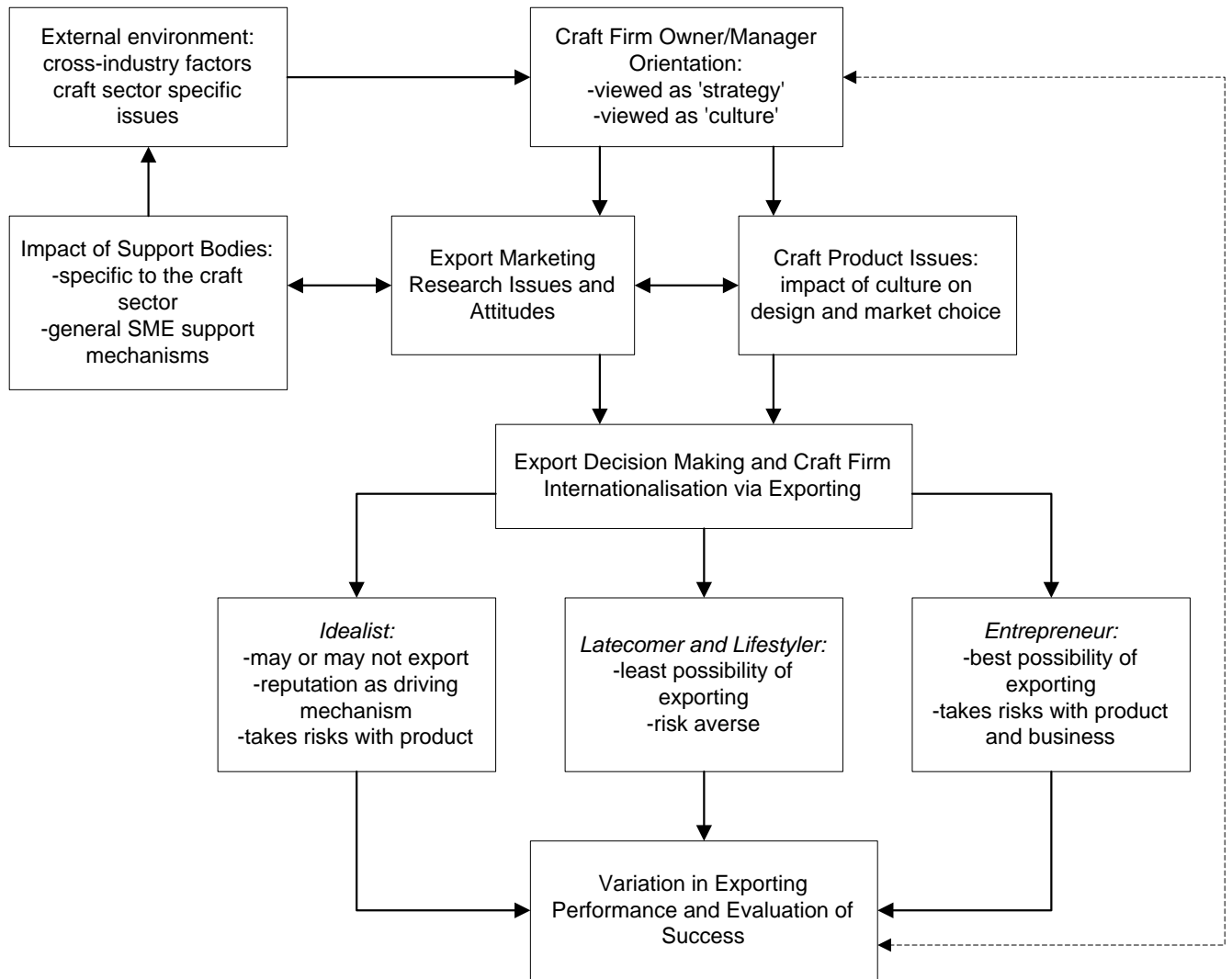
From a cross-cultural perspective, Morris and Lewis believe that the contribution of the aforementioned entrepreneurial characteristics are not so much innate to a particular society or sets of societies, but tend to be related to prevalent environmental conditions at a specific time. This would then tend to contradict some of Hofstede's observations on cultural differences and their impact on the way in which business is carried out in different societies. This also then has implications for thinking about and explaining why there are variations in perceptions towards exporting both between and within countries.

Results also indicate a connection between exporting experience and impact of geographical distance on market choice; as the firm grows there should be less reliance on geographically close markets as the firm becomes more willing to investigate opportunities further afield. However, results indicate differences between exporters from the five countries in terms of the impact of geographical distance on market choice; for example this can be partially explained by the influence of the Celtic factor in terms of export market choice by Irish craft firm. There are also differences in terms of the influencing effect of unsolicited orders and the wish to rely less on the domestic market. In the case of the Northern Ireland smaller craft firm, the domestic market is very limited and exporting tends to be the only option for future expansion of the business. Variation in the impact of unsolicited orders suggests that development of owner/manager orientation varies depending on the country of origin.

### **8.2.3 Interpretation of Exporting Behaviour, Performance and Success.**

Results have shown that those experiencing increasing success in exporting endeavours tend to be more favourably disposed towards expanding the business both domestically and internationally than those firms achieving less success. However, the interpretation of success will differ, depending on the particular orientation of the owner/manager, as Figure 30 has shown. Although exporting acts as a business expansion factor, results indicate that this rate decreases as the value of export sales increases. This supports the belief that many owner/managers of smaller craft firms are motivated to expand only to a certain point beyond which the increased effort is not deemed to be worthwhile. The dominance of the lifestyle factor found in many owner/managers explains this lack of progression. Exporting frequency is affected by the type of planning carried out, suggesting a link with the model of firm development constructed by Carson (1990) incorporating a progression from the reactive firm to the proactive marketer. A fuller comprehension of the internationalisation process of the smaller craft firm can be obtained by combining the various factors influencing exporting behaviour contained in Table 103 on craft business owner/manager characteristics, Figure 29 on smaller craft firm internationalisation and Figure 30 relating to smaller craft firm exporting performance and success (Figure 31).

**Figure 31. The Process of Smaller Craft Firm Internationalisation**



(source: adapted from Table 103 and Figures 9 and 27).

Analysis of the results has shown that owner/manager perception of terminologies such as exporting strategy, business and products vary due to their particular philosophical stance. Instead of incorporating the exporting strategy dimension into the model following an evaluation of the impact of various internal and external factors on internationalisation as in previous models, it is perhaps more valuable to include both strategic and cultural dimensions as part of initial owner/manager

orientation. Export marketing research attitudes and usage will vary depending on this orientation, but will also be affected by a range of craft sector specific and general SME factors such as predisposition by local enterprise agencies towards providing specific exporting assistance geared towards the smaller craft firm. Owner/manager orientation impacts directly craft product issues; for example, the idealist will not adapt the product to suit market demand, while many entrepreneurial exporters will tend to exploit the Celtic connection regardless of whether or not they themselves are Celtic in origin. These preceding factors then impact upon export decision making, with a variety of possible outcomes. Instead of the commonly modelled dichotomous behaviour of export decision making such as the reactive/proactive, aggressive/passive approaches, this research has identified four possible orientations with varying attitudes towards exporting.

The idealist and the entrepreneur have the best possibility of developing exports, although different motivational devices occur in each firm type. Reputations acts to drive the idealist producer through international markets while increasing profits serve to motivate the entrepreneurial craft firm. The latecomer and the lifestyler are the least likely to engage in exporting activity, with both types tending to be more risk averse than the other firm types. Finally, evaluation of exporting performance and success will vary, due to differences in owner/manager and the outcomes experienced. The lifestyler and latecomer may be satisfied with a continuing small level of craft exports, as long as they experience no additional stress and inconvenience. However, the idealist and entrepreneur appear strongly motivated to continue exporting, although their individual reasons for doing so will vary.

### **8.3 Practical Implications.**

This section will concentrate on discussing a range of internationalisation implications relating to the owner/manager, industry support bodies and how successful exporting development relies on satisfying customer demand for the craft.

#### **8.3.1 Impact of Support Bodies on Internationalisation.**

Identification and recognition by support bodies that craft firms exist at varying stages of export development should be incorporated in appropriate export assistance measures corresponding to the particular needs of the firm. These will differ, from the craft firm exporting for the first time to the experienced business. Specific, rather than general, exporting information and assistance is needed in order to satisfy the particular requirements of working in the craft sector.

Results have identified several differences among the five countries surveyed in terms of the composition of craft firm type. At any one point in time, there may be more entrepreneurial owner/managers per capita in one region when compared to another; for example, interviews with several respondents from Northern Ireland and the Republic of Ireland suggest that the fostering of an enterprise culture is more highly developed in the latter country. This has possible links to the influencing effects of support organisations at local and governmental level, as well as reflecting government policy and attitude towards the craft sector.

As exporting experience increases, the craft firm builds stronger relationships with personal contacts overseas and develops long term links with professional institutions such as the Crafts Council, suggesting that networking with these

organisations is crucial to long term success. In addition, exporting success appears to be linked to developing strong relationships in the domestic market as triggers to export. Connections forged through day to day business and trade fair attendance influence future behaviour.

Visiting overseas markets was found to be modestly correlated with both developing relationships with government agencies and carrying out in-house export market research. A link was also found between developing customer and retailer relationships, indicating that networking and relationship building is paramount to exporting success for the smaller craft firm. Although the smaller craft firm tends to be unable to carry out formal methods of export marketing research to any great extent, analysis has shown that there are links, for example, between being able to understand the culture of the export market, use of government agencies, published market research reports and domestic based embassies as sources of export market research information.

A key function of the industry support bodies should be the communication of the belief that marketing means much more than selling or advertising. Perceptual barriers need to be broken down and positive word of mouth communicated about its advantages. This can be assisted via the support mechanisms in the crafts sector and for this to happen it should be the responsibility of the key decision makers both within and external to the sector (the respective Crafts Councils, local enterprise agencies and government bodies). In addition, those owner/managers who have benefited from its use can also serve to communicate the benefits of export marketing in carrying out business. However, positive word of mouth

communication from a number of successful craft firms to other makers may be more useful and direct than endeavouring to communicate through a number of other channels.

In order to gain access to export related information at a local level a network of bodies needs to be established to organise and promote relevant events targeted specifically at the smaller craft firm. Analysis has shown that there is sufficient economic effect derived from the craft sector to merit this support. Craft sector specific support bodies can lobby Government support in order to endeavour to improve the export culture in the craft sector.

Results have shown that that, although there are generally four types of craft firm, there are indications that orientation can change, depending upon previous exporting experience. Support organisations should target not only the risk takers but also enter into the process of persuasion so that those seemingly averse to risk will begin to adopt a positive attitude towards adopting different approaches to business, both in the domestic and overseas markets. This will involve instilling a change in the culture of both the owner/manager and the business and can be initially shaped during training in the discipline (at art college or equivalent establishment). If this strategy is adopted this will have implications for how organisations such as local enterprise agencies and councils promote their services. However, these support organisations have their own culture and, depending on the background of their key decision makers, they may be receptive towards an improved future direction or they may perceive no real need to change the system.

The entrepreneurial craft business is most likely to desire expansion both domestically and overseas and should be targeted by the local enterprise agency for support. However, results have indicated that several entrepreneurial owner/managers will resist any attempt at assistance, instead seeking to develop their business independently. Some respondents have noted that there is a problem with organisational culture in that many of those employed by the agency tend to come from local government positions and have brought bureaucratic-related work values with them to their current position. As a result, some craftspeople report that they have experienced a negative attitude, with some individuals being described as self important. A cultural change may need to take place in order to promote a more democratic and forward looking philosophy throughout the organisation, linked with instilling the belief that all types and sizes of business require assistance. Promotion of outward investment initiatives should include measures to assist current and potential craft sector exporters.

All the major actors impinging upon the crafts sector need to understand the impact of the crafts on the economy. The crafts industry has been compared to other industry sectors which do not generally encounter negativity from support organisations, mainly because these other industries are well established in the economic framework of the country as a whole and tend to be viewed as suppliers of jobs as the firm expands in the longer term. However, expansion is not always desired by the craft firm; lifestyle quality can be equally if not more important. It is essential to convey the idea that the craft sector, although exhibiting some specific sectoral characteristics, does have many common elements with other industries.



Over 90% of all European Union businesses can be described as micro-organisations (Storey 1997) and the majority of craft firms in the United Kingdom and the Republic of Ireland operate in what can be described as a micro-business environment.

Many respondents have commented that, although they perceive themselves to be good designers, they do have poor business sense. This should be an incentive for support organisations to promote their services more actively in order to develop and enhance the opportunities of those working in the craft sector in the longer term.

### **8.3.2 Owner/Manager Training/Knowledge Issues.**

Given the comments by many respondents concerning the lack of useful export-related programmes of assistance, there is scope to develop part time courses where the craftsperson could mix both with owner/managers new to exporting in other industry sectors as well as interacting with others from their own environment. In organising such a course, the emphasis should be in achieving a balance between the use of creative and business skills. Use should be made of the technology transfer process (Carson 1990) where the training institution can learn more about key in-depth issues concerning the particular industry and then adapt general principles for the specific needs of the owner/manager. The owner/manager can also benefit by absorbing the key concepts of export marketing processes and then, by working with others, adapt these frameworks and models to their own particular needs. Since creativity is a key driving mechanism in the craft sector, this should be utilised in the design and implementation of such courses in order to harness

together the creative approach to business together with the individual's aptitude for designing creative and innovative products.

The link between export marketing and producing crafts can be seen in terms of developing a number of key managerial competencies, so that the craftsperson will ultimately acquire a portfolio of skills based on his/her original strengths as a maker and growing the business both domestically and overseas. Any existing weakness can be viewed as potential strengths for the future - training courses and seminars should be directed towards attempting to change these attitudes and improve knowledge levels, so that the maker will achieve the desirable balance of skills.

The lack of availability of relevant marketing courses may be linked to the general attitude of the college/university department where the majority of those surveyed were trained and where crafts tended to be viewed as art. Therefore there appears to be little or no place for management ideology in the artistic philosophy being practiced by the newly graduated practitioner. In order that the crafts grow as an industry both domestically and internationally the view must be promoted that, while accepting that many owner/managers feel they cannot compromise their ideals in terms of producing what they want rather than what the customer wants, there is scope for developing a more professional and business-like attitude in the overall process. The idea of accepting the usefulness of business and marketing skills should mean that the chances of failing at a particular endeavour are considerably less than if the firm had not utilised them in the first place. Their acceptance is only part of the issue in that the craftsperson will then have to develop a set of key competencies in order to develop as a business-oriented producer. This

acquisition of skills can be linked to the literature on the marketing/entrepreneurship interface where, as the business grows, the owner/manager develops a set of key competencies over time. However, not all of those practising their craft have acquired a higher level qualification and this must be born in mind when developing relevant courses and seminars, in terms of the language and terminologies used and the level at which the information is pitched.

Since the craft firm operates on limited financial resources, the possibility of increased numbers participating in, for example, MBA programmes at universities, is not likely to occur unless the environment becomes more supportive. One possibility might be for the Crafts Councils and other bodies to part fund a postgraduate marketing qualification.

### **8.3.3 Impact of Culture on Craft Firm Internationalisation.**

The link between the crafts and cultural identity is pursued in the thesis in terms of investigation of the Celtic connection and its effect on exporting behaviour. However, the owner/manager can also utilise the culture of the craft in order to achieve sales. By working and selling from the studio (a traditional craft environment), control is maintained over the prices set whereas in a retail or gallery situation profits are reduced. The buyer also benefits by viewing the craft in the various stages of production and should come to appreciate the effort and high skill level required to produce the object. This is one way of attempting to change the view held by some potential customers that handmade means lower quality.

The cultural background of the craftsperson can impact on the way in which business is carried out, ranging from perceptions of risk to market selection. Analysis has shown that there are some differences between the countries in the markets selected for exporting; the English makers appear to target a wider customer base than those from Scotland, Northern Ireland and the Republic of Ireland. The Irish and Scottish makers tend to forge links with each other than with any other country. There is a tendency for the Celtic craftsperson to utilise his/her cultural heritage in the selling of the product much more than the non-Celtic producer in terms of the design and packaging, the way in which business is carried out and in the geographical markets served.

One respondent remarked that there was a common 'language' between craftspeople from different countries, suggesting that there may be a cross-cultural creative link between craftspeople. This would mean that the behaviour is not learned but is part of some inherent set of characteristics found in all artists and craftspeople, resulting in further implications for smaller craft firm internationalisation. This view is supported by Metcalf (1997) who has identified the work of Dissanayake (1988) as an indicator of art as a universal attribute of human nature:

(Art as behaviour) can result in artefacts and activities in people without expressed 'aesthetic' motivations as well as the most highly self-conscious creations of contemporary art. I call this tendency *making special* and claim that it is as distinguishing and universal as speech or the skilful manufacture and use of tools (p92).

This would suggest that craft firms from a range of countries have a number of basic shared attributes, many of which have been uncovered by this research.

### **8.3.4 Export Development and the Export Customer.**

Although the smaller craft firm suffers from a range of resource constraints, on closer examination there does not seem to be any particular reason why the business cannot adopt a wider range of methods than it does at present. It may be that due to the dominant use of trade fairs and networking, and the sometimes reasonable success levels achieved, the business may not develop in terms of skills acquisition and adoption of additional methods of export market servicing. Instead it appears to be drawn into continually adopting approaches which may not necessarily suit the firm if it is to grow internationally.

Many respondents commented upon the perceptual differences among customers concerning the value of the craft object. There were variations among domestic and export market customers; at times the overseas buyer placed a higher value on the work than the local customer. Unless buyer perception changes and the generation of awareness of the industry is heightened via the assistance of support organisations, developing export markets where the consumer has a higher level of appreciation may be the only real possibility of growth in the long term for many craft firms.

Ultimately, the success of the craft firm in export markets may be due to the design of the object itself, rather than the business capabilities of the firm. Dormer (1997) notes that the artist, the craftsperson and the designer are all involved in the process of designing:

...in a practical sense you cannot divorce craft from design. The craftsman or craftswoman is as much a designer as any product designer: to make something requires choices regarding the structure and appearance of the object as well as a strategy for making it.

It is the end user that differs, both in terms of how the work is used (either as a utility product or as an aesthetically consumed piece of craftwork/artwork) and in terms of the acceptable price which can be charged. Dormer indicates that it is the designer who is really the marketer in that their activities are based around responding to consumer demand and also in creating and stimulating new market demands via new product development. Results of this research, however, indicate that those owner/managers who perceive themselves to be designers tend to produce what they are personally motivated towards doing, and not as a consequence of export market demand.

As far as the consumer is concerned, the differences between the hand-crafted object, the one-off artwork and the designer-type object can become blurred at times. Using the example of studio ceramics, research has shown that consumers in Canada find it difficult to place them within any framework or classification system (Hickey 1997). Very few respondents perceived them to lie within the giftware sector while others believe them to be 'art'. However, they were not seen as collectable items which could be viewed as an investment for the future (unlike fine art). This confusion may explain why some types of craftwork tend to sell reasonably well, while others are not so popular. Several respondents commented on the variation of consumer taste; they had experienced 'certain preferences in certain markets', suggesting that the demand for crafts was, to an extent, culturally based. Some countries outside the framework of study appear not to have a hierarchical attitude towards the crafts. In other words, the final buyers do not perceive the crafted object to have a lower value or status than fine art. This then

has implications for craft firm internationalisation behaviour and export market choice.

#### **8.4 Limitations of the Study**

This pluralistic research is both industry and firm size specific, with data collection being carried out over a period of several months. Longitudinal studies should provide additional beneficial findings, since the behaviour of the internationalising firm tends to be dynamic over time. Costs and time constraints also limited the sample size, although the poor level of existing sampling data concerning exporting craft firms also impinged upon the process. Until a national database of craft firms is constructed, further internationalisation research in this sector will have to rely on sampling from a diverse range of sources, with cross-checking to ensure that individual units have not been repeated. The research focused on the smaller internationalising craft firm where one-off or small batch production methods were adopted.

The larger craft firm utilising mass production methods was not investigated and therefore progression of the entrepreneurial smaller craft firm to this stage could not be analysed. However, it was demonstrated that the smaller enterprise is extremely common and, as such, must be recognised as a legitimate factor in the internationalisation process. The study was confined to examining exporting behaviour in craft firms based in the United Kingdom and the Republic of Ireland, where the impact of historical and geographical export market choice among the five countries is extremely strong. Although the results indicated a number of

differences in exporting behaviour among firms in the five countries, application of the findings to a wider study involving other European and North American countries is limited to an extent. The impact, for example, of the Celtic factor on export market choice is not likely to impinge greatly upon the smaller exporting craft firm from Northern or Southern Europe, although similar cultural ties among groups of countries would be expected to be uncovered.

## **8.5 Future Research**

### **8.5.1 Exporting Behaviour and Success**

Instead of viewing the craft industry from a firm level perspective alone, an improved understanding of its specific characteristics and internationalisation via exporting may be achieved by also analysing consumer behaviour regarding craft purchase. Categorising some crafts as giftware, the concepts of commodification and exchange relationships can be applied. Some of the disciplines which contribute to this areas include anthropology and sociology. Hickey (1997) comments:

Examining craft as giftware allows us to examine the variety of values and meanings assigned to the hand-crafted object by contemporary society - by makers, retailers, buyers and recipients alike. Giving is potent communication - communication largely conveyed by the complex relationships the giver and recipient have with the gift object.

Many craft firms experience seasonality in their sales, depending in part on the location of the business and the type of product and on the time of year. A number of studies have been carried out relating to purchasing gifts at Christmas which may better explain the buying processes involved than the explanations given by the producers themselves regarding sales levels and fluctuations (Miller 1993).



In order to further investigate exporting success, relationships involving the craft object, the owner/manager and the support organisations should be considered as well as the final consumer of the object.

### **8.5.2 Researching the Impact of Culture on Craft Firm Internationalisation**

Given that a number of differences in exporting behaviour have been uncovered which can be deemed to be partly influenced by cultural factors, comparative research could be carried between craft firms in the countries already investigated, other European nations and North American. In order to acquire a deeper understanding of the cultural process and its role in forming differences in exporting behaviour and owner/manager perception, it may be useful to examine how the crafts have evolved historically within society. There are differences in the history of the craft sector in England, North America and Japan; as such, this may serve as an explanation for the variation in firm behaviour and customer perception in these countries.

Internationally, it may be possible to also classify owner/managers into the four groups of lifestyler, entrepreneur, idealist and late developer. Or, perhaps due to inherent cultural differences, additional profiles may need to be constructed. Hodgetts and Luthans (1994) believe that values are learned from the culture in which the individual is reared and that differences in cultural values can result in varying management practices. If this is held to be true, then this variation helps to explain variations in behaviour among respondents in the five countries surveyed.

Future work could focus on owner/manager value variations across a wider range of countries in order to uncover possible differences in terms of creativity, entrepreneurial behaviour and internationalisation via exporting.

Examining Hofstede's dimensions of culture (1980, 1988), and their possible contribution as an aid to understanding differences among owner/managers and their firms in this research, their overall usefulness was found to be limited. Even though there are differences in behaviour among respondents both within and between the five countries surveyed, there were not sufficient cultural differences at the macro-level in order to confirm their validity within the craft industry in the United Kingdom and the Republic of Ireland. However, one recommendation would be to examine their usefulness as part of a wider internationalisation study where more solid cultural differences among countries appear to occur.

### **8.5.3 Exporting Strategy and Performance**

Results show that export performance is affected greatly by owner/manager orientation. It was difficult to test this relationship statistically due to the large degree of qualitative input involved in obtaining the associated owner/manager profiles. Using larger samples across more culturally diverse countries, future work could examine the relationship between firm type and export performance and success.

There are also differences between non-exporter groups in terms of being unwilling to investigate new markets and not having enough production capacity in order to expand. This may be linked to the degree to which entrepreneurial orientation

occurs within each country. Future research could investigate, using a much larger sample, the owner/manager typologies constructed in this research.

#### **8.5.4 Further Application of Owner/Manager Typology Model**

The model of owner/manager characteristics which describe lifestyler, entrepreneur, idealist and latecomer orientation (Table 103) was formulated after consideration of both the quantitative and qualitative data. The resultant profile provides a valuable input into modelling smaller craft firm behaviour in both domestic and international markets. This research focused on the internationalisation process of the smaller craft firm in the United Kingdom and the Republic of Ireland, but future research will aim to apply this model across additional several scenarios.

Firstly, by endeavouring to utilise the model in evaluating smaller craft firm behaviour in countries outside the framework of this study, a fuller picture can be formed of the industry at a more international level. By examining exporting behaviour in similar firms in North America and Europe, results may act to confirm the four typologies already found, or it may be the case that additional or sub categories of each type are identified, resulting in enhanced understanding of the industry. Secondly, by exploring smaller firm exporting behaviour in other industry sectors, it is envisaged that entrepreneurial, lifestyle and other factors will occur but that the degree of each orientation may vary. By using the typology model as an aid to interpreting both quantitative and qualitative data collected in this future research, it is believed that a more complete picture of smaller firm behaviour will be achieved than through the adoption of existing profiling techniques. Thirdly, this approach can be utilised in the development of case study material relating to small

firm behaviour and the problems encountered with growth over time. The model was developed after consideration of owner/manager philosophy, motivation, attitudes and subsequent behaviour in both domestic and international markets and could be used as a valuable interpreting device and teaching aid in case studies. An example of its contribution to understanding smaller firm behaviour could involve the interpretation of interview transcripts of respondents through the application of this framework and the subsequent identification of owner/manager types and firm behaviour by the interpreter.

### **8.6 Summary of key contributions to knowledge**

Investigation of the smaller craft firm has shown that companies employing less than ten personnel (the microenterprise) have meaningful international impact. Much previous internationalisation research has tended to focus on larger businesses, neglecting the contribution made by such firms. This research has demonstrated that internationalisation of the microenterprise involves a range of factors relating to resource limitation and owner/manager orientation not generally incorporated in other studies.

Internationalisation has previously been described as *the process of increasing involvement in international operations* (Welch and Luostarinen 1988), or involving the scaling of a *strategy-ladder* (Steinmann et al 1980). Alternative operational conceptualisations have been offered as attempts to describe such behaviour. Examination of smaller craft firm behaviour has shown that many existing methods such as the stages approach (Cavusgil 1982, Ortiz-Buonafina 1991) and the eclectic

paradigm (Dunning 1988) offer limited scope for visualising the internationalisation behaviour of the microenterprise.

Increasing involvement or commitment at the microenterprise level will vary, depending upon owner/manager orientation. In fact, investigation of craft firm behaviour has shown that a large proportion of these smaller firms will always remain small, due to the wishes of the owner/manager who drives the firm. Therefore, international progression will only reach a certain point beyond which only those firms with creative and entrepreneurial orientation will tend to pass.

Investigation of smaller craft firm exporting behaviour has reinforced the usefulness of the network paradigm (Johanson and Mattson 1988) as an aid to understanding smaller firm internationalisation. Due to limitation of resources, the microenterprise must seek low cost methods such as networking and word of mouth communication. In many cases, export market entry can be gained much more quickly than through the adoption of more formal methods. A range of exporting barriers can be bypassed as the microenterprise forges and exploits links with network members in domestic and overseas markets.

Adoption of a pluralistic approach to research (Arndt 1985, Brannen 1992) is recommended as an aid to furthering internationalisation understanding. Incorporation of both quantitative and qualitative methods has enabled the detailed profiling of owner/manager types; if a single approach had been used, the richness of the data and its subsequent interpretation would not have resulted in the uncovering of such a variety of typologies.

Investigation of smaller craft firm internationalisation has demonstrated the usefulness of the emerging marketing and entrepreneurship paradigm of research (Carson 1995, Day and Reynolds 1998) in assisting the understanding of microenterprise behaviour. Driven by severe resource limitations in many instances, the owner/manager develops creative approaches in order to redress the situation. Acquisition of a balance of creative business and product related skills enables the smaller firm to achieve differential advantages over many of their competitors.

In conclusion, this research has examined a sector of industry which has not been previously rigorously investigated from both theoretical and practical perspectives. The smaller craft firm shares many common characteristics with other microenterprises and, as such, these factors should be addressed in future studies of smaller firm internationalisation. In addition, this work has also uncovered a range of situation specific issues found to occur within the craft sector. Future internationalisation research on the smaller firm should therefore attempt to incorporate a pluralistic approach based on marketing and entrepreneurship issues,

in order to identify a range of shared and situation specific factors which can then be incorporated in improved theory generation.

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## APPENDIX A: CRAFT BUSINESS SURVEY

We are concerned with how and why craft businesses sell their products abroad. Your cooperation is appreciated in completing the questionnaire, which should take only 20 minutes, and confidentiality is assured at all times. Some of the questions involve selecting a number ranging from 5 (very important) to 1 (not important).

1. Are you currently exporting your products? (please circle)

Yes    No    *If Yes go to Q2, if No go to Q24.*

*The following questions are intended for exporters only:*

2. How long have you been an exporter?

less than 1 year	<input type="checkbox"/>	5 - 9 years	<input type="checkbox"/>
1- 4 years	<input type="checkbox"/>	10 years or more	<input type="checkbox"/>

3. What are your main export markets? (please circle and indicate approximate percentage of total export turnover relating to each market)

E.U. Europe	_____	Australasia	_____
Other Europe	_____	Far East	_____
North America	_____		
Other (please specify)	_____		

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4. How has exporting affected the expansion of your business? (please circle)

Very much                  Some                  A Little                  Not at all

5. What is the value of your annual export sales? (please select category)

less than £10,000	<input type="checkbox"/>	£50,001 - £100,000	<input type="checkbox"/>
£10,001 - £25,000	<input type="checkbox"/>	£100,001 - £250,000	<input type="checkbox"/>
£25,001 - £50,000	<input type="checkbox"/>	£250,000 +	<input type="checkbox"/>

6. Approximately, what is this expressed as a percentage of overall sales?

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12. Do you use networking as an aid to business? (please circle)

Yes

No

*If Yes go to Q13, if No go to Q14.*

13. What would you say are the main benefits of networking, compared to other methods of gaining access to foreign markets?

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14. How does geographical distance affect your choice of foreign market ?

very much

not at all

5

4

3

2

1

15. How important to you is the use of market research in exporting?

very important

not important

5

4

3

2

1

Can you give some examples of the types of market research you use when exporting?

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16. Which of the following relationships are important to the long term success of your business?

very important

not important

customer

5

4

3

2

1

supplier

5

4

3

2

1

government agency

5

4

3

2

1

consultant

5

4

3

2

1

bank

5

4

3

2

1

business contacts

5

4

3

2

1

distributors

5

4

3

2

1

retailers

5

4

3

2

1

others (please specify)

5

4

3

2

1

5

4

3

2

1

17. When identifying export opportunities how relevant is the understanding of the culture of the foreign country:

very important					not at all
5	4	3	2	1	

Please give examples :

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18. From the list below, please indicate the importance of the sources of information which you use when considering possible export markets:

	very important			not important	
	5	4	3	2	1
local development agency	5	4	3	2	1
banks	5	4	3	2	1
trade directories	5	4	3	2	1
published market research reports	5	4	3	2	1
personal contacts at home	5	4	3	2	1
personal contacts overseas	5	4	3	2	1
trade associations	5	4	3	2	1
own market research	5	4	3	2	1
chambers of commerce	5	4	3	2	1
overseas agent	5	4	3	2	1
trade fairs	5	4	3	2	1
overseas embassies	5	4	3	2	1
public libraries	5	4	3	2	1
commercial libraries	5	4	3	2	1
professional industrial bodies	5	4	3	2	1
universities	5	4	3	2	1
professional institutions	5	4	3	2	1
government trade and industry department	5	4	3	2	1
domestic based embassies	5	4	3	2	1
others (please specify)					
_____	5	4	3	2	1
_____	5	4	3	2	1





23. How important were these factors in influencing you to start exporting?

	very important				not at all
contacts made through domestic business	5	4	3	2	1
saturated domestic market	5	4	3	2	1
unsolicited order	5	4	3	2	1
good domestic market performance	5	4	3	2	1
declining domestic sales	5	4	3	2	1
reduction of tariffs in target countries	5	4	3	2	1
larger profits in foreign markets	5	4	3	2	1
currency favourability	5	4	3	2	1
beliefs about value of exporting	5	4	3	2	1
government export incentives	5	4	3	2	1
awareness of export programmes	5	4	3	2	1
wish to rely less on domestic market	5	4	3	2	1
foreign language ability	5	4	3	2	1
knowledge of foreign markets	5	4	3	2	1
use up excess capacity	5	4	3	2	1
attendance at trade fairs	5	4	3	2	1
previous travel in foreign countries	5	4	3	2	1
other reasons (please specify)					
_____	5	4	3	2	1
_____	5	4	3	2	1

Now please go to Q27.

24. For nonexporters only:

Have you exported in the past? (please circle)

Yes

No

If Yes, please go to Q25, if No go to Q26.

25. When was the last time you exported your products? (please tick)

less than 1 year ago

5 - 9 years ago

1-4 years ago

10 years or more

26. How important for you are the following explanations for not exporting:

	very important			not at all	
lack of financial resources	5	4	3	2	1
lack of business experience	5	4	3	2	1
lack of personnel	5	4	3	2	1
lack of marketing knowledge	5	4	3	2	1
exporting is too risky	5	4	3	2	1
no motivation to export	5	4	3	2	1
no time to research cultural differences	5	4	3	2	1
no time to research language differences	5	4	3	2	1
unwilling to investigate new markets	5	4	3	2	1
no time to research new markets	5	4	3	2	1
have not travelled abroad	5	4	3	2	1
not enough production capacity	5	4	3	2	1
business too small to handle exporting	5	4	3	2	1
other reasons (please specify)					
_____	5	4	3	2	1
_____	5	4	3	2	1

27. A number of factors affecting the decision not to export are outside the control of your business. How do you rate the following?

	very much			not at all	
lack of exporting assistance	5	4	3	2	1
lack of export inquiries	5	4	3	2	1
complicated exporting regulations/procedures	5	4	3	2	1
difficult to communicate with					
international customers	5	4	3	2	1
sufficient business in the domestic market	5	4	3	2	1
lack of foreign channels of distribution	5	4	3	2	1
exposure to increased competition	5	4	3	2	1
lack of government incentives	5	4	3	2	1
other reasons (please specify)					
_____	5	4	3	2	1
_____	5	4	3	2	1

*Now please go to Q28*

*The following questions are intended for both exporters and nonexporters.*

28. How many people does your business employ? (please tick)

- |                         |                          |           |                          |
|-------------------------|--------------------------|-----------|--------------------------|
| Single person operation | <input type="checkbox"/> | 26 - 49   | <input type="checkbox"/> |
| 2-5                     | <input type="checkbox"/> | 50 - 99   | <input type="checkbox"/> |
| 6-10                    | <input type="checkbox"/> | 100 - 199 | <input type="checkbox"/> |
| 11-25                   | <input type="checkbox"/> | 200 +     | <input type="checkbox"/> |

29. What are your main products?

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30. What are your total annual sales? (please tick)

- |                      |                          |                       |                          |
|----------------------|--------------------------|-----------------------|--------------------------|
| less than £30, 000   | <input type="checkbox"/> | £10, 001 - £250, 000  | <input type="checkbox"/> |
| £30, 001 - £50, 000  | <input type="checkbox"/> | £250, 001 - £500, 000 | <input type="checkbox"/> |
| £50, 001 - £100, 000 | <input type="checkbox"/> | £500, 000 +           | <input type="checkbox"/> |

31. When was your business founded?

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32. With which of the following characteristics can you identify: (please tick any which apply)

- |                       |                          |
|-----------------------|--------------------------|
| risk taking           | <input type="checkbox"/> |
| conservatism          | <input type="checkbox"/> |
| long term outlook     | <input type="checkbox"/> |
| short term outlook    | <input type="checkbox"/> |
| passiveness           | <input type="checkbox"/> |
| aggressiveness        | <input type="checkbox"/> |
| ambition              | <input type="checkbox"/> |
| rigidity              | <input type="checkbox"/> |
| willingness to change | <input type="checkbox"/> |
| future orientation    | <input type="checkbox"/> |
| optimism              | <input type="checkbox"/> |
| pessimism             | <input type="checkbox"/> |

33. Can you please indicate your qualifications?: (please tick)

- A levels/Scottish highers or European Equivalent
- college/higher educational qualification (e.g. HNC, HND)
- university degree
- postgraduate qualification
- formal business qualification (e.g. MBA)
- other (please specify)
- 
- 

34. To which age group do you belong?

- 19 - 25  45 - 54
- 26 - 34  55+
- 35 - 44

Thank you for taking the time to complete this questionnaire. Please return it in the envelope provided. If you would like to participate further in this research please indicate below and give your full name and postal address here or include your business card:

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Please tick:

I would like to participate further

Feel free to make any further comments relating to Craft businesses and exporting:

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## **APPENDIX B: Issues discussed during the in-depth interview process**

1. what influenced you to start selling/exporting?
2. problems with selling your work
3. relevance of business/marketing skills
4. usefulness of Crafts Council, LDAs and other bodies
5. description of your outlook/attitude towards your business
6. what are your strengths and weaknesses?
7. formation of relationships/networks - importance
8. what are your main markets/decisions involved?
9. main methods of selling your work
10. use of marketing research
11. how does culture affect your work - design, selling, marketing?
12. current health of your business/exports
13. any thoughts about the future direction of your work/business?

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<sup>i</sup> Report of a *Special Committee of the Council of the Government School of Design*, appointed November 1846, (London, Clowes and Sons, 1847), p 41.

<sup>ii</sup> In a review of the literature on internationalisation from 1975 - 1999 carried out by the author, ranging from general business and management journals to specific publications concerning international marketing.

<sup>iii</sup> R.W. Green (1971). "Statistical Classifications – Structure and Development: The Government's Viewpoint", *IMRA Journal*, vol 7/4.

<sup>iv</sup> The average income per week in 1983 before deductions was £149 or £7748 per annum. See *Annual Abstract of Statistics*, Central Statistics Office, HMSO, 1985 edition, Table 6.19, p127.

<sup>v</sup> In the introductory notes of the trade directory 'Contemporary and Traditional Craft in Northern Ireland, published by Craftworks.

<sup>vi</sup> Details of the services offered are available on the organisation's website: <http://www.irish-trade.ie/>

<sup>vii</sup> The Queen's Award to Industry Scheme was instituted in 1965 and the first awards were granted in 1966. In 1975 two separate awards replaced the single Award to Industry Scheme. These were an Award for Export Achievement and one for Technological Achievement. The purpose of the Export Achievement Award is to recognise and encourage outstanding achievements in exporting goods or services from the United Kingdom, the Channel Islands and the Isle of Man (McAuley 1993, p64).

<sup>viii</sup> Bonaccorsi (1987), however, notes that rationality in the decision making process for choosing exporting arrangements should not be considered as always applicable to many small Italian exporting firms, due to the sometimes inadequate nature of their organisational and managerial resources.

<sup>ix</sup> The crisis of industrial civilization: the early essays of August Comte. - [edited and] introduced by Ronald Fletcher; [translated from the French]. - London; Heinemann Educational, 1974.; Comte's philosophy of the sciences: being an exposition of the principles of the Cours de Philosophie Positive of Auguste Comte by G.H. Lewes. - London; George Bell, 1878.

<sup>x</sup> Durkheim and modern sociology. - Steve Fenton with Robert Reiner and Ian Hammet. - Cambridge; Cambridge University Press, 1984; Durkheimian sociology: cultural studies. - edited by Jeffrey C. Alexander. - Cambridge; Cambridge U.P., 1988.

<sup>xi</sup> Understanding classical sociology: Marx, Weber, Durkheim. - John A. Hughes, Peter J. Martin and W.W. Sharrock. - London; Sage, 1995; The political and social theory of Max Weber: collected essays. Wolfgang J. Mommsen. - Cambridge; Polity, 1989.

<sup>xii</sup> *British Exports 96 - Kompass British Exports* 2<sup>nd</sup> edition, East Grimstead, 1995. Other similar directories include the *Scottish Business Directory* 1995 and *Sell's British Exporters* 1993/94.

<sup>xiii</sup> See A. Tapp (1998). *Principles of Direct and Database Marketing*, Financial Times Pitman Publishing, p44.